



First Sale for Export: A crucial savings opportunity

October 2021



First Sale for Export has been a duty-savings mainstay for years. But its popularity has exploded given the dynamic trade landscape. First Sale drives continual savings with minimal investment. If your company isn't leveraging it—you may be a step behind.

Background: First Sale

Where there are multiple sales of goods prior to importation into the United States, the First Sale rule allows importers to use the price paid in the "first or earlier sale" as the basis for the customs value of the goods, rather than the price the importer paid to

the seller. Successful First Sale application allows an importer to remove the middleman's markup from the dutiable price, leading to reoccurring savings on duties, Merchandise Processing Fees, and Harbor Maintenance Fees.

Manufacturer



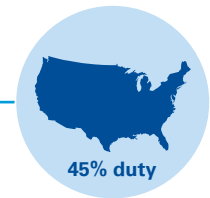
First sale
(Invoice 1)

Middleman



Second sale
(Invoice 2)

Importer



First sale price —\$8,000
Duty—\$3,600

Second sale price —\$9,600
Duty—\$4,320

Why First Sale now

Historically employed in industries facing high tariffs, such as apparel and footwear, First Sale has become the savings program of choice for any industry using a multi-tiered sales structure. Not only does it provide reliable and predictable savings, but assessment and management costs are typically lower too. In contrast to many tariff management programs, First Sale maintenance is straight-forward.

— First Sale helps limit the impact of tariff rate increases. Regardless of whether duty increases occur because of special tariff actions, GSP renewal delay or other reasons—First Sale can mitigate it.

- Duty savings are achieved without extensive supply chain restructuring or costly program/technology maintenance.
- First Sale programs are scalable and new vendors can be on-boarded quickly once a program is established, allowing savings to be maximized.
- First Sale creates ongoing, reoccurring cost reductions and is not a one-time recovery.
- Many foreign vendors are familiar with this program and prepared to help their customers achieve perpetual savings. Executing First Sale is a differentiator among overseas suppliers.

How KPMG can help:

- Our First Sale knowledge is unparalleled. We bring deep technical experience gained by establishing First Sale programs across a wide range of industries and varied supply chain structures.
- We bring a team approach. Every First Sale project has a team behind it – from our Washington National Tax team for regulatory guidance to our Trade Compliance Center to accelerate observation reporting by providing administrative and data processing support.
- Our extensive network of global member firms assists vendors in understanding First Sale principles, obtaining the correct documentation, and providing translation support when needed. We team closely to present First Sale seminars overseas in the local language to help vendors develop a robust understanding of First Sale.
- KPMG employs advanced approaches and technologies to assessment and follow up review of First Sale structures. The KPMG process includes automated questionnaires, reporting, and risk scoping capabilities, allowing KPMG to analyze vendor structures quickly and cost effectively.
- We routinely assist companies with established First Sale programs in monitoring evolving risks in implemented structures, evaluating new suppliers, and addressing the impact of the most recent rulings, publications, and enforcement. This helps our clients stay current about the issues impacting their programs—enabling them to evolve.
- Our First Sale trade management team helps clients from beginning to end. Our knowledgeable team can manage your First Sale program by preparing and reviewing First Sale entry support, liaising with vendors, and providing additional support so your team can focus on more strategic projects.

First Sale in focus:

- KPMG worked with a top retailer launching its very first First Sale program. The onset of the Section 301 tariffs could have led to significant duty exposure, making a sustainable duty savings program an imperative. Major supply change restructuring was not a short-term possibility.
- KPMG's strategy:
 - Assessed top Chinese suppliers and identified priority vendor group
 - Quickly deployed US and local resources on the ground to expedite observation reporting of initial vendor group
 - Expanded observation reporting group to over 50 vendors within three months and 100 vendors within a year

As leaders in this area, KPMG Trade & Customs can work with you to help bring your company next level savings. We are standing by to strategize, develop, and implement your First Sale savings goals.

Trade & customs contacts

Andrew Siciliano
Partner and
U.S. Practice Leader
T: 631-425-6057
E: asiciliano@kpmg.com

Doug Zuvich
Partner and
Global Practice Leader
T: 312-665-1022
E: dzuvich@kpmg.com

John L. McLoughlin
Principal and East Coast Leader
T: 267-256-2614
E: jlmcloughlin@kpmg.com

George Zaharatos
Principal and
Southeast Area Leader
T: 404-222-3292
E: gzaharatos@kpmg.com

Luis (Lou) Abad
Principal,
Washington National Tax
T: 212-954-3094
E: labad@kpmg.com

Amie Ahanchian
Principal
T: 202-533-3247
E: aahanchian@kpmg.com

Gisele Belotto Principal
T: 305-913-2779
E: gbelotto@kpmg.com

Steven Brotherton
Principal
T: 415-963-7861
E: sbrotheron@kpmg.com

Irina Vaysfeld
Principal
T: 212-872-2973
E: ivaysfeld@kpmg.com

Christopher Young
Principal
T: 312-665-3229
E: christopheryoung@kpmg.com

Jessica Libby
Principal
T: 612-305-5533
E: jlibby@kpmg.com

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