



St Kitts ~ Nevis Customs & Excise Department

"To Protect and Collect"

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DISCOUNTS

This Policy outlines and explains the types of discounts, application of discounts and the considerations to be taken when applying discounts.

Legislation

In keeping with Second Schedule of the Customs Act, No. 19 of 2014 – Paragraph 3 (3) (a) and Section 121 which provides for the exception of discounts to be considered as part of the Transaction Value.

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

Guidelines and General Information

1. For the purposes of this policy, the term discount refers to an arrangement whereby the seller, in return for the buyer's undertaking of certain obligations or accepting or meeting certain conditions, reduces the amount of the price paid or payable for the imported goods. For example, the seller may grant a discount for prompt payment (cash discount) or because the seller operates at a certain level of trade (commercial/trade level discount) or because the purchaser has agreed to purchase a specified quantity of the goods in the sale giving rise to their importation (quantity discount).
2. Discounts encountered include among others quantity discounts, commercial/trade level discounts, end of season discounts, promotional discounts and prompt payment (commonly referred to as cash discounts).
3. If the terms of the discount are agreed to and granted prior to, or at time of importation, the amount of that discount should be considered when calculating the price paid or payable for the imported goods. There must be proof that the discount was actually granted to the buyer and proof of payment may be requested to substantiate the price paid or payable and the fact that the price paid or payable reflects the discount.
4. However, any rebate or decrease in the price paid or payable occurring after importation must be disregarded.

Application

5. As an example of a discount granted before importation, a firm in St. Kitts and Nevis purchases a machine from a foreign manufacturer. The list price of the machine is \$100. However, the manufacturer grants a 10% discount to the purchaser because he operates at the retail level of trade, resulting in a total price paid or payable of \$90. Since they agreed on the discount prior to importation, the price paid or payable is \$90 and is an acceptable basis for value for duty, subject to the other requirements of the Act being met.
6. In some instances, a seller may offer cash discount terms to a buyer that allow for a reduced payment to be made, provided that the payment is made within a certain time period. If the purchaser has not yet made the reduced payment before or at the time of importation but intends to do so, Customs Department will allow the discount to be considered in calculating the price paid or payable for the goods. For example, a firm in St. Kitts & Nevis purchases a machine from a foreign manufacturer, the price of which is \$10,000. However, the manufacturer grants a discount of 5% if payment is made within 10 days after the date of sale. At the time of importation, the cash discount is still available but not yet taken. If the purchaser intends to take advantage of the manufacturer's discount terms, the Customs Department will allow the purchaser to reduce the price payable by the amount of the discount, resulting in a price payable of \$9,500.
7. The only scenario in which the Customs Department will accept a price paid or payable that is reduced after importation is one in which the purchaser takes advantage of cash discount terms as discussed in the previous paragraph. It is to be stressed that any other discounts granted after importation will not be allowed.
8. If, after any review by Customs Department, it is discovered that an importer has reflected any discount, including a cash discount, in determining the customs value, but has not in fact earned that discount, a reassessment will be made and penalties will apply.

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 or customerservice@skncustoms.com
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