



# St Kitts ~ Nevis Customs & Excise Department

*"To Protect and Collect"*

*P.O. Box 1  
Basseterre  
St Kitts W.I.*

*Tel: (869) 466 7227  
Fax: (869) 465 8519  
Email: [skbcusexcise@sisterisles.kn](mailto:skbcusexcise@sisterisles.kn)  
[www.skncustoms.com](http://www.skncustoms.com)*

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## PACKAGE DEALS

This Policy outlines and explains the application of the valuation sections of the Customs Act in relation to importations of goods sold as package deals.

### Legislation

Paragraph 3 of the Second Schedule of the Customs Act, No. 19 of 2014

<http://skncustoms.com/Customs%20Act%202014/Schedules.pdf>

### Guidelines and General Information

1. A package deal is an agreement to pay a single price for a group of goods sold together, the price of the goods being the only consideration. The substance of the agreement needs to be examined in order to ensure that the sale meets the conditions of the transaction value method
2. To illustrate, a vendor and a purchaser negotiate a sale in which 5 units of product **A** and 5 units of product **B**, which normally sell for \$10 per unit and \$20 per unit respectively, are sold for a total package price of \$135.
3. This situation would constitute a package deal and the provisions of Paragraph 3 of the Second Schedule would not come into play, i.e., there is no limitation with respect to the goods for which a value cannot be determined. However, if the sale (quantity and/or price) of the package is conditional upon the purchaser buying, at a future time, a certain quantity of product **C**, there then exists a condition or consideration, as envisaged by paragraph 3(1)(b). This arrangement is known as a tie-in sale, and the package comprised of products **A** and **B** could then not be valued under section 3.

### **Customs Value for Duty of Package Deals**

4. If a price paid or payable can be established for the total package, the package may be valued under the transaction value method (paragraph 3 Second Schedule of the Customs Act), providing that the other requirements of that section are met. The fact that the shipment contains items that are not priced separately does not prevent the use of paragraph 3 when valuing a package deal.

### **Apportionment of Total Package Costs**

5. If the goods contained in the package are classified under different classification numbers, it is necessary to apportion the total package price among the individual goods that form part of the package deal for the purpose of applying the Customs Tariff.
6. Once the value for duty of the package has been determined, the apportionment is not an application of valuation provisions, but is one of customs administration.
7. In making such an apportionment, the price or cost breakdowns must be reasonable and based on sufficient information. The following examples will serve as guidelines as to what may constitute sufficient information for purposes of apportioning the package deal:
  - (a) the price breakdown of the separate items in the package may be determined by examining importations of identical goods and this breakdown applied to the package in question; or
  - (b) cost breakdowns, supplied by the producer or vendor of the goods being appraised, through the importer, which conform to generally accepted accounting principles based on:
    - (i) the cost of production of the goods being appraised; or
    - (ii) the vendor's acquisition cost of the goods being appraised.
8. The following example illustrates how an apportionment of the total package price may be made in cases where goods are classified under different classification numbers:

A tent and a camp cot are imported as a package with a declared value of \$80. The requirements of paragraph 3, Second Schedule of the Customs Act have been met and the value for duty of the package deal has been determined to be \$80. In order to apportion the value, previous importations of tents and cots, imported separately, are examined and found to have the following values:

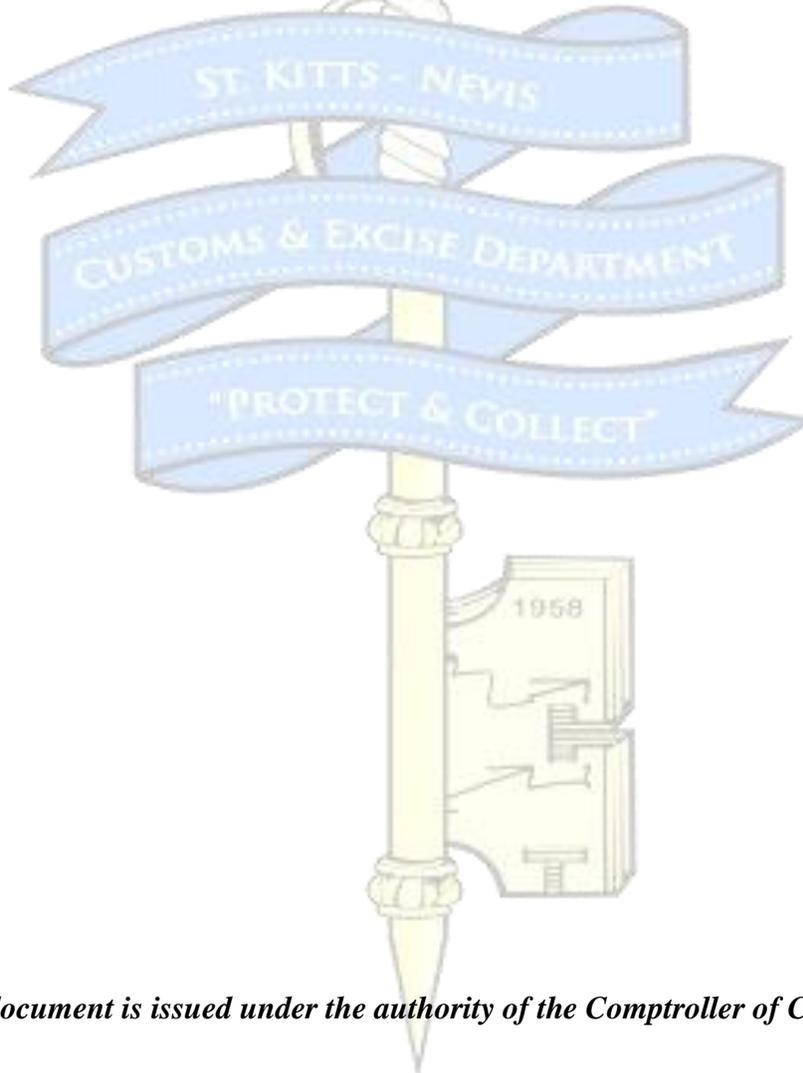
Tent \$ 70  
Cot \$ 30  
Total \$100

Based on this breakdown, the tent represents 70% of the value of the total and the cot represents 30%. Applying these percentages to the package in question, the tent represents 70% of \$80, or \$56, and the cot represents 30% of \$80, or \$24.

9. In importations of package deals where the goods contained in the package are classified under the same classification number, it is not necessary to make an apportionment such as that contained in the foregoing example. In such cases, it is sufficient to determine the value for duty of the total package.

### **Additional Information**

For more information please contact us in St. Kitts 1(869) 466-7227 ext. 3243/3239/3225 or 1(869) 467-1077; Nevis 1(869) 469-0704/469-5521 ext. 2066. Email us at [enquiry@skncustoms.com](mailto:enquiry@skncustoms.com) or [customerservice@skncustoms.com](mailto:customerservice@skncustoms.com)  
Visit us at [www.skncustoms.com](http://www.skncustoms.com)



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