

E-ALERT | Customs

July 31, 2013

EXPIRATION OF U.S. GENERALIZED SYSTEM OF PREFERENCES PROGRAM

The U.S. Generalized System of Preferences (“GSP”) is a program designed to promote economic growth in the developing world by providing preferential duty-free entry for approximately 5,000 products when imported from one of 127 designated beneficiary countries and territories.

Products that are eligible for duty-free treatment under the GSP program include: most manufactured items; many types of chemicals, minerals and building stone; jewelry; many types of carpets; and certain agricultural and fishery products. (Among the products that are not eligible for GSP duty-free treatment are: most textiles and apparel; watches; and most footwear, handbags, and luggage products.)

The GSP program is scheduled to lapse today (July 31). Legislation to extend the program through September 2015 was recently introduced in the House and Senate. However, the legislation has not advanced out of committee.

While the bills are similar, the Senate measure includes specific funding offset provisions, including the extension of the merchandise processing fee (“MPF”) and temporary timing changes in the payment of estimated taxes for corporations with assets of at least \$1 billion. These offset provisions are controversial and have prompted at least one senator to place a “hold” on the legislation.

Congress is preparing to break for a month-long recess on August 5. Most Congressional observers doubt that the program will be renewed prior to the August break, and one prominent Senate supporter has been quoted as “hoping” to “get it through by the end of the year.”

In the past, when the GSP program has lapsed, it has been renewed retroactively, with duties paid refunded to importers.

Accordingly, U.S. Customs and Border Protection (“CBP”) has advised that in the event of another program lapse, importers should pay the normal trade relations (column 1) duty rate, but continue to flag GSP-eligible importations with the applicable SPI (“A” or “A+”). According to the agency, if the program is renewed with a retroactive clause, “use of the SPI will allow CBP to process automatic duty refunds.”

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