

U.S. Duty Drawback

Duty Drawback is the refund of 99% of certain duties, internal revenue taxes, and certain fees collected upon the importation of goods. Such refunds are only allowed upon the exportation or destruction of goods under U.S. Customs and Border Protection supervision. Duty Drawback is an export promotions program sanctioned by the World Trade Organization and allows the refund of certain duties, taxes, and fees paid upon importation. Drawback was established in 1789 to promote U.S. innovation and manufacturing across the global market.

TYPES OF DRAWBACK

UNUSED DRAWBACK – imported merchandise into the United States that is exported or destroyed without material changes, and without being used domestically.

MANUFACTURERS DRAWBACK – Drawback shall be allowed on imported merchandise used to manufacture or produce articles that are exported or destroyed under Customs supervision.

REJECTED MERCHANDISE DRAWBACK – imported merchandise does not conform to sample or specifications, shipped without consent, or determined to be defective at the time of import.

THERE ARE TWO TYPES OF MANUFACTURING DRAWBACK:

1. Direct Identification Manufacturing – imported goods that have been exported after being altered, or imported components used in a manufacturing process to produce a new and different product for export.
2. Substitution Manufacturing – permits domestic goods as well as imported merchandise to be used to produce the export product, instead of only the imported goods.

Manufacturing drawback requires a drawback ruling be submitted to CBP before payments can be made on drawback claims. This may be a general ruling or a specific ruling.

Under NAFTA, manufacturing drawback falls under the “Lesser of Two” rule, which means the amount of drawback paid is based on the lesser amount of customs duties paid on the goods either to the United States or to Canada or Mexico.

Duty Drawback can be filed to recover duties paid in relation to 301 tariff duties on Chinese goods when exported per drawback regulations.

Duty Drawback, however, will not be allowed to recover duties paid in relation to 232 tariff duties on aluminum and steel imports.

WHAT IS THE TIMEFRAME TO FILE A DRAWBACK CLAIM?

- Under the Trade Facilitation and Trade Enforcement Act (TFTEA) regulation, the allowable time frame is 5 years from date of import to acceptance of the drawback claim. Under TFTEA, manufacturing drawback claims will now be eligible for a 99% refund on Merchandise Processing Fee (MPF) and Harbor Maintenance Fee (HMF) paid upon import. Claimants were not able to recoup these charges prior to TFTEA.
- Under CORE Drawback (expires February 24, 2019), the allowable time frame is 3 years from export date, using qualified imports 3 years prior to date of export.

Duty Drawback is a complex area that contains a vast array of rules, regulations and limitations. Drawback programs have potential for significant duty recoveries which otherwise are left unclaimed. These unclaimed dollars could add significant value to your company's bottom line.



Russell A. Farrow (U.S.), Inc. can assist in determining qualification for drawback, and assist in processing of claims in a compliant and efficient manner. Contact us today at usdutydrawback@farrow.com or 734-955-7799 to speak with a professional to determine which program would most benefit you.