

# Getting Started with Duty Drawback.

**flexport.**



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**Did you know:** it is estimated that **70%** of duty drawback opportunities go unclaimed every year.

With the introduction of Sect. 301 duties, many more businesses have looked for ways to reduce the impact of those tariffs. One strategy is drawback.

Duty drawback, or drawback, is the refund of up to 99% of certain duties, taxes, and fees. Simply stated, if a company exports or destroys goods that qualify for drawback, duties and fees paid to bring the finished goods or raw materials into the US may be eligible for recovery.

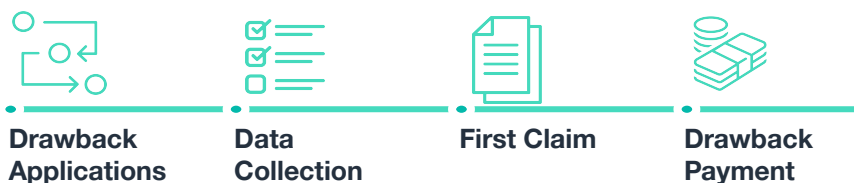
## Common Drawback Types:

There are many drawback provisions and one size does not fit all. Businesses should work with a Drawback expert to determine which strategy makes most sense.

- **Unused Merchandise Drawback:**
  - Direct Identification: Tying an export back to its original importation (*unique identifier or accounting method*)
  - Substitution: Matching an export to any import of the same 8-digit HTS classification\*
- **Manufacturing Drawback:**
  - Exporting articles produced in the US whose component matches an import's 8-digit HTS
- **Rejected Merchandise Drawback:**
  - Import does not conform to sample or specification
  - Import was shipped without consent
  - Import was defective at time of importation
  - Merchandise was sold at retail and ultimately returned
- **Petroleum Drawback**

## Drawback Program Timeline:

Establishing a Duty Drawback program generally takes 6-12 months. Speak with a Drawback expert to estimate the timeline for your business needs.



\* limitations apply



To learn more about how technology can power your forecasting, [watch this video.](#)  
Or, speak with [one of our experts.](#)



# Preparing for a Drawback Program:

The following is a quick checklist to help businesses optimize supply chain opportunities for maximizing drawback recovery, improving drawback eligibility, and simplifying the process.

## 1. Collect and use your data.

Flexport's technology platform captures each importer's data down to the SKU level, which can be leveraged to unlock drawback recoveries. Some provisions require only entry line-level information while others require SKU or even serial, lot, batch, or VIN-level data.

Get access to your company's ACE data within CBP's Automated Commercial Environment and explore your import and export data.

Flexport's drawback offering is also available for businesses that work with other providers.

## 2. Connect with suppliers and customers.

Review domestic vendors and customers to check whether they import what you purchase from them—and if your customers export what they purchase from you. Further, find out if your vendor uses imports to produce what they sell to you or if your customers use your product in production. Your company does not need to be the importer and the exporter on transactions for an opportunity to exist—as long as you're part of the chain of commerce between import and export.

## 3. Create an initial forecast.

Calculating drawback potential is an inexact science. But, there are ways to set a reasonable starting point on what your annual drawback recoveries might look like. This can be done by taking the duties paid in the last calendar year and multiplying that by the percentage of sales that are for export.

$$\begin{aligned} & \text{Duties paid in the last calendar year} \\ & \times \text{Percentage of Export Sales vs. All Sales} \\ & = \text{Estimated Drawback Potential} \end{aligned}$$

## 4. Identify the pain points.

Below is a round up of what to watch out for with drawback programs.

- A. Returns of opened items from retail that can be resold for export may render entire inventory ineligible for unused merchandise drawback—and disqualify all exports to Canada and Mexico
- B. Because of NAFTA and USMCA, only Unused Merchandise Direct Identification is allowed for high-volume exports to Canada, Mexico, with few exceptions, so long as it also meets “Same Condition” standards. Also applicable for exports to Chile.
- C. For Unused Merchandise Substitution, if the 8-digit and 10-digit HTS description begin with the word “Other” it is ineligible for Unused Merchandise Substitution.
- D. For unused merchandise, ensure import and export (or component, for manufacturing) quantities and values are in line with the HTS unit of measure.
- E. Hang on to your export records. Supporting records must be maintained for three years from the date of liquidation of a drawback claim.
- F. Minimize manual processes. Consider automation tools or tech-enabled providers to facilitate the drawback process with reliable record retention and accurate reporting capabilities.

## 5. Schedule a call with our drawback subject matter experts.

To begin the drawback process or initiate a feasibility study, [schedule a call](#) with one of our drawback subject matter experts.





Flexport is the modern freight forwarder. Companies use Flexport to move freight, clear customs, and make smarter decisions about their supply chain - all on one digital platform powered by a unique combination of technology, logistics infrastructure and expertise. Today Flexport connects almost 10,000 clients and suppliers across 116 countries, including established global brands as well as emerging innovators. Flexport offers a full range of services, including ocean, air, truck and rail freight, drayage and cartage, warehousing, customs and trade advisory, financing, and insurance.

Learn more at [flexport.com](https://flexport.com)

\* These services are currently only available for U.S. registered business.

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