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Managing Imports & Exports

'The leading source of information on how best to enhance your global supply chain'

Reclaim of Import VAT Paid on Products Shipped to the European Union

By Britta Eriksson, CEO
Euro VAT Refund, Inc.

Value Added Tax ("VAT") is an implemented consumption tax in almost all countries around the world except the U.S., and a few other countries. The international VAT rates can vary from 5%-27% (15-27% within the EU), and is assessed on most goods and services sold, including goods that are imported into these countries. VAT should almost never be a cost to a company, but it is a cost to the end consumer.

VAT assessed on goods shipped to foreign countries

The U.S. company that ships goods to a foreign country can incur unexpected VAT charges if the shipping documents are not set up correctly. Other companies might choose to act as the importer for different reasons, and they will also have to pay "import VAT" to the local customs.

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Reclaim of Import VAT Paid on Products Shipped to the European Union continued...

Sample: Import VAT on goods imported to the United Kingdom:

Value of goods shipped from the U.S.	$10,000	
Duty 3%	$ 300	Pay to customs
Value for VAT*	$10,300	
20% UK VAT	$ 2,060	Pay to customs

*the actual value for VAT also includes some additional charges such as freight.

Can the import VAT be reclaimed?

The U.S. company should be aware that VAT will be assessed on their goods as soon as they are imported to the foreign country. If the business customer in this country is the importer, they will simply pay the VAT, and then reclaim it from the tax authorities in their next VAT return due. The VAT will not be a cost to them in most cases. If the U.S. company, on the other hand, ends up with the VAT charge, they can sometimes claim it back from most of the European countries. Sometimes the VAT is not refundable, and this is important to understand so that it does not come as an unexpected surprise.

The refundable VAT can be claimed from several EU countries through:

1. Filing a refund claim as a non-registered company to the local tax authorities. This can sometimes be done if the goods have been shipped to the EU country for a purpose, other than for sale. An example is the computer company that ships computers to data warehouses in the EU that they will own and run.

2. The U.S. company might need to register for VAT in the EU country. This is the case, for example, if they have to act as the importer of the goods, and plan to sell it to customers in the EU countries. An example would be a company who sells medical device products to hospitals and health clinics in the EU, or the U.S. company that will sell through EBay or Amazon.com in Europe.

The U.S. company that ships to foreign countries should always make sure that the shipping documents and instructions are set up correctly from the start. If for some reason the customer in the foreign country cannot be the importer, the U.S. company must be prepared that they will have to pay the expensive import VAT, in addition to the duty. Make sure to understand if, and how, this can be reclaimed, and if VAT registration might be required in the country. Seek advice before the shipment and be prepared so that the high VAT charge does not come as an unpleasant surprise, and cannot be reclaimed.

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Should My Company Cover Marine Cargo Insurance or Not?

By Michel Wouters
American River International

Many people and companies are under the impression that shipments are automatically insured by the supplier, consignee, carrier or freight forwarder. Unfortunately this is a misconception.

A statement we hear quite often is, "We have been shipping for many years without covering any type of marine cargo insurance. We have never had a loss or damage to our goods!" While many companies feel that the insurance premium is costly, it usually represents only a fraction of the cost of the merchandise and also gives peace of mind.

Moving freight is a risky business. Damage, pilferage, loss of cargo, is a daily fact. Accidents do happen and cargo ships sink. There are so many chances for some sort of freight claim. While I personally believe that no one purposely would damage goods, it happens!

Let's analyze who covers what and how much.

- Suppliers will only insure the goods if this agreed is upon through a specific Incoterm. Many companies are under the impression that the vendor will insure the goods for the full landed cost value. For instance, the Incoterm " CIF " states that the supplier is to insure the goods, however the obligation from the supplier is to insure only a minimal coverage, as stated under that specific Incoterm.

Carriers, such as steamship lines, NVOCC, airlines usually have a limited cargo insurance liability which is not sufficient to cover the full value of the cargo, as demonstrated hereunder:

- NVOCC's and steamship lines usually cover a limited liability insurance of $500.00 per package or container.
- Airlines usually have a limited liability of carriage of $20.00 per actual kilogram.
- Truckers frequently show on their bills of lading a dollar limitation on the value of the cargo or specify a dollar limit of liability.

Based on the above limitations, many companies would have a hard time to withstand a total or partial claim to a shipment.

Because most insurance carriers require a larger volume of insurance, many small to midsize companies find it impossible to secure their own marine insurance cargo policy. Most freight forwarders have an "open cargo insurance policy". This means that your freight forwarder has the

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Should My Company Cover Marine Cargo Insurance or Not continued...

capability of insuring your cargo from door to door, thus limiting your risks and exposures. This coverage is available on a case by case basis, and while not all commodities are included in the coverage, an exception can be requested from the insurance carrier. Be aware of the different coverage's available, as well as the various clauses in the policy. The insurance premium is calculated based the commodity, risk, origin or destination of the cargo, and is based on a percentage of the value of the goods. A freight forwarder does charge a premium for this service.

A common mistake companies make is to insure only the value of the cargo, instead of the landed cost. It is advisable to add all the landed expenses to the value. (Landed cost examples are, freight costs, duties and taxes, pier charges, marine insurance cargo premiums, etc.). While this will increase your premium slightly, it will cover those types of expenses in case of a claim.

One should make sure to give your freight forwarder written instructions to insure the goods, as well as the value to declare.

Cargo Marine Insurance coverage is a good way to mitigate loss of revenue and peace of mind.

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Understanding the Export Administration Regulations

By Sarah Reynolds

The Export Administration Regulations, otherwise known as the "EAR", can be very complex and overwhelming to the new user. However this should not dissuade one from learning and understanding the regulations, instead it should be taken on as a challenge with the hopes of mastering and navigating them with ease.

The EAR is the more commonly used or most applicable U.S Regulations as it covers the majority of exports and numerous commodities, too many to mention. For example, if you are exporting furniture, it is applicable to your business. If you are exporting computer equipment, it is applicable to your business, wearing apparel…..it falls under the EAR. I view the EAR as the core or the foundation of U.S. export control and, depending on the industry you are in, and in addition to the EAR, there could be other U.S Government agencies applicable to your exports or certain product lines, such as the Department of State, Department of Transportation, Bureau of Alcohol, Tobacco, Firearms and Explosives and the Office of Foreign Assets Control.

Since the EAR governs the majority of the exports and re-exports, it is imperative that Exporters familiarize themselves with the regulations and use them. You need to be able to understand how to determine whether an item / transaction / shipment is classified as "EAR99", or is the item located on the Commerce Control List and regulated by an Export Control Classification Number and the necessary next steps that must be taken in order to export that product compliantly such as, taking the country of ultimate destination into consideration.

The EAR can be found on the Bureau of Industry and Security's website www.bis.doc.gov

I recommend starting with the "Steps for Using the EAR" found in Part 732 of the Export Administration Regulations which provides an overview of what you need to know about your transaction and assists in determining your obligations under the EAR;

1) What is it? (classification, is it on the Commerce Control List)

2) Where is it going? (depending on the country a license may be required)

3) Who will receive it? (the ultimate end-user cannot be a bad end-user)

4) What will they do with it? (The ultimate end-use of your item cannot be a bad end-use)

5) What else do they do? (Conduct, such as contracting, financing and freight forwarding in support of a proliferation project may prevent you from dealing with someone)

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Understanding the Export Administration Regulations continued...

You will also need to determine if your items and activities are subject to the EAR, and in most cases they will be. This determination can be done by reading Part 734 "Scope of the EAR".

The next step would then be to determine if your item is classified as "EAR99" or controlled by the Commerce Control List. Items controlled by the Commerce Control List are subject to authority of the Bureau of Industry and Security and are subject to export licensing. This classification as to whether your item is EAR99 or controlled by the Commerce Control List is critical to your process as this classification will determine if your product is licensable in general or licensable to certain countries. The Commerce Control List can be found in Part 774 and an overview of the Commerce Control List is in Part 738.

The more you use the EAR, the easier it becomes. It is best to constantly be on this website and navigate through it using the "Step for Using the EAR" as your guide. I recommend making this website a "favorite" as it also provides updates to the regulations, industry news and other important tools such as " Lists to Check" which are lists of individuals, entities, and parties that you may be prohibited to export to or may require an export license to ship to.

Exporting is a privilege that can be taken away and the best way to prevent losing this privilege is understand the Export Administration Regulations and to practice them compliantly.

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Compliance Manager of the Month

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This month's Compliance Manager of the Month is Marie Cabral, Import/Export Compliance Director, America II Electronics Inc.

1. What was the toughest compliance challenge that you have undertaken as the key person responsible for compliance management?

Assuring that all, company, key personnel, understand the liabilities and responsibilities regarding international trade. The leadership of any company will gain prospective and profit if appropriate time is dedicated to educating the leadership and culture regarding international trade regulations (Import/Export).

2. How do you manage your service providers?

Our service providers are our partners.

How do you treat your business partners?

You engage, inform, and develop your processes together. Together, through a transparent and secure supply chain, we are supporting our customers (carriers, ultimate consignees, customs brokers, freight forwarders, and vendors to name a few).

3. If you were speaking with someone new to the compliance arena, what five steps would you encourage them to follow?

1. Outreach, the government provides cost effective training and networking opportunities (I remember when this experience was not what it is today).

2. READ, READ, READ... do the work. Knowledge, will be gained through reading and experience. Understanding, will be gained through experience and execution. Wisdom, will be gained through execution and audit.

3. Ask questions and complete practical exercises prior to going live.

4. You are a member of a team. Your team is measured on performance. Bring your individual talents to the team for incorporation into the processes. Synergy, know the definition of this word!

5. Be alert for opportunities that translate into growth and gain.

4. If the BIS or CBP were knocking at your door without an appointment, how would you handle that?

As I have, I invite agents in, ask the purpose of the visit and cooperate.

5. What is your focus for 2012 in maintaining and/or introducing new compliance efforts to your company? Continuous education...sounds like a pat answer, however, how do you continue educating while your team accomplishing their daily tasks without reducing your team count (attending a seminar) and remain mindful of the cost. This may be a job best suited for the Cirque Du Soleil.

The aforementioned is challenging but not impossible. Take advantage of the many types of educational venues available. On the job, on line, set some time aside and assign reading assignments with follow up quizzes. Be creative with your approach and STAY engaged in the processes.

Nothing is more detrimental to a dynamic and ever changing profession than stagnate processes. It a death sentence to your compliance program.

HTSUS Classification Management... Best Practices Defined

By Rennie Alston

Importers and U.S. Principle Parties of Interest are responsible under government regulations to provide a U.S. Harmonized Tariff Classification number on import declarations for entry into the commerce of the United States, as well as for export declarations related to goods leaving the United States. There exists in the international trade community, years of common practice related to the derivation, maintenance and management of proper HTSUS numbers that do not meet regulatory standards. Examples of common practices that do not meet government standards are outlined as follows;

1. The customs broker of record or freight forwarder assigns the HTS number on behalf of the importer or USPPI.

2. The Importer or USPPI has a list of HTSUS numbers that they have used successfully for the past few years, and rely on those numbers to be true and correct.

3. The importer as purchaser of the goods allows the foreign seller to dictate to the importer the proper HTS number to be used for U.S. import declaration.

4. The USPPI, as seller of the goods, allows the foreign buyer to dictate to the seller the proper HTS number to be used for the U.S. export declaration.

These four examples above can result in costly fines and penalties related to lack of supervision and control and reasonable care of the import/export declaration process and a lack of responsibility to ensure that accurate information is tendered to government agencies such as U.S. Customs and Border Protection, Department of Census and Department of Commerce in any such transactions.

Proper classification of import/export goods is a key component in global regulatory compliance knowledge standards. It is impossible to properly manage your international supply chain without clear and decisive measures to demonstrate proper HTS management practices. Import and Export declarations, ISF (formerly known as 10+2), import customs entries, free trade agreements, landed cost determinations, are examples of the aspects of global trade that HTS classification emcompasses.

There are best practices that can compliment the compliance efforts of any international supply chain participant in either the import or export realm.

1. Best practices related to the HTSUS classification management process begins with education and training of key individuals with a responsibility for the determination of accurate reporting numbers.

2. The creation and maintenance of an automated database that is subject to edit, updates and affirmation of correctness periodically throughout the year, and at a minimum of an annual basis.

3. Use of Customs Binding rulings referrals for guidelines and clarification of CBP positions on like or similar items.

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4. Reasonable care standards of consulting with industry experts such as consultants, attorneys or licensed customs brokers for verification, not delegation of HTSUS determinations, interpretations and guidance. The ultimate responsibility and decision on suggested HTS classifications will remain with the importer of record or USPPI to then be declared upon any such trade declarations.

5. Binding ruling request submissions to gain CBP interpretation of proper classifications on an item in which no previous rulings can be referenced.

6. Utilization of knowledgeable individuals such as engineers, lab technicians, scientists, product specialists that can provide commodity specific information necessary for the classification reference determination process.

7. Letter of instructions provided by the importers/exporters that clearly define the suggested HTS numbers to be used on each transaction to meet reasonable care standards of providing sufficient information to make entry.

8. Automated electronic screen print of electronic classifications numbers used in the import/export transaction provided by the service provider within 48 hours from the date of the transmission of the import/export declaration.

9. Internal cross check utilization compliance reviews to ensure the numbers provided to the brokers and forwarders were the actual numbers used in the import/export declarations.

10. External compliance assessment reviews to assess verifications of internal check lists used to verify letter of instructions, ISF, Import entry, and AES declaration contents to ensure that there is no errant process going undetected that may be resulting in over payment of duties, or the assessment of fines and penalties.

The HTS number has now become a critical element in the global security supply chain management process demonstrated as an inclusion in the Importer Security Filing requirements. The HTS number remains a vital component of import/export compliance standards, and must be managed in a proactive effort to ensure compliance and security of the international supply chain. Remember, do not manage HTS classifications on the premise of how it was originally transferred to you, best practices call for increased attention to detail, accuracy, derivation and continued maintenance.

2012 March - June -- Course Schedule

2010 INCOTERMS New Rules Seminar *ADVANCED CLASS*
March 16, Newark, NJ
March 23, Chicago, IL
April 13, Chicago, IL
April 20, Newark, NJ
May 11, Boston, MA
May 25, Newark, NJ
June 15, Minneapolis, MN

Advanced Import/Export Operations, Documentation & Compliance Management
March 19-20, Chicago, IL
April 16-17, Newark, NJ
May 7-8, Boston, MA

C-TPAT Certification Training Workshop
March 21, Chicago, IL
April 18, Newark, NJ
May 9, Boston, MA
June 13, Minneapolis, MN

Drawback Workshop
March 13, Newark, NJ
June 26, Chicago, IL

Establishing Import/Export Compliance Procedures
March 14-15, Newark, NJ
April 26-27, Miami, FL
June 11-12, Minneapolis, MN
June 19-20, Newark, NJ

Focused Assessement Preparation
April 9-10, Newark, NJ

Foreign Corrupt Practices Act Anti-Bribery Provisions
April 10, Chicago, IL
June 21, Newark, NJ

Hazardous Materials Training
April 2-4, Newark, NJ
June 6-8, Newark, NJ

Managing Harmonized Tariff Schedule
March 22, Chicago, IL
March 29, Orlando, FL
April 19, Newark, NJ
April 11, Chicago, IL
May 10, Boston, MA
June 14, Minneapolis, MN
June 22, Newark, NJ

Negotiating Global Supply Chain Costs...
Competitive Freight and Logistics Cost
April 12, Chicago, IL

PACMAN - Import/Export Compliance Certification Workshop & Exam
May 22-23, Newark, NJ   May 24, Newark, NJ **ANNUAL MEETING**

Contact:
www.theworldacademy.com
Email: info@theworldacademy.com
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Webinar Schedule

FTA's

April 5, 2012 - 2:00 pm - 3:00 pm EST

The U.S. government participates in trade agreements with many of its foreign trading partners. This webinar will review the various trade agreements and how a company can use free trade agreements to their benefit when sourcing material. The webinar will also include understanding Rules of Origin, Tariff Shifts, Regional Value Content and how to document the process.

INCOTERMS 2010 Revisited

May 16, 2012 - 2:00 pm - 3:00 pm EST

Incoterms are essential to the supply chain process. This webinar will include a review of the proper use of Incoterms including managing compliance and bringing a better understanding of Incoterms to all import/export personnel.

5 Step Risk Assessment

June 6, 2012 - 2:00 pm - 3:00 pm EST

Learn what elements to include in conducting your international supply chain security risk assessment. This webinar will review the 5 Step Risk Assessment requirement for C-TPAT annual review, validations and revalidations. Ensure you are assessing, identifying and taking corrective actions on potential threats and vulnerabilities that may exist in your international supply chain.

Additional Educational Offerings…

USCIB (United States Council for International Business) and The World Academy
www.uscib.org

April 3	Best Practices for Export Supply Chain and Carnet Issues	Chicago, IL

Bureau of Industry and Security (BIS): www.bis.doc.gov

March 15-16	Complying with U.S. Export Controls	San Diego, CA
March 15	Technology Controls	Shreveport, LA
March 16	Encryption Controls	Shreveport, LA

American Management Association (AMA): www.amanet.org

March 14-16	Import/Export Procedures & Documentation	New York, NY
April 18-20	Import/Export Procedures & Documentation	Chicago, IL
June 25-27	Import/Export Procedures & Documentation	San Francisco, CA

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PERIODICALS

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