Solving Customs Tracking Requirements outside the United States

Himavan Kallem. Presenter ZTB Corporation

Carl Sandvik. Co-Presenter Beckman Coulter, Inc.

Abstract:

Multiple countries require tracking of customs clearance documentation through the supply chain. This requirement can apply to tracking on hand balances, printing on customer invoices, consumption reporting and local government audit requirements.

This case study will present a comprehensive solution designed, implemented and integrated with Oracle EBS for a global company. Additionally, the potential to leverage capabilities of Oracle's new Global Trade Management (GTM) tool will be discussed.

Overview:

Companies in various countries have requirements to track the Customs Clearance document number, with additional information, provided by individual Country Customs. The document number including the required additional information is known as the Foreign Entry Code number, or simply "Foreign Entry Code". The Foreign Entry Code is defined at time of Customs clearance in each Country and regulated by Customs and processed by the Customs Broker. Foreign Entry Code transactions are reported to the each Country Internal Revenue Service, (IRS), to account for Customs Duty paid and eliminate or recover Tax Liability and/or Taxes/Duties paid at time of consumption. Additionally, this is legal proof of customs processing audited by each Country IRS.

The Foreign Entry Code Number is issued against all imported goods into each Foreign Country which may contain Lot Controlled, Serial Controlled and non-lot and non-serial controlled FG Items. Tracking of Foreign Entry Code is in addition to any Serial Number or Lot Controlled items required by the importing entity.

Countries that that will require capture and tracking of Import details are,

- Mexico (Pedimento Number)
- Russia
- Brazil
- Turkey
- India
- Italy

Regulatory and Financial requirements of the IRS and companies include:

- 1. Report Foreign Entry Code detail at the item level on the Customer Facing Sales Order Invoice
- 2. Report consumption of imported goods via direct sale to customer or non-direct sale
 - a. Sale: direct sale of item to customer, item invoiced directly to customer
 - b. Non-direct Sale: Consumption via Service contract repair, use in installation, use in remanufacturing/repair, inventory adjustments, etc..
- 3. Report Balance on Hand, (BOH), of items and associated (non consumed), Foreign Entry Code
- 4. Retain Foreign Entry Code Data for fulfillment of audit reporting/requirements, (Data Warehouse)

Entities must ensure that each shipment of product is issued against a Foreign Entry Code Number. All the Items that are shipped and billed to the Customer must contain a Foreign Entry Code Number. The Foreign Entry Code Number must be printed on the Customer Invoice, with the Foreign Entry Code Number printed for each shippable and billable Item.

For Mexico:

The Foreign Entry Code Number is a 15 Digit Number (No Letters, Characters, hyphens)

The Format for the Foreign Entry Code Number is yyppbbbbdddddd

yy= the last 2 years of a year pp= the Aduana Mexico port code bbbb = the Mexican broker code ddddddd = the document number

For Russia:

Import number consists of a single number, which needs to be tracked from the receipt of goods, until its shipment and invoicing.

The Foreign Entry Code Number is a 24 Digit Number (No Letters)

The Format for the Foreign Entry Code Number is pppppppppppmmddyy/iiiiiii/123 ppppppppp = the Customs import place mmddyy = The date format of the import declaration

iiiiii = the Import document number

123 = The page number of the import declaration on which the item was shown

All component of this number are separated by a delimiter (/)

Basic Business Needs:

The purpose of the Foreign Entry Code Number is a government issued Customs Number that needs to be tracked across the organization and every business transaction against an Item should track the Foreign Entry Code Number that it was received against.

Entities in specific countries have the following basic business needs;

- 1. Receipt Transaction: All Items that are received in the Inventory Organization must be recorded against the specific Foreign Entry Code Number assigned to that "shipment" or import of goods along with the Date of Clearance from the Customs. This may be one Foreign Entry Code for multiple item numbers.
- 2. Communication of Foreign Entry Code: The Foreign Entry Number along with the Date of Clearance from Customs, the Port of Entry, and according to the country the Broker Code and Page Number (Russia), Mexico Invoice require (the Port of Entry, Date of Entry, Broker Code and Pedimento#) must be printed on all customer facing billing documents, (customer invoice), which have the shippable items. If the same item number is being consumed, from multiple Foreign Entry Code's, print at line level the quantity consumed by Foreign Entry Code number. The Invoice Print Program should print the import Document number, Date of Clearance from customs, the Port of Entry and according to the country, the broker code and page numbers.
- 3. Foreign Entry Code Inventory Detail: All item inquiries should show the Foreign Entry Code Number that it was received against.
- 4. Query Inventory by Foreign Entry Code: Foreign Entry Code Number Inquiry should query all the Items (Lot Controlled, Serial, and Std FG) that have the Foreign Entry Code assigned.
- 5. The Foreign Entry Code Number must be tracked across the Inventory Organizations until consumed. This includes transfers from Finished Goods to Service Engineers, (and potentially back to Finished Goods). All the Inventory Transactions must carry the Foreign Entry Code Number. Shipment from entities (tracking of Foreign Entry number is required) to the US or other country would be considered consumption of the goods and end Foreign Entry Code tracking until re-entry to Subsidiaries.
- 6. Tracking Foreign Entry Code: Basic rules for tracking Foreign Entry Code
 - a) Serial Controlled at receipt: 1:1 tracking of Foreign Entry Code to Serial Number
 - b) Lot Controlled: Track Lot Number to Foreign Entry Code at receipt and then consume FIFO, based on requirements per country, First Expired. First out based on receipt transaction date and Foreign Entry Code.
 - c) Non-Lot Controlled & Serial Control at Shipment: Track Foreign Entry Code at receipt and then consume FIFO, First In, First Out based on receipt transaction date and balance on hand of Foreign Entry Code.
- 7. Foreign Entry Code Reporting:
 - a) Customer Facing Document, (mentioned above)
 - b) **Foreign Entry Code History**: Report of Foreign Entry Code history for a given time period of transactions: Include Item, Lot/SN, Foreign Entry Code, Entry Date (date, time, seconds), Qty, status (Inventory BOH or "consumed"), <u>Sort and format TBD</u>
 - c) Foreign Entry Code On Hand Report: (subset of history), Report of current inventory Balances on Hand by Item and Foreign Entry Code: Include Item, Lot/SN, Foreign Entry Code, Entry Date (date, time, seconds), Qty. <u>Sort and format TBD</u>
- 8. Capture of the VAT (duty rates) at the time of import by item, (VAT rates vary depending on the product). Required for Russia only.
- 9. Local purchase containing imported goods need also to be tracked by import number. (Russia). This is not required for Mexico. Mexico enters a specific code that implies that the product is Locally Purchased.

Solution Design:

Mexico: The Foreign Entry Code Number structure is a set at maximum of 30 characters.

The Customer Facing documents (AR Invoice) will retrieve the Foreign Entry Number, date of Entry and the Port of Entry (and the Broker Code or Page Number according to the country) or any other country required fields from the Custom Foreign Entry tables.

Custom Extension to capture and track the import details of the items based on the following approach

- 1) Define DFF segments at the Organization parameter form and trigger the extension logic to work when the value of the DFF is set to "YES" at each individual Inventory Organization level. The default value of the DFF will be null or No.(meaning this extension should not be triggered)
- 2) Create DFF segments at the Receipts Form Header level to capture the import details. (The segments that are required to capture details, needs to be frozen based on all the requirements of all the countries). Sample screen shot is given below.
 - a. The capture of details will be for the following inventory process,
 - Receipt (All Receipts)
 - Miscellaneous receipt (This form should also have a DFF to capture these details)
 - b. The user needs to enter the Receipt Header DFF for all receipts made into the inventory.
 - The Header DFF is mandatory for inventory Organizations having the requirement (org parameter DFF=Yes)
- 3) Create a New Foreign Entry Table: The extension is triggered, when the user enters the receipt Header DFF and on SAVING the Receipt, the trigger should populate of the new table (similar to the receiving transaction processor processing the transaction to the MTL tables through inventory interfaces) with details of the Header DFF to flow into each line of the receipt saved.
 - Create the Foreign Entry Table similar to the MTL Table. This table will be updated every time an inventory transaction is processed via the triggers.

The inventory transactions that will trigger the Foreign Entry Table are:

- Receipts into Stores,
- Issues out of Stores
- Subinventory Transfers.
- Inter-Org Transfers.
- Move Orders
- Debriefs
- 4) Create a new form View Foreign Entry Transactions for users to find information, same as View Material Transactions form, which will include the Foreign Entry Number, Date, Qty, Status, etc (below).
- 5) Use triggers for any inventory transactions to update and retrieve the Foreign Entry information from this New Foreign Entry Table.

RUSSIA: Foreign Entry Code Number to include the whole 30 characters, but separated by /, to avoid data entry mistakes.

It is expected that the Foreign Entry Code Number is entered at receipt header level, for the first repeating characters, allowing only the last three characters (page number) to be entered at line level.

- The Foreign Entry Code Number must be broken by Foreign Entry Code Number and Qty and must be printed by Qty.
- The Foreign Entry Code Number on the AR Invoices is printed for all Shipped Items.
- The Foreign Entry Code Number should be listed under each Item and the Foreign Entry Code Number should be delineated by the Foreign Entry Code Number and Qty.
- The Foreign Entry Code Number for all Billing Invoice will not have a Foreign Entry Code Number to Retrieve.
- The BOM Items (Sales Groups) components should have a Foreign Entry Code Number Printed for each component by Qty.

Customer Facing Document:

The Foreign Entry Number, Date, Port of Entry and page number must be printed on all the Invoices that are sent to the Customer: On the Sales invoices, and on Service invoices containing Shippable Items. The Foreign Entry Number, Date, Port of Entry and page number should be retrieved from the Foreign Entry Table for Issue Transactions whenever required.

- The Foreign Entry Code Number must be printed at item level, by Qty.
- The Foreign Entry Code Number on the AR Invoices is printed for all Shipped Items.
- The Foreign Entry Code Number should be listed in the specific cell of the invoice, at item line level. Should an item with multiple quantities be invoiced, which relate to more than one Foreign Entry Code Number, there will be as many lines of item invoiced printed as there are different Foreign Entry Code Numbers.
- The Foreign Entry Code Number for all Billing Invoice will not have a Foreign Entry Code Number to Retrieve.
- The BOM Items and its components should have a Foreign Entry Code Number printed for each component by quantity.

List of all the Customer Facing Documents that should contain the Foreign Entry Code Number

- Sales Invoices
- Service Invoices
- Commercial Invoice

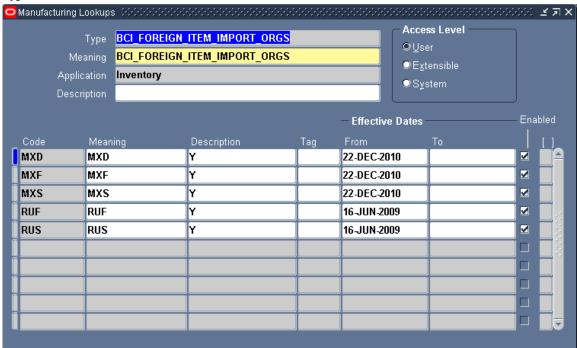
Business Rule:

- IRS requires reporting of Foreign Entry Code for Tax compliance/Tax recovery for imported goods
- IRS requires Foreign Entry Code to be listed on Customer Invoices
- Subsidiaries Customs requires reporting of imported goods, (proof of Duty paid), via Foreign Entry Code, at time
 of request, (Audit).

Solution Setup Details:

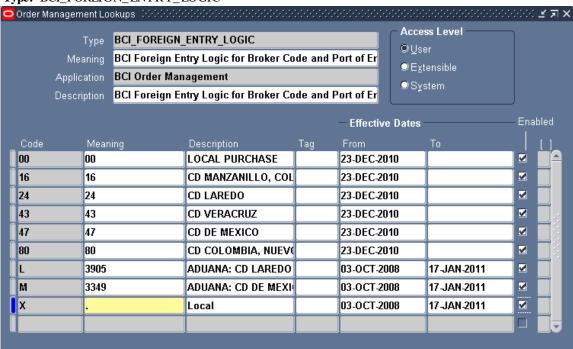
Lookup to identify which organizations are required to utilize Foreign Entry Tracking:

Type: BCI_FOREIGN_ITEM_IMPORT_ORGS



Lookup Table to identify the Port of Entry for Mexico

Type: BCI_FOREIGN_ENTRY_LOGIC



Custom Triggers were created on the Material Transactions Table to trigger any transactions occurring in the Orgs listed in the Lookup Table.

Each time a transaction was recorded, the triggers would fetch the required information and load it into the custom foreign entry table.

Foreign Entry Table:

Org Code	Inventory	Subinventory			Foreign Entry	
Code	Item	Code	Locator	Foreign Entry Number	Date	Quantity

Foreign Entry Transactions Table:

	Foreign			Sales	Purchase		Move			Transaction
Transac	Entry	Quant	Transaction	Order	Order	Delivery	Order	Pick Slip	Transaction	Source
tion ID	Number	ity	Type Name	Number	Number	Number	Number	Number	Action	Name

Foreign Entry Lot Number Table:

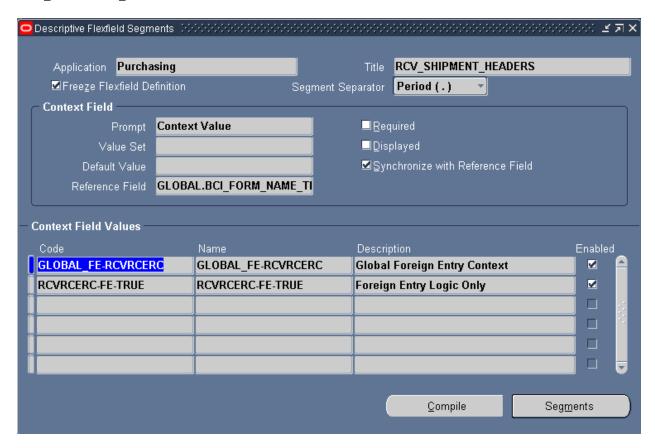
	Expiration	
Lot Number	Expiration Date	Quantity

Foreign Entry Serial Number Table:

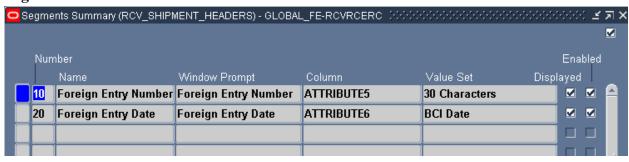
Serial Numbers

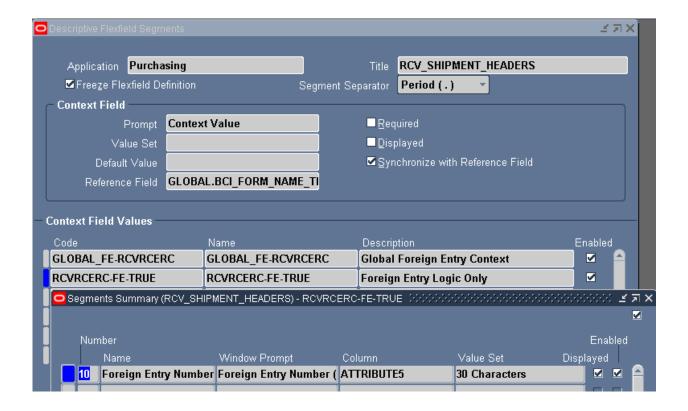
DFF Setups:

RCV_SHIPMENT_HEADERS

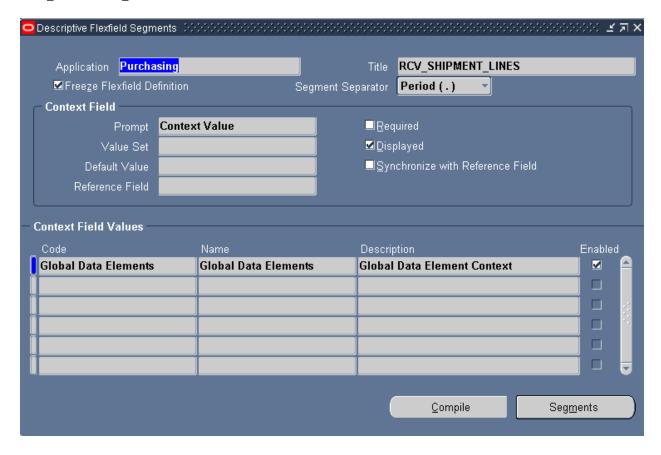


Segments:





RCV_SHIPMENT_LINES



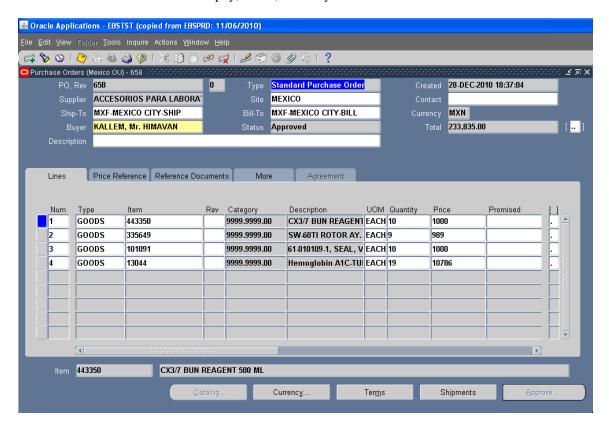
Receipts Screen with the Foreign Entry DFFs for data entry:

The receipt line DFF segments are populated automatically from the Receipt header DFF information for each line.

Sample Transactions:

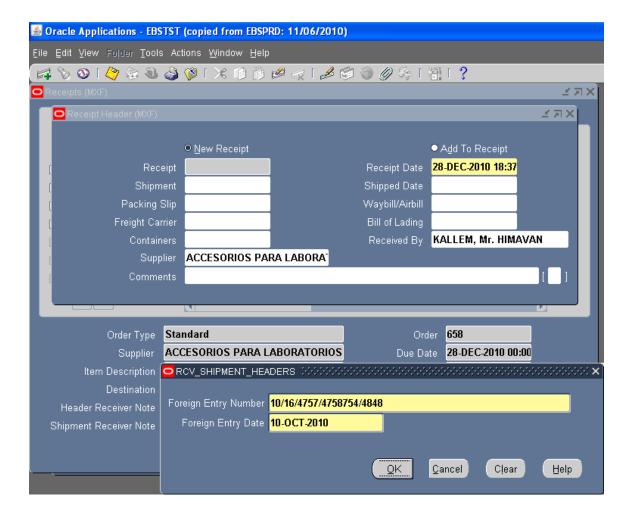
PO Receipts:

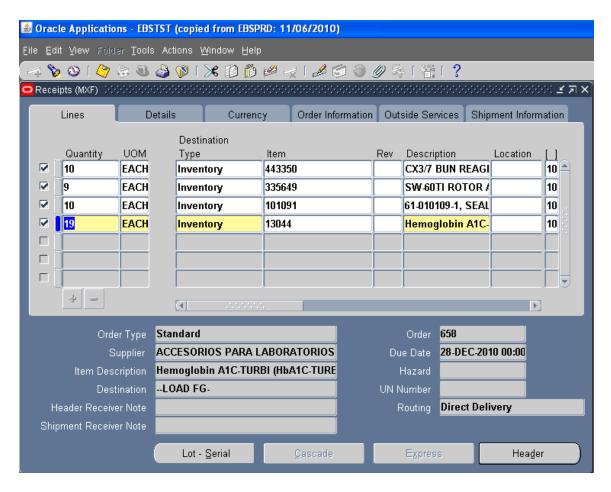
Purchase Orders Created with Lot Expiry, Serial, Lot Only and Std FG items



Receipts Screen Header:

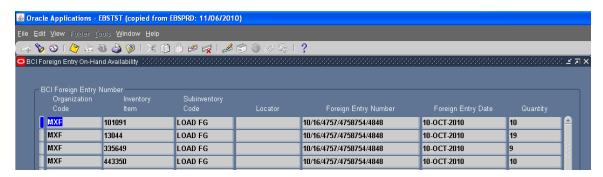
The two Foreign Entry DFF segments (Foreign Entry Number and Foreign Entry Date) are required to be input.





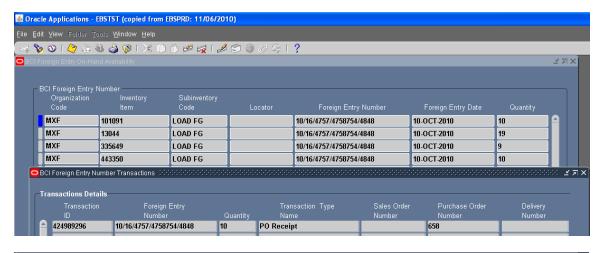
Upon successful receipt of the items into the Inventory Org, the data entry into the Foreign Entry table is triggered.

Custom Foreign Entry Tables:



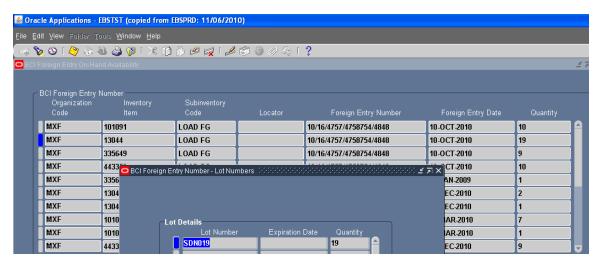
The Foreign Entry tables show the Items, the subinventory the items were received into along with the Foreign Entry Number and Date information and the Quantity.

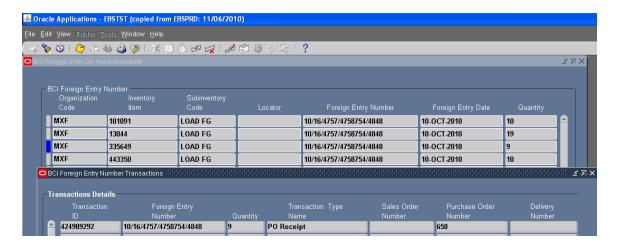
The Foreign Entry Transactions form shows the transactions that created the on-hand details



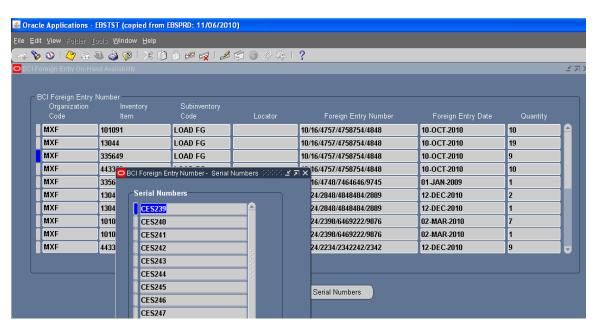


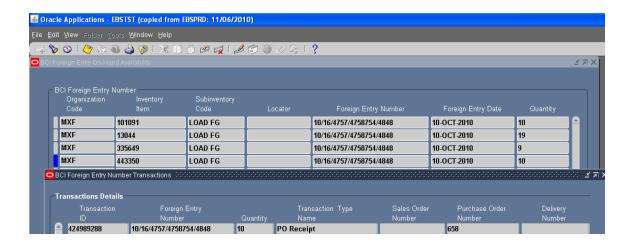
For Lot Controlled items the Foreign Entry Lot Details form shows the Lot Numbers that were received along with the quantity.



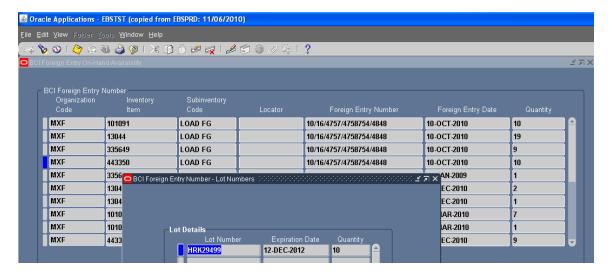


For serial controlled items the Serial Numbers are displayed in the Foreign Entry Serial Number table for each individual item



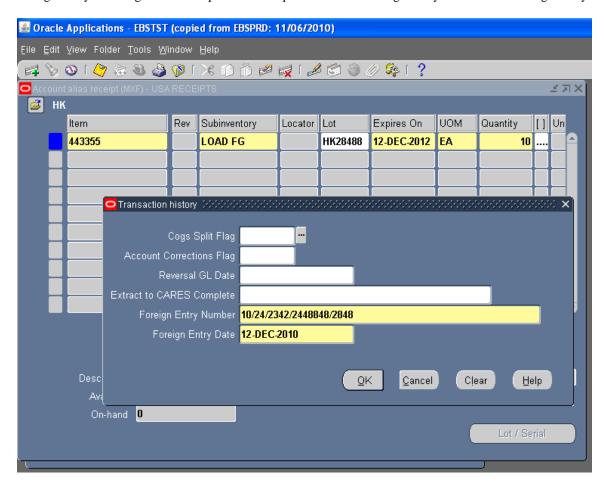


For Lot/ Expiry Items that Lot Details Table shows the Lot#, Lot Expiry Date along with the Quantity.



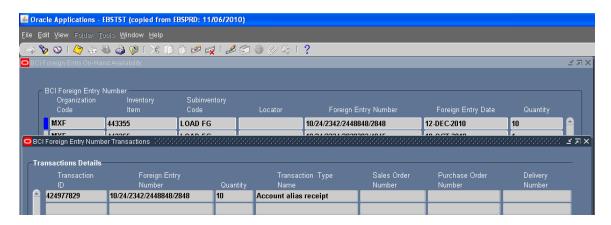
Miscellaneous Receipts:

Foreign Entry DFF segments are required to be inputted with the Foreign Entry Number and Foreign Entry Date.

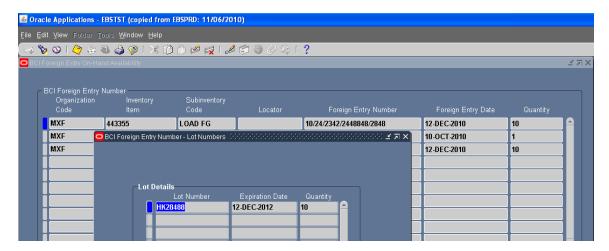


Custom Foreign Entry Tables:

Upon successfully saving the transactions, the custom Foreign Entry Tables show the Foreign Entry Number, Date and the Item information.



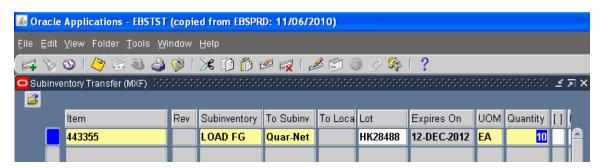
Lot#, Lot Expiry Date and Quantity are displayed.



Subinventory Transfers:

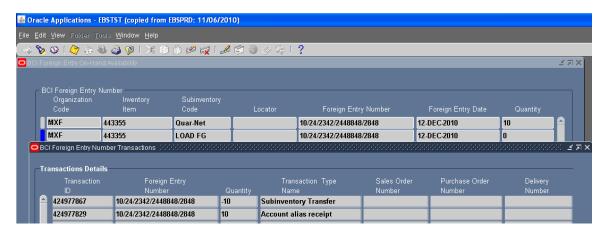
For Items that are transferred between subinventories, the Foreign Entry Data is carried from one subinventory to another.

Lot Expiry Items:

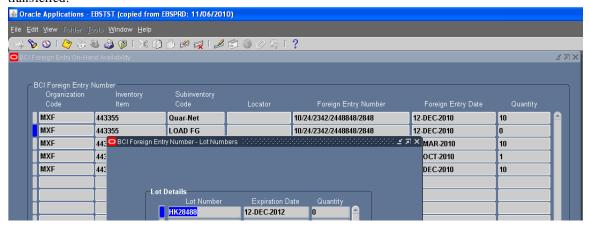


Custom Foreign Entry Tables:

The custom table shows the Foreign Entry data that is transferred with the items from one subinventory to another.

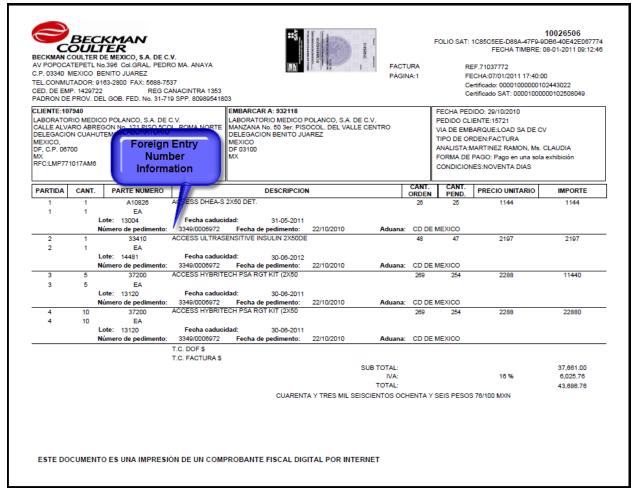


The Lot Details form shows the Lot Number information along with the expiry dates for the items that were transferred.



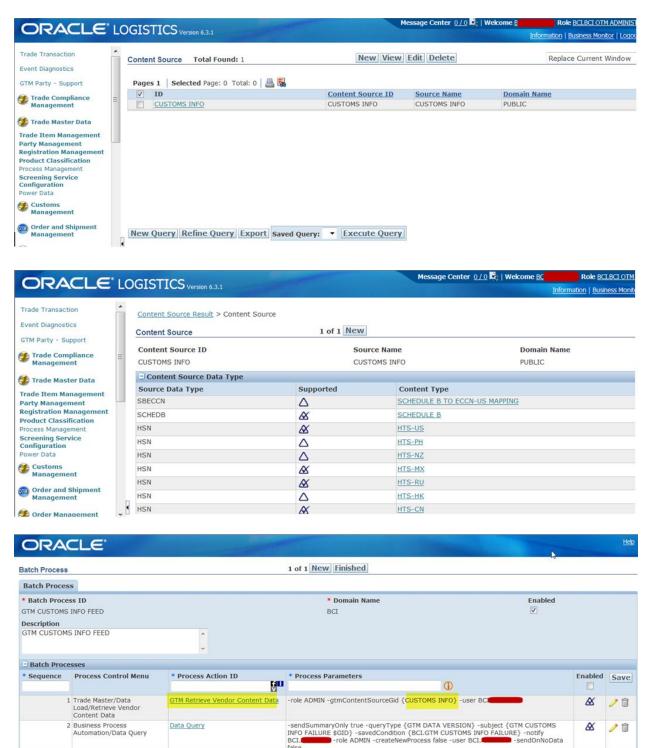
Customer Facing Documents:

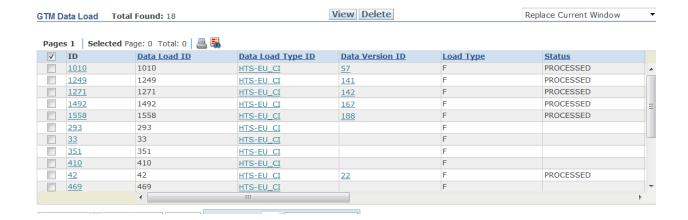
Invoices print the Foreign Entry Number information for every shippable item. No customization for any AR transactions or Tables. The AR Invoice Print program was updated to include the Foreign Entry Information.



Integration with Global Trade Management (GTM):

In our current solution the Foreign Entry code is entered manually at the time of receipt. The Global Trade Management tool can be used to store the foreign entry information and it should be possible to interface the date into the custom Oracle EBS solution.





Beckman Coulter, Inc. is currently working with the Oracle GTM team on integrating the Foreign Code requirements for interfacing into Oracle. This would potentially eliminate user issues with the Foreign Entry data input at the time of receipt.

Conclusion:

With the Custom Solution that was developed for Beckman Coulter, Inc. All requirements for Mexico and Russia were met. The custom development helped Beckman Coulter, Inc. track the foreign entry number across the inventory orgs and helped report the data accurately insuring compliance with local customs regulations.

Appendix

Regulatory Specifics, (Mexico Regulatory, portion translated to English)

29-A- RECEIPT REQUIREMENTS

The receipts, to which the article 29 of this Code refers to, in addition to the requirements set forth therein, shall correspond to the following:

CFF 29, 29-II, III, IV, V and VI RCFF 37, 38 and 40 RISR 161 and 189 RM 2007/2008 2.4.3., 2.4.4., 2.4.5, 2.4.6., 2.4.7., 2.4.13., 2.4.15., 2.4.16., 2.4.17., 2.4.18., 2.4.20., 2.4.22., 2.4.25, 2.4.27., 2.4.28., 2.5.1., 2.5.5., 2.5.3., 2.5.4., 2.24.20., 2.24.39. and 3.14.4. SAT REGULATORY CRITERIA 10/2004/CFF and 134/2004/CFF Resolutions CFF RCE 2007/2008 1.1.1. and 2.12.20. Practical Points Nr. 48 page 2, Nr. 58 page 21, Nr. 71 page 20, Nr. 92 page 16, Nr. 93 page 15, Nr. 94 page 15, Nr. 96 page 14 and Nr. 98 page 25

I. To have printed the name, denomination or firm name, domicile for tax purposes, and contributor's federal registry code of the issuer. In case of contributors having more several premises or establishments, those shall contain the address of the premises or establishment issuing the receipts.

CFF 10 and 27 RM 2007/2008 2.4.12. Resolutions CFF

- II. To have printed the folio number. RM 2007/2008 2.4.18. and 2.4.19-II
- **III.** Issuing place and date. *RM* 2007/2008 2.4.26.
- **IV.** Contributor's federal registry code of the person in favor of who is issued.
- V. Quantity and type of merchandise or description of services covered.

RM 2007/2008 2.4.10. and 2.4.15. Resolutions CFF

- VI. Unit value written in numbers and total amount described in numbers and letters, as well as the tax amount that shall be transferred in the terms of the tax regulations, detailed by tax rate, if applicable.

 LIVA 32-III LIESPYS 19-II RM 2007/2008 2.4.15., 2.4.22. and 2.4.25. Resolutions CFF Fine Points Nr. 124 page 46
- **VII.** Customs document's number and date, as well as the customs office in charge of the importing, in case of first hand sales of imported merchandise.

RM 2007/2008 2.4.7. REC 2007/2008 1.1.2. and 2.12.20. Resolutions CFF

VIII. Printing date and authorized printer identification data. *RM* 2007/2008 2.4.7., 2.4.19., and 2.4.24.

IX. In case of receipts covering cattle selling, the reproduction of the branding iron of such cattle provided that is the one that shall be branded.

Administrative Facilities 2007/2008 Chapter 1 and 1.3.

RECEIPTS TERM OF USE

Receipts approved by the Tax Management Service shall be used for the contributor, in a maximum term of two years; this term may be extended when the requirements set forth by the tax authority are covered

according to the general regulations issued for such purposes. The validity date shall be printed in each receipt. The receipt will be no longer valid for deductions or credits considered in the tax Law once such term has expired.

CFF DT 1998-2-VIII RM 2007/2008 2.4.19. and 5 Tr July 2007

GENERAL PUBLIC OPERATIONS

Contributors making operations with general public shall issue simplified receipts in the terms set forth in the Regulations of this Code with respect to such operations. Such contributors will be exempt from these obligations when the general public operations are made with electronic purse which shall comply with control requirements established by the Tax Management Service for such effects by means of general rules.

RCFF 37 RM 2007/2008 2.4.14., 2.4.15., 2.4.23. and 2.4.25. Resolutions CFF