Appendix B

Aggregation & Calculation of Values

Updated: 04th March 2011

Version: 20110304v1r0

Contents

1 Introduction

This Appendix B to **Public Notice 17 – Bermuda Customs Declaration (BCD) Guidelines** provides information on the following topics:

- Aggregation of Records;

- Calculation of various values on the BCD; and,

- Determining the value for Customs purposes.
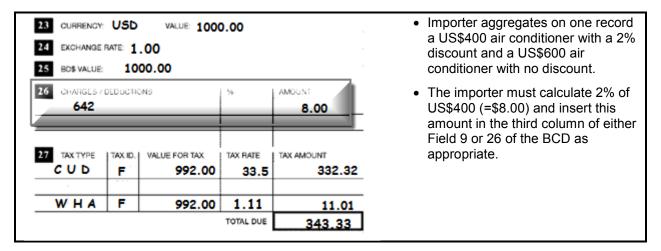
2 Aggregation

2.1. What is aggregation?

Aggregation allows a Declarant to declare similar goods from multiple suppliers into a single Record on the BCD.

2.2. How do I aggregate goods?

Goods may be aggregated into a single Record as long as the following conditions are met:

- All of the goods **MUST** have the same —

    - Customs Procedure Code (Field 16)
    - Country of Origin (Field 17)
    - Tariff code (Field 18)
    - Currency on the invoice (Field 23)

You may aggregate goods that have different Charges / Deductions (Field 9 or Field 26); however, this will require that any Charges / Deductions in Field 26 are shown as a Bermuda Dollar amount. Please see the below example:

23 CURRENCY: USD	VALUE: 1000.00
24 EXCHANGE RATE: 1.00	
25 BD$ VALUE: 1000.00	

26 CHARGES / DEDUCTIONS	%	AMOUNT
642		8.00

27 TAX TYPE	TAX ID.	VALUE FOR TAX	TAX RATE	TAX AMOUNT
C U D	F	992.00	33.5	332.32
W H A	F	992.00	1.11	11.01
			TOTAL DUE	343.33

- Importer aggregates on one record a US$400 air conditioner with a 2% discount and a US$600 air conditioner with no discount.

- The importer must calculate 2% of US$400 (=$8.00) and insert this amount in the third column of either Field 9 or 26 of the BCD as appropriate.

3 Valuation

The legislative authority for the valuation of imported goods is governed by section 24 of the Revenue Act 1898, together with the Rules of Customs Valuation that form the Second Schedule of the Revenue Act 1898.

The value may be computed in several ways and importers should familiarise themselves with the applicable portions of the Revenue Act 1898.

3.1. What value do I pay duty on?

Duty is calculated against what is known as the *transactional value*. This refers to the price paid (or payable) by a buyer to a seller and should include other costs incurred by the buyer, such as packing costs, license or royalty fees, and any other sum(s) that accrue to the seller.

For the vast majority of non-commercial shipments the transactional value is simply the sales price for the goods as stated on your receipt or invoice. Sometimes an invoice or receipt will have various charges or deductions that affect the transactional value.

The importer should inform Customs if there are costs / charges that are due to the seller at some point in the future but which are not known at the time of import. Customs will then offer guidance on the proper valuation method that will need to be used.

Another term used sometimes besides transactional value to describe the value on which Bermuda Customs charges duty is "*F.O.B.*", or Free On Board. The terms transactional value and F.O.B. value are not the same; the difference is that F.O.B. invoices can have associated charges and deductions for which adjustments should be made to the values.

3.2. Deductions from the Transactional Value

The following *charges* should not be included in the transactional value and may be **deducted** from the price of the goods if 'built in' to the cost you are paying:

- Overseas taxes - sales tax, VAT, GST, etc.;
- Freight charges - either delivery charges, inland trucking, ocean freight or air freight;
- Insurance charges; and,
- Handling fees - usually a fee for processing the paperwork for an order.

The following *allowances* may be **deducted** from the price of the goods:

- Term discount - usually a specific per cent discount given if payment is made within a certain time - e.g. 2% 10 days Net 30 = if payment made within 10 days a 2% discount is allowed, if not the entire balance must be paid within 30 days;
- Other discounts - discounts given at time of purchase and not contingent on the buyer doing anything else, such as:
  - Volume discount - given due to size of order;
  - Cash discount - given for paying cash for order;
  - 'Loyalty' discount - given for being a good customer; and,
  - Special offer discount - given only for certain goods in the order such as new products or discontinued items.

The *Deductions* above are not an exhaustive listing and if you see charges and allowances on your receipt or invoice that you are unsure of please ask a Customs Officer for assistance.

3.3. Additions to the Transactional Value

The following *charges* are dutiable and should be **added** to the transactional value:

- Labour charges - for assembling or servicing the goods;

- Packing charges - usually separate charges for special crating or packing materials, e.g. bubble wrap for fragile items / a cradle for a boat / etc.; and,

- Warranty charges - for extended coverage purchased by the buyer.

The following deductions are not allowed by Bermuda Customs and if removed from the transactional value should be added back to the sales price:

- Contingency discount - usually based on the buyer purchasing more goods within a certain time;

- Down payments - to ensure the processing of an order the buyer may be required to make partial payment. This amount is usually deducted from the final total invoice price but does not affect the actual cost of the goods.

The *Additions* above are not an exhaustive listing and if you see charges and allowances on your receipt or invoice that you are unsure of please ask a Customs Officer for assistance.

3.4. What does it mean if my invoice says the values are "C.I.F."?

The term "**C.I.F.**' stands for **C**ost **I**nsurance and **F**reight.

This means the values on the invoice are made up of the **Cost** of the goods, as well as 'built in' charges for **Insurance** and **Freight**.

As insurance and freight charges may be deducted from the price to arrive at the transactional value (*see 3.3 above*) you should adjust your values accordingly if the invoice states C.I.F.

The bill of lading will in most cases state the value of the *pre-paid* freight that needs to be taken account of in making your adjustment.

4   Calculation of Value for BCD

4.1. Rounding of Values in CAPS

When a BCD is processed on CAPS it is important to remember that any sum, product or result of any calculation that is performed must be rounded to 2-decimal positions.

The value of the second decimal is to be determined using the 5/4 rule, i.e. if the value of the third decimal position is 5 or greater the value of the second decimal position is to be increased by 1 and the value rounded to 2-decimal positions; if the value of the third decimal position is 4 or less the value of the second decimal position does not change and the value rounded to 2-decimal positions, e.g. 458.7891 = 458.79; 172.01489 = 172.01.

Further, if the value is to be used in a subsequent calculation then the rounded value is then to be used to carry out the next calculation.

4.2. Calculating Charges / Deductions for Multiple Records

If you have deductions or additions to the transactional value and goods that are classified to more than one tariff number you must **pro rate**. This means that the deductions or additions must be split equally between the various goods based on their value. You must not apply all the deductions or additions against only one of the tariff classifications - this will cause the BCD to be rejected.

Simply put, to pro rate the charges and deductions you should do the following:

- Take the total value of all the deductions and divide by the total cost of all the goods;
- You will now have the proportion that all the goods should be adjusted by;
- Multiply the value of each of the goods - or if you have already grouped them by tariff number the value of each classification group - by the adjustment proportion; and,
- This will give you the actual amount that needs to be deducted from the sales value.

If you have additions as well simply repeat the above steps starting with dividing the total value of all the additions by the total cost of all the goods.

However, CAPS is very precise in validating the calculations on a BCD and care must be taken in pro rating any charges or deductions in order to avoid any validation queries for rounding errors or incorrect calculated values.

Two detailed examples are provided below – the first deals with a multi-Record BCD that has 2 Charges at the Header Level (Field 9); while the second example deals with a multi-Record BCD that has 2 Charges at the Header Level (Field 9) AND 2 Deductions at the Record Level (Field 26).

The examples provide step by step calculations on how pro rating should be done on an actual BCD.

Calculation 1 - Standard 3 Record BCD with 2 Header Charges

N.B.
The effect of the Charges/Deductions is cumulative, with each Charge or Deduction impacting the value upon which each succeeding calculation is to be based, e.g. Start Value +/- Charge/Deduction1 = Value2; Value2 +/- Charge/Deduction2 = Value3.

Calculations to be performed:

1. Calculate Bermuda Dollar (BD$) Value
2. Calculate Sum Total BD$ Value of all Records
3. Calculate **Header** Charges and Deductions
4. Calculate **Record** Charges and Deductions
5. Calculate Value for Tax for each Record
6. Calculate CUD (Duty) Tax Amount for each Record
7. Calculate WHA (Wharfage) Tax Amount for each Record
8. Calculate Total Due for each Record
9. Calculate Total Amount Payable for BCD

1. Calculate Bermuda Dollar (BD$) Value (Field 25).

For each Record calculate BD$ Value

Foreign Currency Value * Exchange Rate = BD$ Value
(Field 23b * Field 24 = Field 25)

All Record Level Values converted to BD$.

Rec. 001: $40.00 EUR @ 1.513900 = BD$60.556 = **BD$60.56**
Rec. 002: $45.75 USD @ 1.000000 = **BD$45.75**
Rec. 003: $162.25 EUR @ 1.513900 = BD$245.63027 = **BD$245.63**

2. **Calculate Sum Total BD$ Value of all Records.**
Add all BD$ Values of each record.

Rec. 001: **BD$60.56**
Rec. 002: **BD$45.75**
Rec. 003: **BD$245.63**

Total: **BD$351.94** *(start value)*

3. **Calculate Header Charges and Deductions (Field 9).**
Charges and Deductions are applied in the order of presentation on the BCD, regardless of whether the figure is in the "**%**" column of Field 9 or the "**Amount (BD$)**" column of Field 9.
(The Header Charges and Deductions are always to be applied first, then the Record Charges and Deductions.)

   a) **Apportion Header Charges and Deductions 1 between all Records**
   191 – Buying Commission – AMOUNT - BD$9.00

   BD$9.00 / **BD$351.94** = 0.0255725

   Rec. 001 - BD$60.56 * 0.0255725= BD$1.5486706 = **BD$1.55**
   Rec. 002 - BD$45.75 * 0.0255725= BD$1.1699418 = **BD$1.17**
   Rec. 003 - BD$245.63 * 0.0255725= BD$6.2813731 = **BD$6.28**

   (BD$1.55 + BD$1.17 + BD$6.28 = **BD$9.00**)

   b) **Apportion Header Charges and Deductions 2 between all Records**
   231 – Misc. Charge - % - 10%

   BD$360.94 [*351.94 + 9.00*] * 10% = BD$36.09

   (**N.B.** The value of the 10% charge is calculated off of the cumulative value of **BD$360.94** and **NOT** the *start value* of **BD$351.94**)

   Rec. 001 - **BD$62.11** [BD$60.56 + 1.55] * 10% = BD$6.211 = **BD$6.21**
   Rec. 002 - **BD$46.92** [BD$45.75 + 1.17] * 10% = BD$4.692 = **BD$4.69**
   Rec. 003 - **BD$251.91** [BD$245.63 + 6.28] * 10% = BD$25.191 = **BD$25.19**

   (BD$6.21 + BD$4.69 + BD$25.19 = **BD$36.09**)

4. **Calculate Record Charges and Deductions (Field 26).**
Charges and Deductions are applied in the order of presentation on the BCD, regardless of whether the figure is in the "%" column of Field 26 or the "Amount" column of Field 26.

There are no Record level Charges or Deductions in this example.

5. **Calculate Value for Tax (Field 27c) for each Record.**
Calculate by adding or deducting the appropriate Charges and Deductions (Step 3. and Step 4.) from the BD$ Value (Field 25) for each Record as calculated in Step 1. and adjusted for the cumulative effect of Step 3. and Step 4.

For each Record:
Value For Tax = BD$ Value +/- [**HEADER** Charges/Deductuions] +/- [**RECORD** Charges/Deductions]
Field 27c = Field 25 +/- [Field 9] +/- [Field 26]

Rec. 001: BD$60.56 + BD$1.55 + BD$6.21 = **BD$68.32**
Rec. 002: BD$45.75 + BD$1.17 + BD$4.69 = **BD$51.61**
Rec. 003: BD$245.63 + BD$6.28 + BD$25.19 = **BD$277.10**

6. **Calculate CUD (Duty) Tax Amount (Field 27e) for each Record (e.g. 22.25%).**
Value for Tax * Tax Rate = Tax Amount

Rec. 001: BD$68.32 * 22.25% = BD$15.2012 = **BD$15.20**
Rec. 002: BD$51.61 * 22.25% = BD$11.483225 = **BD$11.48**
Rec. 003: BD$277.10 * 22.25% = BD$61.65475 = **BD$61.65**

7. **Calculate WHA (Wharfage) Tax Amount (Field 27e) for each Record (e.g. 1.11%).**
Value for Tax * Tax Rate = Tax Amount

Rec. 001: BD$68.32 * 1.11% = BD$0.758352 = **BD$0.76**
Rec. 002: BD$51.61 * 1.11% = BD$0.572871 = **BD$0.57**
Rec. 003: BD$277.10 * 1.11% = BD$3.07581 = **BD$3.08**

8. **Calculate Total Due (Field 27f) for each Record.**
Rec. 001: BD$15.20 + BD$0.76 = **BD$15.96**
Rec. 002: BD$11.48 + BD$0.57 = **BD$12.05**
Rec. 003: BD$61.65 + BD$3.08 = **BD$64.73**

9. **Calculate Total Amount Payable (Field 14) for BCD.**
Sum of Field 27f for all Records = Total Payable Amount.

Rec. 001 - BD$15.96 +
Rec. 002 - BD$12.05 +
Rec. 003 - BD$64.73 =

TOTAL AMOUNT PAYABLE = BD$92.74

Calculation 2 - Standard 3 Record BCD with 2 Header Charges AND 2 Record Deductions per Record.

N.B.
The effect of the Charges/Deductions is cumulative, with each Charge or Deduction impacting the value upon which each succeeding calculation is to be based, e.g. Start Value +/- Charge/Deduction1 = Value2; Value2 +/- Charge/Deduction2 = Value3.

Calculations to be performed:

1. Calculate Bermuda Dollar (BD$) Value
2. Calculate Sum Total BD$ Value of all Records
3. Calculate **Header** Charges and Deductions
4. Calculate **Record** Charges and Deductions
5. Calculate Value for Tax for each Record

6.   Calculate CUD (Duty) Tax Amount for each Record
7.   Calculate WHA (Wharfage) Tax Amount for each Record
8.   Calculate Total Due for each Record
9.   Calculate Total Amount Payable for BCD

1.   **Calculate Bermuda Dollar (BD$) Value (Field 25).**

For each Record calculate BD$ Value
Foreign Currency Value * Exchange Rate = BD$ Value
(Field 23b * Field 24 = Field 25)

All Record Level Values converted to BD$.

Rec. 001: $40.00 EUR @ 1.513900 = BD$60.556 = **BD$60.56**
Rec. 002: $45.75 USD @ 1.000000 = **BD$45.75**
Rec. 003: $162.25 EUR @ 1.513900 = BD$245.63027 = **BD$245.63**

2.   **Calculate Sum Total BD$ Value of all Records.**

Add all BD$ Values of each record.

Rec. 001: **BD$60.56**
Rec. 002: **BD$45.75**
Rec. 003: **BD$245.63**

Total: **BD$351.94** *(start value)*

3.   **Calculate Header Charges and Deductions (Field 9).**

Charges and Deductions are applied in the order of presentation on the BCD, regardless of whether the figure is in the "**%**" column of Field 9 or the "**Amount (BD$)**" column of Field 9. (The Header Charges and Deductions are always to be applied first, then the Record Charges and Deductions.)

    a)   **Apportion Header Charges and Deductions 1 between all Records**

        191 – Buying Commission – AMOUNT - BD$9.00

        BD$9.00 / **BD$351.94** = 0.0255725

        Rec. 001 - BD$60.56 * 0.0255725= BD$1.5486706 = **BD$1.55**
        Rec. 002 - BD$45.75 * 0.0255725= BD$1.1699418 = **BD$1.17**
        Rec. 003 - BD$245.63 * 0.0255725= BD$6.2813731 = **BD$6.28**

        (BD$1.55 + BD$1.17 + BD$6.28 = **BD$9.00**)

    b)   **Apportion Header Charges and Deductions 2 between all Records**

        231 – Misc. Charge - % - 10%

        BD$360.94 [*351.94 + 9.00*] * 10% = BD$36.09

        (**N.B.** The value of the 10% charge is calculated off of the cumulative value of **BD$360.94** and **NOT** the *start value* of **BD$351.94**)

        Rec. 001 - **BD$62.11** [BD$60.56 + 1.55] * 10% = BD$6.211 = **BD$6.21**
        Rec. 002 - **BD$46.92** [BD$45.75 + 1.17] * 10% = BD$4.692 = **BD$4.69**

Rec. 003 - **BD$251.91** [BD$245.63 + 6.28] * 10% = BD$25.191 = **BD$25.19**

(BD$6.21 + BD$4.69 + BD$25.19 = **BD$36.09**)

4. <u>**Calculate Record Charges and Deductions (Field 26).**</u>

Charges and Deductions are applied in the order of presentation on the BCD, regardless of whether the figure is in the "%" column of Field 26 or the "Amount" column of Field 26.

The calculations for any Charges or Deductions for a Record are carried out independently from the calculations of any Charges or Deductions for another Record.

Rec. 001 -
212 – Cash Discount - Amount – BD$10.00
312 – Payment Terms - % - 2%

BD$68.32 [*BD$60.56 + BD$1.55 + BD$6.21*] – BD$10.00 = **BD$58.32**
BD$58.32 * 2% = BD$1.1664 = **BD$1.17**
BD$58.32 – BD$1.17 = **BD$57.15**

Rec. 002 -
212 – Cash Discount - Amount – BD$5.00
312 – Payment Terms - % - 2.5%

BD$51.61 [*BD$45.75 + BD$1.17 + BD$4.69*] – BD$5.00 = **BD$46.61**
BD$46.61 * 2.5% = BD$1.16525 = **BD$1.17**
BD$46.61 – BD$1.17 = **BD$45.44**

Rec. 003 -
212 – Cash Discount - Amount – BD$22.50
312 – Payment Terms - % - 3%

BD$277.10 [*BD$245.63 + BD$6.28 + BD$25.19*] – BD$22.50 = **BD$254.60**
BD$254.60 * 3% = BD$7.638 = **BD$7.64**
BD$254.60 – BD$7.64 = **BD$246.96**

5. <u>**Calculate Value for Tax (Field 27c) for each Record.**</u>

Calculate by adding or deducting the appropriate Charges and Deductions (Step 3. and Step 4.) from the BD$ Value (Field 25) for each Record as calculated in Step 1. and adjusted for the cumulative effect of Step 3. and Step 4.

For each Record:
Value For Tax = BD$ Value +/- [**HEADER** Charges/Deductuions] +/- [**RECORD** Charges/Deductions]
Field 27c = Field 25 +/- [Field 9] +/- [Field 26]

Rec. 001: BD$60.56 + BD$1.55 + BD$6.21 – BD$10 – BD$1.17 = **BD$57.15**
Rec. 002: BD$45.75 + BD$1.17 + BD$4.69 – BD$5.00 – BD$1.17 = **BD$45.44**
Rec. 003: BD$245.63 + BD$6.28 + BD$25.19 – BD$22.50 – BD$7.64 = **BD$246.96**

6. <u>**Calculate CUD (Duty) Tax Amount (Field 27e) for each Record (e.g. 22.25%).**</u>

Value for Tax * Tax Rate = Tax Amount

Rec. 001: BD$57.15 * 22.25% = BD$12.715875 = **BD$12.72**
Rec. 002: BD$45.44 * 22.25% = BD$10.1104 = **BD$10.11**
Rec. 003: BD$246.96 * 22.25% = BD$54.9486 = **BD$54.95**

7. **Calculate WHA (Wharfage) Tax Amount (Field 27e) for each Record (e.g. 1.11%).**

   Value for Tax * Tax Rate = Tax Amount

   Rec. 001: BD$57.15 * 1.11% = BD$0.634365 = **BD$0.63**
   Rec. 002: BD$45.44 * 1.11% = BD$0.504384 = **BD$0.50**
   Rec. 003: BD$246.96 * 1.11% = BD$2.741256 = **BD$2.74**

8. **Calculate Total Due (Field 27f) for each Record.**
   Rec. 001: BD$12.72 + BD$0.63 = **BD$13.35**
   Rec. 002: BD$10.11 + BD$0.50 = **BD$10.61**
   Rec. 003: BD$54.95 + BD$2.74 = **BD$57.69**

9. **Calculate Total Amount Payable (Field 14) for BCD.**
   Sum of Field 27f for all Records = Total Payable Amount.

   Rec. 001 - BD$13.35 +
   Rec. 002 - BD$10.61 +
   Rec. 003 - BD$57.69 =

   TOTAL AMOUNT PAYABLE = BD$81.65

4.3. How do I Pro Rate if my Invoice is C.I.F.?

If the invoices are C.I.F. and consist of goods that are classified to more than one tariff number you must pro rate the applicable charges (*see 4.2 above*). The first step would be to determine the freight charges as a proportion of the overall value and then adjust the values for the goods accordingly.

For Example
Importer has a C.I.F. invoice for US$1,000 - US$300 television and a US$700 electric stove.

The bill of lading states that the pre-paid freight was for US$250.

- US$250 / US$1,000 = 0.25

- Television - US$300 * 0.25 = $75
  Electric stove - US$700 * 0.25 = $175

- Transactional values to be declared on BCD in Box 27 (Value for tax)-
  Television - $225 (*300 minus 75*)
  Electric stove - $525 (*700 minus 175*)

N.B. it is easy to see if you have done this correctly as the transactional values should total back to the C.I.F. invoice minus the freight charge ($1,000 - $250 = $750 **OR** $225 + $525 = $750)

4.4. Do I adjust C.I.F. invoices the same as F.O.B. invoices?

No. The difference is in the handling of discounts on C.I.F. invoices.

Before deducting any discounts from a C.I.F. value you must first adjust the value for the freight and insurance charges.

The example used in 4.3 above can be used again but with a discount to demonstrate this concept:

For Example

Importer has a C.I.F. invoice for a US$300 television and a US$700 electric stove but only paid US$950 because the shop gave a US$50 discount for paying cash.

The bill of lading states that the pre-paid freight was for US$250.

Step 1 - make freight adjustment

- US$250 / US$1,000 = 0.25

- Television - US$300 * 0.25 = $75
  Electric stove - US$700 * 0.25 = $175

- Values after making freight adjustment -
  Television - $225 (*300 minus 75*)
  Electric stove - $525 (*700 minus 175*)

Step 2 - calculate discount against value adjusted for freight

- US$50 / US$1,000 = 0.05

- Television - US$225 * 0.05 = $11.25
  Electric stove - US$525 * 0.05 = $26.25

- **N.B.** the discount adjustment is for $37.50 only and not $50. This is due to the fact that the dollar value of the discount is based in part on the 'built in' freight charge. The freight portion of the discount is: US$250 * 0.05 = $12.50 (*11.25 + 26.25 + 12.50 = 50*)

  Customs does not allow importers to deduct the actual dollar value of discounts straight from the C.I.F. value. The discounts must be deducted proportionally taking into account the freight adjustment.

Step 3 - calculate the "value for tax" for Box 27 on each record of the BCD

- Television - $213.75 (300 minus 75 AND 11.25)
  Electric stove - $498.75 (700 minus 175 AND 26.25)

N.B. How do you check to see if the calculation is correct in this example?
The transactional values should total back to the C.I.F. invoice minus the freight charge, less the proportional discount -

- Transactional values: $213.75 + $498.75 = $712.50.

- C.I.F. minus freight, less discount: $1,000 - $250 = $750 - $37.50 (750 * 0.05) = $712.50

This can be confusing and if you have difficulty arriving at the transactional value when adjusting C.I.F. values please ask a Customs Officer for assistance