

**Subject**  
**Treatment of Discounts**

**Guidelines and General Information**

Explanation of Terms

1. For the purposes of this procedure the term “discount” refers to an arrangement whereby the seller, in return for the purchaser’s undertaking 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 (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. The price paid or payable, in accordance with Paragraph 3 of the Schedule to Section 19 of the Customs Act, is the total of all payments made or is to be made by the buyer, whether directly or indirectly, to or for the benefit of the seller.
3. If a discount is effected - that is, the obligation or condition to which a discount relates is fulfilled or met - prior to importation, the amount of that discount should be considered when calculating the value for duty for the imported goods.
4. The amounts of a discount effected after importation cannot be deducted from the price paid or payable for the imported goods.

The treatment of discounts in determining a transaction value under Paragraph 3 of

the Schedule to Section 19 of the Customs Act.

The law allows for the net price paid or payable to be an acceptable base for Transaction value unless the price is affected by a relationship as defined in Paragraph 1 (4) of the Schedule to the Customs Act or is subject to an unacceptable condition.

#### Cash Discounts

When prior to the valuation of imported goods, a buyer has availed himself of a cash discount offered by the seller, the cash discount should be allowed in determining the transaction value provided that the invoice states the type of discount and it is distinguished on the invoice. Where the price for the imported goods has not been paid at the time of importation and the cash discount will be effected after importation then such discount will not be considered in determining the Transaction value.

#### Quantity Discounts

Quantity discounts granted in view of the overall volume of the goods purchased and effected prior to importation is allowed in determining the Transaction value of the imported goods provided the invoice states the type of discount and it is shown separate on the invoice.

#### Trade Discounts

Trade discounts granted by the seller to the buyer on the imported goods and effected prior to importation of the goods is allowed in determining the Transaction value provided the invoice states the type of discount and it is shown separate on the invoice.

### Sample Discounts

This type of discount is granted on goods for use as samples, or for other similar promotional items, and is also allowable in calculating the customs value.

### Contingency Discounts

These are normally granted by a seller when the buyer has purchased a large quantity of goods over a given period. The discount relates to all importation in the period and not to one importation. A contingency discount is not allowable for custom duty purposes when it is claimed in full on one importation.

### Breakage Allowance

This is a discount given by suppliers to compensate the buyer for any items which may be broken whilst in transit. The discount is allowable provided it does not exceed 2% of the total amount being imported. An allowance given for damage to a previous consignment is not taken into account for the current importation.

### Rebates

A rebate or other decrease in the price paid or payable for the goods that is effected after importation of the imported merchandise will not be considered in determining the transaction value of imported goods.

### Refunds

Refunds made or effected after the date the merchandise was imported may not be used to reduce the Transaction value of the goods.