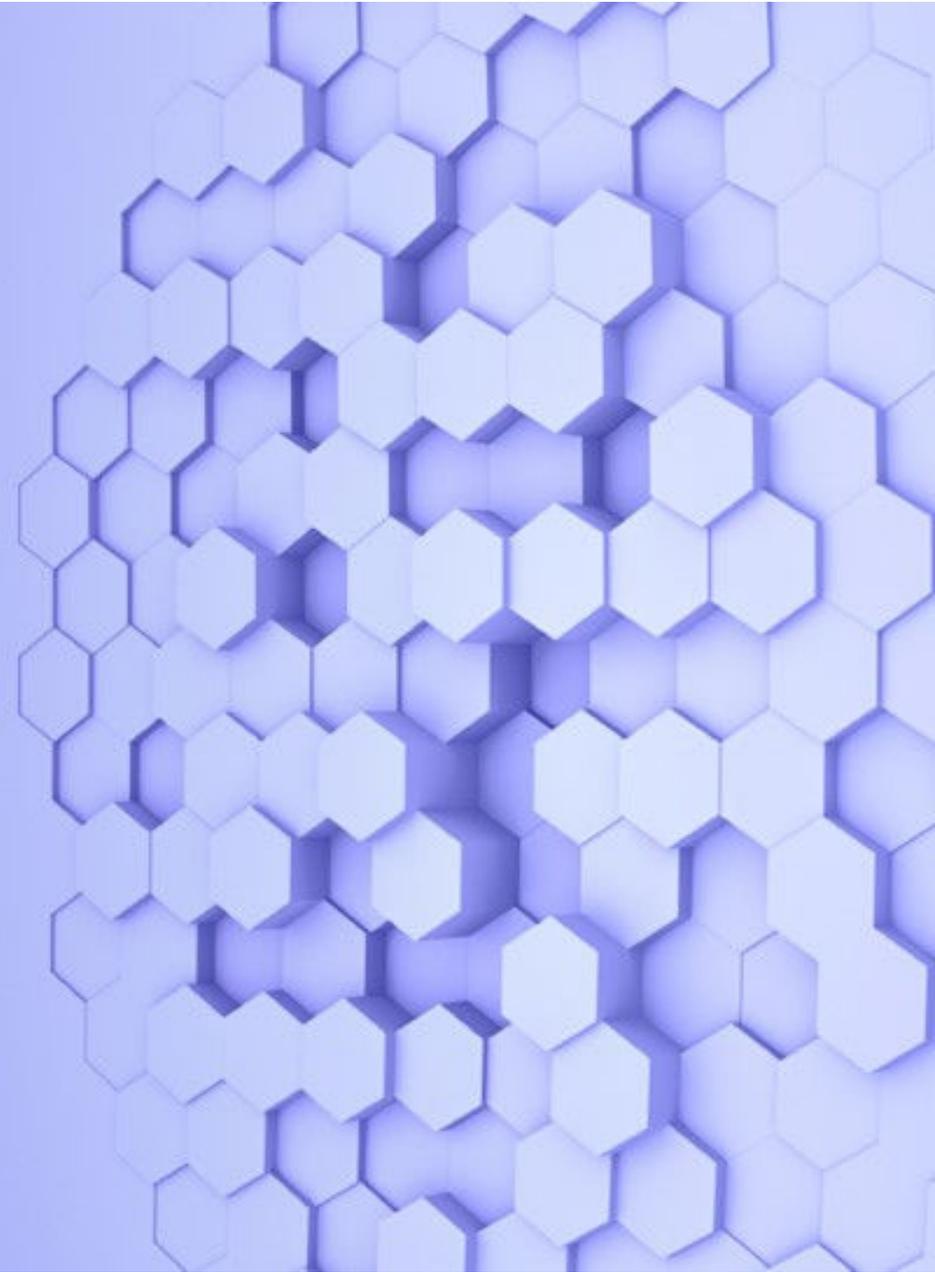


**Baker
McKenzie.**

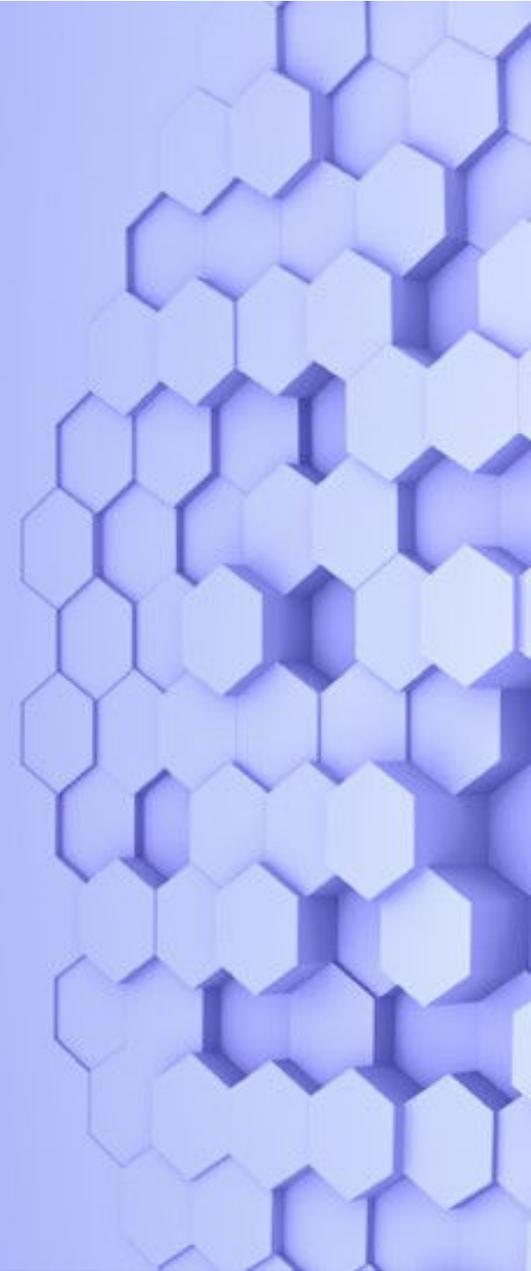
**Annual Compliance
Conference 2024**



**Baker
McKenzie.**

Customs and key compliance developments

14 – 16 May 2024





Annual Compliance Conference 2024

01 Antitrust compliance
30 April – 1 May 2024

02 Sanctions and export controls
7 – 9 May 2024

03 Customs and key compliance developments
14 – 16 May 2024

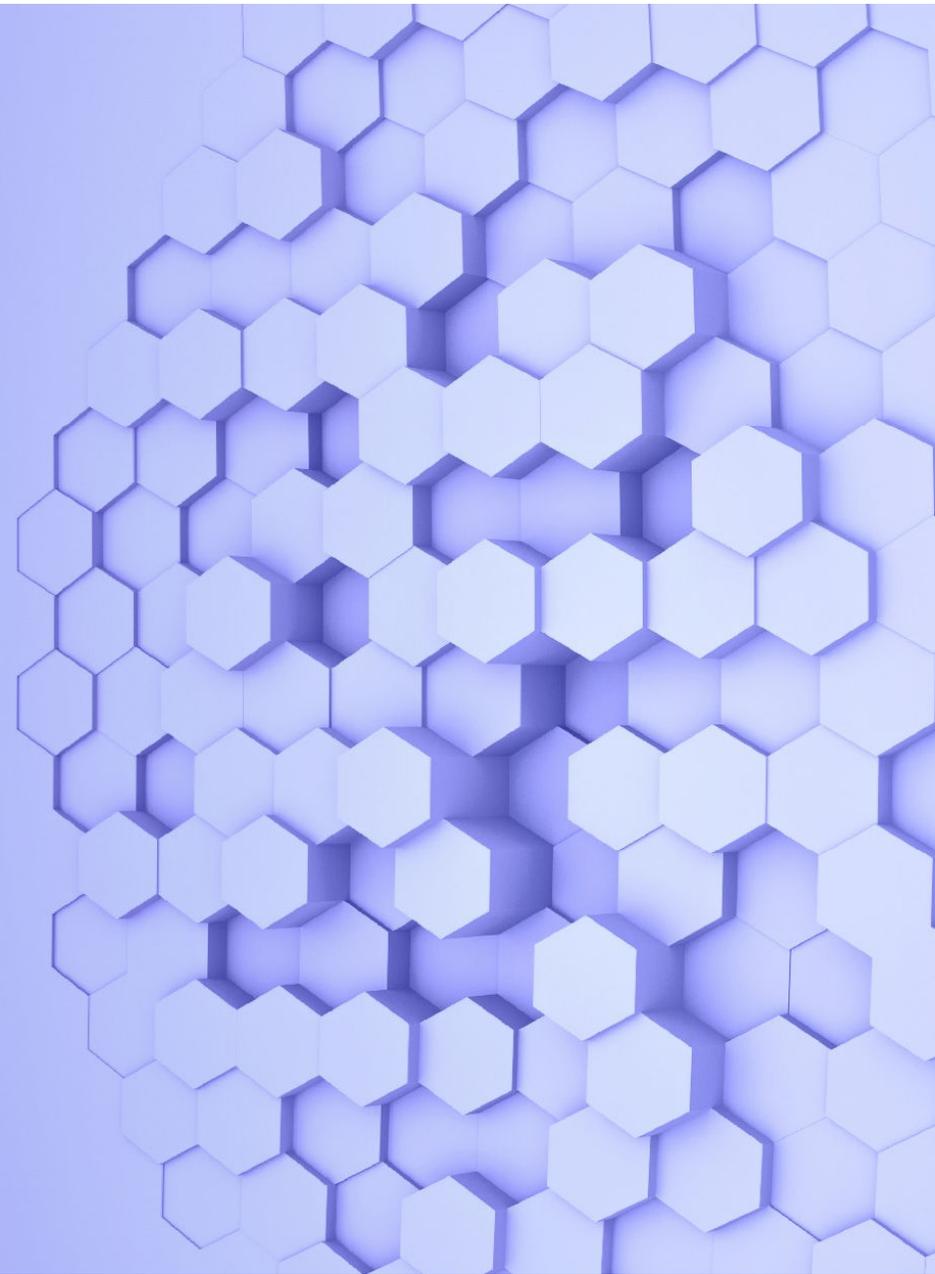
04 Anti-bribery and corruption and economic crime
22 – 23 May 2024

05 ESG, supply chain and product compliance
3, 5 and 6 June 2024



Customs duty mitigation: How to drive significant financial savings

Thursday 16 May 2024





Speakers



Jessica Mutton
Of Counsel (Chair)
London



Adriana Ibarra-Fernandez
Partner
Mexico City



Lionel van Reet
Partner
Brussels



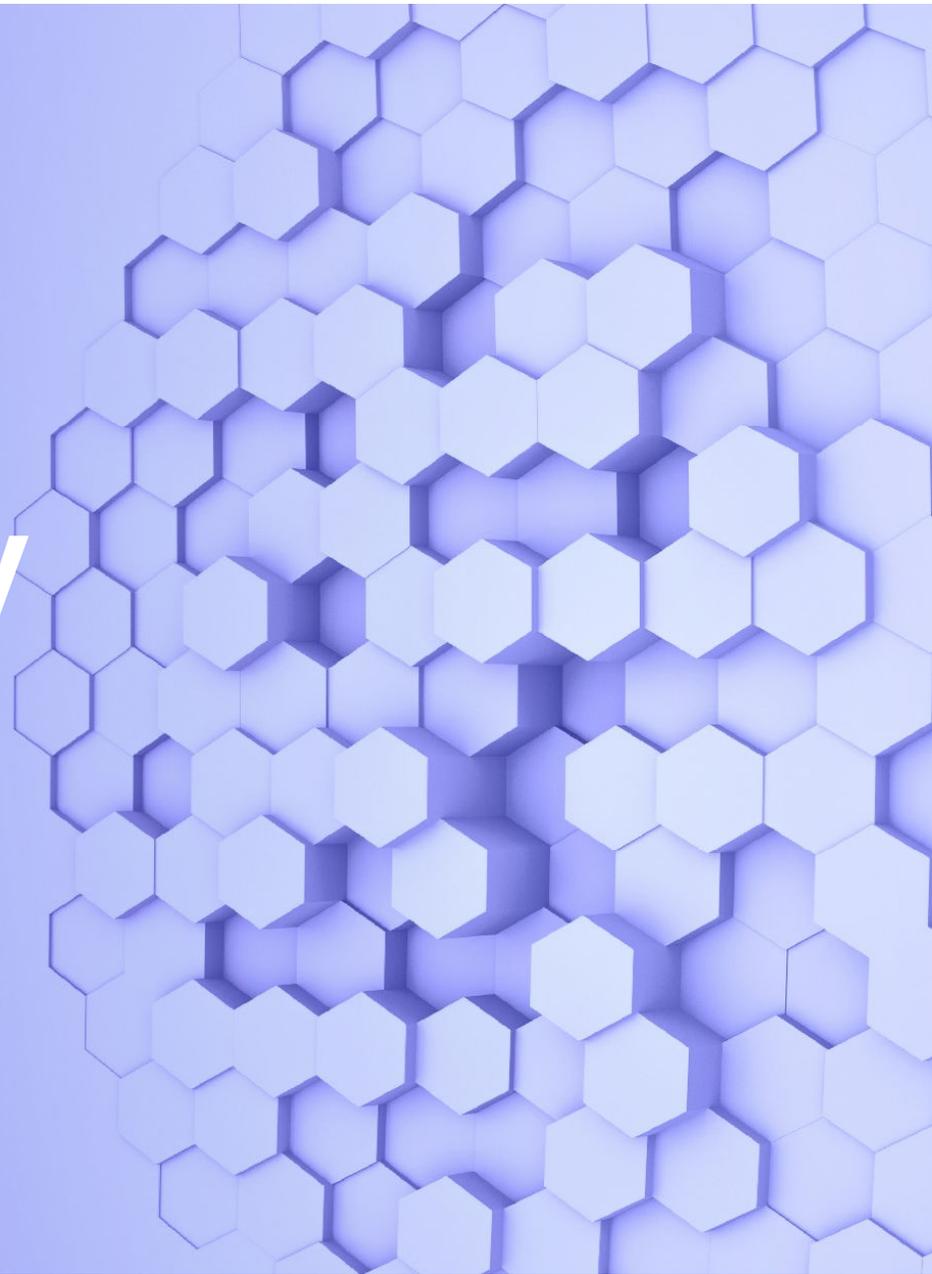
Chandri Navarro
Senior Counsel
Washington, DC



Alexandra Lambert
Associate
London



1. Overview of duty savings options





The BOM

Explains how the product is made and how the materials are used in its production



Origin Analysis

Demonstrates how the Rule of Origin is met

Recordkeeping

Demonstrates that the information displayed in the BOM and the Origin Analysis is real, true and accurate

Duty preference programs



Types of Duty Preference Programs

- Free Trade Agreements ("FTAs") (e.g., USMCA)
- Other Duty Preference Programs
- Generalized System of Preferences
- Chapter 98 Claims (e.g., articles returning after having been advanced in value, "American Goods" returned, etc.).



FTAs – Opportunities & Costs

- Opportunities for meaningful duty savings
 - Reducing cost of production
 - Reducing the landed cost of your products
- Impact decisions on locating/relocating production facilities
- Nothing free about free trade; often a high risk compliance area



U.S. Duties

Why Duty Mitigation Strategies are Important

- **General Import Tariff/Duty** - between 0% and 37.5 %, with an average of about 6% while average tariff on all goods average is around 1.7%
- **Excise Taxes** on Liquor and Tobacco Products
- **Merchandise Processing Fee (MPF)** is a user fee charged in addition to duty as an ad valorem tax at a rate of 0.03464% of the value of the imported goods
- **Harbor Maintenance Fee** user fee charged on ocean imports of 0.125% of the imported cargo's commercial value.

BUT....

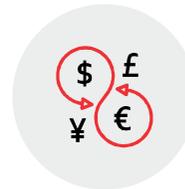
- **Antidumping and Countervailing Duties** (675 Orders in effect) - \$20 billion imports subject to AD/CVD and US Customs collects approximately \$2 billion in AD/CVD deposits - rates can be over 500%
- **Section 301 Tariffs** (China) up to 25%
- **Section 232 Tariffs** (China) on Steel 25% Aluminum 10%



U.S. Duty Mitigation



Free Trade Agreements



Foreign Trade Zones



Tariff Preference Programs



Duty Drawback



Special Tariff Preference and
Duty Reduction Provisions



Tariff Engineering/Country of
Origin Engineering



Bonded Warehouses



U.S. Free Trade Agreements



Australia



Bahrain



Central America-
Dominican Republic



Chile



Colombia



Israel



Jordan



Korea



Morocco



US-Mexico-
Canada (NAFTA)



Oman



Panama



Peru



Singapore



Japan



U.S. Tariff Preference Programs

- Generalized System of Preferences (GSP)
- Caribbean Basin Economic Recovery Act (CBERA)
- Caribbean Basin Trade Partnership Act (CBTPA)
- Haiti (HOPE)
- African Growth and Opportunity Act (AGOA)
- Agreement on Trade in Civil Aircraft
- Pharmaceutical Products Appendix
- Nairobi Protocol for Products for the Blind or Handicapped





U.S. Duty Avoidance/Reduction Programs



U.S. Goods
Returned



Goods Exported for
Repair or Alteration



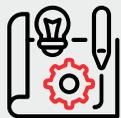
Articles Re-imported
that were Previously
Imported and
Duty Paid



Tools of
the Trade



Commercial
Samples



Prototypes



Temporary
Importation
Under Bond



Bonded
Warehouses



Foreign Trade
Zones



Duty
Drawback

Mexican duty saving authorizations

IMMEX

Allows temporary imports of materials, components, M&E, etc.



Rule 8th

Grants preferential duties to inputs not covered by PROSEC



Free Trade Agreements

Grants preferential duty treatment to goods originating in a determined territory



PROSEC

Allows importing inputs used in the production of finished goods at preferential rates of duty



VAT Certification

Grants a VAT credit to IMMEX companies which export finished goods incorporating materials imported temporarily





What are customs procedures?

- Customs procedures allow businesses to **suspend, reduce or claim relief** on the payment of customs duties and VAT under specific conditions.
- Categories of customs procedures:
 - Storage – **Customs Warehousing**
 - Specific use – **Temporary Admission** and **End-Use / Authorised use Relief**
 - Processing – **Inward Processing** and **Outward Processing**
 - Transit
- Other reliefs can apply to imports in specific cases
- **Strict controls** about the cases where they apply, and what can be done with the goods



Inward processing relief

- Customs procedure allowing for 1/3rd country goods to **be temporarily imported for processing without paying duty** and then:
 - Exported; or
 - Imported to free circulation
- If the finished goods remain in the country of import, duty is payable (if applicable) on the finished goods.

Outward processing relief

- Customs procedure allowing for goods to **be temporarily exported outside of a customs territory to undergo processing operations** and then:
 - Re-import in free circulation in the Customs territory of initial temporary export; and
 - Claim full or partial relief from import charges (calculated on the value added in the 1/3rd country).



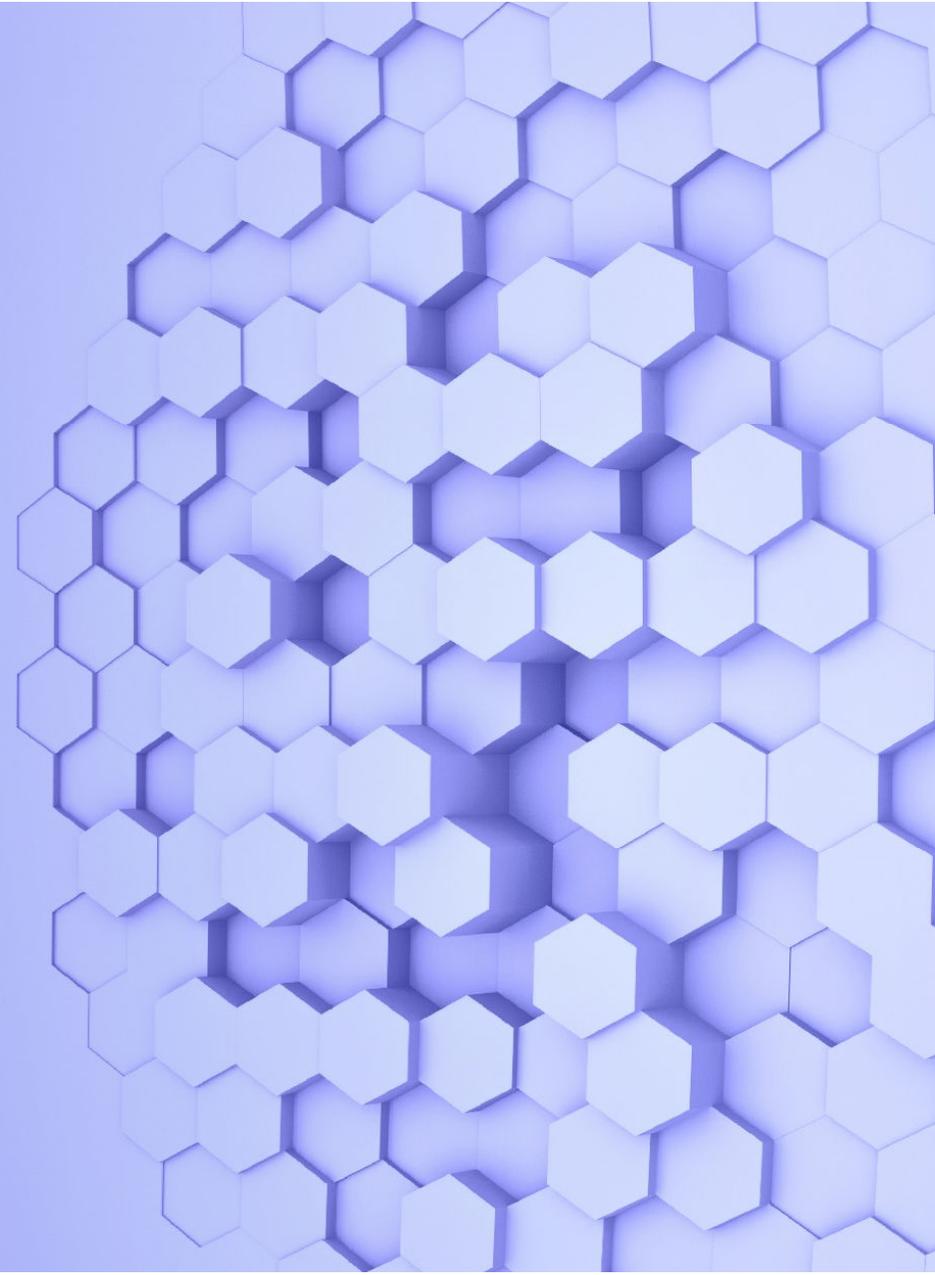


End-Use Relief

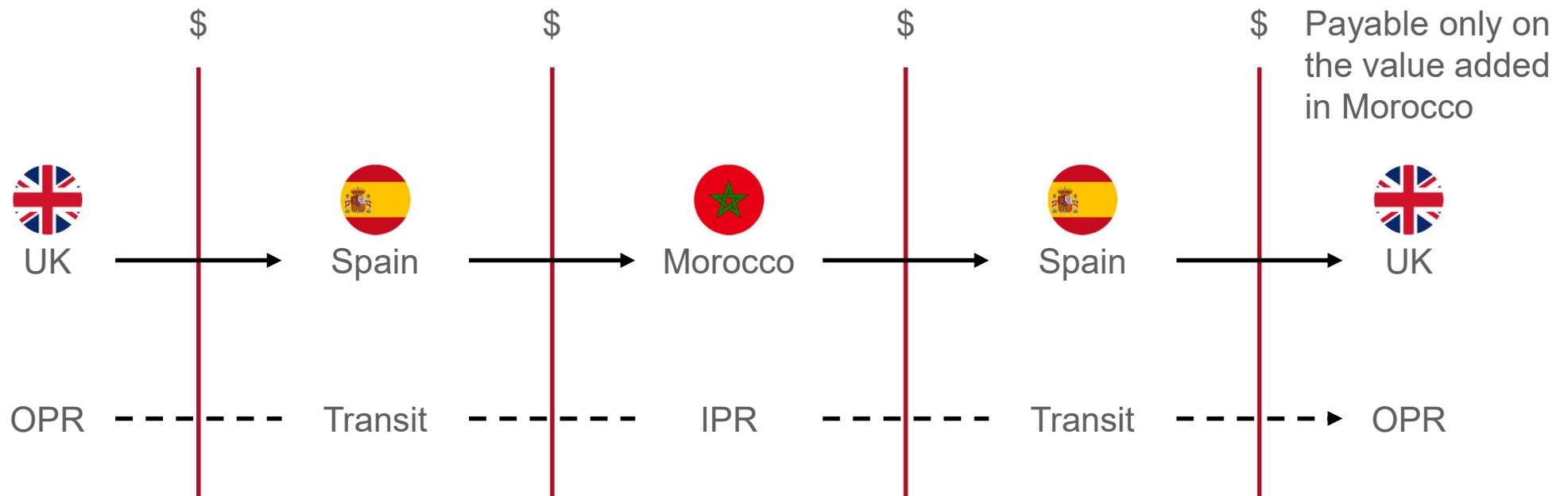
- Incentivises trade and movement of specific goods.
- Only **import VAT is levied at import** and **customs duties are levied based on their intended end-usage**.
- **Reduced duties** are available for qualifying end products.
- **Conditions for use** apply and traders are required to seek **authorisation** from the relevant customs authority.



2. Case Studies



Case Study 1- Processing Relief and Transit Procedures



 Duty savings vs cost & compliance with procedures

 Duty savings possible by considering other duty relief

Case Study 2 - FTA and Customs Warehousing

Bonded Warehouse
Free Trade Zone
"Under Customs
Surveillance"



Case Study 2 - FTA and Customs Warehousing

Goods do not remain
"Under Customs
Surveillance"



Questions





Next week

Anti-bribery and corruption and economic crime 22 – 23 May 2024

Latest anti-bribery and corruption developments in the UK and US

Wednesday 22 May, 3.00 - 4.00 pm BST | 4.00 - 5.00 pm CEST | 10.00 - 11.00 am EDT

Global enforcement priorities and challenges

Thursday 23 May, 3.00 - 4.00 pm BST | 4.00 - 5.00 pm CEST | 10.00 - 11.00 am EDT

Optimizing the use of data in compliance programmes and investigations

Thursday 23 May, 4.30 - 5.30 pm BST | 5.30 - 6.30 pm CEST | 11.30 am - 12.30 pm EDT



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