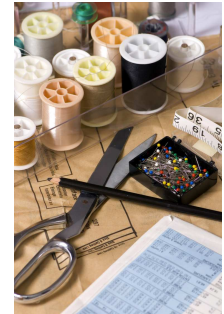

❖SPC&B Textile Report❖

A Newsletter for Clients of Sharretts, Paley, Carter & Blauvelt, P.C.

April 25, 2012

Mexico Extends The Use of Reference Prices for Textile, Apparel and Footwear Imports



As noted in our *SPCB Update* of April 10, 2012, the Mexican government established a price alert system in December 2011, when the transitional duties imposed by the Mexican government on certain Chinese products expired. Under the price alert system, imports of sensitive products below established reference prices are flagged for further analysis and audits of the parties involved. The intent is to prevent imports from being undervalued, which could harm Mexican producers. The policy currently applies to textiles, apparel and footwear, but may also be extended to products such as toys, electronics, bicycles and steel in the near future. Shipments of affected goods not accompanied by documentation sufficient to confirm the correct value may be seized and/or subject to penalties.

Mexico's Tax Administration Service (SAT) determined that in 2011, 68% of textile, apparel and footwear items imported from China, Hong Kong, Taiwan and other countries, were entered at prices lower than the cost of raw materials used in their production. As a result of this determination, SAT has developed a list of 413 tariff lines for textile items and 59 lines for footwear that are subject to reference prices. If a product is imported at a price lower than the reference price, Mexican Customs will require the importer to post a bond for import duties based on the reference price.

In addition, Mexican Customs will seize shipments if the importer has not submitted adequate proof that the price reflected on the invoice is accurate. In this regard, the Customs brokers in Mexico can include in the entry documentation the code "PV" (*prueba de valor*) indicating that it has documentation to prove the transaction value, which Mexican Customs may then ask to examine. Utilizing this entry method may help to avoid seizures and penalties.

If you would like more information on the documentation needed to satisfy Mexican Customs of the accuracy of import invoice prices, please contact Gail Cumins at gcumins@spcblaw.com, Alli Baron at abaron@spcblaw.com, or Donna Shira at dshira@spcblaw.com respectively, or call (212) 425-0055.

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