CUSTOMS BOND SUMMARY

The United States Customs Service requires that a Bond, underwritten by an insurance company, be provided for all import transactions. In addition, shipments imported by ocean freight require the filing of an ISF bond.

To understand the requirement, one needs to know the basic U.S. Customs import cargo release system. The system requires that duty be very accurately assessed and given voluntarily to Customs. Since the passage of the Customs Modernization Act, it is the Importer who takes full responsibility for the proper valuation and duty payment of his or her imported articles. If the Importer is unable to meet his or her responsibilities in this regard, the Insurance company is asked to step in on behalf of the Importer, in order to pay the duties, fines and penalties that may have been assessed against the Importer. As it is Custom's prime responsibility to protect the revenue of the government, it is easy to see their interest in having a financial guarantee in Import transactions.

In the majority of instances, all possible variables in value, classification and compliance with the law cannot be determined within the 2 to 24 hours in which Customs releases a shipment. Shipments are released by Customs based on un-audited entry data presented to them. The entry bond that U.S. Customs requires allows the quick release of a shipment, as the bond guarantees the payment of additional duties that may be found on audit, (see our Liquidation overview). It guarantees that if the articles are found in violation of law, they will be destroyed or exported, or that the penalty for such violations will be paid. For an ISF bond, it guarantees the payment of penalties that may be issued to the importer if a timely and compliant ISF is not filed. The bond, in effect, removes Customs from the collection business. Invoices for penalties or duties that are not paid are turned over to the insurance company who wrote the bond, who in turn pays U.S. Customs. Any collection matter then becomes a matter between the insurance company and the importer.

There are several types of Customs bonds that Importers may use. The three major bonds used for import shipments are the Single Transaction Entry Bond, The Single Transaction, ISF Bond and the Continuous Bond. Bonds are generally sold through Customs Brokers but may be purchased directly through most insurance agents. A

Single transaction bond is a bond that covers a single import transaction. A single transaction bond must have a face value of at least the sum of the estimated duties that will be assessed, plus the entered value of the shipment. A Continuous bond can cover all import transactions (ISF's and entries) for a period of one year. The face value of a Continuous bond must be at least ten percent of the sum of all of the estimated duties that the importer anticipates paying during the succeeding twelve months. A Continuous bond must be at least $50,000. The actual face value of a Continuous bond is up to the discretion of the District Director of Customs. In any event, if you are a frequent Importer, a Continuous bond offers significant premium savings.

Please contact us at connect@medey.com for additional information or to obtain a quote for a Bond.