

## Repair Duties Inapplicable to Exhaust Scrubber Changes for U.S.-Flag Vessels

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U.S.-flag vessels are required to pay a 50 percent ad valorem duty on all repairs made outside the United States unless performed in a treaty exempt country (such as Singapore) or where an exception applies. One exception is for modifications, alterations or additions to a vessel. Such changes are not considered “repairs.” Vessel changes which improve vessel operations but replace equipment not in good working order are generally considered repairs and not modifications. On November 24, 2014, [Customs and Border Protection \(CBP\) issued an advisory ruling to Horizon Lines, Inc.](#) confirming that alterations to be made to three U.S.-flag vessels abroad to install exhaust gas cleaning systems and make engine exhaust system alterations to accommodate the cleaning systems will constitute exempt modifications and are not dutiable repairs. CBP was persuaded with regard to most of the proposed changes that the proposed changes were permanent, would remain on board the vessel during extended lay up, constituted new design features and were an enhancement of the vessel’s pollution controls.

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