

MANAGING YOUR CUSTOMS PROCESS

**MAXIMIZE
YOUR DUTY
SAVINGS
BY TAKING
ADVANTAGE OF
FIRST SALE AND
CLASSIFICATION**

Managing your Customs Process

Maximize your duty savings by taking advantage of First Sale and classification

As the global marketplace grows more competitive, today's consumers have become savvier. They know there's always a lower price to be found somewhere. The challenge for U.S. retailers is to find ways to lower the cost of the products they import so they can pass those savings on to customers. Two ways to do this is to take advantage of the First Sale Rule and to ensure that products are properly classified.

The First Sale Rule: Pay duty on the lowest sale price

The First Sale Rule was first established in 1988 by the U.S. courts to help importers who take part in multi-tiered sales realize lower landed duty paid costs on eligible products imported into the United States. In a typical supply chain, importers purchasing goods from another vendor are required to pay duty on the value of those goods (this is referred to as the "second sale"). With the First Sale Rule, importers can make their Customs declarations using the "first sale" price. Since the first sale price in these multiple transactions is always lower than the resale price, using the first sale appraisal method means that there'll be greater duty savings for the importer. Of course, the first sale must be properly documented as a sale for exportation to the U.S. and all other Customs requirements must be met.

If your business is currently dealing with high duty rates, vendor markup costs and high free on board (FOB) volumes, then you should be applying the First Sale Rule to your imports. With this rule, Customs allows you to establish an acceptable lower dutiable value, which will result in lower duties paid.

Tariff classification and Harmonized System (HS) codes

Having the correct tariff classification codes on your goods will not only ensure your trade practices are compliant, it could also save you a significant amount of money.

The U.S., along with over 200 countries around the world, uses 10-digit HS codes to classify and report imported



Learn how you can **save more** with the First Sale Rule and proper classification.

goods. Since these codes help to determine how much duty is required on every item you import, it's critical to get them right so you're not paying more duty than you need to – or shelling out hefty fines for non-compliance.

Livingston can help

Whether you want to find out how the First Sale Rule can help you avoid paying extra duty or need help navigating the complexities of tariff classification, the Livingston team of experts can help.

Our specialists understand the unique compliance and classification needs of the retail sector, and are always available to help you save money and stay compliant.

Contact Livingston

Have questions or need help with your shipments? Contact your account executive, write to us at: simplify@livingstonintl.com or give us a call at **1-800-837-1063**