

**U.S. Customs and Border Protection
Office of Strategic Trade
Regulatory Audit Division**

**Focused Assessment Program
Example of Internal Control Manual**

October 2003

PTC

CUSTOMS POLICIES AND PROCEDURES MANUAL

**PHANTOM TRADING COMPANY
DALLAS, TEXAS**

Foreword

In March 2003, the U.S. Customs Service became part of the U.S. Customs and Border Protection, which will continue to be referenced as Customs in this document.

The Regulatory Audit Division of the U.S. Customs and Border Protection has prepared this publication for the trade community to encourage importers to develop their own compliance programs. Although the information contained in this manual is provided to promote voluntary compliance with Customs laws and regulations, it has no legal, binding or precedent. It can not be overemphasized that this manual has been drafted for the sole purpose of encouraging importers to develop their own unique compliance plans designed for their specific circumstances. In addition, this manual has not been designed to be all-inclusive, exhaustive or encyclopedic.

The facts and circumstances surrounding imports by every company differ—from the organizational structure and size of the importer, to the nature of the imported articles, to the circumstances of the sales, etc. Consequently, foolproof, standard guidance and procedures can not be developed to effectively deal with every importing company and circumstance. On the other hand, in keeping with the Modernization Act's theme of "informed compliance," Customs would like to take this opportunity to recommend that the importing community examine this publication for ideas. In Customs view, the example framework may prompt or suggest ideas or methodology which importers may find useful in their own companies. Actual manuals may vary significantly based on the needs of the companies and may be much smaller or larger depending on the size of the company, the number of Customs programs the company is involved with and other factors.

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Chapter 1

Introduction

1.0 Background

The Modernization Act of 1993 (Mod Act) fundamentally altered the relationship between importers and Customs. The Mod Act shifted the legal responsibility to the importer for declaring the value, classification, and other information necessary to assess the correct duty rate applicable to entered merchandise. The Mod Act also required importers to use reasonable care to assure Customs is provided accurate and timely data. Finally, the Mod Act increased the maximum civil and criminal penalties for negligent or fraudulent failure to comply with Customs requirements.

This Manual describes the import processes of Phantom Trading Company (PTC) designed to ensure Customs compliance and that personnel in each department understands their role in the overall Customs function.

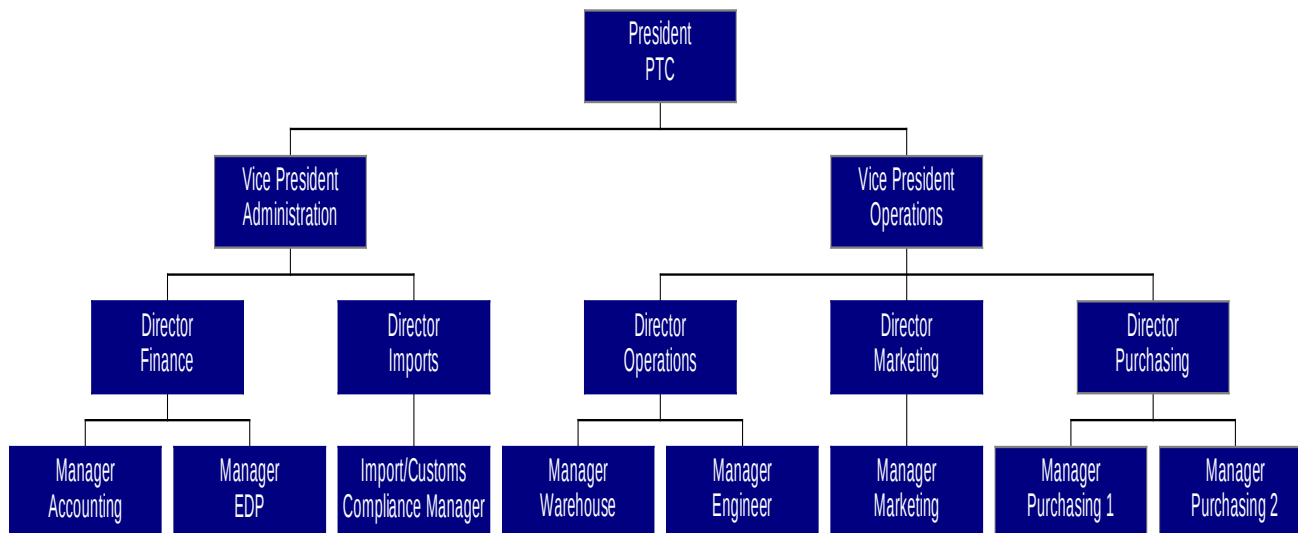
1.1 Company Information

PTC was incorporated in March 2001 as a wholesaler of phantom widgets and began its business of selling and distributing to original equipment manufacturers in the U.S. PTC is a single business entity having no parent or subsidiary relationships. PTC established its Headquarters in Dallas, TX, with a sales office in Houston, TX and a 10,000-sf. warehouse in Addison, TX. The warehouse is staffed by 25 individuals responsible for inventory, receiving and shipping functions. PTC employs over 200 people in its various Texas locations. PTC's major foreign supplier is Masked Widgets of Brasilia, Brazil. PTC maintains a credit line with Masked Widgets and makes payments by wire transfer.

1.2 Company Organization

To ensure compliance with Customs laws and regulations, PTC has established an Import Department staffed with three employees. One of the three employees holds a broker license. All employees in the Import Department work closely with the Customs broker to ensure compliance and efficient handling of import transactions. The Import/Customs Compliance Manager is the focal point for all information relative to Customs activities.

Complying with Customs laws and regulations requires cooperation between many company departments. Communication and cooperation between the Import, Warehouse, Purchasing, and Engineering Departments are essential to Customs compliance. The following chart depicts the overall company structure with departments and titles.



1.3 Company Customs Policy

It is the express policy of PTC to comply with all applicable laws and regulations of the Customs Service and any other federal agency relating to or governing the importation and exportation of merchandise to/from the United States. Further, PTC seeks to monitor, on a regular basis, compliance with all applicable rules and regulations.

PTC strives to cooperate fully with Customs and promptly report and seek full compliance with applicable rules and regulations. In pursuit of this goal, PTC provides all responsible employees with a copy of this policies and procedures manual and with proper training to promote compliance with these requirements. Finally, PTC seeks technical guidance when needed from third party Customs consultants, authorized Customs brokers, and Customs.

1.4 Purpose of Manual

This manual has been designed to aid employees in ensuring Customs compliance and is not intended to be a substitute for Customs laws and regulations. This manual outlines Customs processes to be used in conjunction with applicable laws and regulations. The policies and procedures outlined in this manual are supported by all levels of management and are expected to be followed by all employees. Noncompliance with Customs laws and regulations may expose PTC to fines, penalties, and liquidated damages.

The following topics are included in this manual: import/entry process, recordkeeping, classification, quantity, transaction value, basis of appraisement, American goods returned, U.S. articles assembled abroad, antidumping/countervailing duties, generalized system of preferences (GSP), post entry processes, staff training, and reference materials.

Following are the primary departments involved in the importation/exportation of merchandise:

- Management
- Import Department
- Accounting
- Warehouse (Shipping/Receiving)
- Purchasing
- Engineering Services

If you have any suggestions for improving the contents of this manual or find any inaccuracies, contact the Import/Customs Compliance Manager at 123-1234. Any questions regarding procedures described in this manual should also be addressed to the Import/Customs Compliance Manager at the aforementioned number or by email at import.manager@ptc.com.

1.5 Periodic Review and Update of Procedures

It is the responsibility of the Import/Customs Compliance Manager to review this manual and update it, as necessary, on an annual basis to ensure that Customs regulation cites are current and to incorporate any procedural changes. This annual review and update (the paperback volume of the CFR is revised each year as of April 1) will take place during the second quarter of the fiscal year. If no updates are considered necessary, the Import/Customs Compliance Manager will write a memo indicating the date of the review and attach it to the back of the Manual. Interim updates or additions to the procedures will be made on an as needed basis. The Import Manager will forward a copy of the revised manual or no change memo to each Department Manager involved in the importation/exportation of merchandise as well as the Personnel Department.

Chapter 2

Import Process

2.0 Policy

PTC has established procedures to ensure that it fully complies with all applicable import requirements and laws. The procedures stated herein ensure compliance and efficient handling of import transactions.

2.1 Importing Process

The following entry procedures (entry type 01) will be followed by those departments involved in the importation of goods into the U.S. (Per Section 1.4)

1. For new vendors, the Purchasing Department will negotiate prices with suppliers/vendors and formalize them by means of a sales contract. PTC buyers will use a Vendor Template (See Exhibit 2.A) when negotiating with new suppliers. This tool is to be used by PTC personnel during the initial contract negotiations to ensure all import compliance objectives are understood by the supplier/vendor. Once the contract has been negotiated, a copy will be maintained in Purchasing Department files, by alphabetical order. For existing vendors, the Purchasing Department will formalize prices by means of a Purchase Order (P.O.).
2. Once the sales contract is signed, PTC's buyer will issue the P.O., which includes the model/part number, HTSUS classification, Antidumping Duty (ADD) order, unit price, and quantity ordered. The buyer, if applicable, obtains the HTSUS classification and ADD order, from the Product Classification Database. The buyer has read only access to the Product Classification Database. The Import Department makes any changes or updates to the Product Classification database (For additional information, see Section 4.4).
3. The buyer will instruct the foreign supplier via the P.O. to place the product HTSUS classification on the commercial invoice. If tooling or payments for tooling were provided by PTC, the buyer will also instruct the vendor to include a statement on the commercial invoice that tooling was provided for the invoiced products (For additional information see Section 6.3.1).
4. The buyer will input the P.O. into the purchasing module and forward a copy to the Import Department. The Import staff will review the P.O. to ensure it contains the HTSUS and will place it in a suspense Import File Folder pending importation of the merchandise.
5. The foreign supplier will send the shipping advice via fax or email to the buyer prior to the arrival of the merchandise at the port of entry.

6. The buyer will send a copy of the shipping advice to the Warehouse to be used for verification when the goods arrive.
7. The foreign supplier will send a copy of the import package (packing list, commercial invoice, bill of lading, and any certificates required for specific imports) to the Import Department. The Import staff will verify the price and quantity on the import package against the P.O. and place the documents in a suspense Import File Folder until the entry documentation (CF-7501, CF-3461, etc.) is received from the Customs broker. If any discrepancies are identified, the Import Department will notify the appropriate buyer. The buyer will be responsible for resolving any discrepancies with the foreign supplier and for maintaining a record of any correspondence on the matter. The supplier will provide revised documents where necessary.
8. The Import Department will send a copy of the commercial invoice found in the import package to the Accounting Department.
9. The Import Department will forward the import package to the authorized Customs broker with any special instructions where necessary.
10. The authorized Customs broker will enter imported merchandise. The Import/Customs Compliance Manager maintains a list of Customs brokers with power of attorney to process Customs entries on PTC's behalf. The Customs broker will file the CF-7501 Entry Summary utilizing the HTSUS classification and value stated on the commercial invoice. The broker will also ensure that the entry package contains shipping documents, release documents and any other documents required for specific imports.
11. The Customs broker will send an arrival notice via carrier to PTC's Warehouse.
12. The Warehouse will make freight arrangements and the merchandise will be transported to PTC's Warehouse facilities in Addison, Texas.
13. The Warehouse will receive the imported merchandise and verify the shipment against the original shipping advice. The goods will be inspected for quality, entered into the receiving module and stored in the Warehouse, unless goods are damaged. Damaged goods will be returned to the supplier/vendor and will not be entered into the receiving module (For additional information, see Section 5.3).
14. The Warehouse will print a copy of the receiving report, attach it to the original shipping advice and keep it on file for a period of five years from the date of receipt of the merchandise. The Warehouse will also forward copies of the receiving report to the Accounting and Import Departments. Receipt of the merchandise into the receiving module will trigger Accounting to issue

payment to the supplier.

15. Accounting Department staff will compare the commercial invoice to the receiving report. If any discrepancies are identified, the Accounting Department will notify PTC's authorized buyer and Import Department of the discrepancy. The buyer will research the discrepancy and notify the Accounting and Import Departments of the resolution. The Import Department, if necessary, will instruct the broker to make proper declaration to Customs. The broker will report the discrepancy to Customs. The Import Department will maintain copies of all correspondence with the broker.
16. The authorized broker will submit the entry package (CF-7501, etc.) to the Import Department with a copy of the broker invoice. Import Department staff will verify the entry package, input the entry information into the Import Database (including commercial invoice number), file the entry documentation in the Import File Folder, and send a copy of the broker's invoice to the Accounting Department.

Chapter 2. Import Process**Exhibit 2.A**

Vendor Template
Minimum Requirements for International Shipments

1. The **Packing Slip** shall contain, at a minimum, the following:
 - ☐ PTC purchase order number
 - ☐ Part number
 - ☐ Description
 - ☐ Quantity per line item
 - ☐ What box number each line item is in
 - ☐ Total number of boxes in shipment
 - ☐ Dimensions of shipment
 - ☐ Final delivery address
 - ☐ The packing slip shall be put inside the crate and the crate marked on the outside saying packing slip enclosed
2. The **Commercial Invoice** shall contain, at a minimum, the following:
 - ☐ PTC purchase order number
 - ☐ Part number
 - ☐ Description
 - ☐ Quantity per line item
 - ☐ Unit price and extended price on each line
 - ☐ Total value of shipment
 - ☐ Country of origin
 - ☐ HTSUS (to the 8th or 10th digit)
 - ☐ Terms of Sale
3. Is shipment from a GSP eligible country?
 - ☐ Yes
 - ☐ No
4. Is shipment GSP Eligible?
 - ☐ Will merchandise be shipped directly from the supplier in the GSP eligible country to the United States?
 - ☐ Is merchandise manufactured completely of materials from such GSP eligible country?
 - ☐ If third country components are used, is at least 35% value added in the GSP eligible country?

The items listed in 1 and 2 above must be obtained or release of shipments could be delayed by Customs and possibly rejected.

Chapter 3 Recordkeeping

3.0 Policy

PTC will maintain records and information in accordance with Customs recordkeeping requirements. Customs related records and information will be maintained for a period of five years. Failure to maintain or produce entry records may result in the imposition of penalties of up to \$100,000 or 75 percent of merchandise value per release.

3.1 Background

Under the Modernization Act of 1993, importers are required to maintain and make available information and records pertaining to Customs related activities. Importers must keep records required by law or regulation for the entry of merchandise, referred to as the “(a)(1)(A) list”, and other relevant information thereto. Moreover, 19 CFR §163.4 provides that records shall be kept for five years from the date of entry if the record relates to an entry or five years from the date of the activity that required creation of the record. However, packing lists are only required to be maintained for a period of 60 calendar days from release or conditional release of merchandise, whichever is later.

3.2 Responsible Party(s)

The Import/Customs Compliance Manager, Accounting Department Manager, and Warehouse Manager are primarily responsible for ensuring the maintenance of records and information in accordance with Company policy.

The Import/Customs Compliance Manager is primarily responsible for records supporting import entries filed with Customs, including:

- Entry Summaries (CF-7501)
- Airway bills/bills of lading
- Power of Attorney
- Commercial invoices
- Customs bond
- Product information to support declarations to Customs
- Correspondence pertaining to import issues
- Any other records considered necessary to verify declarations made on Customs Entries.

The Accounting Department Manager is responsible for records supporting Customs Valuation including:

- Invoices
- Payment documents (e.g., accounts payable ledger, canceled checks, wire transfer requests, bank statements)

Chapter 3. Recordkeeping

The Warehouse Manager is responsible for maintaining records to support quantities of goods received, including:

- Receiving reports
- Discrepancy reports
- Shipping Advice

3.3 Procedures and Controls for Recordkeeping

The Import staff will complete a recordkeeping checklist (See Exhibit 3.A) for each entry prepared by the Customs broker to ensure all relevant records were included with the entry package and are on file. If any of the required documents are missing, the Import Staff will contact the appropriate PTC department or the Customs broker and request the missing document(s). The Import Department staff member assigned to review the entry package will initial and date the recordkeeping checklist and file it with the entry package (in the Import File Folder).

3.4 Periodic Review to Ensure Policy/Objectives Are Being Met

On a semi-annual basis the Director Import Department will select 26 entry packages (one from each week in the six-month period) and review them to ensure that the Import staff completed the Customs Entry Checklist in accordance with the above procedures. If systemic problems are identified, the review will be expanded to determine the extent of the problem. The Director Import Department will prepare a memo detailing the review. The memo should at a minimum contain a list of the entries reviewed and the results of the review (positive or negative). A copy of the memo will be sent to the Vice President Administration (See Organizational Chart in Section 1.2). The Director Import Department in conjunction with the Import/Customs Compliance Manager will take appropriate action to correct any problems identified during the review.

On an annual basis the Director Import Department will verify that records are retained in accordance with Customs requirements by randomly selecting 15 archived entry packages for review. The entry packages will be randomly selected from the 5-year retention period. The Director Import Department will ensure that the Customs Entry Checklist as well as all required documents is included in the entry package. The Director Import Department will prepare a memo detailing the review. The memo should at a minimum contain a list of the entries reviewed and the results of the review (positive or negative). The Director Import Department in conjunction with the Import/Customs Compliance Manager will take appropriate action to correct any problems identified during the review.

Chapter 3. Recordkeeping

Exhibit 3.A

Recordkeeping Checklist

The Import Department will ensure that the following documents are included with each entry package. Originals should be on file whenever possible. If any of these documents are missing, contact the appropriate PTC department or the Customs broker and request that the document be forwarded to the Import Department.

Document/Information	Yes	No	N/A
Entry Summary (CF-7501)	_____	_____	_____
Entry/Immediate Delivery (CF-3461)	_____	_____	_____
Commercial Invoice	_____	_____	_____
Part/Item Number	_____	_____	_____
Merchandise Description	_____	_____	_____
Quantity	_____	_____	_____
Unit Value	_____	_____	_____
Total Value	_____	_____	_____
Country of Origin	_____	_____	_____
Currency in which transaction made	_____	_____	_____
HTSUS	_____	_____	_____
Terms of Sale	_____	_____	_____
Packing List	_____	_____	_____
Airway Bill or Bill of Lading	_____	_____	_____
Receiving Report	_____	_____	_____
Importer's Declaration	_____	_____	_____
Shipper's Declaration	_____	_____	_____
Manufacturer's Affidavit	_____	_____	_____
Certificate of Origin	_____	_____	_____
GSP Statement on invoice	_____	_____	_____
Initials of Employee Who Completed the Checklist and Date	_____		

Chapter 4 Classification

4.0 Policy

PTC will use reasonable care in classifying its imports and ensuring compliance with all classification requirements. Misclassifications can result in the overpayment/underpayment of duties, failure to satisfy import restrictions, and monetary penalties. PTC will promptly notify Customs of any classification discrepancies discovered subsequent to entry filing.

4.1 Background

The Harmonized Tariff Schedule of the United States (HTSUS) is based on the Harmonized Commodity Description and Coding System ("HS"), a single internationally recognized classification system shared by a majority of the major trading nations. HTSUS classifications consist of ten digits. Digits one through six represent the internationally standardized HS classification. Digits seven and eight represent U.S. tariff subdivisions of the international system and the last two digits represent statistical subdivisions.

The HTSUS comprises approximately 5,000 article descriptions and is divided into 99 chapters, arranged in 21 sections. HTSUS Chapters are arranged by product types, beginning in Chapter 1 with crude and natural products continuing in further degrees of complexity by chapter through advanced manufactured goods. Each Chapter contains a broad category of items. Chapter 98 covers the special tariff program for U.S. goods returned, and Chapter 99 addresses temporary legislative actions.

To ensure accurate classification of merchandise, careful consideration must be given to the General Rules of Interpretation, Section Notes, Chapter Notes, and administrative rulings issued by Customs and case law.

4.2 Responsible Party(s)

The Import/Customs Compliance Manager is primarily responsible for ensuring that imported merchandise is classified in accordance with the HTSUS. The Purchasing Department, including Purchasing Manager and Buyers, are responsible for obtaining and providing the Import/Customs Compliance Manager with sufficient product information to properly classify merchandise.

4.3 Procedures and Controls for Classification of Current Products

- For previously imported products, the buyer will search PTC's Product Classification Database according to the model/part number and description to determine the appropriate HTSUS classification and current duty rate. The buyer will supply the HTSUS classification to the foreign supplier via the P.O. with instructions to include it on the commercial invoice.

Chapter 4. Classification

- The Customs broker is required to verify the HTSUS classification on the commercial invoice upon entry by matching it to their copy of the Product Classification Database.

4.4 Procedures and Controls for Classification of New Products

- The Import/Customs Compliance Manager will determine classification of new products prior to entry. The Purchasing Department will provide the Import/Customs Compliance Manager with information on new products utilizing the "Classification Compliance Checklist" (See Exhibit 4.A). The checklist is to be prepared by the buyer and reviewed by the Engineering Department prior to submission to the Import/Customs Compliance Manager. In addition, the Import/Customs Compliance Manager will work closely with the product engineers, buyers, and others as needed to understand the characteristics and function(s) of the product necessary to determine the proper HTSUS classification. If the Import/Customs Compliance Manager is unsure of the classification, guidance will be requested from the Customs broker, the Customs Import Specialist, or Account Manager. If the Import/Customs Compliance Manager has applied PTC's classification procedures and remains uncertain, then a binding ruling request (per 19 CFR §177) and Customs' concurrence to support a classification determination will be obtained.
- The Import/Customs Compliance Manager will maintain a hard copy file with a record of all classification research and updates to the Product Classification Database.
- Once the classification has been determined, the Import/Customs Compliance Manager will enter it into the Product Classification Database and include the following information:
 - Model/part number
 - Short item description
 - Supplier code
 - HTSUS classification
 - Current duty rate
 - Unit of Measure
 - GSP eligibility
 - ADD
- Only the Import/Customs Compliance Manager or Designated Supervisor can update the database.

Chapter 4. Classification

- The Import/Customs Compliance Manager, or designated Supervisor, is responsible for updating PTC Product Classification Database any time a new product is purchased or a change in the HTSUS is made. The Import/Customs Compliance Manager will provide the Customs broker with updated copies of the Product Classification Database on a quarterly basis and hard copies of changes and updates on a continuing basis. A log will be maintained indicating the date the database was provided to the Customs broker and acknowledgement of receipt by the broker.

4.5 Procedures for Verifying Classification

- The Import staff will review all entries prepared by the Customs broker to ensure that classifications on the CF-7501 were correct. The Import staff will compare the HTSUS found in the Product Classification Database for the specific merchandise with the information listed on the CF-7501.
- The Import staff will add a checkmark (✓) above the HTSUS and initial and date the file copy of the CF-7501 to indicate that the entry was reviewed including classification of merchandise. The initials will be added after the Import Department employee has reviewed the entry for compliance in all applicable areas. If the classification on the CF-7501 is in question or requires correction, the Import staff will document correspondence with the broker and resolution of the matter. The Import staff will notify the Import/Customs Compliance Manager of the error and resolution and a copy of this documentation will be attached to the file copy of the related entry package.

4.6 Periodic Review to Ensure Policy/Objectives Are Being Met

On a semi-annual basis the Director Import Department will review the Import/Customs Compliance Manager's files related to research for any classification problems or updates to the Product Classification Database. In addition, the Director Import Department will select 26 entries (same entries selected for the recordkeeping review in Section 3.4) and review them for evidence of the Import staff's actions (initials, date & any follow-up action) in accordance with the above procedures. If systemic problems are identified, the review will be expanded to determine the extent of the problem. The Director Import Department will prepare a memo detailing the review (See Section 3.4). The Director Import Department in conjunction with the Import/Customs Compliance Manager will take appropriate action to correct any problems identified during the review.

On a semi-annual basis the Import/Customs Compliance Manager will randomly select 30 part numbers from the Product Classification Database and determine whether the part classification listed in the database is correct. If any erroneous classifications are found, the Import/Customs Compliance Manager will immediately update the Product Classification Database and inform the Customs broker of the correction. If the cause of the problem is systemic, the

Chapter 4. Classification

Import/Customs Compliance Manager will determine the scope of the problem, implement procedures to correct the problem, and if appropriate, and file a prior disclosure with Customs.

Chapter 4. Classification

Exhibit 4.A

Classification Compliance Checklist

After this form has been completed and reviewed by the Engineering Department, please submit it to the Import/Customs Compliance Manager. If you have any questions about completing this form, contact the Import/Customs Compliance Manager at 123-1234.

Request Submitted By: _____
 Telephone Number: _____
 Request Date: _____
 Request Reviewed By (Engineering): _____
 Telephone Number: _____
 Review Date: _____

Part/Item number _____
 Short Description _____
 Name and Address of Supplier _____

Describe product, including main components and uses (also provide descriptive literature, if available).

Did you ask the supplier if this product had been sold to other U.S. purchasers before? _____
 If yes, HTSUS previously used: _____
 Has PTC imported this product before? _____
 When? _____
 HTSUS previously used: _____

If you are reporting a situation where you believe the Import Department may have misclassified a product PTC has already imported, please provide the following information.

Part/Item Number _____
 HTSUS as found in PTC's database _____
 Proposed HTSUS _____
 Reason you believe the item was misclassified _____

Chapter 5

Quantity

5.0 Policy

PTC will take steps to ensure that accurate quantities of imported merchandise are reported to Customs and will promptly notify Customs of any quantity discrepancies discovered subsequent to entry filing as significant quantity variances may have duty impact.

5.1 Background

The Harmonized Tariff Schedule of the United States (HTSUS) establishes the units of measurement to be used to report quantities on Customs entries. In addition, 19 USC 1499(a)(3) and (4) requires that overages and shortages be reported to Customs.

5.2 Responsible Party(s)

The Import/Customs Compliance Manager and Warehouse Manager are primarily responsible for ensuring that accurate quantities are reported to Customs.

5.3 Procedures and Controls for Quantity

- Warehouse personnel will count all merchandise when received and verify the shipment against the original shipping advice.
- If no discrepancies exist between quantities received and the original shipping advice, Warehouse personnel will inspect the merchandise for damage, enter it into the receiving module, and store it in the warehouse. Warehouse personnel will print a copy of the receiving report, initial it, and send it to the Accounting and Import Departments, unless goods are damaged. Damaged goods will be returned to supplier and will not be entered into the receiving module. This will create a discrepancy report on the original shipping advice.
- If a discrepancy exists between the quantities received and the original shipping advice, warehouse personnel will print a Discrepancy Report, initial it, and send it with a copy of the receiving report to PTC's Accounting and Import Departments. A second copy of the Discrepancy Report and receiving report will be sent to the authorized buyer. The buyer will research the discrepancy and notify the Warehouse, Accounting, and Import Departments of the resolution. The buyer will maintain copies of all correspondence with the supplier. The Import Department will instruct the broker to make proper declaration to Customs. The broker will report the discrepancy to Customs as appropriate. The Import Department will maintain copies of all correspondence with the broker.

Chapter 5. Quantity

5.4 Procedures for Verifying Quantity

- The Import Staff will review all entries prepared by the Customs broker to ensure that quantities on the CF-7501 are correct. The staff will compare quantities on the commercial invoice, packing list, and receiving report with the information on the CF-7501.
- The Import staff will add a checkmark (✓) above the quantity on the file copy of the CF-7501 to indicate that quantities were reviewed. If the quantity on the CF-7501 is in question or requires correction, the Import staff will document correspondence with the broker and resolution of the matter. The Import staff will notify the Import/Customs Compliance Manager of any errors and resolution and a copy of this documentation will be attached to the file copy of the related entry package.

5.5 Periodic Review to Ensure Policy/Objectives Are Being Met

On a semi-annual basis the Director Import Department will review the Import/Customs Compliance Manager's files related to the research of any quantity discrepancies identified by either Warehouse or Import Department personnel. In addition, the Director Import Department will select 26 entries (same entries selected for the recordkeeping review in Section 3.4) and review them to ensure that the Import staff's actions are in accordance with the above procedures. If systemic problems are identified, the review will be expanded to determine the extent of the problem. The Director Import Department will prepare a memo detailing the review (See Section 3.4). The Director Import Department in conjunction with the Import/Customs Compliance Manager will take appropriate action to correct any problems identified during the review.

Chapter 6

Transaction Value

6.0 Policy

PTC will use reasonable care in declaring accurate and complete values on Customs entries. On occasion, PTC provides tooling to foreign suppliers for purposes of manufacturing imported products. PTC will take steps to ensure that the complete transaction value, including any additions to the price actually paid or payable, is reported to Customs in accordance with applicable laws and regulations. Due to the difficulty involved in identifying assists, efficient interdepartmental communication must be maintained among the Import Department, Purchasing Department, and Accounting Department. In addition, PTC will promptly notify Customs of any value discrepancies discovered subsequent to entry filing. Incorrect values could result in overpayment/underpayment of duties and in monetary penalties.

6.1 Background

When goods are imported into the United States, they must be entered, that is, declared to Customs. As part of the entry process, goods must be classified and their value determined.

PTC's method of valuation is Transaction Value, which is the price actually paid or payable for the imported merchandise. This is the total payment made to the foreign seller, excluding actual international freight and insurance costs. Estimates of freight and insurance cannot be used. This payment may be direct or indirect. An example of an indirect payment is when the seller reduces the price on a current importation to settle a debt owed the buyer. Such indirect payment is part of transaction value.

Transaction value also includes amounts equal to:

- A. Packing costs incurred by the buyer.
- B. Selling commissions incurred by the buyer.
- C. The value, apportioned as appropriate, of any assist (See exhibit 6.A for a definition of assist)
- D. Royalties or license fees the buyer is required to pay, directly or indirectly, as a condition of sale.
- E. Proceeds of any subsequent resale, disposal, or use of the imported merchandise that accrue, directly or indirectly, to the seller.

These amounts (items A through E) are added only to the extent that they are not included in the price, and are based on information accurately establishing the amount. If sufficient information is not available, then the transaction value cannot be determined and another basis of appraisal must be considered (See Sections 7.1 and 7.3).

Chapter 6. Transaction Value

6.2 Responsible Party(s)

The Import/Customs Compliance Manager and Accounting Manager are primarily responsible for ensuring that correct values, including any assists, are reported to Customs. The Purchasing Department is responsible for informing the Import/Customs Compliance Manager of any tooling or separate tooling payment (i.e. assist) provided to foreign vendors. The Customs Compliance Manager will ensure that the foreign vendor includes assists on invoices and the Customs Broker includes assist values on entries.

6.3 Procedures and Controls for Valuation of Merchandise

- PTC's Import Department will provide the authorized Customs broker with commercial invoice(s) for all shipments of imported merchandise. PTC has instructed its brokers to use the commercial invoice price to make entry of the imported merchandise. If the broker has any questions regarding the value to be on the entry, the broker will contact the Import Department to obtain clarification and ensure the correct value is declared. The Purchasing department should require that the foreign supplier include the appropriate assist charges on the commercial invoice as part of the purchase agreement.
- The Purchasing and Accounting Departments will report any additions to or changes in the invoice price to be paid as a result of quantity discrepancies, revised sales prices, separate payments for tooling, etc. to the Import Department in writing as soon as the change becomes known. The Import Department will notify the Customs broker if entry information is incorrect for appropriate action. The Import Department will update the Import Database to reflect any corrections and maintain hard copies of all related documentation in the Import File Folder.

6.3.1 Valuation of Assists

The following steps should be followed in identifying and determining the value of any assists (For Customs Requirements See Exhibit 6.A):

1. PTC's authorized buyer will add the letter "T" as a suffix to the purchase order (P.O.) Number on any tooling purchases.
2. The buyer will send a copy of the P.O. to the Import/Customs Compliance Manager. The Import Department will maintain an 'Assist Ledger' for any tooling that has been purchased pending production and importation of the merchandise. The tooling P.O. will be maintained in a suspense file until importation of the merchandise.
3. When merchandise is ordered, the buyer will instruct the vendor via the P.O. to include a statement on the commercial invoice that tooling was provided for the invoiced products. The buyer will send a copy of the purchase order to the Import Department. The Import Department will add this information to the 'Assist Ledger' pending receipt of the import package.

Chapter 6. Transaction Value

4. Once the commercial invoice (with the assist statement) is received, the Import Department communicates to the authorized Customs broker the value of the tooling per imported product (based on the total number products scheduled to be purchased by PTC). The Customs broker will then increase the declared value by the value of provided tooling on each entry of the imported article. The Import Department will also reflect the declarations in the 'Assist Ledger'.

6.4 Procedures for Verifying Value

- The Import staff will review all entries prepared by the Customs broker to verify that the broker correctly reported the value of the imported merchandise and that any assist or additional payments were declared to Customs. The Import staff will verify the value of the assist to the amount calculated and documented in the 'Assist Ledger'. The Import staff will add a checkmark (✓) above the declared value on the file copy of the CF-7501 to indicate that the value was reviewed.
- If any errors are noted on the entry documentation, the Import staff will notify the broker to make the appropriate corrections. The Import staff will document correspondence with the broker and resolution of the matter. The Import staff will notify the Import/Customs Compliance Manager of the error and resolution and a copy of the documentation will be attached to the file copy of the related entry package.

6.5 Periodic Review to Ensure Policy/Objectives Are Being Met

- On a semiannual basis the Import/Customs Compliance Manager will coordinate with the Accounting Manager a review of general ledger accounts that may contain tooling or other assists as well as all purchase orders with a "T" suffix. The Accounting Manager will provide the Import/Customs Compliance Manager with a listing of all purchase orders containing a "T" suffix and a copy of the chart of accounts. The Accounting Manager will also identify any general ledger accounts that may contain tooling costs. The Import/Customs Compliance Manager will compare all the purchase orders with a "T" suffix to the 'Assist Ledger' and review general ledger accounts that may contain tooling. The Import/Customs Compliance Manager will document the review and a copy of this documentation will be kept on file. Any additions to the price actually paid or payable identified by the Import/Customs Compliance Manager will be immediately reported to the Customs broker. The Import/Customs Compliance Manager will retain copies of all correspondence with the broker and resulting declaration of the assist to Customs.
- In addition, the Import/Customs Compliance Manager will randomly select five vendors and request that the Accounting Department provides all invoices paid to the five vendors during the preceding six-month period. The

Chapter 6. Transaction Value

- Import/Customs Compliance Manager will trace the paid invoices to corresponding Customs entries. If a payment can not be traced to a Customs entry, the Import/Customs Compliance Manager will contact the Accounting and Purchasing Departments to determine the reason for the payment to determine if the payment was dutiable. If the payment was dutiable, the Import/Customs Compliance Manager will determine why the payment was not posted to the Import Database, decide if the problem is systemic and the extent of the problem, develop procedures to prevent the error from reoccurring, and submit a disclosure to Customs.
- The valuation and reporting of assists will be reviewed as part of the semi-annual internal review of the Customs Function by the Director Import Department. The Director Import Department will review the Import/Customs Compliance Manager's files related to his review of general ledger accounts that may contain tooling. In addition, the Director Import Department will select 26 entries (same entries selected for the recordkeeping review in Section 3.4) and review them to ensure that the Import staff's actions are in accordance with the above procedures. If systemic problems are identified, the review will be expanded to determine the extent of the problem. The Director Import Department will prepare a memo detailing the review (See Section 3.4). The Director Import Department in conjunction with the Import/Customs Compliance Manager will take appropriate action to correct any problems identified during the review, including appropriate disclosures to Customs.

Chapter 6. Transaction Value**Exhibit 6.A****Assist Information****Definition**

An assist is defined as any of the following, if supplied directly or indirectly, and free of charge or reduced cost, by the buyer of imported merchandise for use in the production or the sale of merchandise for export to the U.S.

- (i) Materials, components, parts and similar items incorporated in the imported merchandise or used in production.
- (ii) Tools, dies, molds and similar items used in the production of the imported merchandise.
- (iii) Merchandise consumed in the production of the imported merchandise.
- (iv) Engineering, development, artwork, design work and plans and sketches that were undertaken elsewhere than in the United States and are necessary for the production of the imported merchandise.

Valuing Assist

The value of assist in categories (i) and (iii) is the cost of acquisition or the cost of production plus any applicable transportation cost to the place of manufacture. The value of assist in category (ii) is the acquisition cost, production, lease, rental cost, etc. plus cost of transportation to the place of production. The value of assist in category (iv) is a) the cost of obtaining copies of the assist, if the assist is available in the public domain; b) the cost of the purchase or lease if the assist was bought or leased by the buyer from an unrelated person; c) the value added outside the United States, if the assist was produced in the United States and one or more foreign countries.

The value of assists used in the production of imported merchandise should be adjusted to reflect use, repairs, modifications, or other factors affecting the value of the assists. Assists of this type include such items as tools, dies, and molds.

Apportioning Assist

The method used to apportion the value of the assist depends on the details. The value of the assist may be allocated over:

- The first shipment if PTC wants to pay duty on the entire value at one time.
- Number of units produced up to first shipment.
- Entire anticipated production.
- Number of years of useful life.

If the entire anticipated production is not destined for the United States, some other method of apportionment will be used that is consistent with generally accepted accounting principles.

Chapter 7

Basis of Appraisement

7.0 Policy

PTC will ensure that transaction value is the proper basis of appraisement for its importations. If any importation does not meet the criteria for transaction value, PTC will take steps to ensure that the proper basis of appraisement is used to value the merchandise. Incorrect basis of appraisement can result in the overpayment/underpayment of duties.

7.1 Background

All merchandise imported into the United States is subject to appraisement. The Trade Agreements Act of 1979 (19 USC 1401a, subsequently referred to as the Act) sets forth the rules for appraisement of imported merchandise. The Act sets forth five different methods of appraisement, and their order of preference.

Under the Act, the preferred method of appraisement is transaction value.

However, if any of the following limitations are present, transaction value cannot be used as the appraised value:

- Restrictions on the disposition or use of the merchandise.
- Conditions for which a value cannot be determined.
- Proceeds of any subsequent resale, disposal or use of the merchandise, accruing to the seller, for which an appropriate adjustment to transaction value cannot be made.
- Related-party transactions where the transaction value is not acceptable.

In the event the merchandise cannot be appraised on the basis of transaction value, the alternate bases are considered in the following order:

- Transaction Value of Identical and Similar Merchandise
- Deductive Value
- Computed Value (The importer may request the reversal of Deductive Value and Computed Value at the time the entry summary is filed)
- Value if Other Values Cannot be Determined

7.2 Responsible Party(s)

The Import/Customs Compliance Manager is primarily responsible for ensuring the correct basis of appraisement is used for all merchandise imported by PTC.

7.3 Procedures and Controls for Basis of Appraisement

- If any payment other than that set forth in the sales contract is to be made to the seller, PTC's buyer will note the same in the supplier file. The buyer will submit the file to the Purchasing Manager for review. The Purchasing Manager will send a copy of the sales contract to the Import/Customs Compliance Manager. The Import/Customs Compliance Manager will review the contract and purchase order to ensure that none of the transaction value restrictions are present. If any restrictions are present, the Import/Customs

Chapter 7. Basis Of Appraisement

Compliance Manager will consult with the Customs broker and Import Specialist, if necessary, to determine the correct basis of appraisement. The Import/Customs Compliance Manager will maintain copies of all correspondence and documentation on the research conducted.

- In those instances where the purchase price is not definite at the time of importation, or restrictions exist on the disposition or the use of the merchandise, the buyer will notify the Purchasing Manager and the Import/Customs Compliance Manager. The Import/Customs Compliance Manager will consult with the Customs broker and Import Specialist, if necessary, to determine the proper basis of appraisement. The Import/Customs Compliance Manager will maintain copies of all correspondence and documentation on the research conducted. The Import/Customs Compliance Manager will also maintain copies of all documentation supporting whether the transactions met the criteria for use of transaction value.

7.4 Periodic Review to Ensure Policy/Objectives Are Being Met

On a semi-annual basis the Director Import Department will discuss with the Import/Customs Compliance Manager any basis of appraisement issues that have surfaced during the previous six-month period. If no basis of appraisement issues arose during the review period, the Import/Customs Compliance Manager will write a short memo to this effect and the Import Director will include it with the documentation of his review.

Chapter 8

American Goods Returned (9801)

8.0 Policy

PTC will ensure that the strict documentary and procedural requirements imposed on goods entered under subheading 9801.00.10 are met to prevent incorrectly claiming 9801 preference.

8.1 Background

HTSUS 9801.00.10 (American Goods Returned) allows for the duty-free entry of products of U.S. origin if they were not advanced in value or improved in condition while abroad. To obtain the duty exemption the following two conditions must be met:

- **Product of the U.S.** – For purposes of claiming duty exemption, a product of the U.S. is defined in 19 CFR §10.12(e) as an article manufactured within the Customs territory and may consist wholly of U.S. components or materials, of U.S. and foreign components and materials, or wholly of foreign components or materials. If the article consists wholly or partially of foreign components or materials, the article must have undergone a manufacturing process that substantially transformed it into a new and different article, or have been merged into a new and different article.
- **Not advanced in value or improved in condition while abroad** – For the purpose of claiming duty exemption, the product must not undergo any processing abroad which results in advancement in value or improvement in condition.

19 CFR §10.14(b) establishes that substantial transformation occurs when, as a result of manufacturing process, a new and different article emerges, having a distinctive name, character, or use, which is different from the original article or material before being subject to the manufacturing process.

8.2 Responsible Party(s)

The Import/Customs Compliance Manager is primarily responsible for ensuring that the documentary and procedural requirements imposed on merchandise entered under 9801 are met.

8.3 Procedures and Controls for Chapter 9801

- If the value of the articles exceeds \$2,000, the authorized buyer will be responsible for obtaining a manufacturer's affidavit regarding the U.S. origin of the goods (See Exhibit 8.A) prior to exportation of the merchandise. The buyer will submit the declaration to the Import/Customs Compliance Manager.

Chapter 8. American Goods Returned (9801)

- The goods will be physically inspected by shipping/receiving at the time of export to confirm marking as U.S. goods. The warehouse will notify the Import/Customs Compliance Manager of the date the merchandise was inspected and exported. The notification can be done via memo or email.
- The responsible buyer will obtain from the foreign shipper a declaration (Per Exhibit 8.B) regarding the U.S. origin of the goods and the fact that they were not advanced in value or improved in condition while abroad. The buyer will also instruct the foreign shipper to include a statement of U.S. origin and 9801 eligibility on the commercial invoice.
- The buyer will submit the declaration to the Import/Customs Compliance Manager, who will be responsible for submitting the declaration to the Customs broker with instructions to include it with the entry documentation. The declaration will be obtained prior to shipment of the merchandise subject to this regulation.
- The Import/Customs Compliance Manager with the assistance of the responsible buyer, if needed, will prepare the Importer's Declaration (Per Exhibit 8.C). The Import Department will be responsible for submitting the Importer's Declaration to the authorized Customs broker with instructions to include it with the entry package. The Importer's Declaration will be signed by PTC's President, Vice Presidents, or Director Import Department. The Importer's Declaration will be prepared prior to shipment to the U.S. of the merchandise subject to this regulation.
- Once the import package is received from the foreign supplier, the Import Department will inform the authorized Customs broker that the merchandise should be entered as 9801.
- The Customs broker will not claim 9801 preference unless specifically instructed to do so by the Import Department and no entry under 9801 will be made unless PTC has in its files a Shipper's Declaration and an Importer's Declaration covering the merchandise in question.
- The declarations will be attached to the file copy of the related entry package.

8.4 Procedures for Verifying 9801

The Import Staff will review all entries prepared by the Customs broker to ensure complete and adequate documentation of entries filed under 9801. If an entry was incorrectly filed under 9801, the Customs broker will be instructed to amend the entry. The Import staff will notify the Import/Customs Compliance Manager of the error and resolution and a copy of the documentation will be attached to the file copy of the related entry package.

Chapter 8. American Goods Returned (9801)

8.5 Periodic Review to Ensure Policy/Objectives Are Being Met

On a semi-annual basis the Director Import Department will review a random sample representing 10 percent of 9801 entries for the six-month period to confirm the declarations are on file and that the shipment qualified for duty-free treatment. If the review discloses systemic problems, the review will be expanded to identify all products incorrectly claimed under 9801. The Director Import Department will prepare a memo detailing the review (See Section 3.4). The Director Import Department in conjunction with the Import/Customs Compliance Manager will take appropriate action to correct any problems identified during the review.

Chapter 8. American Goods Returned (9801)

Exhibit 8.A

**Manufacturer's Affidavit
19 CFR §10.1(b)**

I, _____, certify that part numbers _____
and _____ sold to _____ on _____
were made by _____ in the United States.

Date

Signature

Address

Capacity

Chapter 8. American Goods Returned (9801)

Exhibit 8.B

Shipper's Declaration

19 CFR §10.1(a)(1)

I, _____, declare that to the best of my knowledge and belief the articles herein specified were exported from the United States, from the port of _____ on or about _____, 20____, and that they are returned without having been advanced in value or improved in condition by any process of manufacture or other means.

Marks	Number	Quantity	Description	Value in U.S. Coin

Date

Signature

Address

Capacity

Chapter 8. American Goods Returned (9801)

Exhibit 8.C

**Importer's Declaration
19 CFR §10.1(a)(2)**

I, _____, declare that the (above) (attached) declaration by the foreign shipper is true and correct to the best of my knowledge and belief, that the articles were manufactured by _____ (name of manufacturer) located in _____ (city and state), that the articles were not manufactured or produced in the United States under subheading 9813.00.05, HTSUS, and that the articles were exported from the United States without benefit of drawback.

Date

Signature

Address

Capacity

Chapter 9

Antidumping/Countervailing Duties

9.0 Policy

PTC will use reasonable care in determining if an import is subject to Antidumping or Countervailing Duty (ADD/CVD). PTC will take steps to ensure strict compliance with procedural and documentary requirements for ADD/CVD and prevent any monetary penalties by Customs.

9.1 Background

Antidumping Duties are assessed on imported merchandise of a class or kind that is sold to purchasers in the United States at a price less than the fair market value. Fair market value of merchandise is the price at which it is normally sold in the manufacturer's home market. Countervailing duties (CVD) are assessed to counter the effects of subsidies provided by foreign governments to merchandise that is exported to the United States. These subsidies cause the price of such merchandise to be artificially low, which causes economic "injury" to the U.S. manufacturers. PTC does not import merchandise subject to CVD.

9.2 Responsible Party(s)

The Import/Customs Compliance Manager and the Purchasing Department, including Purchasing Managers and Buyers, are primarily responsible for ensuring ADD is properly declared.

9.3 Procedures and Controls for ADD

- For previously imported products, the buyer will search PTC's Product Classification Database according to the model/part number and description to determine the correct HTSUS and whether the merchandise is subject to ADD. If the merchandise is subject to ADD, the buyer will add a statement to the Purchase Order to this effect.
- The Customs broker is responsible for querying the database on every entry to obtain the proper classification and determine if the merchandise is subject to ADD. The Customs broker will not change the ADD determination unless specifically instructed to do so by the Import/Customs Compliance Manager.
- The Import/Customs Compliance will maintain a list of all products subject to ADD.
- On a quarterly basis the Import/Customs Compliance Manager will review notices in the Federal Register relating to ADD/CVD. If the notice is for a new ADD/CVD order, the Import/Customs Compliance Manager will determine if the review affects products imported by PTC. If the order affects any product, the Import/Customs Compliance Manager will enter the reference code "A" in

Chapter 9. Antidumping/Countervailing Duties

PTC's Product Classification database and inform the Broker (by letter, fax, or email) of the order effective date and the case number.

9.4 Procedures and Controls for ADD Determination of New Products

- Prior to the purchase of merchandise from a foreign supplier, the responsible PTC buyer will inform the Import/Customs Compliance Manager of the product to be sourced and the foreign supplier using the "Classification Compliance Checklist" (See Exhibit 4.A). The Import/Customs Compliance Manager will review the HTSUS classification prior to the purchase of the merchandise. The Import/Customs Compliance Manager will request the Customs broker to determine if the merchandise is subject to ADD by querying the HTSUS number in the Automated Broker Interface (ABI). The Import/Customs Compliance Manager will request the Broker to provide a copy of any potentially applicable antidumping order to confirm if the merchandise is within the scope of the order. The Import/Customs Compliance Manager will consult the Custom Broker and/or Customs Import Specialist if necessary to determine if the product is subject to ADD. If the merchandise is determined to be subject to ADD, the Import/Customs Compliance Manager will enter the reference code "A" in PTC's Product Classification database. The Import/Customs Compliance Manager will maintain a file of all merchandise subject to ADD and the applicable dumping order.
- The Customs broker is required to verify the HTSUS classification and whether the merchandise is subject to ADD upon entry by matching the commercial invoice to their copy of the Product Classification Database.

9.5 Procedures for Verifying ADD

- The import staff will review all entries prepared by the Customs broker to ensure that any required ADD was declared and the ADD declarations were correct. The Import staff will query the Product Classification Database for the specific merchandise and determine if it is subject to ADD. If subject to ADD, the import staff will compare the ADD order number in the Product Classification Database with the information listed on the CF-7501.
- The Import staff will add a checkmark (✓) above the dumping order cited on the CR-7501 and initial and date the file copy of the CF-7501 to indicate that ADD was reviewed.
- If any errors are noted on the entry documentation, the Import staff will notify the broker to make the appropriate corrections. The Import staff will document correspondence with the broker and resolution of the matter. The Import staff will also notify the Import/Customs Compliance Manager of the error and resolution and attach a copy of the documentation to the file copy of the related entry package.

Chapter 9. Antidumping/Countervailing Duties

9.6 Periodic Review to Ensure Policy/Objectives Are Being Met

- On a semiannual basis the Director Import Department will review the Import/Customs Compliance Manager files related to any problems pertaining to the declaration of ADD and any additions to the Product Classification Database subject to ADD.
- The Director Import Department will obtain, from the inventory records, the total merchandise imported during the previous six-month period that was subject to ADD. The Director Import Department will compare the total importations per the inventory records to the total merchandise subject to ADD as reported to Customs (per the Import Department Database). The Director Import Department will prepare a memo detailing the review (See Section 3.4). Discrepancies will be discussed with the Import/Customs Compliance Manager with instructions on any required actions.

Chapter 10

Generalized System of Preference

10.0 Policy

PTC will use reasonable care in determining if an import qualifies for duty-free treatment under the Generalized System of Preferences (GSP). PTC will take steps to ensure compliance with procedural and documentary requirements for claiming GSP tariff preference; therefore, assuring that GSP claims are supportable. Customs brokers will not claim GSP on any importation without the express authorization of PTC.

10.1 Background

GSP is a system used by the United States and other countries to help developing nations improve their financial or economic condition through exports. It provides for the duty-free importation of a wide range of products that would otherwise be subject to Customs duty. Approximately 140 countries and territories have been designated as Beneficiary Developing Countries (BDC) and over 4,000 articles designated as eligible for duty-free treatment. The eligible articles are identified in the Harmonized Tariff Schedule of the United States and the designated countries are also listed therein.

10.1.1 Recordkeeping Requirements

The recordkeeping requirements for GSP claims are outlined in 19 CFR 10.171 through 10.178. It is Customs policy that an inability to produce the required records will result in disallowance of GSP preference.

There are two primary factors to be addressed in recordkeeping: the origin of the product and its value. The origin of articles that are wholly the growth, product, or manufacture of the BDC must be supported by documents obtainable by the importer. The supporting documents may *include trip reports, site visits, and quality assurance reports*. Evidence to substantiate the manufacturing origin of articles that are the product or manufacture of the BDC may include *raw materials purchases, proof of factory labor, and support for manufacturing overhead*.

In addition to BDC manufacturing costs, for articles not wholly the growth product or manufacture of that particular BDC for which GSP eligibility is claimed under the 35 percent direct processing costs provision, the exporter or other appropriate and knowledgeable party should be prepared to submit, at the Port Director's request, a declaration setting forth the pertinent facts. The party submitting the declaration must keep supporting documents for five years after submission of the declaration. Evidence may include *product specifications, bill of materials, foreign financial statements, product cost sheets, payment records, overhead allocation schedules, raw material purchases, proof of factory labor, and support for manufacturing overhead*. Production records must establish the

Chapter 10. GSP

value of the BDC materials used in the imported article on a lot by lot, batch by batch, or shipment by shipment basis.

Finally, if a shipment from a BDC passes through the territory of any other country en route to the U.S., the merchandise must not enter the commerce of the transient country. Documents supporting direct shipment may include *bills of lading, freight or shipping invoices, and air waybills* that show the U.S. as the final destination.

10.2 Responsible Party(s)

The Import/Customs Compliance Manager and the Purchasing Department, including Purchasing Managers and Buyers, are primarily responsible for ensuring the correct determination as to the eligibility of imports under GSP.

10.3 Procedures and Controls for GSP

- Prior to the purchase of merchandise that may be eligible for GSP from a foreign supplier, the responsible PTC buyer will inform the Import/Customs Compliance Manager of the product, the foreign supplier, and the country of origin (See Exhibit 10.A for list of GSP eligible countries). The buyer will also provide any available information as to whether the merchandise (1) can be shipped directly from the supplier in the GSP eligible country to the United States, and (2) is manufactured completely of materials from such GSP eligible country, or if third country components are used, at least 35% value is added in the GSP eligible country.
- The Import/Customs Compliance Manager will verify that the product qualifies for GSP by reviewing the Special Duty Rate column next to the classification in the HTSUS. The Import/Customs Compliance Manager will also verify that the product will be shipped directly to the U.S. or if traveling "In bond", that the documents indicate U.S. as the final destination. The Import/Customs Compliance Manager will then advise the responsible PTC buyer as to whether the item in question qualifies for GSP treatment.
- If PTC decides to source the item from a supplier producing in a GSP eligible country, the responsible buyer will assure that procurement contracts contain appropriate legal provisions that require the supplier to provide information to support GSP eligibility to Customs on request with appropriate legal provisions for failure to comply. The buyer will instruct the foreign seller via the Purchase Order to include a statement of GSP preference on the commercial invoice. The buyer will also ensure that the foreign vendor understands the requirement for the 35% local value content and the records necessary to support a GSP claim.
- The Import/Customs Compliance Manager will inform the authorized Customs broker that GSP duty status should be claimed for the import. The

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Import staff will provide written instructions to the Customs broker to claim GSP via notation on the commercial invoice.

- If the merchandise is not wholly the growth, product or manufacture of the beneficiary developing country, the buyer will request and obtain a GSP Declaration from the supplier. The Declaration will include all relevant detailed information about the manufacture of the product.
- The GSP Declaration does not have to be filed with the Customs entry, but will be maintained by PTC and submitted to Customs if requested by the Import Specialist or any other appropriate Customs official. The Import staff will file the GSP Declaration with the related entry package. In addition, the Import/Customs Compliance Manager will ensure that any other documentary evidence confirming direct shipment, such as shipping documents, invoices, etc. are maintained with the entry file.
- See “Procedures and Controls for Classification of New Products” in Section 4.4. of this Manual.

10.4 Procedures for Verifying Claimed GSP

- The Import staff will review all entries prepared by the Customs broker to ensure adequate documentation of GSP claims. If GSP eligibility was claimed on the CF-7501, the Import staff will verify that either the invoice contains the required supplier statement or a GSP Declaration was obtained.
- If the Import Staff identifies an entry in which the Customs broker claimed GSP eligibility and a supplier statement was not included on the invoice or GSP Declaration obtained, the Import Staff will contact the Customs broker to determine why the claim was made on the entry. The Import staff will also maintain copies of all correspondence with the Customs broker regarding resolution of the matter. If the claim was made in error, the Customs broker will be instructed to amend the entry. The Import staff will notify the Import/Customs Compliance Manager of the error and resolution and a copy of the documentation will be attached to the file copy of the related entry package.

10.5 Procedures for Verifying GSP for Expiration and Renewal

Since GSP preference can change annually with regards to eligible countries, products eligible for benefit or benefits granted, the Import/Customs Compliance Manager must verify GSP eligibility annually. The Import/Customs Compliance Manager will also review Customs Bulletins accompanying GSP expiration/renewal on a retroactive basis for procedures used to handle claims under these circumstances.

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10.6 Common Errors

- Inability to produce records to support the 35 percent minimum value content provision.
- Foreign manufacturer commingled materials purchased from both BDC & non-BDC suppliers and importer is unable to identify when non-BDC components were used in an imported article.
- U.S. Goods Returned erroneously claimed as imported GSP articles.
- GSP articles erroneously classified and if properly classified, the articles would not be eligible for GSP.
- Articles originated in a GSP ineligible country.
- Importer could not evidence direct shipment of the product from the BDC to the United States when the shipment entered an intermediate country en route to the United States.

10.7 Periodic Review to Ensure Policy/Objectives Are Being Met

On a semi-annual basis the Director Import Department will review a random sample representing 10 percent of total GSP entries for the six-month period to confirm eligibility. If systemic problems are identified, the review will be expanded to determine the extent of the problem. The Director Import Department will prepare a memo detailing the review (See Section 3.4). The Director Import Department in conjunction with the Import/Customs Compliance Manager will take appropriate action to correct any problems identified during the review.

Chapter 10. GSP

Exhibit 10.A

**GSP Eligible Countries or Associations of Countries
(Per 2001 HTSUS, Rev.1) ***

The following countries, territories and associations of countries eligible for treatment as one country (pursuant to section 507(2) of the Trade Act of 1974 (19 U.S.C. 2467(2)) are designated beneficiary developing countries for the purposes of the Generalized System of Preferences, provided for in Title V of the Trade Act of 1974, as amended (19 U.S.C. 2461 et seq.):

Albania	Gabon	Paraguay
Angola	Gambia, The	Peru
Antigua and Barbuda	Ghana	Philippines
Argentina	Grenada	Poland
Armenia	Guatemala	Romania
Bahrain	Guinea	Russia
Bangladesh	Guinea-Bissau	Rwanda
Barbados	Guyana	St. Kitts and Nevis
Belize	Haiti	Saint Lucia
Benin	Honduras	Saint Vincent and
Bhutan	Hungary	The Grenadines
Bolivia	India	Samoa
Bosnia and Herzegovina	Indonesia	Sao Tome and Principe
Botswana	Jamaica	Senegal
Brazil	Jordan	Seychelles
Bulgaria	Kazakhstan	Sierra Leone
Burkina Faso	Kenya	Slovakia
Burundi	Kiribati	Slovenia
Cambodia	Kyrgyzstan	Solomon Islands
Cameroon	Latvia	Somalia
Cape Verde	Lebanon	South Africa
Central African Republic	Lesotho	Sri Lanka
Chad	Lithuania	Suriname
Chile	Macedonia, Former	Swaziland
Colombia	Yugoslav Republic of	Tanzania
Comoros	Madagascar	Thailand
Congo (Brazzaville)	Malawi	Togo
Congo (Kinshasa)	Mali	Tonga
Costa Rica	Malta	Trinidad and Tobago
Cote d'Ivoire	Mauritania	Tunisia
Croatia	Mauritius	Turkey
Czech Republic	Moldova	Tuvalu
Djibouti	Mongolia	Uganda
Dominica	Morocco	Ukraine
Dominican Republic	Mozambique	Uruguay
Ecuador	Namibia	Uzbekistan
Egypt	Nepal	Vanuatu
El Salvador	Niger	Venezuela
Equatorial Guinea	Nigeria	Republic of
Eritrea	Oman	Yemen
Estonia	Pakistan	Zambia
Ethiopia	Panama	Zimbabwe
Fiji	Papua New Guinea	

*Updated annually

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Exhibit 10.A

Non-Independent Countries and Territories

Anguilla	French Polynesia	Saint Helena
British Indian Ocean Territory	Gibraltar	Tokelau
Christmas Island (Australia)	Heard Island and McDonald Islands	Turks and Caicos Islands
Cocos (Keeling) Islands	Montserrat	Virgin Islands, British
Cook Islands	New Caledonia	Wallis and Futuna
Falkland Islands (Islas Malvinas)	Niue	West Bank and Gaza Strip
	Norfolk Island	Western Sahara
	Pitcairn Islands	

Associations of Countries (treated as one country)

Member Countries Of the Cartagena Agreement (Andean Group)	Member Countries of the Association of South East Asian Nations (ASEAN)	Member Countries of the Caribbean Common Market (CARICOM), except The Bahamas
Consisting of:	Currently qualifying:	Consisting of:
Bolivia	Cambodia	Antigua and Barbuda
Colombia	Indonesia	Barbados
Ecuador	Philippines	Belize
Peru	Thailand	Dominica
Venezuela		Grenada
Member Countries of the West African Economic and Monetary Union (WAEMU)	Member Countries of the Southern Africa Development Community (SADC)	Guyana
Consisting of:	Currently qualifying:	Jamaica
Benin	Botswana	Montserrat
Burkina Faso	Mauritius	St. Kitts and Nevis
Cote d'Ivoire	Tanzania	Saint Lucia
Guinea-Bissau		Saint Vincent and the Grenadines
Mali		Trinidad and Tobago
Niger		
Senegal		
Togo		

Chapter 10. GSP**Exhibit 10.B****GSP Eligibility Requirements**

If the symbols "A" or "A*" appear in parentheses in the Special Duty Rate column of the HTSUS, the product is designated to be an eligible article for purposes of GSP pursuant to section 503 of the Trade Act of 1974. However, the following articles are not eligible for GSP:

- i. textile and apparel articles which are subject to textile agreements;
- ii. watches, except as determined by the President pursuant to section 503(c)(1)(B) of the Trade Act of 1974, as amended;
- iii. import-sensitive electronic articles;
- iv. import-sensitive steel articles;
- v. footwear, handbags, luggage, flat goods, work gloves and leather wearing apparel, the foregoing which were not eligible articles for purposes of the GSP on April 1, 1984;
- vi. import-sensitive semimanufactured and manufactured glass products;
- vii. any agricultural product of chapters 2 through 52, inclusive, that is subject to a tariff-rate quota, if entered in a quantity in excess of the in-quota quantity for such product; and
- viii. any other articles which the President determines to be import-sensitive in the context of the GSP.

The symbol "A" indicates that all beneficiary developing countries (BDC) are eligible for preferential treatment with respect to all articles provided for in the designated provision. The symbol "A*" indicates that certain beneficiary developing countries, specifically enumerated in subdivision (d) of General Note 4(c), are not eligible for such preferential treatment with regard to the article provided for in the designated provision.

To qualify for the duty free treatment a product must meet either of two criteria. Either (1) the product must be the growth, product, or manufacture of a designated beneficiary developing country or (2) the sum of the cost or value of the materials produced in the beneficiary developing country (or any 2 or more countries which are members of the same association of countries entitled to treatment as a BDC) plus the direct costs of processing operations performed in such beneficiary developing country (or member countries) must represent at least 35 percent of the appraised value of the merchandise.

To qualify as GSP material for the 35 percent calculation, the material must either be:

- wholly the growth, product or manufacture of a BDC, or

Chapter 10. GSP**Exhibit 10.B**

- substantially transformed in the BDC into a new and different constituent material where the BDC is the country of origin.

No article or material of a BDC will be eligible for such treatment by virtue of having merely undergone simple combining or packing operations, or mere dilution with water or mere dilution with another substance that does not materially alter the characteristics of the article.

Finally, the imported article must be (a) shipped directly to the United States from the beneficiary developing country or (b) shipped through a second foreign country without entering that country's commerce; or (c) shipped through a free trade zone in a second beneficiary developing country where certain very limited operations (e.g., sorting, testing, packing) may have been performed.

Chapter 11

Post Entry

11.0 Policy

PTC will comply with applicable reporting requirements and will promptly respond to inquiries and requests for information by Customs. Failure to respond to Customs inquiries may result in penalties.

PTC will take appropriate steps to report to Customs any errors or omissions related to any importation.

11.1 Amendment of Entry

If an error is identified prior to liquidation of an entry (generally entries are liquidated within one year), the Import Department will notify the Customs broker, who will amend the entry and pay any additional duties/fees owed. The Import Department will maintain a copy of the amended entry with the file copy of the original entry package.

11.2 CF-28 Request for Information

In performing its responsibilities in connection with imports into the United States, Customs will occasionally seek information from importers in addition to that requested in the entry package. These requests may be in writing, in the form of a CF-28, or oral and will generally come from the Import Specialist responsible for PTC's imports or the Account Manager.

- Any employee receiving a Request for Information from any Customs official, whether written or oral, will promptly notify the Import/Customs Compliance Manager. The Import/Customs Compliance Manager will review the request and determine if anyone else in PTC needs to be notified (e.g., Legal Counsel).
- If the Request for Information is in writing, the Import/Customs Compliance Manager, with assistance from the Import Department Staff, will prepare a draft response no later than a week before it is due. The Director Import Department will review the draft response. Any comments will be incorporated into a revised response and sent to Customs so it is received no later than the due date. The submission will also include a "stamp and return" receipt copy for PTC's records. A copy of the CF-28 will be filed with the appropriate entry package as well as in the Customs correspondence file.
- If the Request for Information is made orally, the employee receiving the same will make sure that he/she understands the information being requested. The employee will provide a response if he/she feels that it is a simple technical question to which he/she is certain of the response. Once the employee has provided the response to Customs, he/she will prepare a memorandum to the file setting forth the request, substance of the

Chapter 11. Post Entry

conversation with the Customs official and response provided. If the employee is uncertain of the answer, he/she will prepare a memorandum setting forth Customs' request and submit it to the Import/Customs Compliance Manager for response. The memorandums will be maintained in the Customs correspondence file.

11.3 CF-29 Notice of Action

Customs issues a CF-29 when additional duties are owed or a correction is needed. Customs will designate on the notice the type of action being taken that affects duties owed the Government.

Any employee receiving a CF-29 from Customs will promptly submit it to the Import/Customs Compliance Manager. The Import/Customs Compliance Manager will review the CF-29 and seek advice from the Customs broker and/or legal counsel, if considered necessary. If after consulting with the Customs broker and/or legal counsel the Import/Customs Compliance Manager is not in agreement with the notice, he will file a protest within 90 days following the liquidation notice date (See Section 12.4). If the Import/Customs Compliance Manager agrees with the Customs determination, copy of the CF-29 will be filed with the corresponding entry and in the Customs correspondence file.

11.4 Protest

The following decisions of the Customs Port Director may be protested within 90 days of Customs liquidation of the entry:

- i. Exclusion of merchandise from entry or delivery
- ii. Determination of the value, classification, duty rate, or amount of duty to be applied to an entry
- iii. Liquidation or re-liquidation of an entry
- iv. Refusal of a claim for duty drawback
- v. Refusal to re-liquidate an entry based on clerical error or mistake of fact
- vi. Any other charge or exaction within the jurisdiction of the Secretary of the Treasury

When one of these events occurs, the Import/Customs Compliance Manager will determine within two weeks whether a protest should be made. If necessary, the Import/Customs Compliance Manager will seek the advice of the Customs broker and/or legal counsel. He will then assign an employee in the Import Department to gather all relevant information needed for the protest. After the relevant information has been received, the Import/Customs Compliance Manager will prepare the protest on CF-19 pursuant to 19 U.S.C. §1514 and 19 CFR §174, Subpart B. The Import/Customs Compliance Manager will ensure that a copy of the protest is filed in the corresponding entry file and in the Customs correspondence file.

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11.5 Ruling Request

Customs law includes rules under which importers may challenge any aspect of a Customs liquidation of imported merchandise such as valuation, classification, country of origin, or NAFTA eligibility or may seek official guidance on such issues in advance of importation, or after importation but before liquidation.

The following procedures will be followed when requesting a Customs Ruling pursuant to 19 CFR §177:

- The Import/Customs Compliance Manager, with the assistance of the Import Department Staff, will gather all information relevant to the request.
- The Import/Customs Compliance Manager will seek guidance if necessary from the Customs broker, legal counsel, or other sources.
- Once this information has been obtained, the Import/Customs Compliance Manager will prepare a letter (i.e., ruling request) containing all relevant facts relating to the transaction in question, including a detail description of the transaction, names and addressees of interested parties, and name of the port or place at which the article will be entered.
- The draft request will be reviewed by the Director Import. Any comments will be incorporated into a revised ruling request.
- Once the ruling is received, a copy will be maintained in the Customs correspondence file and a copy sent to the Customs broker and the Import Specialist handling the affected importation(s).

11.6 Prior Disclosure

U.S. law provides for reduced civil penalties where a company brings violations of law to the attention of Customs prior to or without knowledge of a Customs investigation having been commenced as defined by 19 CFR 162.74(g).

All PTC employees are expected to promptly report to the Import/Customs Compliance Manager any mistakes he/she may have made in connection with an importation or any circumstances leading the employee to believe an error or omission has occurred regarding information submitted to Customs.

- The Import/Customs Compliance Manager will thoroughly investigate any reports received regarding any errors made in connection with an importation. The Import/Customs Compliance Manager will determine the facts and circumstances surrounding the suspected violation, including:
 - 1) whether the suspected violation is continuing;
 - 2) whether the suspected violation involves liquidated or unliquidated entries;
 - 3) whether there exists evidence of a clerical error or mistakes of fact;
 - 4) the extent to which PTC and the employees involved in the incident exercised reasonable care or failed to meet their legal responsibilities;

Chapter 11. Post Entry

- 5) any indication that Customs may have commenced an investigation against PTC;
 - 6) any revenue loss to Customs; and
 - 7) whether PTC's procedures need to be adjusted in order to prevent similar situations from reoccurring.
- If the Import/Customs Compliance Manager determines that the error occurred because of deficiencies in control procedures, the practice(s) in question will be immediately terminated and the Import/Customs Compliance Manager will develop necessary procedures to prevent reoccurrence.
 - The Import/Customs Compliance Manager will consult with the Director Import and legal counsel, if necessary, to determine whether a violation has occurred, the procedural changes needed to be implemented on a permanent basis to prevent future reoccurrence, and the appropriate approach to use to disclose the violation to Customs.
 - If the error or omission involves an unliquidated entry, and clerical error or mistake of fact, PTC will adjust the entry to correct the error.
 - If the error involves negligence, gross negligence or fraud and PTC is not aware of the commencement of any investigation by Customs, PTC's Import/Customs Compliance Manager in consultation with the Director Import and other appropriate company officials should make a prior disclosure pursuant to 19 CFR §162.74. The Import/Customs Compliance Manager should use a checklist (See Exhibit 11.A) to ensure the disclosure:
 - 1) Identifies the class or kind of merchandise involved in the violation.
 - 2) Identifies the entry number(s) of the importation(s) in question, or the Customs port(s) of entry and the approximate date(s) of entry.
 - 3) Specifies the material false statement(s) or material omission(s) made.
 - 4) Describes the true and accurate information or data which should have been provided in the entry documents.
 - 5) Tenders any loss of duties.
 - 6) Is sent to the port of entry where the violation occurred.

Any information unknown at the time of the disclosure should be made within 30 days from the date of the initial disclosure and the disclosure should include a statement to that effect.

Chapter 11. Post Entry**Exhibit 11.A****Prior Disclosure Checklist**

The following questions must be answered when completing the prior disclosure submission.

- ☐ Is the prior disclosure addressed to the port Fines, Penalties and Forfeiture (FP&F) Officers for all ports where the violation occurred?
- ☐ Does the prior disclosure identify all the Customs ports where the disclosed violations occurred? (Note: The submission must list all of the concerned ports of entry.)
- ☐ Does the prior disclosure identify the class or kind of merchandise involved in the violation?
- ☐ Does the prior disclosure identify the merchandise by class and kind, the entry number, and the port of entry arrival and approximate date? (Note: The disclosing party defines the scope of the prior disclosure.)
- ☐ Does the prior disclosure specify the material false statements, omissions or acts involved in the disclosed violation? The person making the prior disclosure should explain the how and why behind the occurrences.
- ☐ Does the prior disclosure contain the true and accurate information or data that should have been provided in the entry? (Note: Remember to specify that PTC will provide any unknown information or data within 30 days of the initial disclosure if it is not available at the time of the disclosure. PTC can also ask the concerned Fines, Penalties and Forfeitures Officer for extensions of this 30-day period.)
- ☐ Does the prior disclosure include any loss of duties, taxes and fees due the Government on liquidated entries covered by the disclosure? And, if so, has a check been prepared in the amount of monies owed and made payable to Customs to submit along with the prior disclosure? The regulations provide the option of paying at time of disclosure or within 30 days of Customs notification.
- ☐ If the prior disclosure is to be mailed, have arrangements been made to send it registered or return receipt requested? (Note: Failure to mail the disclosure in this manner will mean that the time of the disclosure will be considered the date of receipt by Customs.)

Chapter 12

Staff Training

12.0 Policy

It is important for all employees to be aware of their responsibilities under the Customs laws and to keep current as to any changes in the legal requirements applicable to imports. The Import Department will develop training programs for PTC employees.

12.1 Division Supervisors Training

Supervisors for the following Departments will receive yearly refresher training on Customs Compliance procedures:

- Upper Level Management
- Accounting
- Purchasing
- Shipping/Receiving
- Engineering

The training will be coordinated by the Personnel Department and provided by the Import Department.

12.2 New Employee Training

All new employees will receive a minimum of two hours of Customs Compliance Training. The training will be coordinated and provided by the Personnel Department.

The training will cover at a minimum:

- PTC's organizational structure for Customs activities and its policy regarding Customs compliance;
- The role of the Import Department; and
- Information on how to obtain assistance if a Customs issue or question arises.

In addition, all new employees will receive a copy of this manual, included with the new employee orientation package, and will be reviewed at the Customs training session.

Once new employees have been assigned specific departmental duties, they will receive additional training if they work in one of the following departments:

- Import
- Accounting
- Customer Service
- Purchasing
- Shipping/Receiving
- Engineering

Chapter 12. Staff Training

Department Supervisors will be responsible for notifying the Import Department of the employee's name and duties, and request the training. The training will be provided by the Import Department and will focus on the employee's duties as they relate to the Customs process.

12.3 Current Employee Training

On a yearly basis employees with Customs responsibilities in the following departments will have a refresher Customs Compliance training course:

- Accounting
- Purchasing
- Shipping/Receiving
- Engineering Services

The training will be coordinated by the Personnel Department and provided by the Import Department and will at a minimum cover:

- Any changes in rules, regulations and procedures of Customs;
- Any changes in PTC's Customs compliance procedures; and
- Any problems or concerns identified since the previous training class.

Further, the Import/Customs Compliance Manager will promptly advise employees by written memorandum of any changes in procedures for which dissemination should not be delayed until the next refresher training course.

12.4 Import Department Employee Training

The Import/Customs Compliance Manager will devise individual development plans for current and new employees in the Import Department. They will receive detailed training in the areas relating to their Customs responsibilities such as valuation, classification, etc.

12.5 Documentation

All training sessions will be documented, including a list of attendees, training date(s), and topics covered. In addition, the Import Department will maintain training materials on file for reference.

12.6 Periodic Review to Ensure Policy/Objectives Are Being Met

On an annual basis the Director Import Department will review the Import/Customs Compliance Manager's training files to ensure required training of supervisors and current employees is being conducted.

Appendix I

Reference Materials

Customs has issued a number of "Informed Compliance Publications" which are designed to assist importers in complying with the Customs Laws and Regulations. The following is a list of some of the Informed Compliance Publications available from the Import Department or U.S. Customs and Border Protection Web site:

What Every Member of the Trade Community Should Know About:

- Bona Fide Sales and Sales For Exportation
- Buying And Selling Commissions
- Customs Value
- Tariff Classification
- Proper Deductions for Freight & Other Costs
- Reasonable Care
- Records and Recordkeeping Requirements
- The ABC's of Prior Disclosure

In addition to the above publications, the Import Department has the following publications available for reference:

- Code of Federal Regulations, Title 19, Parts 1 to 199
- Harmonized Tariff Schedule of the United States (with Explanatory Notes)
- Importing Into the United States

Appendix II

Glossary

ABI – Automated Broker Interface

ADD – Antidumping Duties

BDC – Beneficiary Developing Country

CFR – Code of Federal Regulations

CF-3461 – Entry/Immediate Delivery

CF-7501 – Entry Summary

CVD – Countervailing Duties

FP&F – Fines, Penalties and Forfeitures

GSP – Generalized System of Preferences

HS – Harmonized Commodity Description and Coding System

HTSUS – Harmonized Tariff Schedule of the United States

Mod Act –The Modernization Act of 1993 is the popular name given to Title VI of the North American Free Trade Agreement Implementation Act [P.L. 103-182, 107 Stat. 2057], which became effective on December 8, 1993)

P.O. – Purchase Order

PTC – Phantom Trading Company

USC – United States Code