

Appendix F

Duty Calculation

This appendix provides an explanation of duty computation formulas used to calculate line-item duties.

Several duty computation formulas are used by the U.S. Customs Service to calculate line-item duties. The formulas and associated computation codes are optional. They are provided here as a service to users.

The one-position duty computation code is the equation indicator. This code is either alphabetic or numeric and indicates which formula is to be used with the tariff number to compute duty.

A code represents the type of duty rate and quantity used in the algebraic formula. They are:

Code Description

P 1	Indicates specific or primary rate
P 2	Indicates ad valorem or secondary rate
P 3	Indicates other rate usually minimum or other ad valorem
Q 1	Indicates quantity of the 1st unit of measure
Q 2	Indicates quantity of the 2nd unit of measure
Q 3	Indicates quantity of the 3rd unit of measure

The algebraic formulas have been assigned a duty computation code. They are:

Duty Calculation			
Code	Name	Duty Equation	Computation Description
0	Free	0.00	No Duty.
1	Specific Rate * Q1	$P1*Q1$	The quantity of the first unit of measure is multiplied by the specific or primary rate.
2	Specific Rate * Q2	$P1*Q2$	The quantity of the second unit of measure is multiplied by the specific or primary rate.
3	Multiple Specific	$(P1*Q1)+(P3*Q2)$	The quantity of the first unit of measure is multiplied by the specific or primary rate. The quantity of the second unit of measure is multiplied by the other rate usually minimum or other ad valorem. The results are added.
4	Compound (Specific & Ad Valorem)	$(P1*Q1)+(P2*Value)$	The quantity of the first unit of measure is multiplied by the specific or primary rate. The value is multiplied by the ad valorem or secondary rate. The results are added.
5	Compound (Specific & Ad Valorem)	$(P1*Q2)+(P2*Value)$	The quantity of the second unit of measure is multiplied by the specific or primary rate. The value is multiplied by the ad valorem or secondary rate. The results are added.

Duty Calculation			
Code	Name	Duty Equation	Computation Description
6	Specific + Compound	$(P1*Q1)+(P3*Q2) + (P2*Value)$	The quantity of the first unit of measure is multiplied by the specific or primary rate. The quantity of the second unit of measure is multiplied by the other rate usually minimum or other ad valorem and the value is multiplied by the ad valorem or secondary rate. The results are added.
7	Ad Valorem	$P2*Value$	The value is multiplied by the ad valorem or secondary rate.
9	Derived	$P2*Derived\ Duty$	The duty is obtained from a computation on another tariff number. The other tariff rate is multiplied by the ad valorem or secondary rate to obtain the derived duty.
A	Functional Ad Valorem	$(P2+P3*Q3)*\ Value$	The quantity of the third unit of measure is multiplied by the other rate usually minimum or other ad valorem. The result is added to the ad valorem or secondary rate. The value is multiplied by the results of the above computation.
B	Specific Functional Ad Valorem	$(P1*Q2)+(P2+P3*Q3)*Value$	The quantity of the second unit of measure is multiplied by the specific or primary rate. The quantity of the third unit of measure is multiplied by the other rate usually minimum or other ad valorem and added to the ad valorem or secondary rate. The value is multiplied by the results of the above computation.
C	Specific/ Specific	$(P1*Q1)\ or\ (P2*Q1)$	The quantity of the first unit of measure is multiplied by the primary rate or the secondary rate. The user must determine which of the two rates is correct.
D	Compound (Specific + Ad Valorem)	$(P1*Q3)+(P2*\ Value)$	The quantity of the third unit of measure is multiplied by the specific or primary rate. The value is multiplied by the ad valorem or secondary rate. The results are added.
E	Specific + Compound	$(P1*Q2)+(P3*Q3)+(P2*Value)$	The quantity of the second unit of measure is multiplied by the specific or primary rate. The quantity of the third unit of measure is multiplied by the other rate usually minimum or other ad valorem. The value is multiplied by the ad valorem or secondary rate. The results are added.
F	Specific/ Pyrotechnics	$Q1*(P1+P3*Q2)$	The quantity of the second unit of measure is multiplied by the other rate usually minimum or other ad valorem and added to the specific or primary rate. The result is multiplied by the first unit of measure.
J	Specific/ Sugar	Greater of $Q2*(P1-P2*(100-Q3))$ or $P3*Q2$	The greater of two separate computations is used: 1) The difference of 100 minus the quantity of the third unit of measure multiplied by the ad valorem or secondary rate and the result is subtracted from the primary or specific rate and this result is multiplied by the quantity of the second unit of measure. 2) The quantity of the second unit of measure is multiplied by the other rate usually minimum or other ad valorem.
K	Specific/ Sugar	Greater of $Q1*(P1-P2*(100-Q2))$ or $P3*Q1$	The greater of two separate computations is used: 1) R1) The difference of 100 minus the quantity of the second unit of measure multiplied by the ad valorem or secondary rate and the result is subtracted from the primary or specific rate and this result is multiplied by the quantity of the first unit of measure. 2) The quantity of the first unit of measure is multiplied by the

			other rate usually minimum or other ad valorem.
Duty Calculation			
Code	Name	Duty Equation	Computation Description
X		No computation formula available	Refer to the Tariff Schedule for duty computation procedures.

Classification of Imported Goods

This section describes the separation into component parts of certain classifications of goods for the purpose of calculating duties. The calculation of duties on various watches, clocks, watch movements and clock movements requires that these articles be constructively separated into their component parts and separately valued by component. The individual components shall be separately reported under the statistical suffixes as indicated in chapter 91, U.S. Statistical Note 1, *Harmonized Tariff Schedule of the United States Annotated* (HTS). In each instance, the sum of the values of the individual components shall be equal to the total value of the article.

In those instances where the components of an article are to be separately reported, the entry should include all the individually named components even if not included in the shipment. In such instances, the entered quantity and the value would be zero. For example, entry of a battery powered watch, imported without a battery, classifiable under

subheading 9101.11.40 would include a line for the statistical reporting number for the battery (9101.11.4040) with the quantity and value shown as zero. To determine the proper statistical reporting number(s), combine the applicable 8-digit subheading number with the applicable statistical suffix found in U.S. Statistical Note 1.

Users must transmit the data in proper sequence or their entry should be rejected. The first statistical reporting number, quantity, and value should be transmitted on Record Identifiers 40 and 50. The second statistical reporting number, quantity and value should be transmitted on Record Identifier 70. The third statistical reporting number, quantity and value should be transmitted on Record Identifier 80. Record Identifier 81 is for reporting any numbers beyond three and should be repeated as necessary. For additional information on Record Identifiers 40, 50, 70, 80, and 81, refer to the Entry Summary chapter of this document.

User Notes: