

DUTY DRAWBACK DON'T LEAVE MONEY ON THE TABLE

WHAT IS DRAWBACK?

Drawback is a refund of a customs duty, fee or internal revenue tax imposed by federal law on imported merchandise that may be claimed when the imported merchandise, or a product manufactured with the imported merchandise, subsequently is exported or destroyed under supervision of U.S. Customs and Border Protection (CBP).

It is estimated that several billion dollars of drawback claims go uncollected each year.

Generally, a drawback claimant will be entitled to a refund of 99% of the applicable duties, fees or taxes paid and will have up to three years, following exportation or destruction of the merchandise, to file a drawback claim. Therefore, a company is able to reach back and capture drawback on its past activities.

Drawback is a valuable tool that can help decrease your operating costs and improve your bottom line.

TYPES OF DRAWBACK

There are three primary types of drawback:

Manufacturing Drawback which is further divided into two sub-categories.

Direct Identification Manufacturing Drawback is a refund of a duty paid on imported merchandise used in the manufacture or production of articles in the U.S. that are exported or destroyed. For example, your company imports and pays duty on electronic components that are incorporated into cellular telephones that you produce and later sell at export. Under this example, your company would be entitled to claim drawback for the duty paid on the imported electronic components.

Substitution Manufacturing Drawback is a refund of a duty paid on imported merchandise if the imported merchandise or any other merchandise "of the same kind and quality" (whether imported or domestic) is used in the manufacture or production of articles in the U.S. that are exported or destroyed. For example, your company imports and pays duty on 50 electronic components and also purchases 50 identical electronic components domestically. The various components are incorporated into cellular telephones, one component per telephone, to produce 100 telephones. Later, your company sells 50 of these cellular telephones at export. Under this example, your company would be entitled to claim drawback for the duty paid on the 50 imported electronic components, regardless of whether those components actually were contained in the exported telephones.

To qualify for manufacturing drawback, the drawback product must be exported or destroyed within five years of importation of the imported merchandise.

Rejected Merchandise Drawback

Rejected merchandise drawback is a refund of a duty paid on imported merchandise that is exported or destroyed because it a) did not conform to samples or specifications; b) was shipped without the consignee's consent; or, c) was determined to be defective at the time of importation.

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To qualify for rejected merchandise drawback, the imported merchandise must be exported or destroyed within three years after the date of importation or withdrawal.

Unused Merchandise Drawback which is further divided into two sub-categories.

Direct Identification Unused Merchandise Drawback is a refund of a duty, fee or tax imposed by federal law on imported merchandise that is exported or destroyed without being used and without undergoing further manufacture or production in the U.S.

Substitution Unused Merchandise Drawback permits drawback on merchandise that is “commercially interchangeable” with imported merchandise, when the commercially interchangeable merchandise is exported or destroyed without being used and without undergoing further manufacture or production in the U.S.

To qualify for either type of unused merchandise drawback, the merchandise must be exported or destroyed within three years after the date of importation of the designated imported merchandise.

HOW TO CLAIM DRAWBACK

To obtain drawback, the applicant must file a claim and any necessary supporting documents satisfying various regulatory requirements. To obtain manufacturing drawback, each manufacturer or producer also must notify CBP of its intent to use a general manufacturing drawback ruling or obtain a specific manufacturing drawback ruling, which sets forth certain background information and a description of the manufacturing process, before a drawback claim can be submitted. Different and/or additional drawback rules may apply for merchandise exported to NAFTA countries.

If you have further questions regarding drawback or any other customs matter, please contact:

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