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## **Five Steps to Eligibility Determination Best Practices**

*Many companies have internal processes in place to manage free trade agreements (FTA), preference programs and/or preferential agreements, and it is critical to have the right controls in place to claim preferential treatment. Qualifying eligible products for free trade agreements, when done correctly, can lead to increased savings opportunities for organizations.*

*Follow these five steps to maximize free trade agreement savings.*

- 1. Utilize a central repository for supplier provided certificates and Bills of Material** – Insufficiently documented, poorly defined, or no/minimal internal controls for accurately declaring FTA preferences is one of the red flags for which Customs looks during an FTA Focused Assessment. Instead of having certificates of origin from your supplier stored in one location and Bills of Material in another, create a way to store and manage both in one, shared central location so that all supporting documentation is easily viewable and retrievable when needed.
- 2. Maintain a shared parts database** – In addition to lack of internal controls, not monitoring the procedures used to classify products to support FTA eligibility is another red flag to Customs. Instituting formal procedures for how products are to be correctly classified and then centrally managing all product data used to support FTA eligibility will ensure your organization is able to support claims for preferential treatment. This includes cataloguing how a product was classified based upon input from the suppliers as well as other internal departments, if the products has been determined to be eligible and is flagged as such, and if a Certificate of Origin exists for that product.
- 3. Create an audit trail of your Bill of Material (BOM) analysis** – Take the steps necessary internally to fully document when a BOM analysis was performed, what was contained in the BOM at the time of analysis including the HS numbers, Country of Origin, and if a Certificate of Origin exist, and the result of the analysis. Once documented, include the analysis in the central repository created to house all FTA supporting documentation so you will be fully prepared for a FTA Focused Assessment from Customs.
- 4. Leverage all applicable free trade agreements** – Not leveraging all available free trade agreements due to a lack of resources or systems is the same as leaving money on the proverbial table. When taking the steps to create new procedures or processes to get to 100% BOM evaluations, explore what it will take to perform analysis for other FTAs that are available but not currently being utilized. Doing so will only increase the amount of duties saved, adding to the bottom line.
- 5. Verify that eligible products are being declared on the customs entry** – Make certain that the effort made to gather certificates of origin and to qualify BOMs is not wasted by confirming that your entry filer is declaring all eligible products on an entry. Not completing this verification will result in higher duties.

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