

Potential Drawback Opportunity for Distilled Spirits

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“Drawback” is U.S. Customs program that allows importers to get their duty payments refunded by Customs if they export the same or a similar product. There are lots of permutations and it’s quite a bit of “paperwork” to qualify, but the upside is significant.

Under the recently enacted Trade Facilitation and Trade Enforcement Act (TFTEA), drawback is being simplified and will be effective Feb 24, 2018. The importing community is still waiting for certain Customs regulations on this, including whether distilled spirits will be eligible for “substitution” drawback. Customs has historically denied substitution drawback to distilled spirits.

Customs will be issuing a notice of proposed rulemaking in September on substitution drawback. It remains to be seen whether distilled spirits are included. There will be a time for public comments after the notice is issued.

If Customs omits distilled spirits, we anticipate the industry will lobby Congress to extend drawback via legislation.

The drawback revised regulations will provide various opportunities for the distilled spirits industry, including submitting comments and government relations efforts. In the meantime, we are waiting on the Federal Register Notice in September.