

## Warranty Charges

The procedure is to outline the treatment of warranty charges in determining the value for duty of imported goods.

### **Guidelines and General Information**

#### Definition

1. Warranty is a form of guarantee on goods, such as motor vehicles and electrical appliances, which covers costs of correcting defects (parts and labour) or replacement subject to certain conditions being met by the warranty holder. If those conditions are not met, warranty can be voided. Warranty covers hidden defects in the goods, that is defects which should not exist and which prevent the use of the goods or reduce their usefulness.
2. Basically two situations arise:
  - a) The seller directly or indirectly bears the cost and undertakes the risk of warranty, the provision of which is reflected in the price for the goods
  - b) The buyer directly or indirectly bears the cost and undertakes the risk of warranty and the price for the goods takes this into account.
3. Warranty Undertaken by the Seller

When the seller provides a warranty to a customer, the seller will take this into account when pricing the goods. Any extra cost attributable to the warranty will be part of the price and will be paid as a condition of the sale. No deduction is allowed, the cost of the warranty is part of the transaction value even if it is separate from the price actually paid or payable for the goods.
4. Where the seller imposes warranty on the buyer, the seller may choose to invoice the warranty separate from the goods. In such a case, the warranty cost

nevertheless remains a condition of the sale for export and is considered part of the price actually paid or payable that is, the total payment.

5. Warranty undertaken by the buyer

There may be cases where the buyer may decide to bear the cost of warranty on his own account. In these circumstances, any payment or other costs incurred by the buyer for warranty are not part of the price actually paid or payable, since this is an activity undertaken by the buyer on his own account.

6. Warranty already included in the price of the goods to the importer and subsequently a part goes bad on the good if the part is replaced by the supplier at no cost to the buyer or importer, when that no charge replacement item is imported duty is payable on this part.

7. Goods on warranty sent out of the Island for repairs for subsequent re-importation via the C43, on return, duty is not payable on the cost of repairs if the importer can provide to Customs evidence of the warranty. If the importer is not able to provide such evidence, the repair cost is dutiable.