Import Purchases and Procedures

Purchases over $10,000.00

When dealing with a company whose products are manufactured outside the U.S. and the merchandise will be imported into the United States, you need to negotiate the shipping terms with the vendor prior to the issuance of the purchase order. Use the attached chart "INCOTERMS 2010 RULES" for the terms of the final agreement. The quote from the vendor must list acceptable shipping terms, with a firm-fixed-cost which includes all custom/duty charges, delivery fees and insurance cost.

The INCOTERMS chart is an internationally accepted set of trade terms that have been adopted by most countries. These terms define the exact responsibilities and risks of both the buyer and seller, including while the merchandise is in transit.

The U of A always wants the vendor to agree to INCOTERMS 2010 – DDP – Delivered Duty Paid to the University of Arkansas. Note on the chart that with DDP terms all the service costs (shipping, storage, customs fees, etc.) are the responsibility of the seller. DDP is the only INCOTERM that relieves the Buyer from paying Duty, Import Related Taxes and Customs. Import entry fees will vary by tariff code, but usually run 5% to 6% of the total purchase price of the commodity.

Usually the import vendor will list INCOTERMS/EXWORKS (see chart), which is not acceptable to the U of A. Also, notice that FOB in international terms is completely different than our conventional terms within the United States. INCOTERMS FOB pertains only to ocean container shipments, "Free Onboard Vessel", which is using the Uniform Commercial Code acceptable to the U of A.

If the vendor will not accept DDP, then the end user must be apprised of the costs and risk associated with the other terms listed on the chart. I usually let the vendor know that DDP is a requirement of doing business with the U of A. However, there will be times that the vendor will not accept DDP terms. The buyer will then have to evaluate the cost and the liabilities of doing business with that vendor to make a successful procurement for the end user.

Small Order Purchases

Many vendors with addresses within the United States are actually dealers for manufacturers outside the U.S. that will require import fees. Usually, the end-user (PI, grad-student, etc.) has no idea that the product they ordered will require special handling and additional fees.

The merchandise will come into a "port of entry" in the U.S., where the shipping firm/customs broker will notify the U of A that it must reviewed by the Department of Homeland Security for customs regulations and fees. The brokerage firm will also charge you a fee for their services. Always get the brokerage firm fees up front, prior to signing over our Power of Attorney (POA) to the firm. If their fee seems out of line, you can contact another broker (UPS, FedEx, etc.) to take control of the shipment.

Power of Attorney (POA)

If DDP terms are used, a POA is not necessary because the U of A will not have any interaction with a brokerage firm or Homeland Security. By the terms of DDP, the seller/vendor will be required to handle the importation of the product.

If that is not the case, then a Power of Attorney will be sent by the brokerage firm for the U of A to complete and sign. This gives the brokerage firm the authority to deal with Homeland Security and sign necessary customs forms for U.S. clearance. These forms will need to be notarized by the UofA Business Office and then signed by the Vice Chancellor for Finance and Administration.

Each POA will need to be modified. General Counsel has given us some standard terms to make an addendum to the POA, giving the brokerage firm "limited" power of attorney. The addendum should include a description of the product, name of the brokerage firm, port of entry, and an expiration date of the limited power of attorney. Allow the brokerage firm thirty (30) days to clear the shipment through customs.