Facultat d'Economia i Empresa

External trade

Code: 102324

Group 4
Fall Term

Exercise set 3: VAT

1) FRIO, S.A. is a Spanish company. It imports a stock of carcasses of Lamb from an independent Argentinean seller. Import rights associated with this purchase are 20%. In the deal signed by both the companies, they also agreethat:

a. The invoice is at FOB conditions (port of Buenos Aires): € 2,000,000,
b. The importer must pay to the seller an additional 40% over the net profit after retailing the product in Spain,
c. The net profit is obtained by the difference between the consumer price and production-import costs facedby the importer.

FRIO S.A. also reached a deal to sell most of this merchandise to a wholesale company for €2,700,000. The rest of the merchandise has been packed by FRIO and sold to a retailer for €1,250,000. The packing process and transportation costs associated with these operations generate a cost of € 300,000. Other expenses are:

- Freight and insurance from the port of Buenos Aires to the port of Bilbao: €200,000
- Transport from the port of Bilbao to the importer´s headquarters: € 100,000
- Marketing costs: € 150,000

Determine the custom value of the merchandise at the custom premises.

2) FOTO will start its activity next month with the distribution of digital KLW photo-cameras imported from the US. Its provider has delivered a first shipment for € 17,000,000 under DAP conditions DAP (port of Vigo) and with the constraint to retail the merchandise only in Galicia. In addition, FOTO will have to pay an additional 10% over the re-sale price to the provider. The land transport, insurance, storage and marketing costs before retail add to € 1,000,000. The net margin charged by the importer to the retail price is 30% over costs. Determine the value of tariff duties that the company is expected to pay, if they were fixed at 5%.

3) Last October, MARJUS SA imported 2,000 kilo of merchandise from Canada. According to the shipment bill, the destination of this shipment is the port of Bilbao. The exporter billed a price of €20,000 CFR (port of Bilbao). The operation also generates the following costs:

a) Transport from Canada to the port of Bilbao: € 3,000
b) Downloading costs: € 400
c) Cargo transport insurance: € 1,000
d) Import duties: 10% and 0.3 €/Kg
e) Transport and insurance up to the importer headquarters: € 250

Determine the amount to be paid by the importer to fulfill the VAT requirements.

4) MAFASA deals with import/export of furniture. In the third quarter 2012. It recorded these transactions:

a) On July, 15: it purchased raw materials for € 100,000 and paid € 21,000 as VAT,
b) On September, 1: it imported wood from Norway at Santander customs at the following conditions:
    a) The wood was delivered under FOB (port of Bergen) conditions for €1,200,000
    b) The freight and insurance costs from Bergen to Santander were € 100,000
    c) The downloading costs in Santander were € 10,000
    d) The import rights were 1.4%

c) In 2012, the company sold furniture during the third quarter under for €2,000,000, getting €420,000 as VAT.

Compute the VAT liquidation

5) CHOCOTURRON SA is a Caceres-based producer of *Turrón* with hazelnuts. It imported a shipment of 10,000 Kg hazelnuts on May, 5th 2012, from the Turkish company named AVEKA. The import costs was € 2,000,000 under conditions CPT (Madrid). The invoice includes the breakdown of the uploading costs in Ankara for € 5,000 and previously formally agreed financial costs for € 15,000.

We also know that:

a) The custom clearance costs were €20,000 and the costs due to download and deliver at the Caceres warehouse were € 4,000,
b) The transport costs from Ankara to Madrid were €200,000 and from Madrid to Caceres were € 10,000. In addition, the insurance Ankara-Madrid was quoted €50,000 while the insurance Madrid -Caceres was € 3,000,
c) CHOCOTURRON must also pay 2% over its sales to the exporter,
d) Customs duties: 25% with a minimum of 93€/kg
e) Retail price: € 400 / piece for 100kg-*turrón* package and the final production is 200,000 pieces.

f) Marketing costs faced by the importer: € 1,500,000; gross margin over re-sale price: 80%
g) Exporter margin: 50% over

price. Compute:

a) The import duties to be paid at the custom, when producing the clearance form and considering the price of imports.
b) The VAT generated in during this operation, taking into account that the transport track includes the trip Ankara-Caceres.
c) In the case in which CHOCOTURRON purchased the hazelnuts from a Belgian provider for an amount of € 2,000,000, where and when should the VAT of this operation be paid?