

# Cost Effective Importation Management

Gemini Shippers Association

*Rennie Alston, President  
American River International Ltd.*

April 15, 2010

# CBP Traditional Tasks and Responsibilities

- **Collects duties, taxes and fees**
- **Protects the borders of the U.S. against terrorism and instruments of terror**
- **Implements fines and penalties for failure to meet regulatory guidelines**
- **Protects the revenue of the United States**



# Importer of Record Objective

- **To meet compliance rules and regulations for import**
- **Timely importing**
- **Importing for a competitive price**
- **Safe and secure process**
- **Utilize all options available to achieve the most cost effective means possible to have a positive impact on their import supply chain**

# Roles of the Importer

- **Responsible for import supervision and control of the import entry process**
- **Responsible for duties, fees and taxes**
- **Responsible for fine and penalties for failure to meet compliance rules and regulations**
- **Responsible to meet reasonable care standards to ensure information is accurate and complete**
- **Responsible for entry decisions prior to entry presentation to CBP.**

# Roles of the Customs Broker

- To conduct Customs business on behalf of the importer of record
- To provide expert advise
- To demonstrate reasonable care in all advisory actions provided as a demonstration of due diligence.



# Entry Type Options for Import Consumption

- **Consumption Entry- Imported for use or sale in the United States**
- **Formal- Entries valued over \$2000.00 USD**
- **Informal- Entries valued less than \$2,000.00 USD (Exemption goods valued over \$250.00 for certain import sensitive articles)**

# Downward Economy



- Companies are looking to import smarter
- Reduce expenses to the company bottom line
- Utilization of Trade Agreements that play a role in country sourcing options
- Revenue recovery efforts such as duty drawback, Harmonized line reviews, valuation computation, and alternate entry options.

# Proper Valuation Methods

- **Transaction value- Price paid or payable**
- **Identical or similar value- Price paid or payable of identical or similar article.**
- **Deductive value- Price after importation and US resale minus non-dutiable values**
- **Computed value- Cost of production, assembly, raw material components, fabrication added together**
- **Value if no value can be determined- CBP appraised value**

# Options of Entry

- **Bonded Warehouse Entry**
- **Foreign trade zone**
- **Temporary Importation Bond**
- **Carnet**

# Bonded Warehouse



- Goods may enter a bonded warehouse for storage without the payment of duties
- Harbor Maintenance Fee is paid at the time of import entry
- Duties and Merchandise Processing fees are paid only at the time of warehouse withdrawal
- Goods may be stored for a period up to five years

# Bonded Warehouse Entry Withdrawal Options

- **Consumption duty paid**
- **In bond transfer for export**
- **In bond transfer for re-warehousing**
- **Destruction**

# Bonded Warehouse Activity Permit

- **Storage**
- **Examine**
- **Count**
- **Manipulate ( Decrease in value )**
- **Re-label/Repack into same number of cartons**

# Common Practice Compliance Issues

- **Bonded warehouse entries are restricted to use and further processing.**
- **Many companies are unaware of the option for bonded warehouse utilization**
- **Misconception that private companies cannot operate their own independent bonded area at their existing facility**

# Foreign Trade Zones

- Goods can enter without the payment of duties, fees and taxes
- Goods can remain in a foreign trade zone without any time limitations
- Storage
- Manufacturing
- Processing
- Alteration
- Weekly estimated entries



# FTZ Benefits

- Access to foreign merchandise without the payment of duty
- Duty based on value of merchandise when entered into the FTZ prior to manufacture or assembly
- Duty based on the classification of the merchandise after manufacture or assembly
- Substantial entry processing revenue savings with the utilization of the weekly estimated entries.

# FTZ Compliance Issues

- **Lack of knowledge of the utilization ability of the FTZ privilege**
- **Too difficult to establish FTZ area at a private facility.**
- **Record retention responsibilities are crucial**
- **Written procedures on process and utilization compliment the approval process and daily operations management function**
- **Maintaining FTZ activity log**

# Temporary Importation Bonds and Carnet

- Articles imported temporarily into the US for a period not to exceed one year
- Not for sale or sale on approval
- TIB- two(02) possible extensions of one year each
- Carnet- No extensions possible
- Penalties for not exporting or destroying goods within bond period...2x the duty up to 110% of the value

# TIB Compliance Concerns

- **Failure to identify export examination criteria upon import clearance affirmation**
- **Failure to export goods timely**
- **Failure to provide timely proof of export to close out the original TIB entry.**
- **Failure to get adequate proof of export from export carrier**
- **Failure to keep current the physical location of the imported merchandise during the bond period.**
- **Files must be maintained in an active state until TIB is closed and compliance parameters are satisfied.**

# NAFTA North American Free Trade Agreement

- Goods manufactured in US, Canada or Mexico
- Reduced duty or duty free treatment
- Shipped directly between the participating countries



# NAFTA Eligibility

- Country of origin criteria
  - Regional Value content
- Tariff Shift rules and regulations
  - NAFTA Certificate

# False NAFTA Claims

- **Pressure from clients requesting NAFTA certificates**
- **Bad common practices**
- **Results in penalties to both preparer of the NAFTA certificate and importer of record**

# Drawback Privileges

- **99% refund of duties paid on goods that are exported within three years from the date of importation**
- **Unused Merchandise**
- **Rejected Merchandise**
- **Manufacturing Drawback**

# Who is eligible for drawback?

- **Importer of record**
- **Exporter of record**
- **USPPI- United States Principle Party of Interest**

# Drawback Hot topics

- **Drawback bonds- Guarantee to CBP in the event an erroneous drawback claim was paid**
- **Drawbacks must be filed prior to export unless exemption is granted**
- **Retroactive drawback- 3 years on goods already exported**
- **Accelerated payment- Payments received within three weeks from date of claim approval**

# Drawback Requirements

- Identify products by unique identifier throughout import –inventory-export process.
- Proof of export
- Manufacturing cycle explanation

# Revenue Recovery of funds left on the table...

- Drawbacks represent new found revenue
- Formalized drawback program
- Penalties for submission of false drawback claims
- Be diligent and careful....
- By all means...recover the revenue!

# Summary of Cost Effective Importing

- **Compliance management**
- **Senior management awareness**
- **Entry options**
- **Proactive discussion with service providers**
- **Common practice vs. Cost effective practices**
- **Informed compliance education and training**
- **Informed decisions**

Thank you for your attention !



Rennie Alston, President

American River International Ltd.

908 354-7746 ext 123

Cell 908 313-7605

[ralston@americanriverintl.com](mailto:ralston@americanriverintl.com)