

BLACKTHORNE

Creating a borderless world.

EBOOK

A GUIDE TO IOR, FSLs & MINI FSLs

If you're looking to import goods into an overseas country, you need to know about Importer of Record services and how they work. This guide covers all you need to know on the subject.

IOR/EOR

We have been acting as Importer of Record for companies selling technology products for over 20 years – when the activity was called “Registered Importer” or “Registered Exporter”.

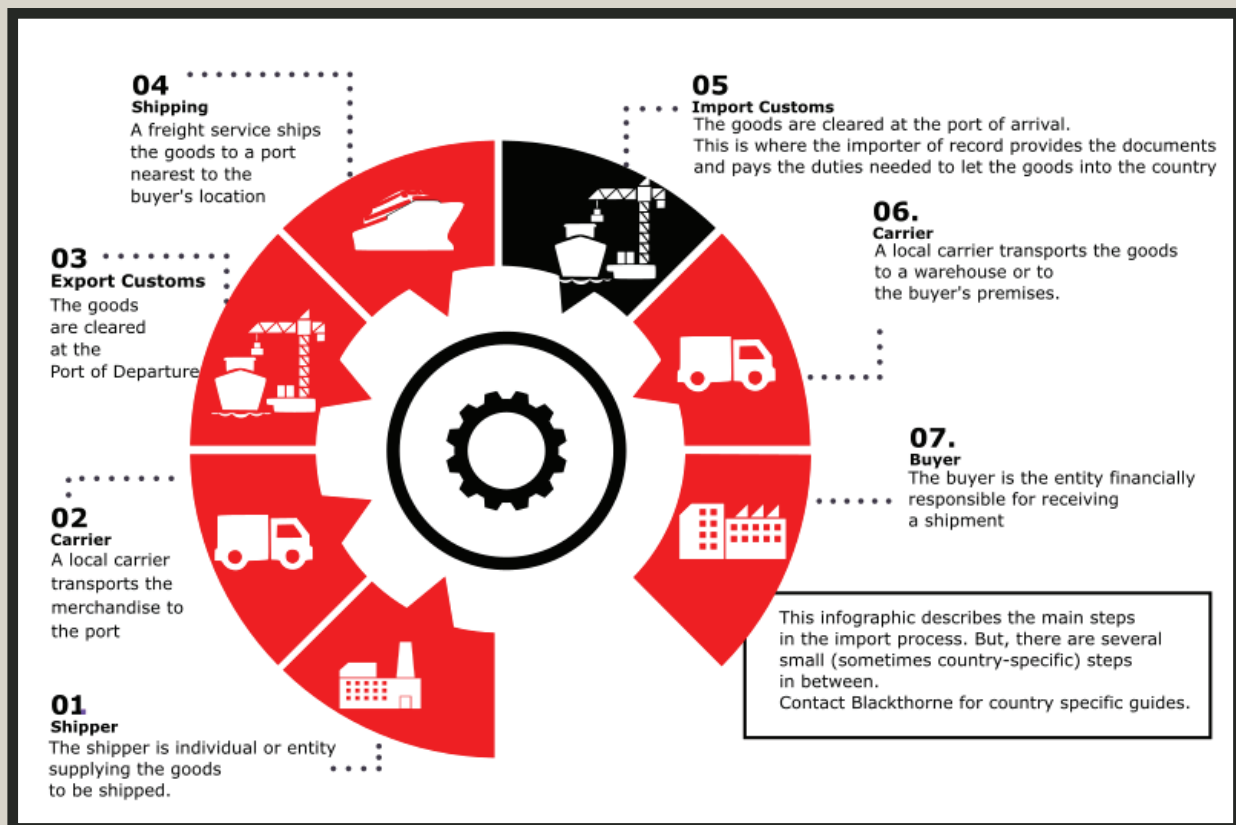
If you want to speak to people with real practical experience of this type of activity - call us for a friendly jargon-free chat about your potential requirements.

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WHAT IS AN IMPORTER OF RECORD?

The Importer of record is an entity responsible for most aspects of importing goods into a country. This designation was created to ensure the payment of duties and help customs authorities ensuring compliance with import regulations and laws.



The Importer of Record and Exporter of Record (IOR/EOR) is officially recognised as the official party of an international shipment transaction.

WHO CAN ACT AS THE IMPORTER OF RECORD?

OVERVIEW

FROM A LEGAL PERSPECTIVE, THE IMPORTER OF RECORD MAY BE THE OWNER, CONSIGNEE OR POSSIBLY A DESIGNATED CUSTOMS BROKER OF GOODS ENTERING A SPECIFIC COUNTRY. THE IOR MUST BE RECOGNIZED AS A LEGAL ENTITY IN THE IMPORTING COUNTRY WHICH CAN BE A COMPANY OR IN SOME JURISDICTIONS A PRIVATE CITIZEN.



BUYERS & OWNERS

PERSON / LEGAL ENTITY

A Buyer/owner is a legal entity with a financial interest in the imported goods. They may be the purchaser, owner, purchasing or selling agent, or an importer on consignment.

An owner or buyer may handle the import process themselves or grant Powers of Attorney to a licensed broker so they can make the customs entry on their behalf.



CUSTOMS BROKERS

REQUIRES LEGAL AUTHORITY

A customs broker acts on behalf of an importer of record, but only after receiving a Power of Attorney or authority to act, which grants them the legal authority to handle customs clearance for the Importer.

Note: when acting through a customs broker, the Importer of record retains ultimate responsibility for the accuracy of all required documents, along with all relevant duties, fees, and taxes.



ENTITIES

QUALIFIED PARTIES

An entity is any person, corporation, group, or partnership eligible for a business transaction. Since an entity may serve as a buyer for the imported goods, they qualify as an importer of record.



IOR SERVICES

LEGAL 3RD PARTY

Importer of record services help companies or individuals import goods into a country where they do not have a legal presence.

They often have several international locations and are well versed with the unique customs requirements of all the countries where they operate.



CONSIGNEES

COMPLIANCE ROLE

The consignee is the first legal entity to take control of the goods on arrival in the country. The consignee can be the owner of the goods or the nominated Importer of record.

Note: The ultimate in country consignee may not want to take on the compliance role for importing goods for which they lack sufficient knowledge, as this may lead to multiple fines and customs delays. Hiring an IOR service is the best approach for such situations.



SELLERS

IN RARE CASES

In a few cases, the seller will take responsibility for goods as it enters a country, making them the owner and Importer of record. Sometimes, customers will not take ownership of goods purchased overseas until after they have been delivered.

In some situations, only the seller, who owns the goods at the time of entry, may serve as the Importer of record.

CUSTOMS BROKER VS. IMPORTER OF RECORD

DUTIES & DIFFERENCES

AS EARLIER MENTIONED, THE CUSTOMS BROKER WORKS ON BEHALF OF THE IMPORTER OR EXPORTER AND MAY BE A PERSON OR LEGAL ENTITY RECOGNIZED BY THE LOCAL CUSTOMS REGULATOR.

Customs brokers must demonstrate a general understanding of customs regulations, tariff schedules, tariff coding, and the import and export regulations to qualify for broker licenses. Their primary duty is to submit all documents required to clear goods through local customs bodies – they are generally not legally responsible for any part of the import process or accuracy of the documents.


In contrast, the Importer for record must be a legally registered entity within the shipment's destination country. The IOR takes legal responsibility for all aspects of the import process. This includes import applications, customs clearance, and the payment of duties and taxes. The Importer of record may also handle last-mile delivery.

Importer of record services are favoured when the buyers or sellers do not wish to be the legally recognized importers or exporters of goods, as is the case when the movement of goods (like I.T. equipment) is heavily controlled or restricted.

The import process for regulated items can be long and complicated and involves many legal processes such as commodity coding verification and checks to ensure the goods were assigned the correct classifications and values. On top of this there are a wide variety of licences often require to import or export IT equipment.

In such scenarios, it is also necessary to submit pre-verification paperwork. This may include end-user commitments, declarations of purpose and location of use, import permits, equipment certification, and letters of conformity. Successful submission of these documents requires comprehensive knowledge of the procedures and relevant product type variations, which a customs broker may not have.

An importer of record can function as a general customs broker, but it's hardly ever the other way round. This is because the IOR process is remarkably complex; it takes a lot of technical knowledge to import regulated goods. Furthermore, the imported goods are often considered taxable assets of the entity registered as the Importer of Record. This further complicates the process.



Duties of an Importer of Record An importer of record is the entity or individual who is responsible for all entry documents required by CBP (Customs Border Protection) and for the product classification and payment of duties, as well as any other import obligations.

ACCEPTED

01

Compliance.

The importer of record must ensure that shipments conform to all relevant statutes and regulations through self-auditing, compliance tools, and training.

Sometimes an importer of record may also be subject to enforced compliance, which involves inspections and examinations of imported goods, evaluation of imports, and thorough documentation reviews. It also includes investigations into the Importer of record's business transactions, civil fines, monetary penalties, and other criminal charges.

Depending on what country you are importing into, some government agencies may have the mandate to override the Importer of Record and deny goods entry on the grounds of potential threats to the destination country's well-being/security.

02

Documentation.

The Importer of record is required to provide all supporting documents for all initial-phase assessments of a shipment.

03

Importer of record's role in supply chain management.

Whenever companies rely on a separate entity, such as Blackthorne, to address customs clearance and import processes, it takes on all the duties of the Importer of record until the goods have reached the final destination. Consequently, there is a high degree of compliance applied to each shipment.

WHAT'S THE DIFFERENCE BETWEEN IOR AND EOR?

THE EXPORTER OF RECORD DOES EVERYTHING THE IMPORTER OF RECORD DOES BUT IN REVERSE.

It is a person or entity that has been authorized by customs to export goods from one country to another. The exporter need not be the seller of the products. It may be a legal entity working on the seller's behalf.

BENEFITS OF HIRING AN IMPORTER OF RECORD:

You won't need a legal entity.

All high-value imports need a local business or registered legal entity to serve as Importer of record. For instance, it is generally faster and cheaper to buy high-performance I.T. equipment from the United States than tech distributors from other parts of the world. Partnering with an IOR provider allows you to import into multiple countries worldwide through a single point of contact.

It will help you manage your resources.

International trade compliance likely is not one of your organization's strengths. Dedicating critical resources to meeting its complicated requirements will negatively impact your core business objectives. With an importer of record service, you will have the freedom to allocate resources as you wish, safe with the guarantee that your Importer of record is handling the rest.

It is convenient

Import regulations can vary significantly between different countries. To avoid the cost and administrative challenge of hiring legal teams and consultants for each country, you'll need to access an IOR service. An IOR company will give coverage and save you the trouble of unnecessary taxes and documentation.

Timely shipping

If you do not have a local legal entity or representative, your goods will likely get delayed by customs. This is often due to improper licenses and incorrect documentation. An importer of record has the required experience to deal with all local authorities.



HOW DO I KNOW I NEED AN IMPORTER OF RECORD?

CASE STUDIES

BEFORE WE GET TO THE SITUATIONS WHERE YOU MOST LIKELY NEED AN IMPORTER OF RECORD, LET'S LOOK AT THE CASES WHERE YOU MAY NOT NEED ONE.

Open Markets

In countries like Canada, the United States, or any member state of the European Union, you can be an importer of record by owning a registered business, which diminishes the purpose of hiring a third-party IOR. These countries are considered open markets because it is easy to conduct international trade with them (If you have a registered entity).

If you have a registered business entity in any of those countries, you can be your own Importer of record.

It may benefit you to work as the IOR. If you're in Canada or the European Union, you may get the option to reclaim up to 100% of the import VAT paid (if applicable). It will also spare you the cost of hiring an IOR to serve as your Importer of record.

Hiring a third party to serve as your IOR forfeits your advantage. When an IOR takes responsibility for your equipment, they cannot reclaim any VAT or GST paid on import.

Note: This benefit applies only if you have a registered business entity. Countries like the United States provide for a foreign importer of record, which can be a complicated process. You may want to hire an Importer of Record for such situations.



Complex Markets

For most of the countries besides Canada, the U.S., and E.U., you will most probably need an importer of record.

Although there are a few exceptions to this rule, like Japan, Singapore, and Australia, most countries are considered complex markets. It is because you need more than a valid business identity to import into those destinations.

Besides owning a legal entity, you may need to obtain several licenses, import authorisations, and permits before your shipment enters the target country. For instance, importing technology into Mexico requires permits and compliance with NOM guidelines. IOR services excel in complex markets; they are well-versed in everything needed to import goods into such countries.

Besides what we have already discussed in this section, here are a few more factors to consider if you're considering hiring an IOR.

- Are you well versed with the relevant import licenses and permits required for your shipment? Can you procure them on your own?
- Can you convincingly identify your equipment by ECCN number and HS CODE?
- Can you determine the country of origin, material components, and electrical specifications for each device within your shipment?
- Can you take responsibility for the shipment during the customs clearance process and answer any arising questions customs officers may have?

If you could not answer any one of the questions above, it would be best to consult with an IOR service.



Importer of record services for network hardware

The procedures for importing network hardware significantly differ from any other kind of commodity. Each country has unique import regulations that vary based on the hardware-specific part number, ECCN classification, and H.S. Code.

In addition, network hardware is often expensive, fragile, and crucial to a business's communications. If there are any mishaps during the import or shipping process, it will take a lot of time and resources to acquire replacement hardware.

For these reasons, you will almost always benefit from using an IOR service when shipping I.T. goods.

Another reason is that even in many of the complex markets where a client may own a business, it is unlikely that they will hold the

import authorizations required to satisfy customs requirements. Examples include Hong Kong, which requires HKTID permits, and Russia, which requires EAC certificates and FSB notifications.

Managing such complex import regulations requires an IOR service with the expertise and experience to get it done.





IOR APPLICATIONS

If you are looking to import goods, then an Importer of Record is needed. This is a person, entity or organisation that is responsible for maintaining a paper trail and ensuring that all customs declarations are made, that goods are properly classified and that all duties, fees and levies are paid.



How an accredited IOR company can help

When running a business, there could be many reasons why you may need to ship goods overseas. Especially when running an establishment, importing and exporting goods products enable business growth, potentially opening up new markets, allowing you to offer new products or services - as well as potentially reducing raw material costs.

01

Data Service Companies.

Data service companies like large cloud service providers and social media corporations have customers from all over the world, and therefore need to support data centers in multiple locations. This means they need to ship I.T. equipment from their domestic staging locations to international hubs and data storage facilities.

Unlike multinational conglomerates, these companies rarely operate business entities in the target countries, so they cannot import equipment, even in open-market countries like the E.U. member states. Importer of record companies provide supply chain support services that help them meet the needs of their growing customer bases.

02

Freight Forwarders.

Freight companies understand how to move equipment from one place to another, but moving I.T. hardware from one country to another requires a lot more than logistical expertise.

An importer of record can walk you through the document preparation and customs clearance parts of the shipping process.

03

Value-Added Resellers.

International orders and deals are an excellent source of commission. However, since most value-added resellers operate in a country-specific context, they cannot support international clients, and this costs them millions of dollars.

With an importer of record, these companies can handle their international clients' demands. Interestingly, even with the combined cost of buying hardware in one country and shipping it to multiple overseas destinations, an IOR is cheaper than purchasing through local market Value-added resellers.

HOW TO CHOOSE AN IMPORTER OF RECORD

IMPORTER OF RECORD COMPANIES ARE NOT MADE EQUAL. ALTHOUGH SEVERAL COMPANIES CURRENTLY OFFER THESE SERVICES, YOU WILL WANT TO ENSURE YOU CHOOSE THE MOST SUITED TO YOUR NEEDS.

HERE ARE A FEW FACTORS TO CONSIDER.



Experience.

Your IOR provider should have lots of experience, particularly with the goods you intend to ship. This is particularly important for highly regulated sectors like I.T. equipment, where shipping can be an incredibly complicated process. You will need an IOR service with many years experience in I.T. export.



Service Coverage.

What other services can your partner provide besides working as your Importer of record? Your IOR partner should provide added benefits like export licensing, legal representation, and logistics.

Besides handling customs procedures for you, your Importer of record should address all applicable taxes, fees, and duties and advise you on the best way to avoid additional costs. Your partner should also store your documents for the legally required duration to prevent unnecessary fines and taxes.



Accreditation.

Accreditation serves as proof that your preferred IOR partner meets the minimum applicable quality standards in global trading. Your IOR service's accreditations should come from trade bodies for professional and financial competence and provide recognition for their operations.

They should also have the capacity to provide additional compliance services and logistics if you need them.

Pro Tip: If you do not have international shipping experience, you should not hire different companies for Importer of record services and freight and customs clearance. This approach is discouraged because of the likelihood of miscommunication between the two parties, which would lead to documentation and operational errors during handoffs.

WHO IS THE IMPORTER OF RECORD UNDER DDP?

(DELIVERED DUTY PAID)



DPP SHIPMENTS OCCUR WHEN AN OVERSEAS SHIPPER (ALSO REFERRED TO AS THE SELLER OF GOODS) PAYS FOR ALL FEES, INCLUDING DUTIES, FREIGHT, TAXES, AND CUSTOMS CLEARANCE UNTIL THE CARGO REACHES THE BUYER'S WAREHOUSE, FULFILLMENT CENTER, OR PERSONAL PREMISES. IN DPP ARRANGEMENTS, THE IMPORTER OF RECORD IS THE FOREIGN SHIPPER OF GOODS.



WHO IS THE IMPORTER OF RECORD UNDER DAP?

(DELIVERED AT PLACE)

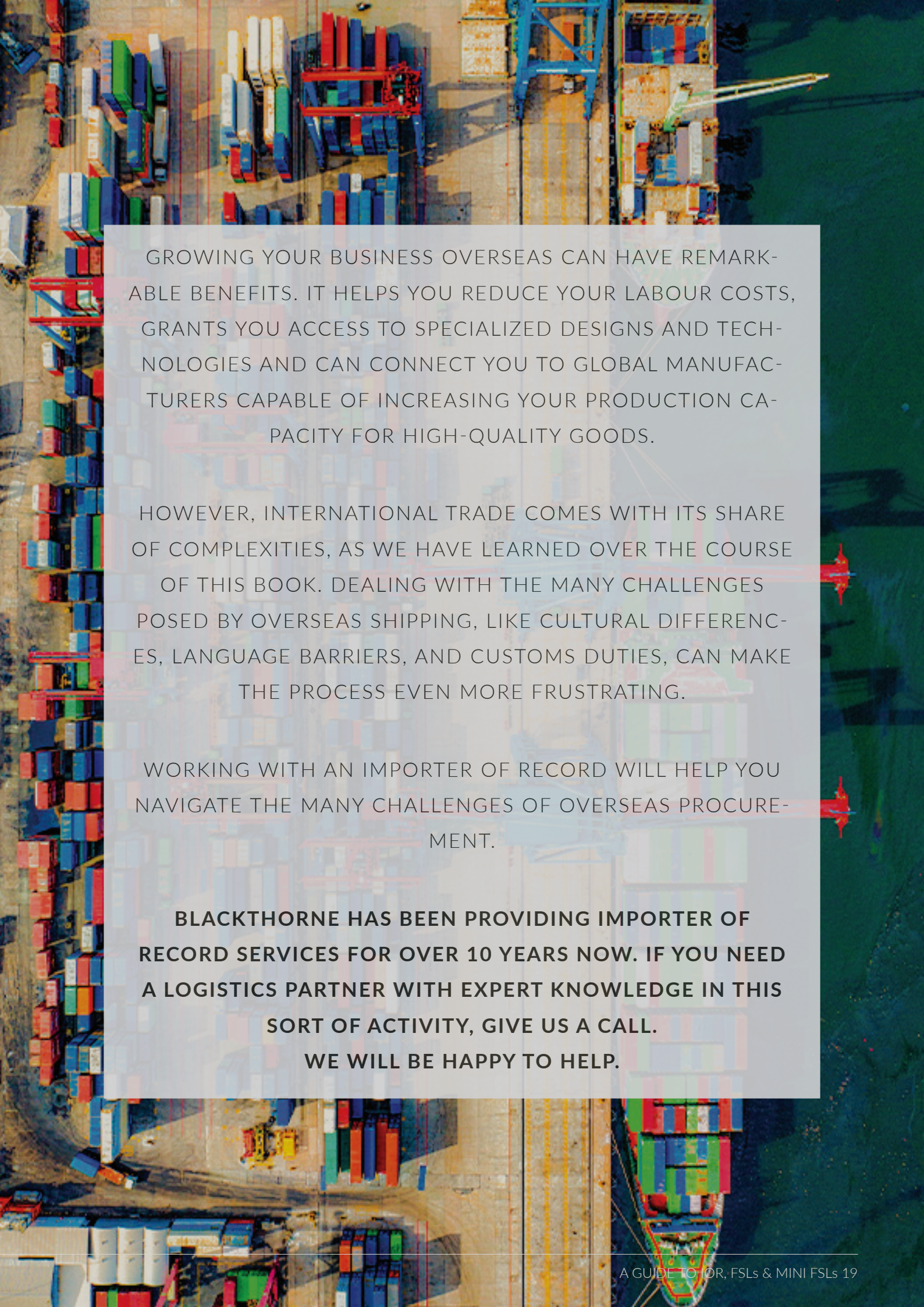
Delivery at place requires the seller to deliver goods to a location specified by the buyer, which is usually the buyer's premises.



The seller handles all export formalities, while the buyer handles import requirements. For example, if a shipment is delivered by plane and requires import clearance, it is the buyer's responsibility to provide all applicable documents and cover the necessary fees. After the goods are cleared, the seller's transport agent (usually a freight forwarder) will then await the required paperwork to deliver the goods to their final destination from the buyer.

If the goods are lost or damaged at any point before the final destination, the seller will fail to deliver. This will be considered a breach of contract, with the added challenge that the buyer will have already paid taxes and import duties.

In a DAP shipment, the seller bears the financial cost and risk associated with delivering a shipment to a specific location. The seller takes responsibility for documentation, packaging, loading fees, and last-mile delivery. In turn, the buyer handles the risk and responsibility of unloading the goods and finalizing the customs clearance process. The buyer serves as the Importer of record under DAP shipments since they pay all import duties and relevant taxes, including customs clearance fees and local taxes.



GROWING YOUR BUSINESS OVERSEAS CAN HAVE REMARKABLE BENEFITS. IT HELPS YOU REDUCE YOUR LABOUR COSTS, GRANTS YOU ACCESS TO SPECIALIZED DESIGNS AND TECHNOLOGIES AND CAN CONNECT YOU TO GLOBAL MANUFACTURERS CAPABLE OF INCREASING YOUR PRODUCTION CAPACITY FOR HIGH-QUALITY GOODS.

HOWEVER, INTERNATIONAL TRADE COMES WITH ITS SHARE OF COMPLEXITIES, AS WE HAVE LEARNED OVER THE COURSE OF THIS BOOK. DEALING WITH THE MANY CHALLENGES POSED BY OVERSEAS SHIPPING, LIKE CULTURAL DIFFERENCES, LANGUAGE BARRIERS, AND CUSTOMS DUTIES, CAN MAKE THE PROCESS EVEN MORE FRUSTRATING.

WORKING WITH AN IMPORTER OF RECORD WILL HELP YOU NAVIGATE THE MANY CHALLENGES OF OVERSEAS PROCUREMENT.

BLACKTHORNE HAS BEEN PROVIDING IMPORTER OF RECORD SERVICES FOR OVER 10 YEARS NOW. IF YOU NEED A LOGISTICS PARTNER WITH EXPERT KNOWLEDGE IN THIS SORT OF ACTIVITY, GIVE US A CALL. WE WILL BE HAPPY TO HELP.

FORWARD STOCKING LOCATIONS

(FSLs)

**FORWARD STOCKING
LOCATIONS ARE REMOTE
WAREHOUSES THAT HOLD
SPARE PARTS AND INVENTORY.**

**THEY ARE SITUATED CLOSER
TO THE FINAL CUSTOMER THAN
THE MANUFACTURER'S CENTRAL
WAREHOUSE, SO THEY EASE
TRANSPORTATION AND
TECHNICAL SUPPORT
PROVISION.**

How FSLs Work

It can be difficult for a company doing international business to get its products delivered on time and provide technical support when problems arise. For example, if high-tech equipment breaks down in Japan, shipping spares from its main warehouse in Europe or USA can be expensive and time-consuming. Lead times are crucial for many industries, so this problem could cause significant financial losses to the client and damage the equipment provider's reputation.

Fortunately, international companies may use forward stocking locations to speed up deliveries for critical deliveries. With an FSL, shipments can be distributed to customers more quickly than if they were housed in a single warehouse.

Benefits of an FSL Service

Cost-effective storage

Opting for an FSL Service helps you avoid the need to create a warehousing and logistics network, which saves your company money. Blackthorne, for instance, has forward stocking locations in 226 countries world-wide; you can get your hardware equipment and replacement parts to where they need to be without the need for expensive warehousing. Sharing warehouse space from your logistics provider means you won't need to pay for unused warehouse space.

Improved logistical efficiency

A strategically located FSL also limits the need to get vital shipments to customers through express air couriers, facilitating less expensive delivery options.

Building and maintaining a global support network is prohibitively expensive for any one company. Outsourcing the need is much cheaper.



Faster support and returns

Customers look to you for high-standard after-sales support that guarantees limited equipment downtime. Whenever they ask for repairs or returns, they expect quick responses. Your customers' businesses depend on it. Having crucial inventory situated close to your customers lets you maximize their productivity even when you're far from them.

In the B2B segment, the maximum amount of time a client should expect to wait to have defective equipment repaired is usually formalized in an SLA (service level agreement). A network of forward stocking locations and logistics comes at a fraction of the cost of self-maintained service networks.

Improved operational efficiency

Your company likely isn't familiar with operating warehouses in international markets. You specialize in innovating, creating products, and providing exceptional customer service. Outsourcing service logistics and inventory management opens up time and resources for developing next-generation products and maximizing your chances at long-term success.

Forward stocking locations have traditionally been a preserve of large companies because of the costs associated with acquiring the service; even though they're cheaper than warehousing, it is still too ex-

pensive for small companies. All that has changed with the introduction of scalable alternatives like blackthorn's mini FSL service. We can provide mini forward stocking facilities suitable for low product volumes at a fee 90% lower than the cost of conventional FSL services.

The next generation FSL – Mini FSL

This suits new entrants to a market or low volume equipment deployment. Best described as FSL Lite it offers a highly cost-effective method against a full service FSL which may not be required. The Blackthorne Mini FSLs provide a low-cost solution for when just a few units need to be stored no matter how small. You only pay for the size you store giving a very low monthly cost. You still maintain an online inventory and pick & deliver service on the Blackthorne website making the Mini FSL very easy to stock and use. All SLAs can be catered for.

A Mini FSL is suitable for up to 100 parts or 1 CBM of combined inventory. Beyond this you begin to lose the lite and easy nature of it.

BLACKTHORNE

BlackthorneIT.com

Blackthorne - your value added global supply chain logistics partner offers a comprehensive suite of services to deliver your products and services - trouble free, compliant, risk free logistics – on-time – every time.

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