

# Passport for Merchandise

## Carnets ease headaches for temporary exports

By William Armbruster



Let's say you hear about a big trade show overseas that offers a fantastic opportunity to show off your company's product, or you want to ship samples of your product to show to potential foreign customers. Getting the product to the overseas market could be expensive. Not only do you incur shipping costs, but you also have to worry about the destination country's import duties and value-added taxes. Then there's the hassle of going through customs, both in the United States and abroad.

Is it really worth spending all that money and enduring the hassles if your product is just going to be there a few weeks? But it doesn't have to be that expensive and burdensome. Not if you purchase a carnet.

Carnets are merchandise passports that allow users to avoid payment of duties and value-added taxes for the temporary importation of various types of goods. Accepted by 71 countries, they also simplify customs procedures.

In May, Mexico became the latest country to join the program.

Value-added taxes are common in most developed and emerging markets. In the European Union, there's no single market when it comes to VATs: each country sets its own rates and most are in the double-digits. In the U.K., for example, it's 20 percent and in Denmark it's 17 percent, the same as China's rate. Duties vary widely, not only from country to country, but within each country. In France and Germany, for example, they range from 5 to 17 percent. In China, they range from 0 to 35 percent.

Carnets may also be used for unlimited exits from and entries into the United States and foreign countries. They facilitate re-entry into the U.S. by eliminating the need to register goods with U.S. Customs at the time of departure. Similarly, carnets can be used for goods imported into the U.S. for temporary purposes. It's possible to use them when shipping from one country to another.

Fees range from \$200 for goods valued up to \$20,000 to \$355 for anything more than \$250,000. In addition, there is a security deposit of 40 percent of the fee's value.

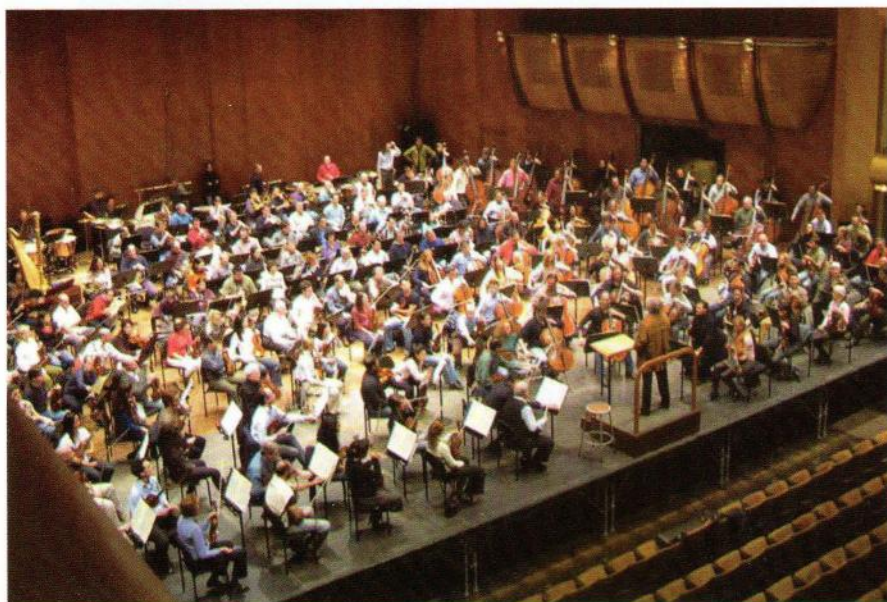
Without a carnet, you can get your duty refunded if you leave the overseas country with your merchandise, but it may take up to six months and the refund comes in the currency of the country. The U.S. Council for International Business, which administers the carnet program in the U.S., warns that carnets should not be used for goods intended for sale. However, it is possible to sell off a carnet. In addition to the payment of duties and taxes, goods sold "off carnet" are subject to a penalty equal to 10 percent of the amount of the duties and taxes.

Carnets normally cover products such as commercial samples, professional equipment, and goods for trade shows and exhibitions. They are also used for all sorts of special purposes. For example, Paul McCartney's band and the New York Philharmonic use them for shipping musical instruments when they are going on overseas tours. Carnets have also been used for shipping race horses and yachts.

Perhaps the most unusual case in the U.S. came last year when USCIB granted one to Bob Carbo of North Carolina for a pumpkin catapult shipped to Belgium for a "punkin chunkin" championship. Contestants vie to see who can catapult their pumpkins the farthest. Carbo and his team hurled a pumpkin 2,100 feet, which was enough to beat the previous record in Belgium, but then another team threw it more than 2,300 feet, Carbo says.

"I thought I had seen everything," says Cynthia Duncan, USCIB's vice president for carnet services. "An international punkin chunkin competition. Who'd a thunk it?"

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The New York Philharmonic uses carnets for shipping musical instruments when the orchestra goes on overseas tours.