

Instructions for Cross-border Shipments to IBM Corporation in the United States

(Also known as: Supplier Shipping Procedural Instructions – SPIs)

Published Date: 13th March, 2018. Supersedes All Earlier Dated Versions

Global Logistics Trade Compliance U.S.

Special Instructions for valuation of goods returned to IBM U.S. after rework, repair or testing, as referenced in Appendix 7.2 of the Instructions for Cross-border Shipments to IBM Corporation global document.

TABLE OF CONTENTS

1.0 INTRODUCTION

2.0 DOCUMENT REQUIREMENTS

Commercial Invoice: Valuation requirements for goods returned to IBM U.S. locations following rework, repair or test

1.0 INTRODUCTION

This U.S. specific valuation instruction should be followed in conjunction with the Instructions for Cross-border Shipment to IBM Corporation global document which contains requirements applicable to all countries in which IBM does business.

2.0 DOCUMENT REQUIREMENTS

Commercial Invoice: Valuation requirements for goods returned to IBM U.S. locations following rework, repair or test

Since March 2012, specific valuation rules and requirements apply to articles that have been reworked, repaired and/or tested and are being returned to IBM U.S. by an overseas (non-domestic) supplier. Specific valuation rules and requirements also apply to articles found to be non-repairable and are subsequently returned to IBM U.S. for disposition (scrap). The following guidance will assist you in meeting these valuation requirements.

Effective 1st March, 2012, suppliers are required to state on the commercial invoice only the current Fair Market Value of the repaired goods being returned to IBM U.S. **Suppliers should determine the Fair Market Value based on the current Purchase Order Value (selling price) of the same part, the current supplier list price of the same or equivalent new part or the latest known market price of the same or equivalent new part.** The Fair Market Value should be listed as no-charge.

If a part being returned to IBM U.S. is non-repairable and therefore non-functional, **the invoice must clearly indicate that the item is non-functional and non-repairable by the addition of wording “returned as un-repairable” for each applicable line-item.** This is required so that U.S. Customs can differentiate between two items that may appear to be identical (i.e. same part numbers, one repaired, the other non-repairable), but with different invoice values.

- **For functional parts** returned after rework, repair and/or testing; the value of the article must be the Fair Market Value - as determined by the supplier - based on the current Purchase Order Value (selling price) of the same part, the current supplier list price of the same or equivalent new part or the latest known market price of the same or equivalent new part. The Fair Market Value should be listed as no-charge.
- **For non-functional parts** returned after rework, repair, testing or failure analysis; the value of the article should be equal to 25% of the “Fair Market Value” as determined by the supplier based on the current Purchase Order Value (selling price) of the same part, the current supplier list price of the same or

equivalent new part or the latest known market price of the same or equivalent new part. The value of the non-functional part should be listed as no-charge.

Unacceptable valuation references for commercial invoices:

The following example invoicing references are considered non-compliant and unacceptable to U.S. Customs:

- An invoice which references the rework, repair and/or testing charge as the value of the imported goods is unacceptable. Reason: the goods would be undervalued for Customs purposes.
- An invoice for repaired/reworked items or non-repairable items which references a total invoice value of zero (because there is no charge payable to the supplier for the goods) is unacceptable. Reason: the goods would be undervalued for Customs purposes.
- An invoice for non-repairable items which references an arbitrary or fictitious value (e.g. zero or \$1) is unacceptable. Reason: arbitrary or fictitious values do not reflect 'Fair Market Value' and are unacceptable to U.S. Customs.
- An invoice for non-repairable items which specifies a correct value of 25% of functional equivalent (new) cost, but does not identify the parts as non-functional and non-repairable, is unacceptable. Reason: U.S. Customs would be unable to differentiate between functional and non-functional items with the same part number but significantly different declared import values.