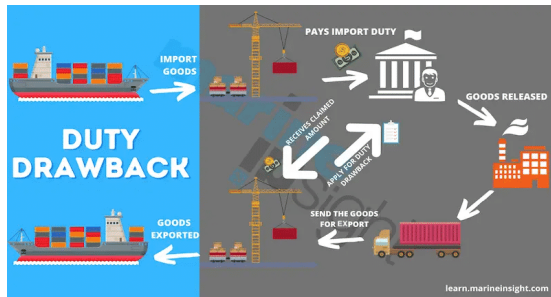


# Reducing Costs in the Global Supply Chain: "Drawback Program for Exporters/Importers"

Thomas Cook, NADEC Board Member, Northeast Representative



Companies engaged in global trade can apply for access to the drawback program administered by Customs (CBP). This program provides a refund on duties and taxes that were previously imported and have now been exported.

Usage of the drawback program is a tool companies can use to reduce operating costs. The program may be used for goods that are unused, rejected, or manufactured.

The drawback program has several key factors that provide leverage to eligible companies.

## The Process:

The process to submit a drawback claim and collect a duty refund is an evidenced based undertaking . Companies must have the required import, export, and inventory documentation to support the drawback claim.

The drawback applicant prepares a detailed sample to CBP including lot numbers or product skus to tie the product to the import and export transaction. This presentation is submitted to CBP electronically using approved software.

Documentation specifically supporting the drawback claim will include bills of lading, commercial invoices, packing lists, 7501 entry forms for the inbound portion.

Documentation supporting the outbound piece will include the commercial invoice and bill of lading. Exports to Canada and Mexico will also require data elements from the Canadian B3 and the Mexican pedimento (CBP 7501 equivalents).

## Retro Advantage:

Drawback claims may be filed for up to five years from the import date. When this occurs, it can be a windfall for a company resulting in a sizeable check when the retroactive drawback claims are paid.

It is key to appreciate that it takes some digging (excavating) through documents, receipts, and recordkeeping systems to obtain historical data.

In the event a company determines it does not have complete documentation to support the claim, they will find themselves requesting this documentation from their customs brokers, freight forwarders, carriers, and third-party providers. Therefore, it is incumbent upon a company to ensure they are maintaining accurate and required documents as part of their import/export recordkeeping process. This may also require working internally with Finance and IT to obtain the necessary details required.

### **Not the “Importer or Exporter”:**

A company may submit a drawback claim for goods on which they may not have been the importer of record or the actual exporter. This can be a bit tricky to manage.

For the import side, the company would need to be able to collect evidence that the domestic purchase price included duties and taxes and an ability to support that claim from the supplier. The CBP7501 data elements would also be required to submit the drawback claim. The actual importer of record may be reluctant to provide this level of detail. The assistance of a third party to broker and address this challenge can be beneficial.

Where the drawback claimant is not the exporter, the company will need to obtain an export waiver from the actual exporter. Additionally, the supporting documentation will be required to provide the export data elements.

This process is doable and over the years, we have helped companies successfully meet this challenge. However, we would be remiss not to mention it requires a substantial amount of coordination and collaboration with sellers and buyers (vendors and customers).

Service providers with robust technology platforms can also be helpful in providing the necessary data.

### **Forms of Drawback:**

In weighing a company’s eligibility for drawback, it is important to understand the different types of drawback. The most common types are:

- Unused Merchandise
- Manufactured Merchandise
- Rejected Merchandise
- Destruction

There are other types of drawback that are specialized and focus on specific industries and business models.

### **Drawback Challenges:**

The challenges faced in coordinating drawback claims may include management support, cross organizational support, IT support, data collection, and data integration. These challenges can be resolved through an organized and responsible management process, utilization of professional support, and being both diligent and patient through the process.

To manage these challenges successfully, over the last twenty years we have developed a four-step process:



The process begins with an intellectual assessment of your company's likelihood (or not) to benefit from a drawback program. The financial model creates the costs and the gains associated with a drawback claim to assure a responsible and realistic return on investment.

**Additional Factors:**

The drawback process has been somewhat simplified by the ability to submit a combined application. This application will include a waiver of the notice of intent to export for past exports, a waiver of notice of intent for future exports, and a request for accelerated payment of the drawback claim by CBP.

**Interested in Drawback ... Next Steps:**

Options for additional information and next steps include accessing the websites of both CBP and Blue Tiger. [Drawback | U.S. Customs and Border Protection \(cbp.gov\)](#) and [Management Consulting - Blue Tiger International \(bluetigerintl.com\)](#)

We recommend first assessing the opportunity and benefits of committing to drawback to decide the need to move forward.

Once that decision has been made, create a financial model addressing costs and time required to manage a drawback program to determine the return on investment and justify the decision to move forward.

Should the ROI be sufficient to move ahead, you need to assess what operational changes will be needed to collect the necessary data on imports and exports to create an accurate (detailed) drawback claim.

Consider aligning your company's technology with the required data elements or work with a drawback intermediary who will act as an interface on your behalf. These companies typically charge a fee of 5-25% of monies collected, paid on a contingent basis. The amount determined by the degree of difficulty in making the specific drawback program function as required by CBP.

The use of a consultant or drawback intermediary is a potentially good option as they will smooth out the process and expedite the ability to avoid delays, address challenges, and most importantly help expedite payment of your drawback claim.

Thomas Cook, President

[tomcook@bluetigerintl.com](mailto:tomcook@bluetigerintl.com) | 516-359-6232

