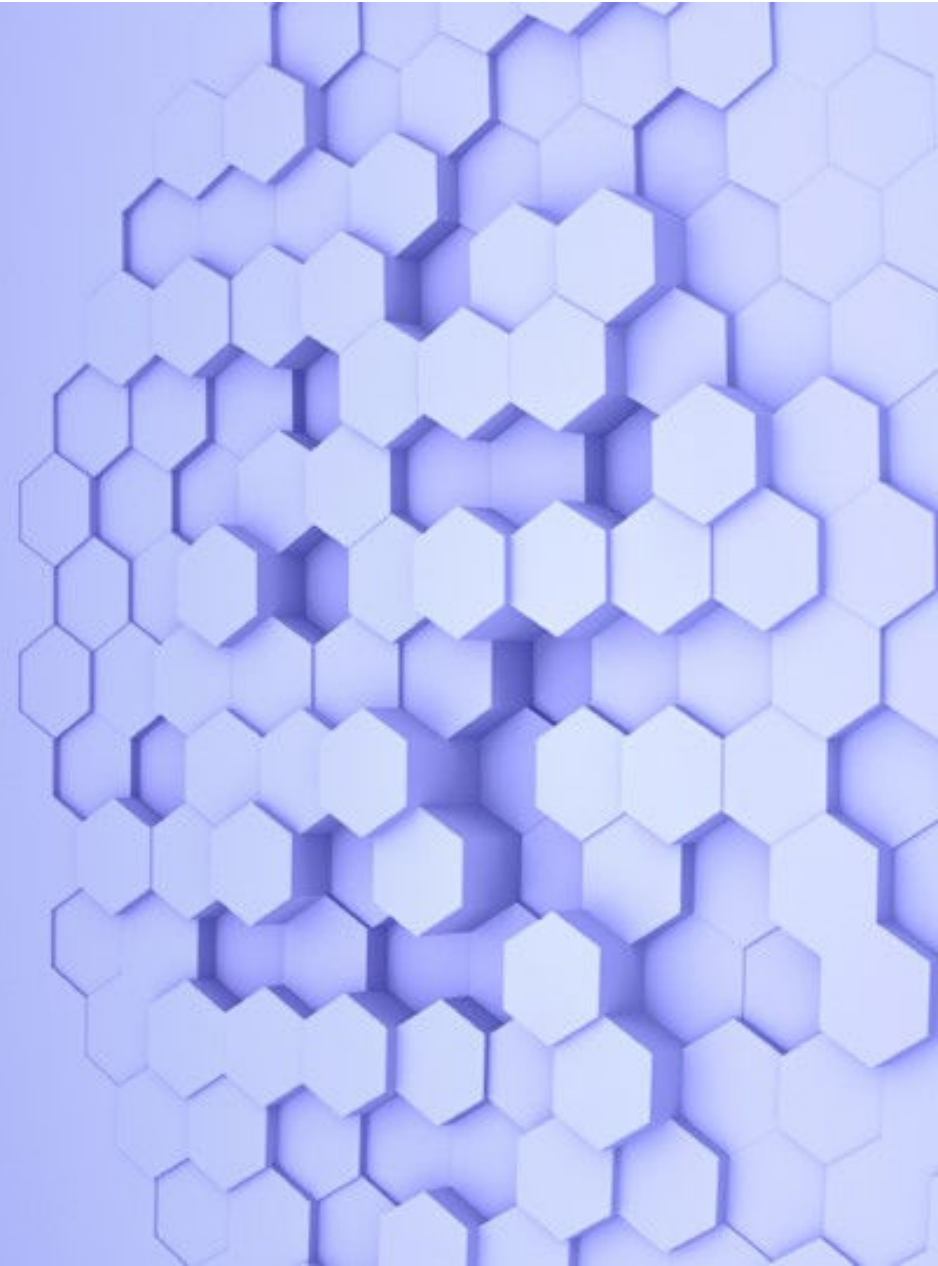


**Baker  
McKenzie.**

**Annual Compliance  
Conference 2024**



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McKenzie.**

# **Customs and key compliance developments**

14 – 16 May 2024





# Annual Compliance Conference 2024

**01** Antitrust compliance  
30 April – 1 May 2024

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**02** Sanctions and export controls  
7 – 9 May 2024

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**03** Customs and key compliance developments  
14 – 16 May 2024

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**04** Anti-bribery and corruption and economic crime  
22 – 23 May 2024

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**05** ESG, supply chain and product compliance  
3, 5 and 6 June 2024

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# Customs duty mitigation: How to drive significant financial savings

Thursday 16 May 2024





# Speakers



**Jessica Mutton**  
Of Counsel (Chair)  
London



**Adriana Ibarra-Fernandez**  
Partner  
Mexico City



**Lionel van Reet**  
Partner  
Brussels



**Chandri Navarro**  
Senior Counsel  
Washington, DC



**Alexandra Lambert**  
Associate  
London





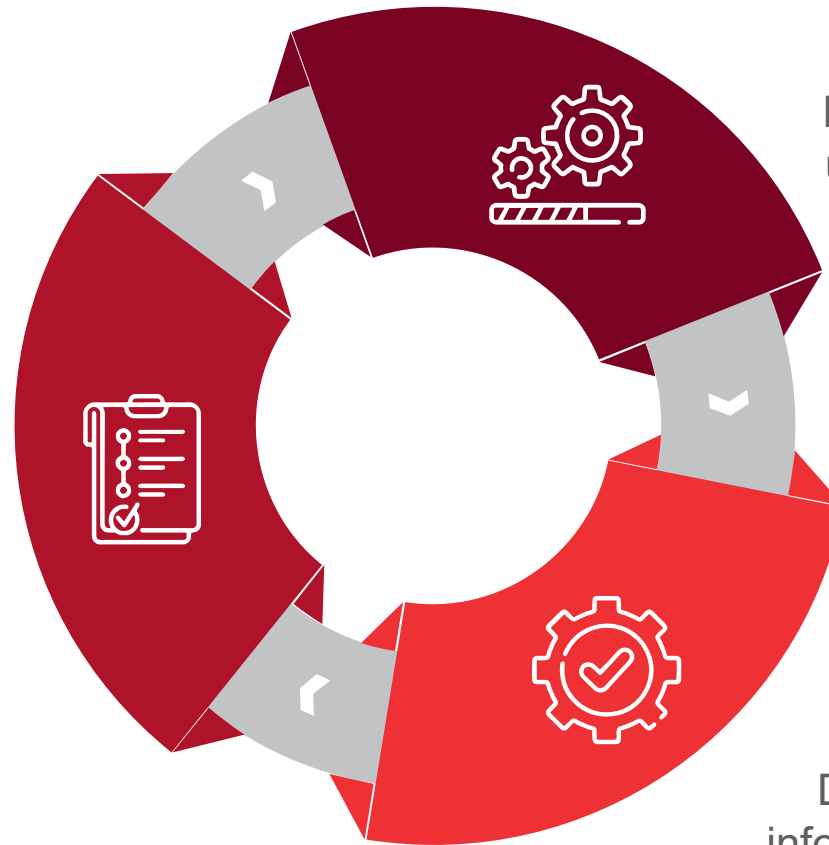
# 1. Overview of duty savings options





## The BOM

Explains how the product is made and how the materials are used in its production



## Origin Analysis

Demonstrates how the Rule of Origin is met

## Recordkeeping

Demonstrates that the information displayed in the BOM and the Origin Analysis is real, true and accurate

# Duty preference programs



## Types of Duty Preference Programs

- Free Trade Agreements ("FTAs") (e.g., USMCA)
- Other Duty Preference Programs
- Generalized System of Preferences
- Chapter 98 Claims (e.g., articles returning after having been advanced in value, "American Goods" returned, etc.).



## FTAs – Opportunities & Costs

- Opportunities for meaningful duty savings
  - Reducing cost of production
  - Reducing the landed cost of your products
- Impact decisions on locating/relocating production facilities
- Nothing free about free trade; often a high risk compliance area



# U.S. Duties

## Why Duty Mitigation Strategies are Important

- **General Import Tariff/Duty** - between 0% and 37.5 %, with an average of about 6% while average tariff on all goods average is around 1.7%
- **Excise Taxes** on Liquor and Tobacco Products
- **Merchandise Processing Fee (MPF)** is a user fee charged in addition to duty as an ad valorem tax at a rate of 0.03464% of the value of the imported goods
- **Harbor Maintenance Fee** user fee charged on ocean imports of 0.125% of the imported cargo's commercial value.

### BUT....

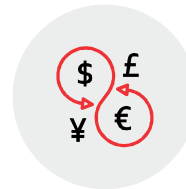
- **Antidumping and Countervailing Duties** (675 Orders in effect) - \$20 billion imports subject to AD/CVD and US Customs collects approximately \$2 billion in AD/CVD deposits - rates can be over 500%
- **Section 301 Tariffs** (China) up to 25%
- **Section 232 Tariffs** (China) on Steel 25% Aluminum 10%



# U.S. Duty Mitigation



Free Trade Agreements



Foreign Trade Zones



Tariff Preference Programs



Duty Drawback



Special Tariff Preference and  
Duty Reduction Provisions



Tariff Engineering/Country of  
Origin Engineering



Bonded Warehouses

# U.S. Free Trade Agreements



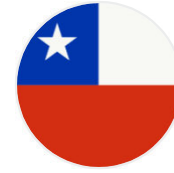
Australia



Bahrain



Central America-  
Dominican Republic



Chile



Colombia



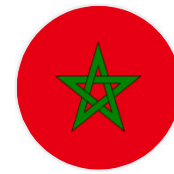
Israel



Jordan



Korea



Morocco



US-Mexico-  
Canada (NAFTA)



Oman



Panama



Peru



Singapore



Japan



# U.S. Tariff Preference Programs

- Generalized System of Preferences (GSP)
- Caribbean Basin Economic Recovery Act (CBERA)
- Caribbean Basin Trade Partnership Act (CBTPA)
- Haiti (HOPE)
- African Growth and Opportunity Act (AGOA)
- Agreement on Trade in Civil Aircraft
- Pharmaceutical Products Appendix
- Nairobi Protocol for Products for the Blind or Handicapped





# U.S. Duty Avoidance/Reduction Programs



U.S. Goods  
Returned



Goods Exported for  
Repair or Alteration



Articles Re-imported  
that were Previously  
Imported and  
Duty Paid



Tools of  
the Trade



Commercial  
Samples



Prototypes



Temporary  
Importation  
Under Bond



Bonded  
Warehouses



Foreign Trade  
Zones



Duty  
Drawback

# Mexican duty saving authorizations

## IMMEX

Allows temporary imports of materials, components, M&E, etc.



## Rule 8th

Grants preferential duties to inputs not covered by PROSEC



## Free Trade Agreements

Grants preferential duty treatment to goods originating in a determined territory



## PROSEC

Allows importing inputs used in the production of finished goods at preferential rates of duty



## VAT Certification

Grants a VAT credit to IMMEX companies which export finished goods incorporating materials imported temporarily







# What are customs procedures?

- Customs procedures allow businesses to **suspend, reduce or claim relief** on the payment of customs duties and VAT under specific conditions.
- Categories of customs procedures:
  - Storage – **Customs Warehousing**
  - Specific use – **Temporary Admission** and **End-Use / Authorised use Relief**
  - Processing – **Inward Processing** and **Outward Processing**
  - Transit
- Other reliefs can apply to imports in specific cases
- **Strict controls** about the cases where they apply, and what can be done with the goods



# Inward processing relief

- Customs procedure allowing for 1/3<sup>rd</sup> country goods to **be temporarily imported for processing without paying duty** and then:
  - Exported; or
  - Imported to free circulation
- If the finished goods remain in the country of import, duty is payable (if applicable) on the finished goods.

# Outward processing relief

- Customs procedure allowing for goods to **be temporarily exported outside of a customs territory to undergo processing operations** and then:
  - Re-import in free circulation in the Customs territory of initial temporary export; and
  - Claim full or partial relief from import charges (calculated on the value added in the 1/3<sup>rd</sup> country).



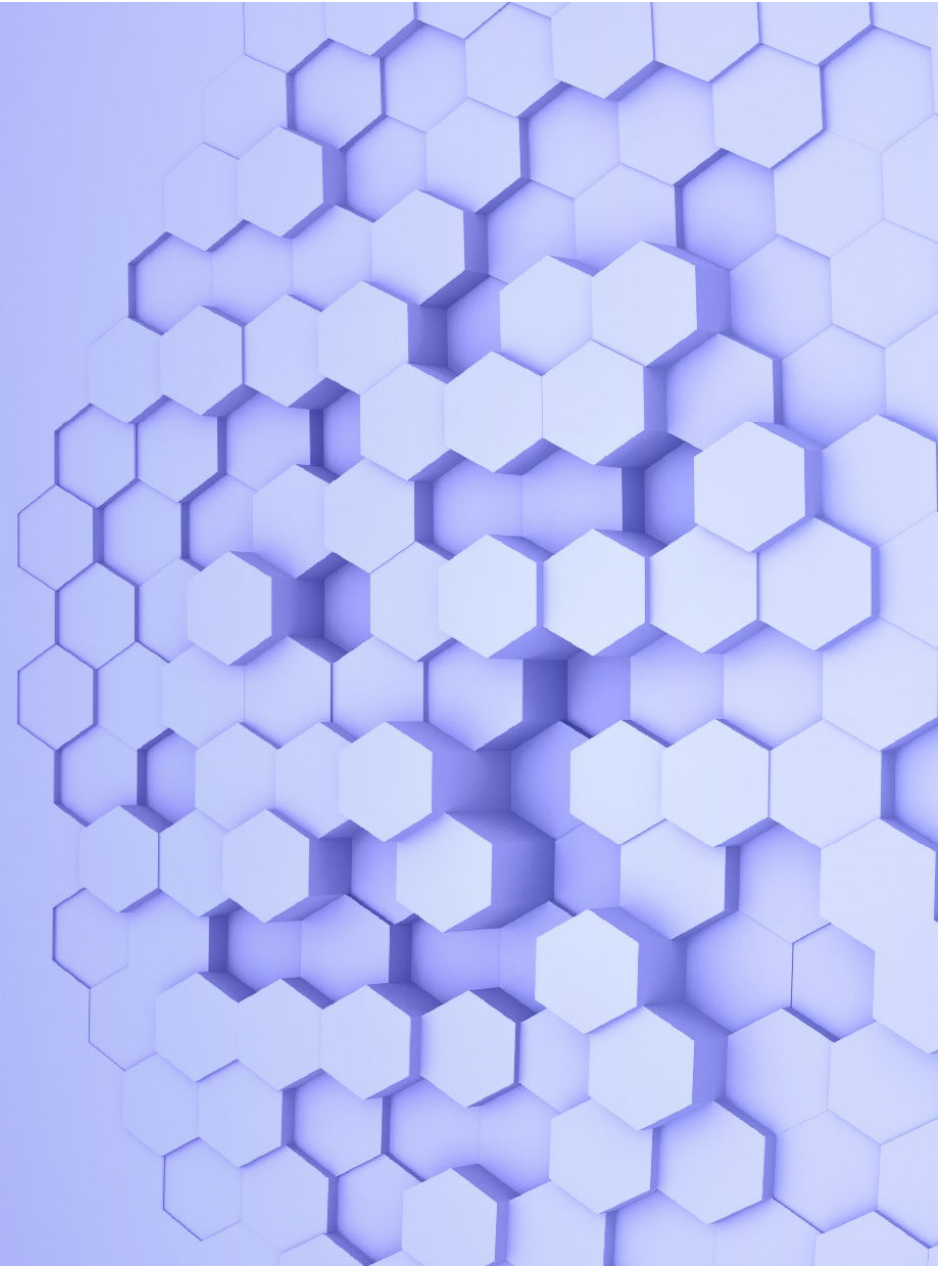


# End-Use Relief

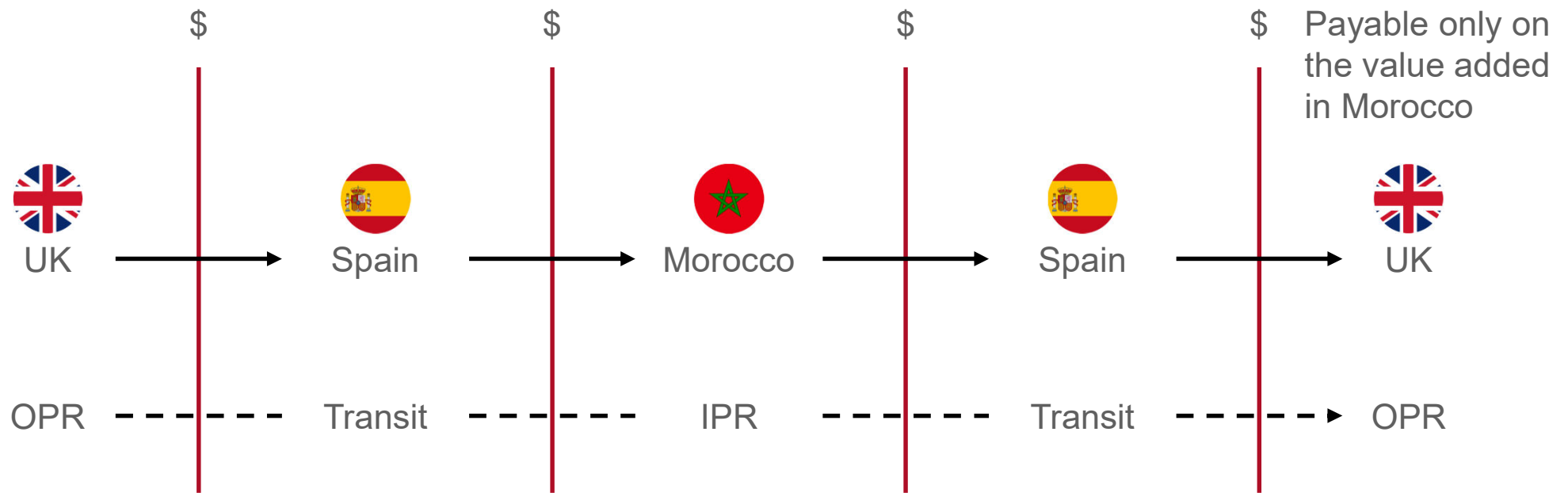
- Incentivises trade and movement of specific goods.
- Only **import VAT is levied at import** and **customs duties are levied based on their intended end-usage**.
- **Reduced duties** are available for qualifying end products.
- **Conditions for use** apply and traders are required to seek **authorisation** from the relevant customs authority.





## 2. Case Studies



# Case Study 1- Processing Relief and Transit Procedures



 Duty savings vs cost & compliance with procedures

 Duty savings possible by considering other duty relief

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# Case Study 2 - FTA and Customs Warehousing



Bonded Warehouse  
Free Trade Zone  
"Under Customs  
Surveillance"



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# Case Study 2 - FTA and Customs Warehousing

Goods do not remain  
"Under Customs  
Surveillance"



# Questions





# Next week

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## Anti-bribery and corruption and economic crime 22 – 23 May 2024

Latest anti-bribery and corruption developments in the UK and US

Wednesday 22 May, 3.00 - 4.00 pm BST | 4.00 - 5.00 pm CEST | 10.00 - 11.00 am EDT

Global enforcement priorities and challenges

Thursday 23 May, 3.00 - 4.00 pm BST | 4.00 - 5.00 pm CEST | 10.00 - 11.00 am EDT

Optimizing the use of data in compliance programmes and investigations

Thursday 23 May, 4.30 - 5.30 pm BST | 5.30 - 6.30 pm CEST | 11.30 am - 12.30 pm EDT

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