Duty Drawback Services

Trade & Customs Services

Companies are constantly looking for opportunities to reduce costs affecting bottom-line profitability, including those related to the import and export of finished goods and raw materials. One method to do this is by claiming the drawback, or the refund, of up to 99 percent of customs duties, taxes, and fees paid on imported merchandise that is subsequently exported or destroyed.

The duty drawback program, which is administered by U.S. Customs & Border Protection (CBP), has been a part of the regulatory landscape since the first U.S. Tariff Act in 1789. In today's world of global supply chains, where goods are sourced, manufactured, and sold in multiple countries, drawback can help improve a company's ability to compete by lowering the cost of goods sold.

KPMG LLP's (KPMG) Trade & Customs Services practice, which includes professionals with extensive duty drawback experience, can help you understand your options and the duties and fees paid on imported merchandise.

Drawback

Payment of customs duties and fees on imported merchandise is generally considered to be an unavoidable cost of doing business, often passed on to the consumer as a matter of course. In certain cases, however, it is possible to obtain a refund of up to 99 percent of the duties and fees paid on imported merchandise under the duty drawback program.

There are three basic types of drawback: manufacturing, unused merchandise, and rejected merchandise. The right to claim drawback generally belongs to the ultimate exporter; however, the exporter may waive the drawback right and assign it to the importer or an intermediary party.

Manufacturing drawback

Manufacturing is generally the most common but most complex of the three drawback types. If an existing ruling is not in place for the type of manufacturing involved in the drawback claim, a new ruling can be obtained from CBP. A ruling ensures the goods will be eligible for drawback and allows the manufacturer to file a claim for refund based on the duties paid on imported goods used (or destroyed) in the production of items that are later exported. In general, manufacturing drawback refunds may be claimed on imported merchandise manufactured and exported or destroyed within five years of importation.

Rejected or unused merchandise drawback

Generally, unused merchandise drawback involves refunds for imported merchandise that are unused in the United States prior to exportation or destruction, and rejected merchandise drawback concerns merchandise that is exported or destroyed because it does not conform to specifications or is defective at the time of importation. Drawback refunds under these conditions may be claimed for merchandise exported within three years of importation.

Drawback claims, regardless of their type, require support in the form of import, manufacturing (if applicable), and export documentation, as well as evidence of inventory controls (a method of linking imported and exported items). In addition, special considerations apply when filing drawback claims for exports to Canada and Mexico, as provided for in the North American Free Trade Agreement (NAFTA) regulations.

Despite the obvious financial advantages, many eligible exporters do not file or fail to maximize the amount of the drawback claims. This may be due to lack of knowledge of the program, confusion about the right to claim drawback on duties paid, or inadequate records to substantiate a claim. Any of these issues may be overcome by establishing a sound drawback program.

How KPMG can help

KPMG's Trade & Customs professionals can assist drawback claimants at every stage of the process from evaluating the potential for savings to the actual filing of the claims. KPMG can:

- Estimate the amount of duties that may potentially be recovered using drawback
- Draft applications for waiver of prior notice and accelerated payment
- Draft drawback ruling requests
- Assist in developing processes and procedures so that ongoing claims are filed in a timely and compliant manner
- Assist participants in CBP's Importer Self-Assessment program to integrate a drawback program into their customs compliance processes and procedures
- Establish inventory/recordkeeping systems for documents needed to support claims
- Gather supporting documentation and data to process and support claims
- Work with potential claimants to obtain the necessary assignment of drawback rights
- Evaluate the accelerated payments program and determine compliance with requirements
- File drawback claims via CBP's ABI system
- Help determine if all documentation is in order and work with CBP in the event of an audit

Web sites:

- Trade & Customs Services: www.kpmg.com/us/tradeandcustomsservices
- Trade & Customs Insights: www.kpmg.com/us/tradeandcustoms

Contact us

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