VII. Meeting USDA, USFDA, EPA and Other Pertinent U.S. Government Approvals

Clearing U.S. Customs

Clearing goods through U.S. Customs can be complex, time-consuming and frustrating. Improper or incomplete documentation is often the cause of delays or rejections. Customs brokers specialize in import documentation, regulations and procedures and stay abreast of the constant changes. Although a company can perform the same tasks as the customs broker, Canadian consulates in the United States unanimously recommend that their services be used so as to avoid the problems and ensure that all the procedures are followed. Documents must contain absolutely accurate information. Rigorous penalties are assessed for negligence or fraud. The penalty for ordinary negligence, which does not include clerical error, is a doubling of the duty or 20 percent of the value of the item if duty-free. The cost for the services of a customs broker usually varies with the valuation of the shipment and/or the amount of documentation or special services required.

For those companies not using the services of a customs broker, a bond must be posted for each consumption entry (over $1,250). The amount of the bond is equal to the value of the shipment plus duty. A bond is required even for duty-free goods. An informal entry (less than $1,250) requires no bond.

Two major tariff changes have recently occurred that will have a significant impact on all Canadian products being exported to the United States. First, Canada and the U.S. have joined other countries in adopting the "harmonized system". This system is designed to simplify and standardize commodity classifications of all products worldwide. Second, the Canada-U.S. Free Trade Act has reduced, and will eventually eliminate, all tariffs by 1999. This will be accomplished in three time phases: immediate, five years and ten years.

As a rule, the duties on food products are not high and many products will benefit from recent tariff reductions as a result of the Free Trade Act between Canada and the U.S. There are, however, certain products such as milk, cream, certain cheeses and sugar that are subject to quantitative restrictions (quotas).

There are three primary types of duties contained in the Tariff Schedule of the United States or TSUS; "ad valorem" (percentage of value), "specific" (amount per weight or quantity) and "compound" (combination of both). It is important not to rely on a past history, test shipments or verbal rulings to confirm duty or tariff rates. A binding ruling can be obtained from the nearest U.S. Customs office.

<u>Basic Steps in U.S. Customs Clearance</u>

1. Prepare export documents required by the Canadian Government (B-13).
2. Prepare and provide the carrier with an invoice including the customer's tax number.
3. Carrier files documents with Canada Customs during departure.
4. Carrier files manifest with U.S. Customs and provides invoice to customs broker.
5. Customs broker determines the admissibility of the product and decides which U.S. Government agencies will be involved.
6. Customs broker prepares and files an immediate release with U.S. Customs.
7. Goods are examined, released and allowed to proceed.
8. Customs broker researches proper duty and prepares entry for U.S. Customs.
9. Entry is filed and duty remitted.
10. Entry is reviewed by a commodity specialist with U.S. Customs.
11. Goods are officially appraised.
12. Entry is liquidated or finalized by U.S. Customs.