

MANAGING YOUR CUSTOMS PROCESS

# SUPPLY CHAIN COST SAVINGS

Five opportunities you can't  
afford to miss

## Managing your Customs Process

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**When it comes to managing your supply chain, sometimes it isn't what you're doing that's costing you money – sometimes it's what you're not doing that can put a drain on your bottom line.**

If you're outlaying too much duty up front or ignoring the benefits of trusted trader programs, your supply chain isn't operating as efficiently or cost-effectively as it should be. Here are five critical cost-saving opportunities you should look at in order to keep your supply chain operations in the black.

### 1 Supply chain security programs

The cost-savings potential provided by participation in programs like Customs-Trade Partnership Against Terrorism (C-TPAT) in the United States or Partners In Protection (PIP) in Canada can be significant. While these programs provide clear risk-mitigating benefits, such as reduced exposure to legal or financial risk, they also offer a more predictable supply chain, enhance your reputation with Customs and help expedite border clearance for your goods. Furthermore, U.S. Customs and Border Protection's most recent C-TPAT member survey states that one-quarter of members report cost-savings as a result of membership<sup>1</sup>.

Managing customs compliance is critical to maintaining smooth supply chain operations, preserving a good importer profile with customs, mitigating overall risk and **reducing supply chain costs.**



### 2 Bonded warehouses and foreign trade zones

The United States Foreign Trade Zones (FTZ) program offers numerous cost-savings opportunities for importers who participate in distribution and manufacturing. Because goods received into an FTZ are not considered to have entered the U.S., there is no duty paid until the goods enter the stream of U.S. commerce. If goods are imported into an FTZ, manufactured/transformed in some way, and then re-exported, the importer will not have to pay duty on those goods as they have not entered the U.S. Taking advantage of these programs allows importers to avoid laying out duty up front and recovering it after the fact.

### 3 Duty recovery and duty drawback

Many companies overpay duties or pay the wrong amount without realizing it, but this money can be reclaimed through a duty recovery exercise. The time limits for recovering such duties vary depending on country of import and the circumstances of the transaction, but typically refunds can be claimed on any duty overpayments made over the past 12 months in the U.S. and over the past four years in Canada.



Duty drawback allows companies to claim refunds of up to 99 percent of duties paid on imported merchandise that is exported in the same condition or processed/assembled into a finished article that is then exported. In the case of duty drawback the time periods are even longer than duty recovery – for goods that qualify the claim periods extend back three to five years!

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#### Tariff classification

Ensuring your goods are classified accurately doesn't just mean fewer delays at the border – it can also lead to reduced duty rates. It's important to regularly review your product database and ensure your classifications are up-to-date, as tariff classification changes and new customs rulings often lead to lower duty rates; regular reviews will help ensure you're always paying the lowest possible rate.

Correct tariff classification is also critical for claiming preferential duty rates under free trade programs such as NAFTA.

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#### Free trade agreements and special trade programs

Many free trade agreements (FTAs) have reduced or eliminated the tariff rates applicable to a large number

Supply chain security programs, duty recovery, bonded warehouses, tariff classification and FTAs can help you realize significant supply chain savings.

of goods, provided those goods meet specific origin requirements. Examining Country of Origin markings, and determining and verifying the origin of your products, can increase your compliance and allow you to claim much lower preferential duty rates, ensuring you don't have to spend money later to recover duty spent upfront.

By taking advantage of FTAs and other special trade programs – including the U.S.-Australia FTA, Canada-Chile FTA, Mexico-Europe FTA and Buy America – you could be in line for significant savings on your duty rates. You may also be able to take advantage of additional duty reduction opportunities under the Generalized System of Preference (GSP).

## Work with the experts

Managing your supply chain effectively can be a challenge. It's always beneficial to enlist some professional help when it comes to navigating the complexities of trade compliance and supply chain management. In the long run, it can save your business a lot of time – and a lot of money.

The customs and trade experts at Livingston are here to help. We provide several service offerings that can help you streamline your processes, improve your compliance and minimize your supply chain costs, including the following:

- Compliance assessments and diagnostics
- International trade agreement management services
- Duty drawback, recovery and commodity tax services
- Supply chain safety and security program management
- And more.

**Contact us today to learn more!**

## Contact Livingston

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

1 U.S. Customs and Border Protection 2011 C-TPAT Cost Benefit Survey