



CUSTOMS VALUATION OF GOODS

1. What is Customs Valuation of Goods?

Customs valuation is the process used by customs authorities to determine the value of imported goods for the purpose of calculating customs duties, VAT, and other taxes.

2. Why is customs valuation important in international trade and revenue collection?

- Ensures the correct amount of customs duties and taxes is collected.
- Protects government revenue.
- Promotes fair competition among businesses.
- Prevents fraud, under-invoicing, and tax evasion.
- Facilitates legitimate international trade.
- Supports compliance with international trade rules.

3. Are there laws and international agreements governing customs valuation in Lesotho?

- The World Trade Organization (WTO) Agreement on Customs Valuation by full title of "Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade"
- The Southern African Customs Union (SACU) customs legislation and procedures.
- The Customs and Excise Act 1982 as amended and related regulations administered by the Lesotho Revenue Authority.

4. What is the primary method used to determine the customs value of imported goods?

The primary method is the Transaction Value Method. This is the price actually paid or payable for the goods when sold for export to Lesotho, adjusted by adding certain costs where required.

This method is used whenever the sale is genuine and sufficient documentation is available.

5. What are the other valuation methods that may be used when the primary method cannot be applied?



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- Transaction value of identical goods.
- Transaction value of similar goods.
- Deductive value method.
- Computed value method.
- Fallback (reasonable means) method.

6. What costs should be included when determining the customs value of imported goods?

- Purchase price of the goods.
- Packing and packaging.
- Loading and handling charges before importation.
- Assists supplied free or at reduced cost (such as molds, tools, designs, or materials used in production).
- Royalties or license fees related to the imported goods, where applicable.
- Certain commissions and brokerage fees.
- Wharf age Charges

Many countries, including those within SACU, generally assess customs value on a FOB (Free on Board) basis.

7. What costs should not be included in the customs value?

Generally, the following should not be included when separately identified:

- Local transport costs after importation.
- Ocean Freight and Insurance
- Installation or assembly costs after importation.
- Local taxes charged within Lesotho.
- Interest charges under genuine financing arrangements.
- Inland transport after customs clearance.
- Buying commissions paid by the importer.

8. What documents should an importer provide to support the declared value of goods?



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- Commercial invoice.
 - Packing list.
 - Bill of Lading or Air Waybill.
 - Freight invoice.
 - Insurance certificate.
 - Proof of payment (bank transfer, SWIFT confirmation, etc.).
 - Sales contract or purchase agreement
 - Import permits where required.
 - Any royalty or license agreements affecting the transaction.
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- Other supporting correspondence requested by customs.

Goods documentation helps customs verify the declared value quickly.

9. What are the most common mistakes importers make when declaring the value of their goods?

- Under-invoicing goods.
- Using pro forma invoices instead of final commercial invoices.
- Omitting freight or insurance costs.
- Declaring incorrect exchange rates.
- Failing to declare assists or royalty payments.
- Using false or altered invoices.
- Misunderstanding Incoterms (FOB, CIF, EXW, etc.).
- Not keeping supporting documents.
- Not declaring wharf age charges

10. What are the consequences of under-declaring or over-declaring the value of imported goods?

Under-declaration may result in:

- Additional duty and VAT assessments.
- Penalties and fines.



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- Interest on unpaid taxes.
- Delays in clearing goods.
- Seizure or forfeiture of goods in serious cases.
- Criminal prosecution where fraud is involved.

Over-declaration may result in:

- Paying more duty and VAT than necessary.
- Reduced business profitability.
- Difficulty obtaining refunds.
- Delays while corrections are made.

10. How does incorrect valuation affect the importer, government revenue, and fair trade?

For importers

- Increase business costs.
- Cause shipment delays.
- Lead to penalties and legal action.
- Damage business reputation.

For government

- Reduce customs revenue needed for public services.
- Increase enforcement costs.
- Encourage tax evasion.

For fair trade

- Give dishonest traders an unfair advantage.
- Distort market competition.
- Harm compliant businesses.



12. Are there common misconceptions about customs valuation that should be addressed?

Yes. Some common misconceptions include:

- "Customs always uses the invoice price." (Not always—adjustments may be required.)
- "Freight and insurance are never included." (They often are.)
- "Lower values save money without consequences." (False declarations can lead to serious penalties.)
- "Internet prices determine customs value." (Not necessarily.)
- "Customs can accept any declared value." (Customs may verify or reject unsupported values.)

13. What practical advice would you give importers?

- Always declare the true purchase price.
- Keep complete records.
- Understand your Incoterms.
- Include all costs required under customs valuation rules.
- Use reputable suppliers and clearing agents.
- Seek clarification from customs before importing if uncertain.
- Cooperate fully during customs verification.
- Retain import records for the period required by law.

14. What key message would you like every importer in Lesotho to remember?

Declare the true value of your goods, keep complete supporting documents, and comply with customs valuation rules. Accurate declarations protect your business, support fair trade, and help build Lesotho's economy.



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15. Any other information on goods valuation?

A few additional points are helpful:

- Customs valuation is not the same as the retail selling price in Lesotho.
- Customs officers may request additional documents if the declared value appears inconsistent with comparable imports or other available information.
- The transaction value remains the preferred method whenever its legal requirements are met; alternative methods are only used when it cannot be accepted.
- Maintaining transparent records and communicating openly with customs can reduce clearance times and help resolve valuation questions efficiently.

A strong compliance culture benefits importers, consumers, and government alike by ensuring revenue is collected fairly and legitimate trade moves efficiently.

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