

BACKGROUND FOR REPORTING FREIGHT AS A NON-DUTIABLE CHARGE

JANUARY 8, 2001

EXCERPT FROM CUSTOMS DIRECTIVE OF JANUARY 8, 2001

FROM: Executive Director Trade Programs

SUBJECT: Reporting of Freight Rates

PASS TO: Import Specialists, Entry Specialists, Auditors, *Importers, Brokers*, and other interested parties

BACKGROUND: The Ocean Shipping Reform Act (OSRA) became effective on May 1, 1999. One provision of OSRA is the confidential treatment of freight rates that can now be freely negotiated between shippers and shipping lines. There now exists the potential for conflict between the confidentiality of these rates and the reporting requirements of Customs and Census. The current reporting requirements (of actual freight charges) do not anticipate the changes brought about by OSRA, but the requirements do exist nonetheless.... Under 13 U.S.C. 301, the Department of Commerce is required to compile and publish data on import charges. Under section 303, the Department of Treasury is charged with collecting the information required by the Department of Commerce in preparing our nation's trade statistics. While there may be a potential conflict between this law and OSRA, Customs cannot ignore the responsibilities specifically provided in section 303.

ACTION: Importers are required to deduct the actual cost of freight, insurance and other costs incident to international shipment, if they are included in the price actually paid or payable or referred to in the terms of sale. If an importer does not know the actual costs for these charges he must declare, and pay duties on, the entire value. When the actual charges are not known, and the importer declares the entire CIF value, an amount of \$2 will be claimed as the freight charges. This must be done in accordance with the Instructions for Preparation of CF 7501 (Customs Directive 099-3550-061.) The \$2 amount will simply serve as a flag to Census that the actual amount of freight is not known at time of entry. If the actual amount becomes available after an entry summary has been filed, the importer is required to amend the entry with the actual freight rates.

Should you have any questions or concerns, please direct them to Ms. Vikki Lazaro, of my staff, at (202) 927-4342. Elizabeth G. Durant