



Drawback Overview

What is Drawback?

To begin with, DUTY must be paid to U. S. Customs on the majority of goods imported into the United States. DRAWBACK is a refund of the duty paid (less 1% which is retained by Customs as a processing fee) which may be claimed if the imported merchandise is subsequently exported from the United States.

Although several types of drawback are available, the three most commonly claimed are:

- **Manufacturing**
In accordance with Customs law, drawback may be claimed on an exported article that has been manufactured from imported merchandise. It is also possible to substitute domestically produced merchandise of the same kind and quality as imported duty-paid merchandise in the process of manufacture of and exported product being claimed for drawback.
- **Unused**
In accordance with Customs regulations and law, drawback may be claimed on duty-paid merchandise that is exported from the U.S. without having been used in a process of manufacturing.
- **Rejected Merchandise**
Customs law also provides the right to claim drawback on merchandise, which does not conform to sample or specification, if it is exported under Customs supervision.

What are the Benefits of Drawback?

Manufacturers and exporters who take advantage of drawback are able to compete more effectively in foreign markets. Cash flow and profits are substantially improved because drawback reduces the cost of imported materials by the amount of duty paid.

Who Qualifies for Drawback?

Any company which exports (or sells to a company which exports) is eligible for drawback. Potential claimants must submit a Manufacturer's Statement, if applicable (i.e.: an application which establishes all the parameters of the claimant's proposed drawback program,) an Application for Accelerated Payment and an Application for Waiver of Prior Notice for U. S. Customs approval before claims are liquidated or paid.

What are the Methods of Receiving Payment for Drawback?

The liquidation of claims begins when all documentation for a drawback claim has been filed. The length of time before a filed claim is actually paid varies. To expedite receipt of payment, the Accelerated Payment of Drawback Claims Program should be used. To qualify for this program, claimants must be in good standing with U. S. Customs and have a compliance program in place. In addition, either a Single Entry Bond or a Term Bond must be filed with Customs. Once approved, Accelerated Payment Claims will be certified for payment. Filing with ABI will further expedite payment even quicker.

What are the Time Restrictions on Drawback?

For unused drawback, the material must be exported within three years of the date of importation. In a manufacturing process, imported material must be used within three years of the date of importation. Domestic material of the same kind and quality as imported material must be used in a process of manufacturing within three years of the date of importation of the designated imported material.

The manufactured products must be exported within three years of the date of manufacture. However, the maximum combined allowable time frame for importing duty paid material and exporting it in a manufactured product is five years. All records pertinent to drawback claims must be retained for a minimum of three years after receipt of payment.