



SCARBROUGH

QUESTION/ANSWER FORUM:
IMPORT 101





ABOUT THE SPEAKERS



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THE SCARBROUGH GROUP



SCARBROUGH
INTERNATIONAL, LTD.

Est. 1984 International Freight / U.S. Customs

Est. 1988 Own Trucking Fleet



SCARBROUGH
LOGISTICS, LTD.



SCARBROUGH
SIX LINES, LTD.

Est. 2003 NVOCC Operations

Est. 2014 NAFTA Truck Brokerage



SCARBROUGH
TRANSPORTATION, LLC



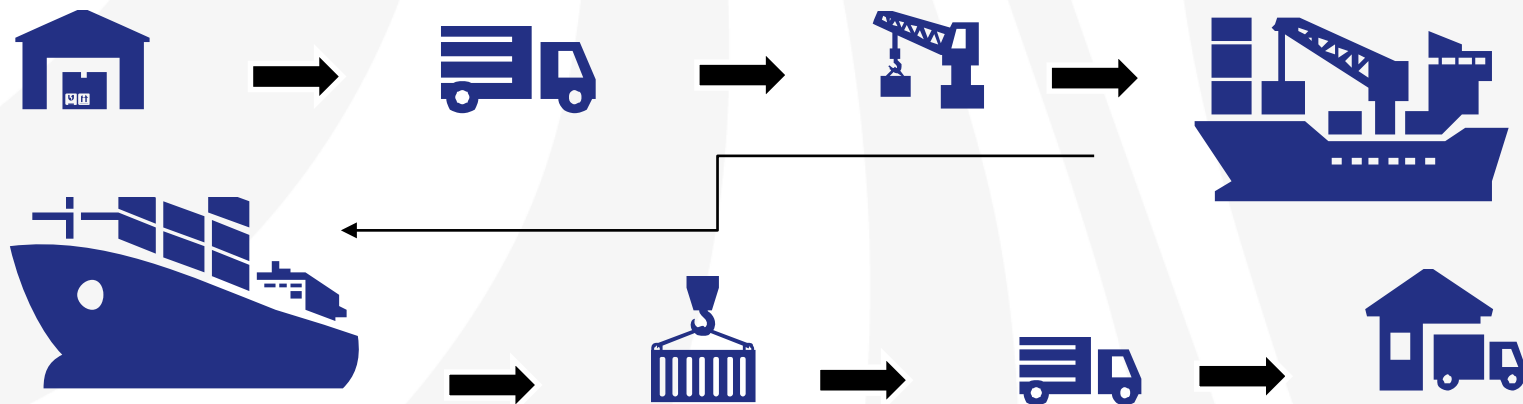
SCARBROUGH
DE MÉXICO S. DE R.L. DE C.V.

Est. 2015 Freight Forwarder / Mexican Customs



IMPORT PROCESS

1. Issue Purchase Order
2. Goods are manufactured
3. Goods are loaded
4. Goods leave factory
5. Goods arrive at origin port
6. Goods depart from origin port
7. Goods arrive at first US Port
8. Goods move inland
9. Goods arrive at inland port
10. Goods are picked up from rail/airport/CFS
11. Goods arrive at final destination





ISSUE PURCHASE ORDER (PO)

- Decisions that must be made
 - Incoterms
 - Mode of Transportation (MOT)
 - Pricing
 - Need Date at Final Destination
- Communication is key!





	Any Transport Mode		Sea/Inland Waterway Transport				Any Transport Mode				
	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAT	DAP	DDP
Charges/ Fees	<i>Ex Works</i>	<i>Free Carrier</i>	<i>Free Alongside Ship</i>	<i>Free on Board</i>	<i>Cost & Freight</i>	<i>Cost Insurance Freight</i>	<i>Carriage Paid To</i>	<i>Carriage Insurance Paid To</i>	<i>Delivered at Terminal</i>	<i>Delivered at Place</i>	<i>Delivered Duty Paid</i>
Packaging	Buyer or Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller*	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Delivery to Port/Place	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Duty & Taxes	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading on Carriage	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Carriage Charges	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance	**	**	**	**	**	Seller	**	Seller	**	**	**
Destination Terminal Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller
Delivery to Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller
Import Duty & Taxes	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller

*Seller is responsible for loading charges, if the terms state FCA at seller's facility. **Negotiable between buyer and seller



MODES OF TRANSPORTATION

Truck

- LTL vs. FTL



Ocean

- AWS vs. MLB
- LCL vs. FCL



Air

- Cargo vs. Commercial
- Charter



Rail





NEXT STEPS

- Goods are manufactured
- Goods are loaded
 - Documents are Generated
 - Commercial Invoice
 - Packing List
 - Certificate of Origin (if applicable)
 - Bill of Lading
 - Original
 - Telex
 - Express
- Goods leave factory
- Goods arrive at origin port





IMPORTER SECURITY FILING (ISF)

Required Importer Data Elements

1. Seller
2. Buyer
3. Importer IRS # (same as EIN#)
4. Consignee IRS # (same as EIN#)
5. Manufacturer (or Supplier)
6. Ship to Party
7. Country of Origin
8. HTSUS
9. Container Stuffing Location
10. Consolidator

11. Master Bill of Lading #
12. House Bill of Lading #





IMPORTER SECURITY FILING (ISF)

Timing

- All data elements should be filed with CBP 24hrs prior to vessel sailing
- Scarbrough asks for this data 72hrs in advance

Potential Risk(s)

- Fines of up to \$5,000 per violation
- \$10,000 max fine per B/L
- Additional exams
- Cargo release held until ISF data is received*

The Good News

- Minimal Fines Issued to Date
- C-TPAT is mitigating factor to reduce fines by up to 50%
- Historical performance is also a mitigating factor

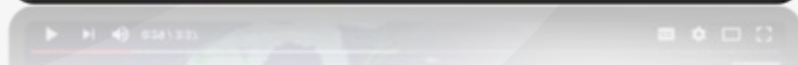


THE JOURNEY CONTINUES

6. Goods depart from origin port
7. Goods arrive at first US port



Click on image to view video on transport process





GOODS ARRIVE

- Truck
 - Truck has been cleared at the border of entry and cargo can be delivered at anytime
- Air
 - Direct
 - Goods have cleared at first port of arrival, any additional movement is authorized
 - Non-Direct (i.e., Italy to Chicago via JFK)
 - Goods will probably move via truck in-bond from JFK to Chicago
 - Customs clearance will not take place until Chicago



GOODS ARRIVE

- Rail
 - Rail cars clear as they cross the border and cargo will reach final rail ramp ready to deliver
- Ocean
 - Port Only (i.e., LA Only)
 - Goods will clear at port of entry, cargo will be authorized to deliver
 - Inland Port (i.e., Shanghai to Chicago via LA)
 - Goods will move via rail into inland port in-bond
 - Customs clearance will take place at final rail ramp



GOODS ARRIVE AT INLAND PORT

- Uh oh, exam time!
 - CBP
 - PGA's (partner government agencies such as FDA, USDA, etc.)
- Exams take time and cost money depending on the intensity of the exam
 - Document Review
 - Tail Gate
 - Vacis
 - Intensive
- What can do to mitigate exam risk?
 - C-TPAT
 - Timely and Accurate ISF



Photo Source: Mango World Magazine



CUSTOMS ENTRY – REASONABLE CARE

- Informed Compliance Publications
 - <http://www.cbp.gov/trade/rulings/informed-compliance-publications>
- Prior Disclosure
- Ball Bearings
- Customs Brokers
- Customs Value
- Drawback
- Entry
- Internal Combustion
Piston Engines
- Reasonable Care
- Recordkeeping
- Rules of Origin
- Tariff Classification
- Vehicles, Parts and
Accessories
- Internal Controls
 - Refer to your manual!

Top 5 Compliance Issues

- Valuation
- Classification
- Quantity
- Country of Origin
- Recordkeeping



1592 PENALTIES

- 19 U.S.C. § 1592 – Penalties for Fraud, Gross Negligence, and Negligence Penalties for non-Compliance are as Follows:

Culpability	Violations Resulting in Revenue Loss	Non-Revenue Loss Violations
Fraud The Entry(ies)	Up to the domestic value of the entry(ies)	Up to the domestic value of the entry(ies)
Gross Negligence	4 times the loss of duty	40% of the dutiable value of the entry(ies)
Negligence	2 Times the loss of duty	20% of the dutiable value of the entry(ies)



CUSTOMS ENTRY - DOCS

Required to Make Entry

- Commercial Invoice
- Packing List (if available)
- Bill of Lading (B/L or BOL)
- Certificate of Origin (if applicable)

Bill of Lading Types

- Telex/Express
 - Keeps cargo moving, copy is acceptable to all
 - Non-negotiable document
- Original
 - Copies not acceptable
 - Original must be “surrendered” to the steamship line prior to delivery of cargo to final destination
 - Negotiable Document
 - Can cause delays



CUSTOMS ENTRY – VALUATION & DUTIES

Valuation

- Normally Transaction Value (i.e., price paid or payable)
- Assists
 - Materials, components, parts and similar items incorporated in the imported merchandise
 - Tools, dies, molds and other production items
 - Merchandise consumed in the manufacture
 - Engineering development, artwork, design work, and plans and sketches other than if done in the US

Duties

- Ad Valorem, Specific, or Compound
- ADD/CVD

	Unit of Quantity	Rates of Duty		
		1		2
		General	Special	
rs	kg	3.7% <u>150/</u>	Free (A*,AU,BH, CA,CL,E,IL,J,JO, K,MA,MX, P,SG)	25%
(s)	kg	6.5%	Free (A,AU,BH,CA, CL,E,IL,J,JO, K,MA,MX, P,SG)	15.4¢/kg + 49.5%



CUSTOMS ENTRY - HTS

Basic Overview

- All goods require a HTS # (classification)
- Classification based on 6 General Rules of Interpretation (GRI)
 - Most Common – *Eo Nomine* or by name

References

- Customs Rulings Online Search System (CROSS)
 - <http://rulings.cbp.gov/>
- Harmonized Tariff Schedule of the United States (HTSUS)
 - <http://hts.usitc.gov/>
 - <http://www.usitc.gov/tata/hts/bychapter/index.htm>





HTS - LAYOUT

- General Rules of Interpretation, plus the additional US Rules of Interpretation
- General Notes
- Sections and Chapters
- Special appendices
- International Standard Country Codes
- Custom Districts and Ports
- Alphabetical Index





HTS – NOMENCLATURE

First 2 digits identify the chapter

First 6 digits recognized internationally

Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty		
				General	1 Special	2
8701		Tractors (other than tractors of heading 8709):				
8701.10.01	00	Single axle tractors.....	No.....	Free		Free
8701.20.00		Road tractors for semi-trailers.....		4%	Free (A+, AU, B, BH, CA, CL, CO, D, E, IL, JO, KR, MA, MX, OM, P, PA, PE, SG)	25%
	15	New: G.V.W. not exceeding 36,287 kg.....	No.			
	45	G.V.W. exceeding 36,287 kg.....	No.			
	80	Used.....	No.			
8701.30		Track-laying tractors:				
8701.30.10		Suitable for agricultural use.....		Free		Free
	15	New: With a net engine power of less than 93.3 kW.....	No.			
	30	With a net engine power of 93.3 kW or more but less than 119.4 kW.....	No.			
	45	With a net engine power of 119.4 kW or more but less than 194 kW.....	No.			

Last 4 digits used for statistical reporting



HTS – REVIEW

- Get all the facts on the article to be classified
 - All descriptive terms and literature
 - Physical qualities
 - Material composition
 - Chemical characteristics
 - Articles use at time of import
- Identify all possible classifications
 - Use Alphabetical Index
 - Use Table of Contents
 - Use Binding Rulings
- Identify all possible classifications
 - Use Alphabetical Index
 - Use Table of Contents
 - Use Binding Rulings
- Apply classification rules to determine correct classification
 - More than one could apply – if so use GRI's
- Consult outside Customs House Broker / Legal Counsel if necessary



CUSTOMS ENTRY – RECORD KEEPING

- All documents related to the transaction must be kept for 5 years from the date of entry
 - CF7501 (Entry Summary)
 - CF3461 (Entry/Immediate Delivery)
 - Commercial Invoice
 - Packing List
 - Bill of Lading
 - Certificate of Origin (if applicable)
- Additional recommend documents
 - PO
 - Proof of Supplier Payment
- Customs always follows the money





ACE ENTRY RECORDKEEPING REQUIREMENTS

Summary:

As a matter of policy, CBP will not request an entry filer to produce the data (formerly contained in CBP Forms 7501, 3461, 214 or 7512) that the filer previously transmitted to and was retained by CBP unless CBP has a need for such records. If CBP needs such records, the filer may retransmit or otherwise provide the data electronically or reproduce the entry/entry summary data using an ACE report.

Accessibility:

How a broker/filer provides copies of the transmissions to the importer of record is a business decision between the importer and the broker/filer. However, as entry summary information is accessible via the ACE Portal, an ACE Portal report, as for example, ESM-7008, would be an acceptable format for that purpose. CBP plans on continuously expanding and improving ACE reports functionality that will assist a filer in responding to a request for records.



COUNTRY OF ORIGIN/MARKINGS

Every foreign article (or its container/package) must be marked with its country of origin.

The mark must be:

- Legible (*i.e.* not hard to read),
- Indelible (*i.e.* must not fade or smear),
- Permanent (*i.e.* won't fall off unless deliberately removed)
- Conspicuous (*i.e.* easy to find)
- In English



- The purpose of these requirements is to let the “ultimate purchaser” in the United States know the foreign origin of the goods.
- Markings may not be removed subsequent to importation.
- NAFTA can be in French, Spanish or English



JOURNEY CONCLUDES

10. Goods are picked up from rail
 - Goods are Customs Cleared
 - OBL has been surrendered (if original B/L was issued)
 - Don't forget your free time at the rail!

11. Goods arrive at final destination
 - Check container seal against B/L
 - Sign for any damage noticeable
 - Return your empty!





QUESTIONS: IMPORT 101



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