

IMPORTING AND EXPORTING

IMPORTING TO THE U.S. WHAT YOU NEED TO KNOW

Eight areas of the importing process you should familiarize yourself with before you ship your goods to the U.S.

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Importing to the U.S. Key requirements you need to be aware of

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If you're new to international shipping, there are many factors to consider when moving your goods; from the multiple forms to be completed to the complex regulations you need to be aware of, international shipping can be overwhelming.

Starting out with a good foundation of shipping regulations is key to building effective procedures. The following overview of the importing process will arm you with the basic knowledge you need to start shipping your goods to the U.S.

1 Customs clearance and documentation

Customs clearance is the umbrella term for the various stages of getting your goods into the U.S. through Customs.

To start, you need to have your documentation prepared prior to shipping. This is typically done by the exporter or supplier and then delivered to the carrier, but no matter who completes the paperwork the importer is ultimately responsible for the information. Thus, it's critical to ensure you have all the correct information and documentation well before your shipment is loaded, giving you time to sort out any discrepancies or problems. With today's strict regulations, the days of showing up at the port without paperwork and figuring it all out later are a distant memory.

Once the paperwork is received by your broker they will review it to ensure everything is in order and all the required information is present. They will then electronically submit all of that information directly to Customs before your shipment arrives.

Learn the key stages your goods go through during the importing process to the U.S.



Upon arrival, Customs' targeting system will review your shipment's details and your history to determine if any further inspection is required. If everything is in order, your shipment will be released into the U.S.

The documents you are required to have with your shipment include, but are not limited to, the following:

- A customs invoice or commercial invoice, by far the most critical of all the documents sent to your broker; the invoice will state nearly all the required information Customs needs such as value, description, weights, tariff number (HTS), importer of record name and address, and the ultimate consignee's name with IRS number.
- A bill of lading, which is essentially proof that there is a contract between the carrier and the shipper to transport the goods.
- Participating Government Agency (PGA) documents, which are additional permits and forms required by other government departments.
- Additional documents that, depending on the nature of your shipment, may be required to provide more information, such as shipment coversheets, purchase orders, or any applicable licenses or permits that may be required for specific commodities.

Should your shipment arrive at the border without your customs broker having all the necessary documents in hand, it will be placed in a Customs warehouse, delaying its progress while you are charged for storage.



2 Participating Government Agency requirements

As mentioned, you may be required to submit permits, licenses, or forms to satisfy PGA requirements.

PGAs are U.S. government agencies responsible for protecting its citizens by regulating imports of certain goods deemed to be potentially dangerous if not strictly regulated. Provided that the importer's goods are subject to approval from PGAs, the importer must comply with these agencies' regulations in order to get the shipments released by U.S. Customs. If you neglect to meet PGA requirements, you will incur costly delays at the border, or your shipment might be refused entry into the U.S. altogether.

Some of the agencies include: the Department of Transportation (DOT), the Federal Communications Commission (FCC), Environmental Protection Agency (EPA), and the Food and Drug Administration (FDA). If you're unsure whether or not the products that you are importing fall under the jurisdiction of any of these PGAs, it's best to check with your customs broker prior to shipping.

3 Classification and duty rates

Duty rates are the fees that you pay to Customs as tariffs on your goods. These rates are based on the

classification of the goods being shipped, and the importer is required to pay them. However, in most cases the customs broker will pay the duty to Customs on behalf of the importer and simply invoice the importer at a later date.

All goods that enter the U.S. are categorized according to the Harmonized Tariff Schedule of the United States. Placing goods into the correct product category is called classification, and the number used to identify that category is referred to as a Harmonized Tariff Schedule (HTS) number. The HTS number consists of 10 digits; the first six are used on the international level by World Trade Organization member countries, and the remaining four are U.S.-specific. The duty rate you are going to pay is determined by this number; customs duties are generally assessed at a percentage of the dutiable value of the imported goods. It is U.S. Customs who makes the final determination of the correct rate of duty to be paid by the importer.

Classification is a very complex process requiring knowledge of various rules and regulations that change often. Getting the classification wrong, or not paying the correct duty, could mean retroactive penalties for the importer. While it's ultimately your responsibility to understand how various regulations apply to your business, many importers hire customs brokers to help them classify their goods.



Avoid retroactive penalties. Work with a customs broker to classify your goods.

4 Shipment valuation

Shipment valuation is the process U.S. Customs uses to determine the duties and taxes owed by the importer using the HTS number as described above. The importer must declare the dutiable value of merchandise, that is, the value upon which the duties are determined. The transaction value serves as the primary basis of shipment valuation. Transaction value is the price actually paid, or payable, by the buyer to the seller for the imported goods. Other factors may also add to the dutiable value of merchandise, such as: packing costs, selling commissions, assists, royalty or licensing fees, etc. It's important to note that all products shipped to the U.S. must have a value, including items such as rejected merchandise, product returns, samples, and trade show supplies.

5 Country of origin

All goods imported into the U.S. must meet the country of origin marking requirements. Country of origin, for U.S. Customs, means the country of manufacture, production or growth. For instance, just because a product is shipped from Belgium does not necessarily mean it was actually manufactured there. Sometimes it's very simple and

straightforward to determine where a product was made, but the rules of origin can be incredibly complex once you start assembling goods with parts from all around the world. Therefore, it's important for you to thoroughly check the rules of origin to ensure your goods have the correct country or origin listed on both your commercial invoice and marked on the items as required.

6 Importer Security Filing

In addition to the previous five items, all ocean or inland waterway shipments coming to the U.S. have an additional requirement called the Importer Security Filing (ISF). This regulation requires importers to submit 11 data elements to U.S. Customs 24 hours prior to the vessel being loaded in the foreign port. Your customs broker can file the information on your behalf, but all the information must still be collected and submitted to them. Failure to file the ISF on time, or filing with errors, can result in your shipment being detained or penalties up to \$10,000. The following is a list of information that must be included in the ISF:

- Bill of lading number;
- Manufacturer (or supplier) name and address;
- Seller name and address;
- Buyer name and address;
- Ship to name and address;
- Container stuffing location;
- Consolidator (stuffer) name and address;
- Importer of record number or FTZ (Foreign Trade Zone) applicant identification number;
- Consignee number(s);
- Country of origin;
- Commodity HTS number (minimum 6 digit level required, 10 is accepted).

7 Surety bond

A surety bond is a guarantee to the United States government that the importer will abide by all U.S. import laws and regulations. Specifically, the bond guarantees the payment of all applicable duties, fees, fines, or penalties up to a specific dollar amount and is required for nearly all shipments coming in to the U.S. Having a bond on file also allows the importer to take possession of the merchandise before payment of duties, taxes and fees.

Bonds can be obtained from a surety firm, which is usually an insurance company that has been authorized by the

Treasury Department to write customs bonds. The surety company issuing the bond can be called on for payment only when an importer cannot, or will not fulfill its obligations to the U.S. government. The surety company is entitled to full recovery of any loss from the importer. It is important to note that the surety bond is not designed or intended to protect the importer, nor does it relieve the importer of any obligations. Your customs broker can also act on your behalf and obtain the bond for you, making the entire process seamless.

You may apply for either a single transaction bond, or a continuous bond. A single transaction bond covers only one shipment at a specific port of entry. A continuous bond covers multiple shipments, for which an annual premium must be paid. The continuous customs bond also covers transactions at any U.S. Customs district or port. Because of the above advantages, and the overall cost savings, continuous bonds are recommended in most instances.

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Cargo insurance

Accidents can happen at any time, so it's a good idea to protect your international shipments. Storms at sea, piracy, theft, operator errors, and other issues can happen to your cargo at any time and if you don't have insurance to cover those potential disasters, you risk losing the investment you put into your shipment. From the moment your shipment leaves until its final arrival, make sure your goods are covered. Livingston provides "all risk" cargo insurance, giving you complete coverage and quick resolution.

Importer's responsibility

It is the importer's responsibility to ensure that their goods meet admissibility requirements such as proper marking or labeling, packaging, or safety standards. In addition, proper permits, certificates and licenses from applicable PGAs have to be obtained before the goods arrive in the U.S. Your customs broker is there to help you as much as possible, but in the end the importer is liable for any errors. Always be sure to plan ahead and be aware of the requirements to ensure a smooth and successful import process.

This document has been put together in good faith to help out importers with some of the basic requirements of importing and is not meant to be the only resource for importers. Livingston assumes no legal responsibility for the content provided in this document.

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Contact Livingston

Have questions or need help with your shipments? Contact your account executive, write to us at: simplify@livingstonintl.com or give us a call at **1-800-837-1063**