

DUTY DRAWBACK RATES

Mexican companies or individuals involved in exporting can, in some cases, be eligible for a refund or drawback of duties or taxes paid on imports of raw materials, parts and components incorporated into merchandise for export. Components and raw materials imported in the in-bond *maquiladora* industry are also exempt from duties.

The new rules on duty drawback contained in the North American Free Trade Agreement (NAFTA) will give Canadian manufacturers greater flexibility in using inputs from non-NAFTA countries. These rules will allow credits for duties paid when inputs are incorporated into exports of manufactured products to other NAFTA countries. These duty drawbacks are to be terminated in two phases:

- by January 1, 2001, for Mexico-United States trade and Canada-Mexico trade; and
- by 1996, for Canada-United States trade.

The 1994 deadline, established in the Canada - U.S. Free Trade Agreement (FTA) for the elimination of drawback programs, will be extended for two years.

BONDED WAREHOUSES

A growing number of Mexican companies now offer public bonded warehousing services in Mexico, often in partnership with U.S. firms. These facilities make it possible for exporters to ship full truck loads to the warehouses, and avoid the cost of less-than-truckload (LTL) shipping. This arrangement also makes fob destination pricing more practical. It allows the exporter to maintain inventories in Mexico for more reliable delivery. The payment of duties and taxes is postponed until the goods are sold and withdrawn from the warehouse.

Moreover, once the goods are in the bonded warehouse, they are immune to any subsequent limitations on imports or changes in customs regulations. The value of the merchandise, for the purpose of assessing import duties, is frozen when the merchandise enters the warehouse. Any subsequent devaluation of the Mexican currency does not increase the dutiable value in pesos. This provision is especially important, considering that the Mexican inflation rate remains relatively high by Canadian standards.

Shipments to a bonded warehouse must be accompanied by a letter from the warehousing company certifying that space is available. This letter must be presented to customs officials when the shipment enters Mexico.

SAMPLES

Mexican customs regulations make special provisions for the import of product samples. All samples must be accompanied by an invoice stating that they are not for commercial use. If health or phytosanitary certificates are required for the product, they must also accompany the shipment. Duty may be charged on the samples.

Samples are exempted from some product certification requirements, depending on their type. Under the *Normas Oficiales Mexicanas (NOMs)*, official standards, certification requirements, samples are exempted in quantities of up to three units, if they were submitted for purposes of certification under the *NOM*.