ThermoFisher SCIENTIFIC

IMPORTER OF RECORD FREQUENTLY ASKED QUESTIONS

patheon

- API
- BIOLOGICS
- VIRAL VECTOR SERVICES
- EARLY & LATE PHASE DEVELOPMENT
- CLINICAL TRIAL SOLUTIONS
- LOGISTICS SERVICES
- COMMERCIAL MANUFACTURING

Introduction

During the past 10 years clinical trials have become increasingly complex and expensive. Contributing factors include the globalization of trials, and the increasing demand for cold chain logistics due to shifts towards large molecule biologics.

These emerging therapies are high-risk and high-cost. Often the movement of goods is subject to limitations of available infrastructure—both in terms of transportation schedules, as well as available packaging solutions that can ensure product integrity throughout the shipment. In addition, with each country establishing its own regulations, ensuring compliance across the geographic reach of a trial can be a daunting task. Documentation is extensive and complex. Customs clearance can be challenging, especially in emerging markets that are less familiar with the newer therapies.

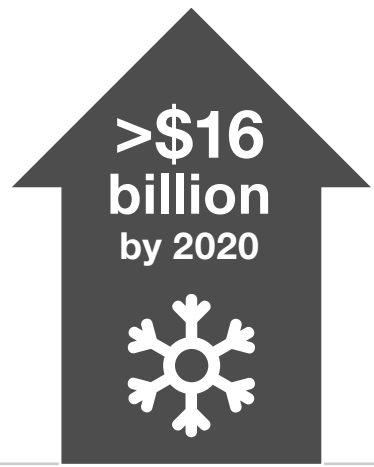
Customs chaos occurs when avoidable errors result in Customs delays, preventing on-time delivery of clinical materials to investigator sites.

The need to prevent such delays underscores the importance for sponsors of selecting the right Importer of Record (IOR). The IOR is responsible for the legal importation of clinical materials and for ensuring that the supply chain does not derail for reasons that are preventable. A knowledgeable and experienced IOR accomplishes this by bringing control, compliance and visibility to the supply chain through careful planning, time-tested processes and limited handoffs.

The result is reduced lead times and smooth passage through Customs, culminating in faster, less costly drug development with better patient compliance—the benefits that drove globalization two decades ago and continue to do so today

Clinical supply trends

Considering the fact that temperature-controlled biological products are high-risk and high-cost—some valued at as much as $1,500 a vial—delays can bear an equally high price tag.



Cold-chain logistics spending is forecasted to grow to more than $16 billion by 2020.

(Global biopharma logistics spending)

Cold chain logistics spending
accounts for
37.9%
of revenue

Number of trials
investigating
biologic compounds
has increased by
900%
from 2009–2013

Fastest growing markets are
"BRIC" nations
(Brazil, Russia, India & China)
and by 2028, will account for
17.4%
of the global clinical trial supply and logistics market
while growth rates in
US and Western Europe decline

33% of R&D pipeline projects
are biological drugs

Visiongain "Clinical Trial Supply and Logistics Market for Pharma 2018-2028"

Checklist of IOR responsibilities

ENSURE	Ensure imported goods comply with local laws and regulations
APPOINT	Appoint a Customs broker to effect imports
FILE	File completed duty entry and required supporting documents
PAY	Pay assessed import duties, taxes and fees on goods
MAINTAIN	Maintain drug batch information details
HELP	Help avoid incorrect declarations of value and associated fines and inspections
LEARN	Learn more about Why Choosing the Right Importer of Record is the Key to Preventing Customs Chaos

You may be surprised to learn that many Sponsors ship materials without an Importer of Record. The materials get stuck in Customs and everybody is running around in circles.

Documentation

1

What is the list of documents needed for importing a product or does it vary from country to country; and do you need a commercial invoice?

There are certain countries within the EU that ask for a pro-forma or commercial invoice when receiving pharmaceutical product. A pro-forma or commercial invoice (not both) is always required when shipping product to non EU countries to support the product value declaration during the import customs clearance process. Additional documents required to support import customs clearance will vary dependig on the product and importing country. These documents can include but will may not be limited to:

- An Umbrella and/or Single Import License (permit)
- Certificate of Analysis
- Certificate of Origin
- Vet certificate
- Copy of the Clinical Trial Approval (CTA)

2

How important is it to provide a copy of the pro-forma invoice or commercial invoice prior to export? Will it help with formal clearance on import entry?

Providing your IOR with the pro-forma or commercial invoice in advance is critical. The more that is supplied up front the greater the chance of clearing without delays.

3

In countries where the Sponsor needs to perform the customs clearance instead of the IOR, does the pro-forma invoice need to contain specific instructions?

There are guidelines that require specific information to be included as part of the pro-forma invoice. As example, in Europe, a pro-forma invoice must have the correct contact information on the form, and it needs to include the Sponsor information. Ensuring all documentation is complete and accurate is critical for mitigating risk of a customs delay.

4

Is it in your scope to apply or assist for an import license?

When acting as the Importer of Record, the Fisher Clinical Services team will work with the Sponsor to get all required documents e.g. Copy of CTA approval, manufacturing documentation, testing results if required. We can do this in most designated countries where we have a distribution facility. We ensure the Sponsor understands the types of available licenses and their associated requirements (e.g. time-based license, or quantity-based license for given amount of material), work through the details, and complete the appropriate application.

We ensure the Sponsor understands the type of license needed...

Harmonization codes

1

Does the harmonized code affect the licenses required?

There are different licenses required for commercial pharmaceuticals vs. investigational product. Raw materials are also treated differently. Be aware this also impacts duty and taxes.

2

What can be included under ‘clinical supply’?

Harmonization codes classify product and there are four or five categories related to pharmaceuticals: APIs, Final Drug product, Intermediaries, Drug Substance and Ancillary Supplies.

3

When acting as IOR for a Clinical Research Organization (CRO), would you require all study medications classification (HTS codes + values etc.) to come directly from the study sponsor?

If Fisher Clinical Services were acting as IOR we would populate the harmonization codes and have them reviewed by the trial Sponsor. We work with the Sponsor to understand valuation calculation, and provide input/feedback they need based on our experience.

4

How often are harmonization codes updated?

Not very often. The last update we are aware of related to environmental regulations. No one wants to deal with waste from another country if it isn’t valuable economically. As result there have been more restrictions requiring additional licenses and/or export of waste. This impacts ancillary supplies in particular.

QUICK FACTS

HARMONIZATION CODES

The classification of investigational materials and ancillary support product is very different and can present challenges to Importers and Exporters.

Goods covered under a Pharmaceutical Products HS often require additional licenses, handling, marking, or approval from other government agencies prior to import and export.

Controlled and Non-Controlled substances are treated differently.

Classification of ancillary products can be even more challenging due to the breadth of equipment and material that may be sent. Each good is different and can vary at the country level as well. Ensure your Ancillary Provider has in-depth knowledge of the appropriate HS Codes, Export Code, and Country of Origin.

Selecting the wrong code can lead to costly errors and delays.

ORAL SYRINGE vs IV SYRINGE

These examples—both syringes—have different HS codes and duty rates.

Valuation

1

How can I prepare the valuation of shipments going to many different countries?

Firstly, harmonization codes can differ from country-to-country. In addition, there are different licenses required for commerical pharmaceuticals vs investigational products. Raw materials are also treated differently. All of this can impact on the duty and taxes payable in individual countries.

2

Could we price an IMP based on medication of a similar class?

The typical baseline for pricing IMP is cost of goods sold (manufacturing cost). If appropriate, layer on additional value based on a competitor product. While cost of goods sold is most typical, we have seen examples where, if there is an approved product similar to the IMP, that has been used to determine value.

3

What kind of documentation should be kept in support of the valuation of goods?

Consult past importations of that product, make sure valuation is consistent, and maintain clearly documented records supporting the process. This approach positions you to forecast, and to challenge VAT that is out of range with past experience.

4

Which currency should be used for active and placebo tablets, local currency or GBP/ USD?

Products should be valued in the currency of country of origin.

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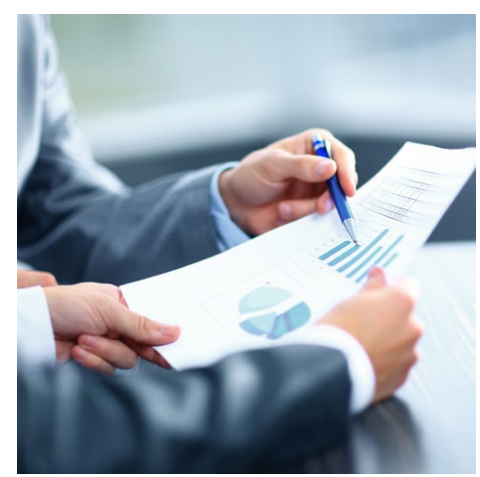


Logistics

1

Is there a specific procedure to follow for import of GMP clinical supplies?

There is no global procedure/ regulation for importation of GMP supplies. There are country-specific import requirements. Generally speaking it depends on harmonization codes, permits, manufacturing documentation and Ministry of Health approval.

2

When importing biologics drug substance from Asia to EU, what should we pay attention to?

Make sure you have the right harmonization codes, understand transit timing (frozen/cold/how much time/how long the typical clearance time is), and make sure you've selected an appropriate shipper or have on-the-ground support to manage temperature.

3

Is there any knowledge base or list stating which countries have validated 2°C to 8°C customs areas (as it would help with need for active vs passive shippers)?

Unfortunately there is no central 'public' list that we are aware of. We have good knowledge based on our experience with global locations. Some locations have validated rooms; others require re-icing.

4

Do clinical supplies need a QP release before shipping?

In some countries, if you can prove you are moving materials in a controlled GMP supply chain, you are allowed to move quarantined materials. It is usually the Sponsor's quality organization that will dictate whether or not they are comfortable moving materials that have not been released, or are on 'interim' release without QP release.

QUICK FACTS

LOGISTICS

Thermo Fisher Scientific has the industry's largest network of fully owned cGMP facilities strategically located around the world to support the conduct of clinical trials. This network consists of 27 purpose-built facilities, with an additional 38 fully-audited 3rd party depots. Standardized quality management systems and controls are in place at the local, regional and global level.
A Global Logistics Help Desk actively manages and tracks shipments, and proactively addresses potential issues at all points around the globe.

CHALLENGING REGIONS

Industry studies have shown China and Russia to be challenging. To help address this it is important to have an in-country presence, an understanding of the country-specific regulations and local relationships with customs officials.

As an example, we have a well-established facility in Russia that also supports clinical research in the Ukraine. In addition, we have two facilities in China—Beijing and Suzhou. The Suzhou facility is part of a Free Trade Zone. This in-country presence and the ability to develop relationships at local levels has been helpful and has resulted in reduced lead times.

Customs clearance

1

When does the clock start for total shipment lead-time?

There is transit lead time, and then there is lead time to clear customs. For customs, the clock starts ticking upon arrival in country.

2

I have heard that there is a new Brazil regulation that has reduced customs clearance by a week's time on average. Are you aware of this new regulation?

In September of 2017, per Resolution No 172, ANVISA (Brazilian Health Regulatory Agency) will analyze and release imported goods and products intended for use in human subject research within 48 hours after arrival in Brazil, provided that the legal requirements are met and that the purpose of the research is not to register or change the registration of a product.

IOR in
24+
countries

QUICK FACT

The Fisher Clinical Services team manages ~400,000 shipments annually. All shipments are analyzed for on-time in-full performance and we select the courier based on those metrics. To streamline the customs clearance process, we are able to act as Importer of Record in 28 countries.

Reduced
from
39 days
to
1 week
average

QUICK FACT

In 2015 one of our clients was experiencing as much as a 39-day customs clearance process in Brazil. We have consistently seen reductions in clearance time over the past two years. Today, where we serve as the IOR, we are realizing an average of 1 week. This result is directly related to having developed in-country relationships with the Customs authorities.

Value added tax (VAT) duties

1

How does customs valuation impact duties?

Duties don't relate to product value. Duties are an independent payment; they are a transaction payment for doing business with a provider and are a percentage levied based on the transaction.

2

Who pays the VAT and Duties? The Sponsor, or their supplier? Is VAT reimbursable for investigational product?

Ultimately the Sponsor is responsible for both VAT and duty payments. These can be paid on a Sponsor's behalf and, where allowable in a given country, can be charged back.

3

Does the Fisher Clinical Services team facilitate VAT reclaims?

We will work with a Sponsor to establish if it's possible and can update the Sponsor on its requirements. In some instances (e.g. the UK) we can reclaim the VAT on behalf of the Sponsor. In other countries where this is not allowable (e.g. Japan), we can facilitate and complete the required documentation on behalf of the Sponsor. Timelines vary greatly. As example, Italy can take 8–10 months.

4

How do Free Trade Zones impact eligibility for duty drawbacks?

Broadly speaking, a manufacturing step needs to take place in the country of 'Free Trade Zone' to be eligible for drawback (reclaim). Note there are exceptions so it is always best to inquire about the Free Trade Zone regulations.

QUICK FACTS

Our strategic facility locations in Ahmedabad, India and Suzhou, China in Free Trade Zone, also known as Special Economic Zones (SEZ), offer many advantages:

- A duty free enclave, deemed to be a foreign territory for the purposes of trade operations, duties and tariffs
- No import license required
- No import/export taxes applicable (Service Tax, VAT, Excise & Custom Duty)
- No routine examination by customs officials of import or export cargo

Glossary of terms

Commercial invoice:

A commercial invoice is used to record ‘accounts receivable’ for the seller and accounts payable for the buyer. It is the primary document Customs uses to ascertain classification, valuation and, ultimately, duty payments owed on each imported shipment.

Duty:

A form of tax levied on the import or export of goods, and assessed as a percentage of the declared customs value of the goods.

Duty drawback:

The ‘reimbursement’ (drawback) of a portion of duty paid. As example, when duty-paid imported material is used to manufacture a product that is subsequently exported from the United States, companies may recover the US import duty paid by filing a duty drawback claim. However, it is necessary to trace and document the duty-paid imported material through the manufacture and export process.

Free trade zone:

A geographic area where goods may be landed, stored, handled, manufactured, or reconfigured, and re-exported under specific customs regulation and generally not subject to customs duty.

Harmonized code:

The Harmonized System is an international goods nomenclature. Each World Trade Organization (WTO) member country has agreed to utilize this system to standardize the classification of goods. The internationally standardized harmonized or commodity code consists of 6 digits. The first two digits designate the HS Chapter. The second two digits designate the HS heading. The third two digits designate the HS sub-heading. Many countries will require two further digits to set their customs duties, and statistical suffixes are often added to the 8 digit tariff code for a total of 10 digits. HS Chapter 30 and HS heading 04 will apply to most IMP (3004). However, placebo and ancillary products will be subject to their commercial classification.

INCO Terms:

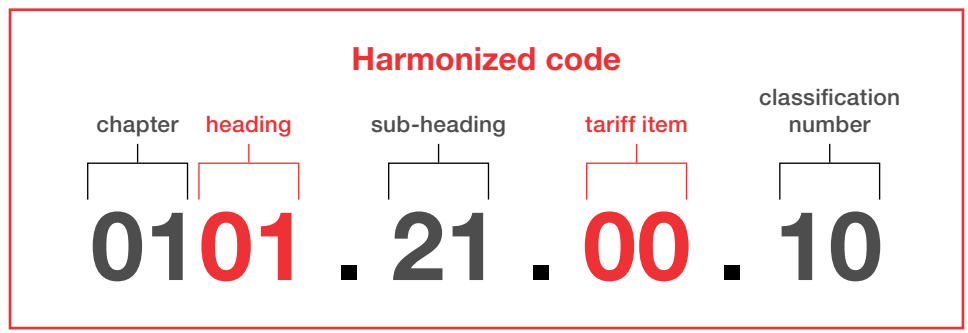
Incoterms are a standard set of terminology, created by the International Chamber of Commerce (ICC), that provide an internationally agreed set of rules for international trade and shipping. Four primary categories are Ex Works (EXW), Carriage Paid To (CPT), Delivered At Place (DAP) and Delivery Duty Paid (DDP). In the context of clinical study exports, “Delivery Duty Paid” is the most common. With DDP terms the seller is responsible for delivering the goods to the named place in the country of the buyer, and pays all costs in bringing the goods to the destination including import duties and taxes. This term places the maximum obligations on the seller.

Pro-forma invoice:

Pro-forma invoices are preliminary invoices with a quotation. They differ from a commercial invoice in that they are not a demand or request for payment, and the ‘selling price’ can change as this is issued prior to final sale of goods.

Value added tax (VAT):

An indirect tax that can be levied on the import or export of goods as well as services. It can be levied at the national as well as the state/province level depending on the jurisdiction.

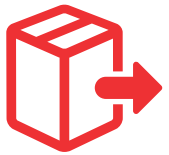


Total transportation management service

Access to multiple qualified suppliers

Global Quality Management System & Support

Mode optimization—courier selection & management



Dispatch services

Customs & regulatory guidance & facilitation

Proactive track & trace

Importer of Record service in 28 countries.
Ask us about locations

Data objective monitoring & reporting

Cold Chain supplies management including a proven reusable shipper program

Consolidated billing

LEARN MORE **Learn more about Total Transportation Management**

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