Import value de-minimis level in selected economies as cause of undervaluation of imported goods
Research questions and methodology

General research questions:

- how prevalent is undervaluation of imported goods?
- what are the reasons for undervaluation practices:
  - sole willingness to avoid duties and taxes at imports at any value level,
  or;
  - does tax policy (import duty and tax de-minimis level) influence it?
- is there a direct correlation between transaction value and degree of undervaluation?

Research methodology:

- quantitative but limited to samples extracted from DHL operating systems;
- no mathematical extrapolation (only empirical data used);
- comparison between transaction value (paid/payable value) and declared value
Data description and initial findings

Specific aim of the research:

- to verify whether a link exists between the EU import duty and VAT de-minimis level (established at 22 EUR) and deliberate undervaluation below the de-minimis threshold;

Data description and initial findings:

- period from the beginning of August 2012 until mid April 2013;
- 22328 cases of shipments where the declared value was confirmed to be different to the price actually paid/payable for the goods (true transaction value):
  - 22 100 cases of confirmed undervaluation
  - 72 cases of confirmed overvaluation
  - 156 cases of confirmed under- or overvaluation with difference between paid/payable value and declared value being below 1 EUR
Observations

Testing the data:
The first division to establish cases where, regardless of the transaction value, declared value was below 22 EUR and transaction value was above 22 EUR, resulted in the following:
- in 1/3 of all undervaluation cases the transaction value was lowered below 22 EUR;
- 2/3 of cases had however nothing to do with the de-minimis threshold.

(below depicted undervaluation cases within the 0 – 999,99% undervaluation degree variance only)
Observations

Testing the data (con’t):

Focus on cases where the both declared value and transaction value was below 22 EUR resulted in 105 cases (so, even if transaction value was below the EU deminimis threshold, these goods still had declared lower value).
Observations

Testing the data (con’t):

Focus on cases where the declared value was below 22 EUR but transaction value was above 22 EUR resulted in 6876 occurrences.
Observations

Testing the data (con’t):

Focus on cases where the declared value was above 22 EUR and a paid/payable value was also above 22 EUR resulted in 14 277 occurrences.
Testing the data (con’t):

Focus on cases where declared value of shipments differed although their transaction value was identical (same supplier in each case) resulted in 1310 cases (out of 1803).

<table>
<thead>
<tr>
<th>Origin Country</th>
<th>Destination Country</th>
<th>WK</th>
<th>Declared value in EUR</th>
<th>Paid/payable value in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>HK</td>
<td>DE</td>
<td>45</td>
<td>46.14</td>
<td>76.89</td>
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<td>DE</td>
<td>50</td>
<td>29.25</td>
<td>89.99</td>
</tr>
</tbody>
</table>
Conclusions and recommendations

**Conclusions:**

- no correlation between de-minimis level and undervaluation prevalence;
- systematic undervaluation (like a cultural / business reflex);
- random patterns (no relationship between transaction value and occurrences);

**Recommendations:**

- broaden the research within separate economies;
- extend the research beyond EU with multiple origins;
- undervaluation phenomenon should be investigated at global level (without pre-conceived assumptions on policy-making level);
- increase awareness of origin countries on impact to the trading partners’ economies;
- WCO as vehicle for communication strategy worldwide?
Thank you