

Valuation **Red Flags** That Trigger CBP Audits



A quick-reference guide for importers who want to stay audit-ready, penalty-free, and confident in their customs values.



1

Declaring COGS Instead of Transaction Value



Wrong: Reporting your cost of goods sold (COGS).

Right: You must report the price actually paid or payable for the merchandise.

[CBP Valuation Encyclopedia \(Dec 2021\)](#)

2

Not Declaring "Assists"



Examples: Free tools, designs, or materials given to the supplier.

Fix: These must be added to the declared value if they help make the product.

[CBP Informed Compliance: Assists](#)

3

Forgetting to Declare Dutiable Commissions



Dutiable: Sales/broker commissions paid by the seller.

Not Dutiable: Buying commissions paid by the importer.

[CBP Customs Value Guide \(2006\)](#)

4

Misusing First Sale Rule



Problem: Declaring the manufacturer price when there's a middleman.

Requirement: Must prove arm's length, real sale, and documentation.

[CBP Guide to First Sale](#)

5

Using Transfer Pricing as Declared Value



CBP won't accept related-party pricing unless it reflects true market value.

Fix: Seek a Binding Ruling or provide commercial documentation.

6

Deducting Discounts Without Proof



Claiming discounts or rebates after the fact is risky.

CBP Rule: Only deduct if the discount was known at the time of entry.

7

Ignoring Royalties or License Fees



Trigger: You pay to use a logo, brand, or design.

Fix: Include it in value if it's tied to the right to sell the goods.

8

Flipping Incoterms® to Hide IOR (Importer of Record)



Red flag: Declaring DDP to shift liability away from the real IOR.

CBP checks: Who paid freight? Who took delivery risk? Who filed entry?

9

Understating Freight or Declaring \$0 Shipping



CBP watches for low freight on high-value items.

Fix: Be ready to explain bundling or offer documentation.

10

Inconsistent Invoice, Payment, or Packing Docs



CBP will ask: Why do your invoice and wire transfer show different numbers?

Best practice: Keep values consistent across all documents.



Think of your declared value like your tax return.

If it doesn't match your records, expect questions.

Keep everything clean, consistent, and well-documented.



Need a 2nd Set of Eyes?

We help importers like you stay audit-ready, penalty-free, and fully compliant with CBP.

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