

# FOREIGN ASSEMBLY OF U.S. COMPONENTS

*All MERCHANDISE imported into the Customs territory of the United States is subject to duty on its full value unless specially exempted.*

Subheading 9802.00.80 permits a reduced duty treatment for the value of components manufactured in the United States and assembled abroad in accordance with the provisions contained in Chapter 98, Subchapter II, U.S. Notes 1, 2, 4, and 5. Since these provisions are conditional, Customs requires the importer to furnish Customs with detailed documentary information relating to the nature of the assembled operations performed aboard.

Many importers have the misconception that duty under this heading is based on the value added aboard. The law requires that the full value of the goods be declared to Customs and then an *allowance* is made for reducing duty treatment on the cost or value of those components which are products of the U.S. and meet **ALL** of the requirements of 9802.80. 9802.80 provides that articles assembled abroad in whole or in part of components fabricated in the U.S. which:

- A) Were exported in condition ready for assembly without further fabrications,
- B) Have not lost their physical identity in such articles by change in form, shape or otherwise, and
- C) Have not been advanced in value or improved in condition abroad except by being assembled and by operations incidental to the assembly process such as cleaning, lubricating and painting.

May qualify for a duty allowance based on the value of the US components.

Articles assembled abroad in whole or in part of components fabricated in the U.S., which were exported:

- A) the imported component must be a product of the U.S.,
- B) the exported component must be a fabricated component ready for assembly in the condition as exported,
- C) and the operation performed abroad must be assembly of solid components (cannot be liquid, gases, or chemicals).

Since 9802.0080 involves a deduction from the total duties due, complete and detailed data must be submitted for the imported article together with sufficient information to establish with Customs the value and the origin of the U.S. manufactured article. In addition to the commercial invoice, the importer must furnish a '*Foreign Assemblers Declaration*' with an appropriate endorsement by the importer in accordance with Section 10 of the United States Customs Regulation.

Subheading 9802.00.80 treatment may not be granted to any component that was exported from the U.S.:

- A) from continuous customs custody with remission, abatement or refund of duty,
- B) with benefit of drawback,
- C) to comply with any law of the U.S. or regulation of any Federal agency requiring exportation, or
- D) After manufacturer of production in the United States under temporary importation under bond (subheading 9813.00.05).

It is of paramount importance that the assembly operation performed abroad does not exceed the strict criteria provided by subheading 9802.00.80 regarding the operation which the U.S.

For example, several foreign components of an electric motor are imported under a temporary importation under bond to be manufactured into a motor. The finished motors are imported under a TIB to be manufactured into a motor. The finished motors are exported and assembled abroad into electric fans, which are subsequently imported into the U.S. No allowance can be made for the value of the motor even

though the motors could be considered a product of the U.S. components are subjected to abroad. If these criteria are exceeded components are not eligible for subheading 9802.00.80 treatment.

9802.00.80 may not apply if the operation performed on the exported U.S. components is anything other than attaching them to other components to form the completed articles (i.e., soldering, sewing, force fitting, pressing, gluing, or similar operations).

9802.00.80 applies with respect to fabricated components of types, which are designed to be fitted together with other components. It does not apply to raw materials such as chemical products, food ingredients, liquids, gases, powders, etc. which are mixed abroad with other ingredients.

9802.00.80 applies to materials exported in continuous lengths and merely cut to individual lengths abroad. It does not apply to materials which are cut into specific shape patterns abroad. Certain operations other than mere cutting or assembly can be allowed if necessary to, and performed within, the act of assembly and which are judged insignificant in value in comparison to the total assembly operations (i.e., slotting, notching, or minor drilling of the components necessary in assembling the completed articles).

9802.00.80 applies in subassembly operations. An assembly operation may involve the joining together of U.S. fabricated components into a part of subassembly which in turn is installed into the complete imported unit.

9802.00.80 **does not apply** to foreign components previously imported into the U.S. unless they were subjected to processing which resulted in substantial transformation in other U.S. – but not under TIB - prior to exportation for assembly abroad. Also the payment of U.S. duty does not make foreign merchandise a product of the U.S. for the purpose of subheading 9802.00.80.

9802.00.80 **does not apply** to the raw materials such as chemical products, food ingredients, liquids, gases, powders, and other like products, which are to be mixed abroad with other ingredients.

There is no restriction against using some foreign made components and material together with the U.S. components in the assembly process. However only the U.S. components meeting all requirements of this subheading are eligible for deduction under subheading 9802.00.80.

If the assembly operation does not appear to be covered by a previous Customs Binding ruling, the prudent importer should apply for a Binding ruling with United States Customs as to whether 9802.00.80 would apply to the proposed assembly operation.