

ON THE WATERFRONT

CAN WE GET A RULING HERE? A BINDING RULING, THAT IS – IT REDUCES RISK WHEN IMPORTING

BY EDITH G. TOLCHIN

>> If you are about to import your manufactured product into the United States, prepare to pay import duties.

How much to pay can be tricky and fraught with unwelcome surprises.

You could consult the Harmonized Tariff Schedule of the United States, or HTS (www.usitc.gov). It's as thick as two New York City phone books and is used to assess import duties on items from ale to zinc.

The problem is how to classify your invention.

The HTS only lists established products. If you have a special towel with unique pockets, for instance, do you classify it under Chapter 52 (cotton), or Chapter 63 (other made-up textile articles)?

If you goof, it could cost you. Improperly classifying merchandise can carry steep penalties.

To eliminate the guesswork, have your international trade consultant – every inexperienced importer should work with one – or licensed customs broker prepare a binding ruling request for your product.

A binding ruling can protect you from unexpected increases in import duties and other problems.

Here's how it works:

Send your trade consultant or customs broker a sample of your product – a prototype is fine – along with any specification sheets, sales literature or brochures, packaging samples, labels, component information, etc.

Your consultant or broker will include a letter describing the ultimate use of your product, information about your company, the manufacturer (if known at the time), terms of sale, the ports through which you plan on importing the shipment and any other information you or your representative believe may assist Customs in properly classifying your product. These are then sent to U.S. Customs & Border Protection.

Consider what can happen without a binding ruling.

Your first shipment arrives to port, for example, and Customs assigns a 5 percent duty rate. So if the

documentation shows that your product value is \$10,000, the duty you pay will be \$500.

Fast forward six months. Your invention is a success.

This time you are importing a shipment valued at \$100,000. You budget the duties to be 5 percent, or \$5,000. Without a binding ruling on a new invention and with no other similar products listed in the HTS, classifications and determination of import duties are subject to interpretation by Customs at the time of import.

Another Customs inspector who reads your shipment documentation may rule that the classification should carry an 8 percent duty rate. You are now paying \$8,000 instead of \$5,000.

A binding ruling could have saved you the headache. ■



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