HOW TO IMPORT

A Beginner's Guide

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Importance of Hiring a Licensed Customs Broker

United States federal trade regulations are constantly evolving, creating the need for a customs broker for most shipments. Shippers must comply with various government agencies such as: U.S. Customs Border and Protection, U.S. Department of Agriculture, U.S. Consumer Product Safety Commission, U.S. Federal and Drug Administration, as well as other government agencies. These government entities have their own procedures and rulings, creating a complex environment for importers to clear their own customs entries. Importers can self clear goods valued under $2,500 if they are in the port of clearance or have an authorized agent to act on their behalf. However, many shippers elect the assistance of a customs broker, regardless of the value, due to the complexities of various government regulations.

Customs brokers assist businesses with shipments at ports of entry across the United States. Just a few of the advantages to using an LCB include: compliance, speed to market, convenience and economical benefits.

Customs brokers also aide shippers with the classification of goods. Additionally, hiring a customs broker makes importing more convenient as they provide door to door service. This includes securing transportation space, gathering necessary paperwork, clearing the goods and arranging the final delivery. Furthermore, customs brokers advise shippers in regards to cargo routing and modes of transportation to produce economical solutions.

Customs brokers also help shippers with:

- Incoterms
- Transportation Bookings
- Importer Security Filings
- Commercial Documents
- NAFTA Certificate of Origin
- Preparation and Clearance of Customs Entries
- Calculation of Duties, Taxes and Fees
- Dispatch Deliveries
- Coordination of Customs Exams
- Cargo Insurance
- Customs Bonds
- Duty Drawback
- Reconciliation

Classifying Your Product to Estimate Duties and Taxes

So how can importers find out the designated duty rate for the product they plan to import?

The Harmonized Tariff System (HTS) is a reference manual which provides duty rates for virtually every item that exists. Harmonized Tariffs are expressed as 4-digit headings and subordinate 6-digit subheadings. Most countries use the same 6-digit code, however, a country can assign its own additional 4 numbers, making the entire code 10 digits. The HTS encompasses 97 chapters within 22 sections, segmenting goods into similar groups.

With this being said, the HTS should be used as a guideline as U.S. Customs and the government ultimately has the final say in duty rates charged on imports.

When goods are dutiable, three different types of rates may be assessed: ad valorem, specific, or compound rates.

- An ad valorem rate, which is the type of rate most often applied, is a percentage of the value of the merchandise, such as five percent of the value.
- A specific rate is a specified amount per unit of weight or other quantity, such as 5.9 cents per dozen.
- A compound rate is a combination of both an ad valorem rate and a specific rate.

Bill of Lading Basics

The bill of lading along with the commercial invoice and packing list plays a crucial role in the international shipping process. Its importance is not always understood when Incoterms and terms of sale are being discussed between the buyer and the seller. However, it can impact the timely release of cargo upon carrier destination arrival. The bill of lading serves as a contract between the owner of the goods and the handling the transportation of the goods. Specific bills of lading are used depending on the transportation mode. For example, an ocean bill of lading (BOL) is used for ocean cargo transportation while air waybills (AWB) are used for air cargo transportation. There is also an intermodal bill of lading which covers multiple modes of transportation.

How is the BOL surrendered to the consignee?

Sometimes original bills of lading are required for the shipment release in the destination country. In this case, the exporter will overnight the original bills of lading to the consignee after the vessel sails. Originals are usually sent with the commercial documents to the consignee via courier. This allows the consignee to prepare the necessary documentation for the customs clearance. Furthermore, the shipper might consign the BOL to a bank, instead of the importer, depending on the terms of sale. In this case the originals must be endorsed by the bank prior to being endorsed by the importer. When proper endorsements have been secured, the original BOL will be surrendered to the steamship line or the freight forwarder for cargo release.

The option for a telex release BOL can speed this process up. In this case, the shipper advises the carrier's origin office to surrender the BOL. Then the origin carrier office relays this message to the destination carrier office. When this occurs, the freight is released to the consignee without an original BOL being required at destination.

The most common though is the express release BOL, which is also known as the seaway bill. This is the quickest way to surrender the shipment to the consignee. Originals are not required in this case and the BOL will be released upon arrival at destination (assuming all carrier charges are paid or the shipper has credit terms with the carrier).

How are bills of lading completed?

The exporter or freight forwarder will send the carrier a Shippers Letter of Instruction (SLI). The SLI details the parties involved, ship dates, vessel and voyage information, commodities and their respective classifications, weights, piece and pallet counts, shipment value, delivery instructions, tax IDs, and other important shipment information.

Bills of lading must also be made out according to the consignee's specific needs. For example, in Latin America, charges must appear on the bill of lading for customs purposes. Additionally, in Argentina, the consignee's tax ID (CUIT) must be present on the bill of lading. Failure to comply will result in shipment delays and additional charges may be assessed. For some of these destinations, it may be best to send the consignee a copy of the BOL before you finalize it to ensure compliance with local laws and regulations.

Navigating the Seas Incoterms

Incoterms are the rules of international trade which outline the exact delivery terms between a buyer and seller. Incoterms outline who is responsible for loading and unloading, delivery, payment and insurance.

Properly selected Incoterms can reduce risks due to the differences in cultures, languages and legal regulations associated with global trade. By specifying the obligations of the parties involved, supply chain risks can be decreased.

Incoterms, first published by the International Chamber of Commerce (ICC) in 1936, can be grouped into subcategories to distinguish the point at which liability and carriage transfer from the seller to the buyer. The desirable amount of financial and physical control over the goods will dictate which Incoterms are the best for your company.

Another important differentiator among Incoterms is in regard to the mode of transportation. Certain terms apply solely to maritime transportation (FAS, FOB, CFR, CIF) while the remaining terms apply to multi-modal transportation. Additionally, only two Incoterms address the important issue of cargo insurance. However, regardless of the Incoterm chosen, the responsibility of cargo insurance should always be established prior to shipping.

While Incoterms are crucial to establishing transactional relationships between buyers and sellers, they are not legally binding. Furthermore, Incoterms are not terms of sale, which define the passage of title and payment terms.

1. **E terms (EXW):** The seller is only obligated to make the goods available on their premises.
2. **F terms (FCA, FOB, FAS):** The seller delivers goods to a carrier, but the buyer pays for everything following.
3. **C terms (CFR, CIF, CPT, CIP):** The seller contracts for carriage, but is not responsible for risk of loss or damage after the shipment.
4. **D terms (DPU, DAP, DDP):** The seller bears all risks involved in delivering the goods to the buyer.

Latest version of Incoterms 2020 should be used, but previous versions can be used as long as they are specifically mentioned in the terms (i.e. FCA Port of Guangzhou, PRC, Incoterms 2010).

Importer Security Filings

Before a shipment departs from a foreign port, U.S. Customs and Border Protection requires importers to submit an Importer Security Filing on the shipment.

What is an Importer Security Filing?

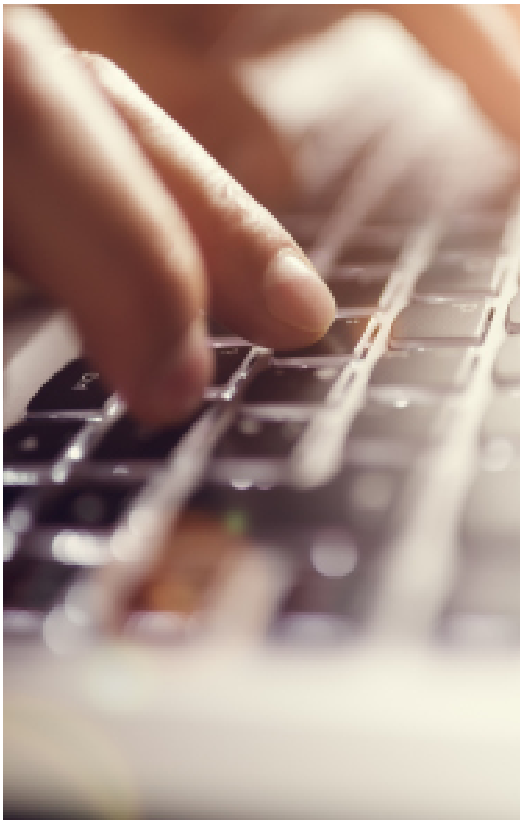
The Importer Security Filing is advance cargo information electronically transmitted to U.S. Customs and Border Protection.

Who is responsible for the filing?

The ISF Importer is required to submit the ISF. Typically, the ISF Importer is the goods' owner, purchaser, consignee, or agent such as a licensed customs broker (LCB). However, for foreign cargo remaining on board, the ISF Importer is the ocean carrier.

What are the penalties to non-compliance?

CBP may issue liquidated damages of $5,000 per violation for the submission of an inaccurate, incomplete or untimely filing. If goods arrive in the U.S. without a ISF of file, CBP may withhold the release or transfer of the cargo. Additionally, CBP may refuse to grant a permit to unladfor the merchandise; and if such cargo is unladenwithout permission, it may be subject to seizure. Furthermore, noncompliant cargo could be subject to "do not load" orders at origin or could be flagged for further inspection on arrival.



What information must be submitted?

ISF Importers, or their LCB, must provide eight data elements, no later than 24 hours before the cargo is laden aboard a vessel destined for the United States.

Those data elements include:

- Seller
- Buyer
- Import of Record Number / FTZ Applicant
- Identification Number
- Consignee Number(s)
- Manufacturer (or supplier)
- Ship to Party
- Country of Origin
- Commodity Harmonized Tariff Schedule of
- the United States (HTSUS) Number
- Container Stuffing Location
- Consolidator

Customs Bonds – 5 Things to Know

1. What is a customs bond?

Customs bonds are required for any import shipment with a value exceeds $2,500. Essentially, a customs bond is a contract to insure importers oblige with duties, taxes and fees owed to the government. Additionally, customs bonds are required for any import shipment if the commodity is subject to other federal agency requirements (i.e. food - USDA) regardless of the commercial value. Bonds are a guarantee from a surety company that the importer of record will abide by the laws and regulations governing the importation of merchandise into the United States.

2. Who are the parties involved in a customs bond?

There are three parties involved with a customs bond: the principal, the surety and the beneficiary. The principal can be an importer, a broker, a carrier, a bonded warehouse proprietor, a foreign trade zone operator or any one of a number of other parties which seek to do business with CBP. The surety is normally an insurance company that has been authorized by the Department of Treasury to write CBP bonds. The principal and surety are also known as the bond obligors. CBP is the beneficiary on all of the bonds it authorizes.

3. What are the main types of customs bonds?

The two main types of customs bonds are Continuous Transaction Bonds and Single Entry Bonds. A continuous bond is used by importers who have a large number of entries or imports through several ports during a given year. Continuous bonds have a term of one year and are automatically renewed each year. Continuous bonds are valid until terminated by the surety or the principle. Single entry bonds are intended for a single shipment. The single entry bond only covers the entry or transaction for which it was written.

4. What are the penalties for non-compliance?

If a principal fails to perform its obligations under the bond, CBP may asses a claim against the principal and surety. The claim may be for breach of an obligation to pay duties or any other bond condition.

5. How does one obtain a customs bond?

One can obtain a customs bond through a surety licensed by the Treasury department. Additionally, many customs brokers are agents for sureties and sell bonds.

Cargo Insurance

Cargo insurance plays a crucial role in supply chain success. Cargo insurance protects shippers' financial investments during domestic and international transit. If cargo is damaged or lost, shippers could be burdened with unexpected costs and lose out on expected profit.

While in transit, cargo is susceptible to natural disasters, theft, damage, fire or vessel collisions. These variables could happen at any moment and without notice. Insurance responsibility should always be outlined within the terms of sale between a buyer and seller. The terms of sale along with the Incoterms will provide details of when and where responsibility is transferred from the seller to the buyer.

When securing cargo insurance, be sure to insure the total value of the goods, plus the value of the freight and an additional 10% to cover incidental costs in the event of a loss. Another important note is to secure cargo insurance from the date and location of the first cargo movement.

Ascent Global Logistics provides a complete range of logistics services to meet every global supply chain challenge.

Ascent Global Logistics focuses on providing superior customer service coupled with state-of-the-art transportation technology.

We will assign a team of logistics professionals to manage your international shipments from origin to destination effectively and efficiently.

Your dedicated team will provide constant communication, compliance advice and documentation assistance throughout the international shipping process.

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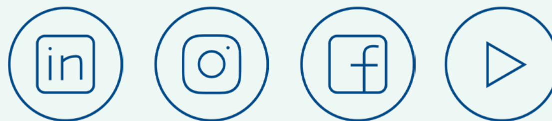

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