

Substantiation of International Commercial Deal Product Price for Customs Purposes

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Abstract: The study covers basis terms of products delivery as a principle of international commercial deal product price determination for the purpose of the justified estimation of products customs cost and customs authorities' levying of customs payments comprehensively and in due time.

Key words: Product price, international commercial deal, basis terms of delivery, customs cost, customs payments

INTRODUCTION

One of activity lines of Russian Federation customs authorities is guaranteeing of comprehensiveness and timeliness of foreign trade operators' customs payments (Matveyeva and Prushkovskaya, 2013) granting improvement of quality of state customs services provided to them including in course of goods declaring (Matveyeva and Prushkovskaya, 2013). Every year the Federal Customs Service (FCS of Russia) being the federal budget revenue administrator, provides accomplishment of prognosticated tasks within the frames of execution of the federal law on the federal budget (Table 1).

Unfortunately, we should confess that in the process of levying and receipt of customs payments to the federal budget revenue foreign trade participants often do not pay their charges due to different reasons. For instance in 2009 one of the main reasons of arrears of customs payments was untrue declaring of product's customs cost (51% of the general sum of revealed arrears). Besides in 2009 within the frames of the system of management of products-customs-cost-related profiles risks there were collected customs payments to the amount of 10.77 bln.rub., compare with 6.23 bln.rub in 2008. And in 2010, as a result of application of All-Russia cost risk profiles, additional receipt of customs payments to the federal budget revenue amounted to 18.8 bln. rub. in 2011-15.9 bln. rub. In 2012, the sum of practically collected customs payments as a result of correction of customs cost of products transported across the customs border, amounted to 22.0 bln. rub. as against 19.6 bln. rub in 2011.

In 2013 the control of declared customs cost truthfulness continued and that was proven by a quarter of customs checks which were successful in 2013.

Summarizing the foregoing, we should note discovering of a difficult-to-solve problem in the sphere of guaranteeing of comprehensiveness and timeliness of customs payments-untrue declaring of product customs cost. In particular while applying the method of determination of product customs cost via cost of a deal with imported products (method 1) which lays down that "a customs cost of products imported to the Customs Union united customs territory is a deal cost that is cost which is practically payed or the one that should be payed for these products" which is reflected in the 42 box "Product price" of products declaration.

It is important to note that international commercial deal product price includes expenses undertaken by a seller pursuant to his/her obligations due to a delivery basis term (term) in particular their last edition represents 11 international commercial terms "Incoterms-2010" (rules) and includes them into a commercial invoice (INCOTERMS, 2010). Nowadays rules "Incoterms" of both 2010 and 2000 have effect at the same time.

In this regard to the mind, it is the price of a product, supplied according to act of purchase and sale, set on certain terms which should reflect actual expenses for its manufacturing, realization and transportation to a place of arrival in a country of importation. These expenses should be documentarily confirmed by a foreign trade activity participant forth with on demand of customs authorities

Table 1: Results of Russia FCS administering of customs payments and levying of arrears for 2009-2013 (bln. rub.)

Parameters	Years				
	2009	2010	2011	2012	2013
Customs payments	3519.8	4330.1	6029.3	6581.0	6565.4
Accomplishment of prognosticated tasks (%)	101.4	105.9	103.5	100.4	100.8
Total amount of arrears of customs payments	72.6	71.0	61.0	52.0	47.7
Sum of revealed arrears of customs payments	102.9	21.2	14.8	15.5	17.8

Made after

in the course of documentary audit, if during customs cost control an inspector has reasons to believe that the declared customs cost is doubtful.

Therefore, at the stage of importing operation planning a foreign trade operator should calculate not only product price but also product customs cost including apart from full self-cost and business profit, all expenses up to product's place of arrival to the customs union customs territory (Yagudkin *et al.*, 2013). In this regard for the purpose of guaranteeing true declaring of customs cost and due comprehensiveness and timeliness of customs payments, we suggest you to set product price for customs purposes taking into account rules "Incoterms-2010" in particular on terms "ex-works" using Eq. 1-3:

$$P_{EXW} = Pw + E_{EXW} \quad (1)$$

$$P_O = C_F + R \quad (2)$$

$$E_{EXW} = E_1 + E_2 + E_3 \quad (3)$$

Where:

P_{EXW} = A product price on terms "ex-works" (c.u.)

Pw = A manufacturer's wholesale price (c.u.)

E_{EXW} = Expenses included into product price on terms "ex-works" (c.u.)

C_F = A product's full cost (c.u.)

R = A manufacturer's revenue (c.u.)

E_1 = Expenses connected with product's check (c.u.)

E_2 = Expenses connected with product's packing and marking (c.u.)

E_3 = Other expenses in a country of exportation (c.u.)

When applying terms "free carrier", it is reasonable that product's price is determined with the help of the following equation:

$$P_{FCA} = P_{EXW} + E_{FCA} \quad (4)$$

$$E_{IFCA} = P_{EXW} + E_{IFCA} \quad (5)$$

$$E_{FCA} = E_4 + E_5 + E_6 + E_7 + E_8 + E_9 + E_{10} + E_{11} \quad (6)$$

$$E_{IFCA} = E_4 + E_5 + E_6 + E_7 + E_8 + E_9 + E_{10} + E_{11} + E_{12} \quad (7)$$

Where:

P_{FCA} = A product's price on terms "free carrier" (place of delivery on works) (c.u.)

P_{IFCA} = A product's price on terms "free carrier" (place of delivery out of works) (c.u.)

E_{FCA} = Expenses additionally included into product's price on terms "free carrier" (place of delivery on works) (c.u.)

E_{IFCA} = Expenses additionally included into product's on terms "free carrier" (place of delivery out of works) (c.u.)

E_4 = Expenses connected with export licence acquisition (c.u.)

E_5 = Expenses connected with acquisition of the official permission for product export (c.u.)

E_6 = Expenses connected with execution of customs formalities in course of product export (c.u.)

E_7 = expenses connected with customs payments in course of product export (c.u.)

E_8 = Expenses connected with transfer of a delivery proof to a customer or with providing of a transport document or a document for product reception (c.u.)

E_9 = Expenses connected with product inspection before its shipping (c.u.)

E_{10} = Expenses connected with reimbursement of all expenses and fees incurred by a customer caused by acquisition of documents and information (c.u.)

E_{11} = Expenses connected with product loading at a seller's warehouse (c.u.)

E_{12} = Expenses connected with product transportation to a carrier in a country of exportation (c.u.)

When applying terms "free alongside ship", it is reasonable that product's price is determined with the help of Eq. 8:

$$P_{FAS} = P_{FCA} + E_{FAS} \quad (8)$$

$$E_{FAS} = E_{13} \quad (9)$$

Where:

P_{FAS} = A product's price on terms "free alongside ship" (c.u.)

E_{FAS} = Expenses additionally included into product's price on terms "free alongside ship" (c.u.)

E_{13} = Expenses connected with location of product alongside ship (c.u.)

When applying terms "free on board", it is reasonable that product's price is determined with the help of Eq. 10 and 11:

$$P_{FOB} = P_{FAS} + E_{FOB} \quad (10)$$

$$E_{FOB} = E_{14} \quad (11)$$

Where:

P_{FOB} = A product's price on terms "free on board" (c.u.)

E_{FOB} = Expenses additionally included into product's price on terms "free on board" (c.u.)

E_{14} = Expenses connected with location of product on ship's board (c.u.)

When applying terms "cost and freight", it is reasonable that product's price is determined with the help of Eq. 12-15:

$$P_{CFR} = P_{FOB} + E_{CFR} \quad (12)$$

$$P_{1CFR} = P_{FOB} + E_{1CFR} \quad (13)$$

$$E_{CFR} = E_{15} + E_{16} + E_{17} + E_{18} \quad (14)$$

$$E_{1CFR} = E_{15} \quad (15)$$

Where:

P_{CFR} = A product's price on terms "cost and freight" including unloading of product at a port of destination and transportation across third countries (c.u.)

P_{1CFR} = A product's price on terms "cost and freight" (c.u.)

E_{CFR} = Expenses additionally included into product's price on terms "cost and freight" (c.u.)

E_{1CFR} = Expenses additionally included into product's price on terms "cost and freight" (c.u.)

E_{15} = Expenses connected with transportation of product from delivering point (exportation country) to destination (importing country) (c.u.)

E_{16} = Expenses connected with unloading of product at a place of destination (c.u.)

E_{17} = Expenses connected with transportation of product across third countries (c.u.)

E_{18} = Expenses connected with execution of customs formalities in course of transportation of product across third countries (c.u.)

When applying terms "cost, insurance, freight", it is reasonable that product's price is determined with the help of Eq. 16-18:

$$P_{CIF} = P_{CFR} + E_{CIF} \quad (16)$$

$$P_{1CIF} = P_{1CFR} + E_{CIF} \quad (17)$$

$$E_{CIF} = E_{19} \quad (18)$$

Where:

P_{CIF} = A product's price on terms "cost, insurance, freight" including unloading of product at a port of destination and transportation across third countries (c.u.)

P_{1CIF} = A product's price on terms "cost, insurance, freight" (c.u.)

E_{CIF} = Expenses additionally included into product's price on terms "cost, insurance, freight" (c.u.)

E_{19} = Expenses connected with product insurance providing the minimum cover of product price (c.u.)

When applying terms "carriage paid to", it is reasonable that product's price is determined with the help of Eq. 19 and 20:

$$P_{CPT} = P_{CFR} \quad (19)$$

$$P_{1CPT} = P_{1CFR} \quad (20)$$

Where:

P_{CPT} = A product's price on terms "carriage paid to" including unloading of product at a port of destination and transportation across third countries (c.u.)

P_{1CPT} = A product's price on terms "carriage paid to" (c.u.)

When applying terms "cost and insurance paid to", it is reasonable that product's price is determined with the help of Eq. 21 and 22:

$$P_{CIP} = P_{CIF} \quad (21)$$

$$P_{1CIP} = P_{1CIF} \quad (22)$$

Where:

P_{CIP} = A product's price on terms "cost and insurance paid to" including unloading of product at a port of destination and transportation across third countries (c.u.)

P_{1CIP} = A product's price on terms "cost and insurance paid to" (c.u.)

When applying terms "delivered at place", it is reasonable that product's price is determined with the help of Eq. 23 and 24:

$$P_{DAP} = P_{CPT} \quad (23)$$

$$P_{1DAP} = P_{CPT} - E_{16} \quad (24)$$

Where:

P_{DAP} = A product's price on terms "delivered at place" including unloading of product at a port of destination and transportation across third countries (c.u.)

P_{1DAP} = A product's price on terms "delivered at place" (c.u.)

When applying terms "delivered at terminal", it is reasonable that product's price is determined with the help of Eq. 25:

$$P_{DAT} = P_{DAP} \quad (25)$$

where, P_{DAT} a product's price on terms "delivered at terminal", c.u. When applying terms "delivered duty paid", it is reasonable that product's price is determined with the help of Eq. 26-28:

$$P_{DDP} = P_{DAT} + E_{DDP} \quad (26)$$

$$P_{1DDP} = P_{1DAP} + E_{DDP} \quad (27)$$

$$E_{DDP} = E_{20} + E_{21} + E_{22} + E_{23} \quad (28)$$

Where:

P_{DDP} = A product's price on terms "delivered duty paid" including unloading of product at a port of destination (c.u.)

P_{1DDP} = A product's price on terms "delivered duty paid" (c.u.)

E_{DDP} = Expenses additionally included into product's price on terms "delivered duty paid" (c.u.)

E_{1DDP} = Expenses additionally included into product's price on terms "delivered duty paid" (c.u.)

E_{20} = Expenses connected with acquisition of import licence (c.u.)

E_{21} = Expenses connected with acquisition of an official permission for products import (c.u.)

E_{22} = Expenses connected with execution of customs formalities in course of products import (c.u.)

E_{23} = Expenses connected with customs payments in course of products import (c.u.)

CONCLUSION

Thus, at the stage of importing operation planning, determination of structure and establishment of level of the contract price with taking into account basis terms of delivery for customs purposes will allow on the one hand to minimize products international exchange participants' expenses caused by transportation of a deal subject across the customs border and on the other hand to increase amount of income of the federal budget from the country's foreign trade activity as one of the most effective sphere of the national economy.

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