



# St Kitts ~ Nevis Customs & Excise Department

*"To Protect and Collect"*

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## ASSISTS

This policy outlines and explains the treatment of the value of goods and services referred to in subparagraph 8(1) (b) of the Second Schedule of the Customs Act in determining the customs value of imported goods under different valuation methods.

### Legislation

The Customs Act, No. 19 of 2014 Second Schedule Paragraph 8. (1) (b)

*The value, apportioned appropriately of the following goods and services where supplied directly or indirectly by the buyer free of charge or at a reduced cost for use in connection with the production and sale for export of the imported goods, to the extent that such value has not been included in the price actually paid or payable.*

### Guidelines and General Information

#### Definition

1. The term "assist" does not appear in the Act. It is used here to describe any of the goods and services provided directly or indirectly by the purchaser free of charge or at a reduced cost, for use in the production of imported goods outlined in subparagraph 8. (1) (b) of Schedule 11 of the Act.

#### Application

2. Assists may be a consideration in determining the value for duty under various paragraphs of Schedule 11 of the Act:

(a) Under paragraph 3, the value of any assist must be included in the transaction value;

(b) Under paragraph 5, sales to a person who has provided an assist in respect of the goods sold cannot be used to determine the price per unit of those goods when applying the deductive value method.

(c) Under paragraph 6, the value of any of the goods or services identified in subparagraph 8(1)(b) is to be included in the value for duty determined using the computed value method whether or not they were supplied free, or at a reduced charge; and

(d) Under the residual method, where a value is derived from a flexible application of one of the previous methods of valuation, assists may be a consideration in a flexible application of the previous methods.

### **Determination of the Value of an Assist**

#### **3. When the buyer**

- produces the assist: cost of production;
- obtained the assist from a related person who produced it: cost of production;
- acquired or leased the assist from a related person who did not produce it: related person's cost of acquisition or lease;
- acquired or leased the assist from a non-related person: Buyer's cost of acquisition or lease.

### **Apportionment of the Value of an Assist**

4. The legislation requires that the value of an assist be apportioned to the imported goods in a reasonable manner and in accordance with generally accepted accounting principles. Further guidelines regarding the apportionment of each type of assist are given below.

### **Materials, Components, Parts and Other Goods Incorporated in or Consumed in the Production of the Imported Goods**

5. In the case of assists referred to in sub-paragraphs 8(1)(b)(i) and (ii), the apportionment of the value would usually be based upon the number of components or the quantity of material incorporated in or consumed in the production of the imported goods.
6. For example, a SKN manufacturer of semi-conductors contracts with a foreign manufacturer to buy electronic equipment for \$100/unit for which the manufacturer supplies, free of charge, the semi-conductors from their SKN production. The semi-conductors constitute an assist and are valued at \$10 each. Each unit manufactured incorporates three semi-conductors. In this case, \$30 would be added to the price paid or payable of each unit of the finished goods imported.

**Note:** Any cost to transport the semi-conductors to the place where they are used in the manufacture of the electronic equipment would be included in the value of the assist.

## **Tools, Dies, Moulds and Other Goods Utilized in the Production of the Imported Goods**

7. Once a value has been determined for the type of assist referred to in clause 8(1)(b)(ii), it will be necessary to apportion that value to the imported goods. The value may be apportioned to the first shipment if the importer wishes to account for the entire value of the. The importer may apportion the value over the number of units produced up to the time of the first shipment. The value may also be apportioned over the entire anticipated production if a firm contract exists for the total production.

(i) To illustrate the above, a SKN importer purchases a mould for the production of a plastic toy and arranges for a foreign company to produce 10,000 such toys. The purchaser furnishes the mould free of charge. The value of that mould is \$1,000. By the time the first shipment of 1,000 toys has arrived, the producer has already manufactured 4,000 toys. The importer may apportion the value of the assist over 1,000 units, 4,000 units, or 10,000 units. Under the first example, \$1 would be added to the price paid or payable of each of the 1,000 units and no addition would be made to the remaining 9,000 units. Under the second example, 25 cents would be added to the price paid or payable of each of the 4,000 units and nothing added to the balance of 6,000 units. Taking the third example, 10 cents would be added to the price paid or payable of each of the 10,000 units.

8. The importer should be prepared to furnish documentation, which establishes the appropriateness of the method of their apportionment of an assist and a record of the imported units to which the value of that assist has been apportioned.

## **Engineering, Development Work, Art Work, Design Work, Plans and Sketches Undertaken Elsewhere Than in St Kitts and Nevis and Necessary for the Production of the Imported Goods**

9. Engineering, development work, art work, design work, plans and sketches, which are undertaken in SKN under sub-paragraph 8(1) (b) (IV) are not regarded as assists.
10. An individual firm's structure and management practice, as well as its accounting methods, may determine the ease with which the values of the elements in this clause may be calculated. For example, in a calculation of value for customs, it is possible that a firm, which imports a variety of products from several countries, maintains the records of its design centre outside SKN in such a way as to show accurately the costs attributable to a given product. In such cases, a direct adjustment may be appropriately. In another case, a firm may carry the cost of the design centre outside of SKN as a general overhead expense without allocation to specific products. In this instance, an appropriate adjustment could be made by apportioning total design centre costs over total production benefiting from the design centre and adding such apportioned cost on a unit basis.

**Additional Information**

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