



Blockchain solutions for duty drawback

You may be able to recover millions by managing your duty drawback claims on the blockchain.

Are data issues preventing you from seizing drawback opportunities?

Duty drawback is one of the most complex areas of global trade. A U.S. Customs and Border Protection (CBP) program, duty drawback is refunds of certain duties, taxes, and fees collected on imported materials that are either exported in an unused state, destroyed under CBP supervision, or further processed in the U.S. and later exported to foreign markets.



Duty drawback rewards can be significant profit-drivers for U.S. manufacturers, importers, and exporters, in some cases so much so that they actually incentivize companies to export goods internationally. Importantly, drawbacks can offset the additional 25 percent in duties levied on Chinese imports under Section 301. However, many companies fail to maximize drawback recovery due to the lack of clean import and export data located in a tangled web of systems, weak record-keeping processes, little to no dedicated resources, and reliance on third parties for information to successfully support drawback claims. Now more than ever, companies' ability to harness their data and records is crucial to establishing profitable duty drawback programs.

How important is the data? Consider that in order to file a drawback claim for duties paid on a single imported automotive part, you must accurately track, trace, and record that part as it makes a long journey from the

overseas supplier, to the U.S. shop floor, into the finished car, through shipping and receiving, and finally to the port of export where the car is ultimately exported. It's easy to see how immensely complicated, time-consuming, and error-prone managing the data needed to file your drawback claim can become, especially when you own scores of factories, work with multiple and sometimes challenging suppliers, and do business in dozens of foreign jurisdictions.

Reinvent duty drawback processes by moving your data to the blockchain.

At KPMG, we're tackling the challenges of drawback recovery with the blockchain. By applying blockchain solutions to duty drawback processes, we help U.S. manufacturers, importers, and exporters address the specific pain points of cross-border trade that cause companies to lose out on potential (often sizeable) drawback refunds—and potentially realize bottom-line benefits.

Our blockchain drawback solution helps prevalidate data in one location, helping you to efficiently and smoothly validate and file your drawback claims. This applies to various forms of duty drawback including but not limited to substitution, manufacturing and direct identification (ID) claims.

KPMG's blockchain solution for duty drawback helps manufacturers, importers and exporters:

- Identify drawback opportunities
- Expediently file drawback claims
- Potentially reduce claim errors
- Create an audit trail
- Maximize drawback refunds

We start by implementing a blockchain API into the various source file locations that own and store your drawback data. This might include systems involved in your import, manufacturing, inventory, and export processes—systems that may be owned by multiple internal departments and even third parties.

Moving your drawback data to the blockchain is intended to eliminate the need for manual data entry between systems, potentially reducing errors and discrepancies and creating a single source of truth. This generally makes it simpler to validate the accuracy of data while also providing an audit trail of your drawback claims in the event of a CBP inquiry or audit.

Our blockchain solution also uses automation and templates to help speed up the filing process with CBP.

Maximizing unused direct identification claims

The North American Free Trade Agreement (NAFTA) and the United States–Mexico–Canada Agreement (USMCA) prohibit substitution drawback for unused merchandise exported to Mexico and Canada. As such, KPMG’s blockchain solution delivers critical capabilities to track imported products to meet direct identification duty drawback requirements at item-specific level and detail.

Without this solution, many companies are challenged on how to select and apply the most appropriate direct identification inventory methodology for their business. Companies also commonly struggle to compile data to support duty drawback that contains the fundamental details required to recover duties paid on imported products that are exported to NAFTA countries.

With an additional 25 percent tariff on many products eligible for duty drawback, the potential recovery could be huge.

Why KPMG?

No other organization that addresses the challenges of international trade—particularly the niche of duty drawback—has the same blend of industry, regulatory, financial management, digital transformation, technology, automation, analytics, and blockchain experience as KPMG. Our ability to harness these specialties from across our global business allows us to bring an innovative and unprecedented solution to manufacturers, importers, and exporters eligible for duty drawback.

We provide detailed guidance on the full lifecycle of blockchain solution development for managing duty drawback, with services spanning from strategy to implementation. Ours is the only solution that helps drawback claimants conduct prevalidation checks into the source data locations, outputs the specific details required to complete the filings, and provides a wide-ranging audit trail in the event of a CBP inquiry or audit.

Our approach stands out just as much as our solution. While our solution is tailored to each client’s unique business processes and needs, we also accelerate implementation by drawing on tried and tested tools from our deep blockchain experience. We also stay one step ahead of evolving regulations and customs and trade practices, allowing us to continually adapt our blockchain solution to deliver the greatest possible value to our clients.

Learn more about how KPMG can help you seize the potential of blockchain: [Read.kpmg.us/blockchain](https://read.kpmg.us/blockchain)

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