



Understanding Duties and Taxes for Your FedEx Express® U.S. Export Shipments

When determining the total cost of an international shipment, you might need to consider the effects of duties, taxes and other customs charges.

Why It's Important

Depending on the content of your shipment and the destination country, customs charges may affect the price your recipient is willing to pay for your product. Being able to calculate and communicate the "landed cost" upfront can often save both you and your recipient valuable time and money.

Duties and Taxes

Nearly all shipments crossing international borders are subject to the assessment of duties and taxes imposed by the importing country's government. Duties and taxes are imposed to generate revenue, protect local industries against foreign competition, or both. The duties and taxes normally must be paid before the goods are released from customs. A shipment's duty and tax amount is usually based on the product's market value, Harmonized System (HS) code, and the cost of shipping and insurance. The duty and tax amount may also be affected by trade agreements, country of manufacture and the intended use of the product.

Customs officials assess duties and taxes based on the information provided on the air waybill, the Commercial Invoice and other relevant documents such as a Certificate of Origin.

Paying Duties and Taxes

FedEx Advancement Fee. FedEx may be required to advance certain duties and taxes in countries that require them to be paid prior to customs' release of the shipment, or to complete clearance of certain items through customs. In such instances, the party billed for duties and taxes will be assessed a surcharge.

Responsible Party. Duties and taxes on your international shipment will automatically be billed to the recipient, unless you, as the shipper, request FedEx to bill them to you or a third party. You can usually select either the shipper, recipient or a third party as the payer when you complete the FedEx® International Air Waybill or FedEx® Expanded Service International Air Waybill, as well as via the Billing Details section of FedEx Ship Manager® at fedex.com.

Please note: Per the contract of carriage with FedEx, you, the shipper, are ultimately liable for any duties and taxes assessed on the shipment. If the recipient refuses the package, or the recipient or third-party FedEx account holder refuses to pay for duties and taxes, the original shipper will be billed for duties and taxes.



Non-FedEx Account Holders. If the recipient does not have a valid FedEx account number or a FedEx account in good credit standing, the shipper may be required to prepay duties and taxes before the shipment is released to the recipient.

Shipments will be held at the destination station until payment arrangements are made or the FedEx Credit Department has authorized release of the shipment.



Determining Duties and Taxes

Step 1

Determine the HS code for your product.

The Harmonized Commodity Description and Coding System, more commonly known as the Harmonized System (HS), is an international product nomenclature developed by the World Customs Organization (WCO) for the classification of traded goods. It enables participating countries to uniformly classify commonly traded goods for customs purposes by assigning a six-digit code. For example, 6910.10 is the HS code for ceramic sinks, washbasins, washbasin pedestals, baths, bidets, water-closet bowls, flush tanks, urinals, and similar sanitary fixtures made of porcelain or china.

All countries adhering to the HS use the same six-digit code for each product. Each country, however, can assign its own additional four numbers, making the entire code 10 digits. Since finding the importing country's HS code for a product is sometimes difficult, U.S. exporters can use the Schedule B code to approximate. In most cases, the Schedule B code will be the same first six digits as the importing country's classification code. To find the Schedule B code for a product:

- Go to www.census.gov/foreign-trade/schedules/b/index.html and consult the U.S. Census Bureau's Schedule B search engine.
- Seek further assistance from a commodity specialist at the U.S. Census Bureau Foreign Trade Division:
 - For durable goods (metals, machinery, computer, electronic and other miscellaneous goods): 1.301.763.3259.
 - For nondurable goods (food, animal, wood, paper, mineral, chemical and textile goods): 1.301.763.3484.

Step 2

Use the HS or Schedule B information to calculate the estimated duties, taxes and other fees that may be levied against your international shipment. U.S. exporters need to know the HS or Schedule B codes for their product before calculating duties and taxes because:

- The HS code is required to look up duty rates.
- The HS code is required to determine whether a product qualifies for a preferential tariff under the North American Free Trade Agreement (NAFTA) or other similar trade agreements.

Please note: The Schedule B code must also be filed with the Electronic Export Information when it is required, and the HS code may be needed on other shipping documents, including the Certificate of Origin. You can also classify and estimate costs for your shipment using the online resources at www.ita.gov or www.worldtariff.com.

Calculating Duties and Taxes

Most countries use the CIF method to calculate duty charges. CIF is a pricing term that means the cost of the goods, insurance and freight (shipping charge) are included in the quoted price. The total duty and tax charge is calculated by adding all costs together.

For example:

Value of Goods:	\$932
Insurance Charge:	\$16
Freight Charge:	\$52
<hr/> Total CIF Value	<hr/> \$1,000
Duty Rate (7%):	x .07
Duty Charge:	\$70
Total CIF & Duty:	\$1,070
VAT (18%):*	x .18
VAT Charge:	\$192.60
Total Landed Price:	\$1,262.60

The Estimate Duties and Taxes tool on FedEx® Global Trade Manager enables you to classify your shipment and estimate duties and taxes in one place. To use this free tool or to view the online demo, go to **fedex.com**, then select Go to FedEx Global Trade Manager under the Manage tab. Check the box to select Estimate Duties and Taxes and then click Go. You'll need to log in using your **fedex.com** user ID and password. If you don't have a **fedex.com** login, click the Sign Up Now! link to register.

**Value Added Tax (VAT). VAT is a general consumption tax assessed on the value added to goods and services. Because it's a tax on consumer expenditures, businesses that are VAT-registered and fully taxable do not bear the final costs of VAT (unless the VAT is charged to the shipper).*

Gift Exemption for Duties and Taxes

Many countries and economies usually allow unsolicited gifts to enter the country duty-free if the value of the gift is less than a certain value. Any amount more than the stated value may be subject to import duties and taxes.

- **Australia:** No duties and taxes applied if the value of the gift is less than AUD1,000 or US\$1,000.
- **Bolivia:** All gifts are taxable starting at US\$1.
- **Canada:** No duties and taxes applied if the value of the gift is less than CAD60 or US\$60.

- **Chile:** All gifts are taxable starting at US\$1.
- **European Union (EU) Countries:** No duties and taxes applied if the value of the gift is less than EUR33 or US\$45. EU countries include Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Hungary, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and United Kingdom.
- **Hong Kong:** All gifts are taxable starting at US\$1.
- **Mexico:** No duties and taxes applied if the value of the gift is less than US\$300 if hand-carried by air, and less than US\$50 if hand-carried by land. Otherwise, all gifts are taxable starting at US\$1.
- **Namibia:** No duties and taxes applied if the value of the gift is less than NAD520 or US\$70.
- **South Africa:** No gift tax is applied if the value is less than ZAR400 or US\$55. Each resident may only receive two gifts per year.

**Gift values subject to change; source of information: FedEx 2011 Service Reference Guide.*

To qualify as a gift, your shipment must meet the following requirements:

- The shipping documentation must clearly be marked "Gift" and include a detailed description of the commodity.
- The total value of the shipment must not exceed the values listed in the above examples.
- In some countries it must be sent person to person, with no company involvement or indication of involvement on the shipping documentation.

For additional information regarding gift exemptions for other countries, call 1.800.GoFedEx 1.800.463.3339 and say "international services."

Declared Value for Customs and Duties and Taxes

Because customs officials use a shipment's declared value (the value the shipper declares on the goods being shipped) and the HS code to determine duties and taxes, it's very important to make sure the value declared and the HS code are accurate. Inaccurate declared value for customs is one of the most prevalent reasons for duty and tax disputes.

A shipment's declared value is based upon the selling price or fair-market value of the contents of the shipment, even if the shipment is not sold. This value is identified, along with the HS code, on the FedEx International Air Waybill and the FedEx Expanded Service International Air Waybill as the "Total Value for Customs," and must agree with the value shown on the Commercial Invoice.

Commodity Descriptions and Duties and Taxes

The most common errors on the Commercial Invoice result from incomplete or inaccurate content descriptions and the omission of individual item values. To minimize customs delays and to avoid the added duties and taxes that may be applied when a commodity description is misinterpreted, consider these tips:

- **Note the "big three."** Tariff tables are based primarily on three factors, which should be clearly addressed in your commodity description:
 - What an item is
 - What it's made of
 - What it's used for
- **Avoid abbreviations.** "Cxl cbl" might mean "coaxial cable" inside your organization, but it may mean little or nothing to a customs broker halfway around the world.
- **Be specific.** "Metal parts for hydraulic valves" is more accurate than "machine tools." Also, use generic names in addition to trade names.

Poor Description	Good Description
Parts	Two steel springs for woodworking machine
Gift	Unsolicited gift — one men's knitted sweater (100 percent cotton)
Samples	Samples for demonstration — 200 cm x 400 cm nylon carpet
Documents	30 pages of legal documents

Temporary Import or Export

Many countries allow tax relief (either duty and tax exemption upon entry or a refund after exportation) for items that are temporarily imported or exported as long as certain conditions are met and procedures are followed. Items are often temporarily imported or exported for:

- Trade shows
- Conventions
- Training
- Assembly
- Processing
- Re-export after resale
- Repair or replacement of damaged goods

The customs-clearance services included as part of our international services are meant to facilitate the import of goods intended for consumption in that country. They do not include some special procedures that might be needed to meet governmental requirements for duty and tax relief at the time of export or import.

Processing a temporary import. Special procedures and documentation are often necessary to properly process a shipment that will be imported temporarily. The procedures vary depending upon a number of factors, including:

- The origin and destination of the shipment
- The classification of the goods
- The value of the goods
- The origin of the goods (country of manufacture)

Avoiding problems with temporary import shipments. The most common errors concerning temporary import shipments are:

- The failure to follow the proper procedures required for the initial export or import.
- The failure to indicate on the shipping documentation that the shipment is a temporary export or import.
- The failure to properly document the re-export or destruction of the articles. When this happens, the bond or security deposit is forfeited, and the importer bears the duty and tax expense.

What a U.S. exporter should do. Many, but not all, temporary imports and exports require some type of controlled import or export processing and therefore cannot be accepted for our door-to-door international services. However, these shipments are acceptable for FedEx® air cargo services — FedEx International Premium®, FedEx International Express Freight® (IXF) and FedEx International Airport-to-AirportSM.

If you are shipping a temporary import shipment that requires a temporary import bond to an importer, you must carefully review your shipment requirements to determine whether it is appropriate to use FedEx International Priority® service, the FedEx International Broker Select® option, a FedEx air cargo service, or a combination of these.

What a U.S. importer should do. If a shipment is shipped to the U.S. via FedEx Express and identified as a temporary importation shipment prior to customs release, FedEx Express may detain the shipment, contact the importer and advise of this service restriction. At that time, the importer has the option to return the shipment to the original shipper or route the shipment in-bond to a designated broker.

- Shippers may contact FedEx Trade Networks Air/Ocean Global Customer Service for nonexpress customs brokerage services to Asia, Canada, Europe and Mexico at 1.800.715.4045.



- For additional information regarding FedEx Express services or restrictions, please call 1.800.GoFedEx 1.800.463.3339 and say “international services.”
- For the requirements that apply to a particular shipment, contact FedEx Trade Networks at 1.800.249.2953.

FedEx Ancillary Clearance Service Fees

If your import shipment has special clearance needs — for example, a regulatory agency requires additional processing or your importer requests special processing from our customs broker — FedEx will assess ancillary clearance service fees. We may apply and invoice these fees, which are subject to change, to either U.S.- or non-U.S.-based customers. To see a complete list of the ancillary clearance service fees assessed, go to [fedex.com/ancillary/go/service](https://www.fedex.com/ancillary/go/service).

In addition, U.S. export shipments may also incur ancillary clearance service fees as described above. We may apply and invoice these fees, which are subject to change, to shippers, recipients or third-party-based customers. To see a complete list of the ancillary clearance service fees assessed in countries and regions FedEx serves, go to [fedex.com/ancillary/go/service](https://www.fedex.com/ancillary/go/service).

Checklist for a Dispute-Free Duty and Tax Experience

1. Make sure the Commercial Invoice and all other international shipping documents are completed accurately and consistently.

The Commercial Invoice is the first international shipping document you should complete, since it is the foundation document for all others and the most common customs document required for clearing international shipments. Include the following required information:

- **Shipper's information.** Contact name, company name, full address and phone number.
- **Recipient's information.** Contact name, company name, full address and phone number.
- **International air waybill number.**
- **Country of manufacture.** The country of manufacture for each item in the shipment.
- **Accurate and detailed description of shipment contents.** Include the following where applicable:
 - What is the item?
 - What material is the item made of?
 - What is the HS code for the item?
 - What is the item's intended use?
 - What are the parts or serial numbers?
 - What is the item's value per unit and in total?

2. Ensure the FedEx International Air Waybill or FedEx Expanded Service International Air Waybill, FedEx® electronic shipping solutions and fedex.com documents reflect the correct declared value for customs.



3. Go to FedEx Global Trade Manager at fedex.com.

- Use Country Profiles to research country-specific information and requirements that may affect your international shipment.
- Use the Estimate Duties and Taxes tool to estimate the duties and taxes that will be levied against your international shipment.
- Use the Find International Documents tool to identify and download the documents your international shipment requires.
- Use the Denied Party Screening database to identify individuals, companies and other entities that have been denied the privilege of engaging in international business transactions.

4. If you have additional questions about duties and taxes, please call 1.800.GoFedEx 1.800.463.3339 and say "international services."

Additional Online Resources

- FedEx International Shipping: fedex.com/us/international
- International Trade Administration: www.export.gov/exportbasics
- U.S. Census Bureau: www.census.gov/foreign-trade/schedules/b/#search
- U.S. Customs and Border Protection: www.customs.gov
- World Customs Organization: www.wcoomd.org/home.htm