
Professional Certificate in Global Trade Compliance Training and Development

customs classification and valuation

Customs Classification

Customs classification is the process of assigning a specific code to a product based on its description, composition, and intended use. This code is used to determine the customs duties, taxes, and regulations that apply to the product when imported or exported. The classification system used worldwide is the Harmonized System (HS), which is a standardized system of names and numbers used to classify products for customs purposes. The HS system is maintained by the World Customs Organization (WCO) and is implemented by most countries around the world.

Valuation

Valuation is the process of determining the value of goods for customs purposes. The value of imported goods is used to calculate customs duties, taxes, and fees. There are different methods of valuation that can be used, such as the transaction value method, the value of identical goods method, the deductive value method, and the computed value method. The valuation of goods is based on the price paid or payable for the goods, adjusted for certain factors such as transportation and insurance costs.

Transaction Value Method

The transaction value method is the primary method of valuation used for customs purposes. It is based on the price actually paid or payable for the goods when sold for export to the country of importation. The transaction value includes all payments made by the buyer to the seller, as well as any additional costs incurred by the buyer, such as commissions, packing costs, and royalties.

Value of Identical Goods Method

The value of identical goods method is used when the transaction value method cannot be applied. This method involves determining the value of the imported goods based on the selling price of identical goods that are sold for export at or about the same time as the goods being valued.

Deductive Value Method

The deductive value method is used when the value of the imported goods cannot be determined using the transaction value or value of identical goods methods. This method involves starting with the selling price of the goods in the country of importation and deducting certain costs, such as transportation and insurance, to arrive at the customs value of the goods.

Computed Value Method

The computed value method is used when the value of the imported goods cannot be determined using the other valuation methods. This method involves calculating the value of the goods based on the cost of production, including materials, labor, and overhead, plus an amount for profit and general expenses.

Customs Duty

Customs duty is a tax imposed by the government on goods that are imported or exported. The rate of

customs duty is based on the classification and value of the goods being imported or exported. Customs duties are used to protect domestic industries, regulate trade, and generate revenue for the government.

Import Duty

Import duty is a type of customs duty that is imposed on goods that are imported into a country. The rate of import duty is determined by the classification and value of the imported goods. Import duties are used to control the flow of goods into a country, protect domestic industries, and generate revenue for the government.

Export Duty

Export duty is a type of customs duty that is imposed on goods that are exported out of a country. The rate of export duty is determined by the classification and value of the exported goods. Export duties are used to regulate the export of certain goods, protect domestic resources, and generate revenue for the government.

Ad Valorem Duty

An ad valorem duty is a type of customs duty that is calculated as a percentage of the value of the goods being imported or exported. The rate of an ad valorem duty is based on the customs value of the goods, which is determined through the valuation process. Ad valorem duties are commonly used to impose taxes on luxury goods or goods with fluctuating prices.

Specific Duty

A specific duty is a type of customs duty that is imposed as a fixed amount per unit of weight, volume, or quantity of the goods being imported or exported. The rate of a specific duty is not based on the value of the goods but on a specific measurement, such as kilograms, liters, or pieces. Specific duties are commonly used for goods that are easily quantifiable, such as fuel, alcohol, or tobacco.

Customs Broker

A customs broker is a licensed professional who assists importers and exporters with customs clearance procedures. Customs brokers are knowledgeable about customs regulations, documentation requirements, and tariff classifications. They help their clients navigate the complexities of international trade and ensure compliance with customs laws and regulations.

Harmonized System (HS)

The Harmonized System (HS) is an internationally standardized system of names and numbers used to classify products for customs purposes. The HS system is maintained by the World Customs Organization (WCO) and is implemented by most countries around the world. The HS system is organized into chapters, headings, and subheadings, with each product being assigned a specific code based on its description, composition, and intended use.

World Customs Organization (WCO)

The World Customs Organization (WCO) is an intergovernmental organization that is responsible for promoting international cooperation on customs matters. The WCO develops and maintains the Harmonized System (HS) for classifying products, as well as other international conventions and agreements

related to customs procedures. The WCO works to facilitate legitimate trade, protect society and the environment, and ensure the safety and security of the global supply chain.

Country of Origin

The country of origin is the country where a product was manufactured, produced, or grown. The country of origin is an important factor in determining the customs duties, taxes, and regulations that apply to a product when imported into another country. The rules for determining the country of origin vary by country and can be based on criteria such as the substantial transformation of the product or the percentage of local content.

Rules of Origin

Rules of origin are the criteria used to determine the country of origin of a product for customs purposes. Rules of origin are used to ensure that products are classified correctly and that the appropriate customs duties, taxes, and regulations are applied. Rules of origin can be based on factors such as the location of production, the percentage of local content, or the value added in a specific country.

Free Trade Agreement (FTA)

A Free Trade Agreement (FTA) is a treaty between two or more countries that eliminates or reduces tariffs, quotas, and other trade barriers on goods and services traded between the countries. FTAs are designed to promote economic growth, increase trade, and create new business opportunities. FTAs often include provisions on customs procedures, rules of origin, and dispute resolution mechanisms.

Most Favored Nation (MFN) Treatment

Most Favored Nation (MFN) treatment is a principle of international trade that requires a country to treat all trading partners equally by applying the same customs duties, taxes, and regulations to all imports and exports. MFN treatment is based on the idea that all countries should be treated fairly and without discrimination in trade. MFN treatment is a fundamental principle of the World Trade Organization (WTO) and is included in many trade agreements.

Customs Compliance

Customs compliance refers to the adherence to customs laws, regulations, and procedures when importing or exporting goods. Customs compliance involves accurately classifying products, valuing goods, completing documentation, and paying the appropriate customs duties and taxes. Non-compliance with customs regulations can result in penalties, fines, delays, and other consequences that can impact a company's ability to conduct international trade.

Risk Management

Risk management is the process of identifying, assessing, and mitigating risks that may affect a company's international trade operations. Risk management in global trade involves evaluating the potential risks associated with customs compliance, supply chain security, financial transactions, and geopolitical factors. By implementing risk management strategies, companies can reduce the likelihood of disruptions, losses, and compliance issues in their international trade activities.

Authorized Economic Operator (AEO)

An Authorized Economic Operator (AEO) is a company that has been certified by customs authorities as being compliant with customs regulations and security standards. AEO status is granted to companies that have demonstrated a high level of customs compliance, financial solvency, and security measures in their supply chain operations. AEOs receive benefits such as expedited customs clearance, reduced inspections, and enhanced trade facilitation.

Customs Audit

A customs audit is an examination of a company's customs compliance and record-keeping practices by customs authorities. Customs audits are conducted to verify that importers and exporters are complying with customs regulations, accurately reporting information, and paying the correct customs duties and taxes. Customs audits can be conducted randomly, in response to a specific issue, or as part of a company's participation in a customs compliance program.

Customs Brokerage

Customs brokerage is the service provided by customs brokers to assist companies with customs clearance procedures. Customs brokers help importers and exporters navigate the complexities of international trade by ensuring that their shipments comply with customs regulations, documentation requirements, and tariff classifications. Customs brokerage services include preparing and submitting customs declarations, coordinating with customs authorities, and facilitating the release of goods.

Importer of Record (IOR)

The Importer of Record (IOR) is the party responsible for ensuring that imported goods comply with customs regulations and for paying the customs duties and taxes on the imported goods. The IOR is legally liable for the accuracy of customs declarations, the payment of customs duties, and the compliance with customs laws. The IOR can be the buyer, the consignee, or a customs broker acting on behalf of the importer.

Export Control

Export control refers to the regulations and procedures that govern the export of goods, services, and technologies from one country to another. Export controls are implemented to protect national security, prevent the proliferation of weapons of mass destruction, and promote foreign policy objectives. Export controls can include export licensing requirements, trade restrictions, and sanctions against certain countries or individuals.

Export License

An export license is a government-issued document that authorizes the export of specific goods, technologies, or services from one country to another. Export licenses are required for certain controlled items that have military, dual-use, or strategic significance. Export licenses are used to ensure compliance with export control regulations and to prevent the unauthorized transfer of sensitive technologies.

Export Compliance

Export compliance refers to the adherence to export control regulations and procedures when exporting goods, services, or technologies. Export compliance involves determining the classification of goods, obtaining the necessary export licenses, screening parties to the transaction, and maintaining accurate

export documentation. Non-compliance with export regulations can result in penalties, fines, and other consequences that can impact a company's ability to export.

Denied Party Screening

Denied party screening is the process of screening individuals, companies, and entities against government lists of restricted or denied parties before conducting international transactions. Denied party screening is used to prevent companies from engaging in business with individuals or entities that are subject to trade restrictions, sanctions, or embargoes. Denied party screening helps companies comply with export control regulations and avoid penalties for dealing with prohibited parties.

Sanctions

Sanctions are measures imposed by governments to restrict or prohibit trade, financial transactions, or other interactions with specific countries, individuals, or entities. Sanctions are used to promote national security, foreign policy objectives, and human rights concerns. Sanctions can include trade embargoes, asset freezes, travel bans, and restrictions on imports and exports. Companies must comply with sanctions regulations to avoid legal and financial consequences.

Incoterms

Incoterms are international commercial terms that define the rights and responsibilities of buyers and sellers in international trade transactions. Incoterms specify the delivery terms, shipping responsibilities, and division of costs between the parties involved in a transaction. Incoterms provide a standardized set of rules that help companies avoid misunderstandings and disputes in their international trade activities.

Free Carrier (FCA)

Free Carrier (FCA) is an Incoterm that specifies that the seller is responsible for delivering the goods to a carrier or another party designated by the buyer at a named place of shipment. Under FCA terms, the seller is responsible for export clearance and loading the goods onto the carrier's vehicle. The buyer is responsible for the cost and risk of transporting the goods from the named place of shipment to the final destination.

Cost and Freight (CFR)

Cost and Freight (CFR) is an Incoterm that specifies that the seller is responsible for delivering the goods to a named port of destination and paying for the cost of transportation to the port. Under CFR terms, the seller is responsible for export clearance and loading the goods onto the vessel. The buyer is responsible for the risk of loss or damage to the goods once they are loaded onto the vessel.

Free Alongside Ship (FAS)

Free Alongside Ship (FAS) is an Incoterm that specifies that the seller is responsible for delivering the goods alongside a vessel at a named port of shipment. Under FAS terms, the seller is responsible for export clearance and loading the goods onto the dock next to the vessel. The buyer is responsible for the cost and risk of loading the goods onto the vessel and transporting them to the final destination.

Free on Board (FOB)

Free on Board (FOB) is an Incoterm that specifies that the seller is responsible for delivering the goods on board a vessel at a named port of shipment. Under FOB terms, the seller is responsible for export clearance

and loading the goods onto the vessel. The buyer is responsible for the cost and risk of transporting the goods from the named port of shipment to the final destination.

Customs Seizure

A customs seizure is the action taken by customs authorities to confiscate goods that are in violation of customs laws or regulations. Customs seizures can occur when goods are undervalued, misclassified, prohibited, or counterfeit. Customs authorities have the legal right to seize and forfeit goods that are deemed to be non-compliant with customs regulations. Importers and exporters must be aware of customs laws to avoid customs seizures and penalties.

Customs Penalties

Customs penalties are fines or sanctions imposed by customs authorities for non-compliance with customs laws, regulations, or procedures. Customs penalties can be issued for errors in customs declarations, undeclared goods, incorrect valuation, or late submission of documentation. Customs penalties are intended to enforce compliance with customs regulations and deter fraudulent or illegal activities in international trade. Importers and exporters can appeal customs penalties or seek mitigation based on the circumstances of the violation.

Customs Tariff

A customs tariff is a schedule of duties, taxes, and fees that are imposed on imported and exported goods by customs authorities. Customs tariffs are based on the classification and value of the goods and are used to regulate trade, protect domestic industries, and generate revenue for the government. Customs tariffs can vary by country and by product, with different rates applied to different categories of goods.

Temporary Importation

Temporary importation is the process of bringing goods into a country for a specific period of time without paying customs duties or taxes. Temporary importation is allowed for goods that are intended for a specific purpose, such as display at a trade show, repair or maintenance, or testing. Temporary importation requires the posting of a security deposit or bond to ensure that the goods will be re-exported within the specified time frame.

Bonded Warehouse

A bonded warehouse is a facility authorized by customs authorities for the storage of imported goods without payment of customs duties or taxes. Goods stored in a bonded warehouse are considered to be in transit and can be stored, manipulated, or repackaged without customs intervention. Bonded warehouses are used to defer the payment of customs duties, facilitate international trade, and streamline customs procedures for importers and exporters.

Drawback

Drawback is a customs procedure that allows for the refund of customs duties, taxes, or fees paid on imported goods that are subsequently exported or used in the production of exported goods. Drawback is intended to promote exports, stimulate economic activity, and encourage international trade. Drawback claims must meet specific criteria and documentation requirements to qualify for a refund of customs duties.

Customs Valuation Agreement

The Customs Valuation Agreement is an international agreement established by the World Trade Organization (WTO) that sets out the principles and methods for determining the customs value of imported goods. The Customs Valuation Agreement provides guidelines for customs authorities to ensure consistency, transparency, and predictability in the valuation of goods for customs purposes. The agreement is based on the principle that the customs value of imported goods should be based on the transaction value whenever possible.

Reconciliation

Reconciliation is a customs procedure that allows importers to adjust the declared customs value of imported goods after the goods have been released from customs control. Reconciliation is used to correct errors or discrepancies in the customs value, classification, or origin of imported goods. Importers must submit a reconciliation declaration within a specified time frame to reconcile any differences in the declared information and pay any additional customs duties or taxes owed.

Customs Compliance Program

A customs compliance program is a set of policies, procedures, and controls implemented by companies to ensure compliance with customs laws, regulations, and procedures. Customs compliance programs are designed to prevent errors, fraud, and non-compliance in international trade activities. Companies that have robust customs compliance programs in place are better equipped to navigate the complexities of customs regulations, minimize risk, and maintain a good relationship with customs authorities.

Customs Brokerage Software

Customs brokerage software is a technology solution that helps customs brokers and companies automate and streamline customs clearance processes. Customs brokerage software can assist with tasks such as classification, valuation, documentation, compliance checks, and communication with customs authorities. By using customs brokerage software, companies can improve efficiency, accuracy, and compliance in their international trade operations.

Customs Declaration

A customs declaration is a document that provides information about the imported or exported goods, including the description, quantity, value, and origin of the goods. Customs declarations are required by customs authorities to assess customs duties, taxes, and regulations on imported and exported goods. Importers and exporters must accurately complete customs declarations to ensure compliance with customs laws and facilitate the clearance of goods through customs.

Customs Clearance

Customs clearance is the process of completing the necessary customs procedures to allow imported or exported goods to enter or leave a country. Customs clearance involves submitting customs declarations, paying customs duties and taxes, providing documentation, and complying with customs regulations. Customs clearance can be done by the importer, exporter, or a customs broker acting on behalf of the parties involved in the transaction.

Customs Documentation

Customs documentation is the paperwork required by customs authorities to accompany imported or exported goods. Customs documentation includes documents such as commercial invoices, packing lists, bills of lading, certificates of origin, and customs declarations. Accurate and complete customs documentation is essential for customs clearance, compliance with customs regulations, and the smooth flow of goods through the international supply chain.

Customs Brokerage Fee

A customs brokerage fee is a fee charged by a customs broker for their services in assisting with customs clearance procedures. Customs brokerage