

TRADE INCENTIVES

Classification? Valuation?

Country of Origin? Compliance Incentives?

Many International Trade Professionals, service providers and trade publications emphasize the administrative and legal requirements involved in international trade. They may stress the assessment of penalties and other adverse enforcement actions. These consequences may result from a failure to understand and comply with Customs laws and regulations. The consequences may come from CBP auditing entries up to five years old. In all of these instances, the emphasis is on dire circumstances. However, when properly applied, the many laws and regulations governing international trade can be utilized as an *untapped source of revenue and business opportunities*.

Classification?

Acceptable tariff engineering can be an important ingredient as part of the plans to market imported merchandise by enjoying the *most desirable duty rates* through strategic classification. This can be coupled with an advance classification ruling from CBP, to solidify the lowest possible duty rates for the importer. The ruling process affords reliance and protection from administrative reversals and modification, providing the savvy importer with *market advantages over the competition* who did not take similar action.

Valuation?

Strategic Valuation can result in **lower duty payments** by applying alternatives to the generally prescribed *Transaction Value* method. Rather than paying duty on a value based on what the importer has paid or will pay to the foreign exporter, *Deductive Value*; *Computed Value*; or *Residual Value*, where applicable, may provide duty advantages. Even when the *Transaction Value* method is applied, by establishing a sale for export to the U.S. price prior to the sale to the U.S. importer rather than the price paid by the U.S. importer as the valuation for duty purposes, *substantial duty earnings may also be achieved*.

Country of Origin?

Country of Origin determinations affect more than the declaration on a CBP form 7501 import entry. They impact:

- ✓ *Marking of products and packaging*
- ✓ *Free Trade Agreement /Duty Preference* qualification
- ✓ *Buy America* sales
- ✓ *FTC* requirements when reference to U.S. origin is made

Multi-country production of components resulting in a single imported product may make a country of origin determination difficult but, when strategically planned, the “right” country of origin can allow the importer to market a product with a favorable foreign cache. It may allow the importer to take advantage of duties applied under one of the many Bilateral Free Trade Agreements or under a Multilateral Duty Preference Program. And more than just being able to say that merchandise is Made in USA, the determination may allow for sales to the U.S. government under the *Buy America* program.

Compliance Incentives?

Importers who partner with CBP as members of various incentive compliance programs and efforts, including *Internal Self Assessment* (“ISA”) and *Customs Trade Partnership Against Terrorism* (“CTPAT”), can enjoy:

- ✓ Faster release of cargo
- ✓ Fewer inspections
- ✓ Less paperwork requirements

These incentives may require an extraordinary level of commitment, but the rewards are tangible. Being on the “Good Guy List” of participants in these programs may be a consideration in the event CBP is contemplating a penalty or other adverse action against a particular importer or a broader action against the trade.. In fact, the bi-laws of ISA and CTPAT promise benefits to partners in the trade.

Conclusion

Suffice it to say, the laws and regulations governing importers and the importation of goods need not be a burden or a source of consternation. By embracing these rules, businesses can reap the benefits and achieve competitive advantages. With the right assistance, the question is not: what must you do for the government, but rather— what can the government do for **you!** **Of course, if you would like to discuss any of these strategies, and how they can be used to your best advantage, please contact us.**