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Focus on Savings Opportunities: Merchandise Processing Fees Eliminated for Pharmaceutical and Civil Aircraft Imports from Certain Fee Trade Partner Countries

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To start the New Year off on the right foot, we wanted to make sure importers are aware of some additional savings opportunities recently announced by **United States Customs and Border Protection (CBP)**, and to also provide a gentle reminder on other duty savings opportunities that may be less transparent.

As part of its annual revisions to the ***Harmonized Tariff Schedule of the United States*** **(HTSUS)**, certain pharmaceutical, civil aircraft and intermediate chemicals for dyes imports are now exempt from Merchandise Processing Fees (MPF) if the imported goods are products of a country with which the United States has a Free Trade Agreement (FTA). The MPF exemption (up to $485 per entry) applies even if the imported product does not otherwise satisfy the stringent rules of origin set forth in the particular FTA. Click here for the official update.

Specifically, General Statistical Note 3(c) of the HTSUS was updated in the 2014 HTSUS to include section (iv) which now provides for the elimination of MPF in cases where (1) merchandise is eligible for duty preferences under the Agreement on Trade in Civil Aircraft, Agreement on Trade in Pharmaceutical Products, or Uruguay Round Concessions on Intermediate Chemicals for Dyes, and (2) the imported product is from a country with which the U.S. has an FTA that otherwise exempts MPF at entry, including Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Mexico, Nicaragua, South Korea, Oman, Panama, Peru, and Singapore.

This clarification is important for goods that might not otherwise qualify for preferential treatment under the FTAs, either because a rule of origin is particularly stringent, or because the products did not meet the direct shipment requirements. Depending on import volumes, this additional savings opportunity could be significant over time. The enhancements now allow for a special program indicator of C#, K#, and L# to be reported at entry. This will enable the MPF exemption on qualifying product.

The MPF exemption clarification by CBP is similar to other FTA provisions that encourage trade between FTA member countries and duty savings opportunities for importers, even if the imported products do not meet the applicable Rules of Origin to be originating product. For example, many

FTAs listed above include provisions that allow the duty-free (or reduced) importation of non-originating goods that were sent to an FTA member country for repair or alteration.

While there are certain guidelines regarding what operations qualify as repairs or alterations, and there remain declaration requirements under HTSUS subheading 9802.00.40/50, the originating status of the imported product is not required in order to still benefit from the FTA. In other words, for example, if properly declared, a Chinese product sent from the U.S. to Canada for repair or alteration would be eligible for duty free entry when returned to the United States, with no duties or fees due on the Canadian repair costs or on the original value of the returned product. Other similar FTA provisions that are blind to the originating status of the imported product relate to specific industries, such as certain imported electronics or technology products.

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