

Harmonized System (HS)

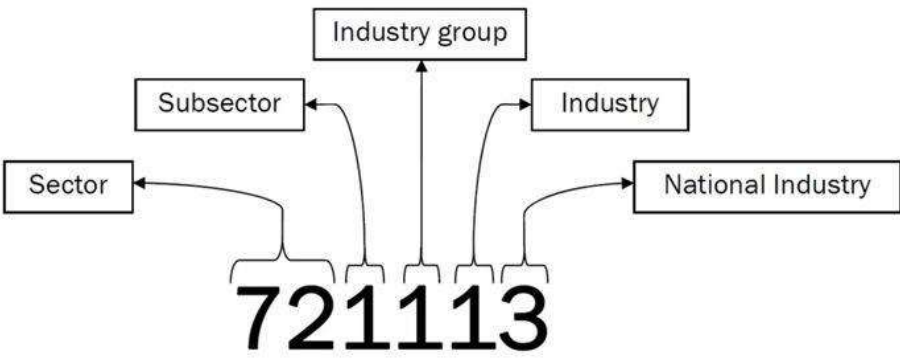
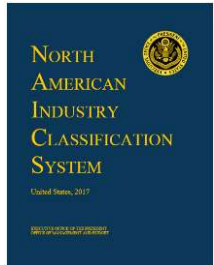


- The Harmonized Commodity Description and Coding System (HS) is an internationally standardized nomenclature system for classifying goods (not services) that are traded internationally, maintained by the World Customs Organization (WCO).
- It is used globally, including the United States, Canada and Mexico. (*The United Nations uses its own system, UNSPSC*)
- The U.S. International Trade Commission and U.S. Customs and Border Protection are the U.S. Government agencies representing the United States to the WCO.



NAICS vs HS

NAICS



U.S., Canada and Mexico

Harmonized System (HS)



Global

Different systems, different purpose, but there are ways to connect them

Harmonized System (HS) was created for International Trade



- The HS is a top-down, hierarchical system. Goods must first be classified according to their 4-digit heading, then 6-digit subheading, then 8-digit tariff rate subheading, then 10-digit statistical subheading.
- The idea behind HS was to have a common set of descriptive categories for **goods** traded internationally. The system organizes goods into categories, **down to the 6-digit level, are the same for all WCO member countries** (internationally harmonized).
- Countries may add two digits to break the six digit subheadings into discrete subsets for tariff purposes, and an additional two digits may be used for statistical purposes. These 8- and 10-digit subheadings can differ country by country.

Harmonized System (HS) in the U.S.



U.S. Harmonized Tariff Schedule (HTS)

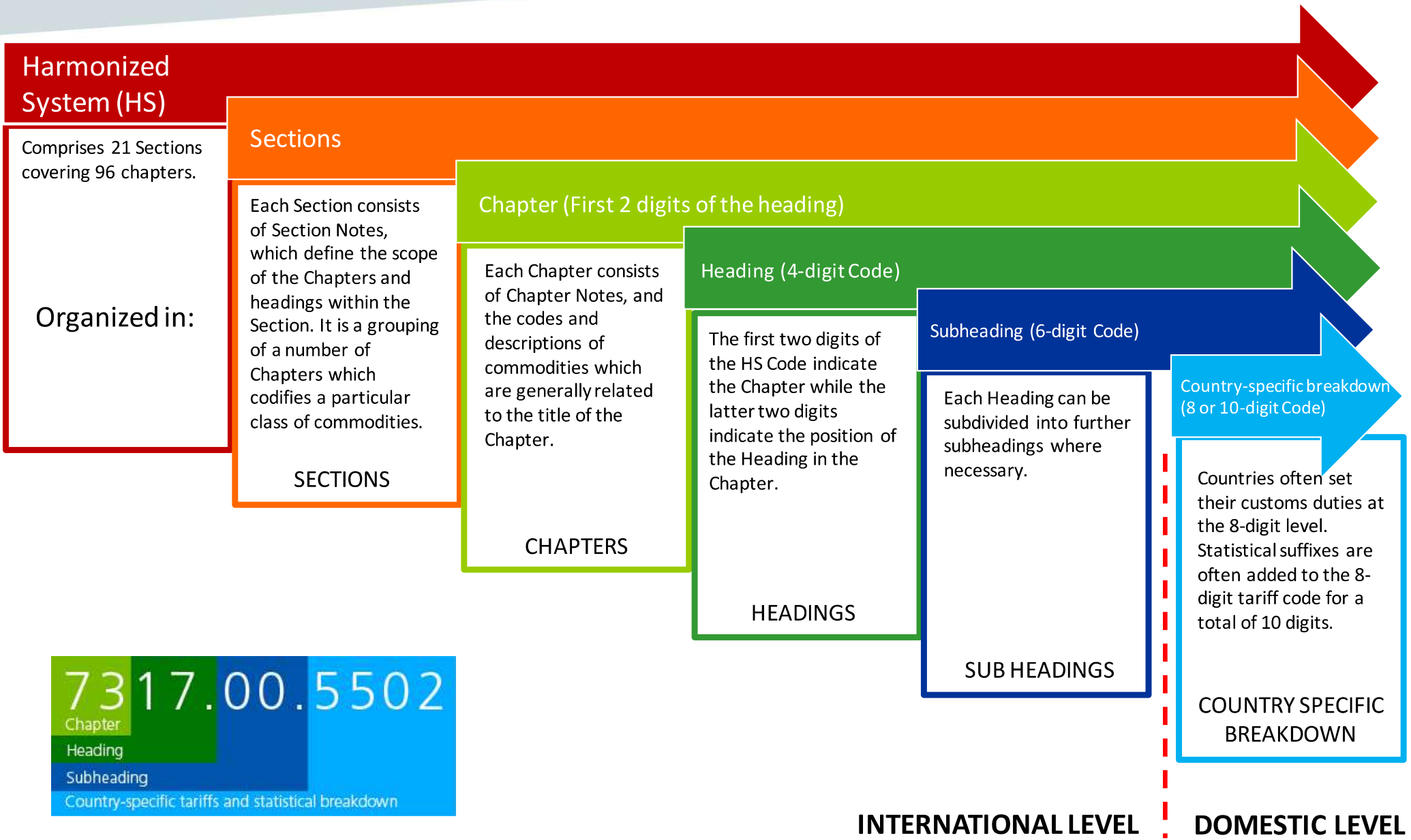
- The **U.S. Harmonized Tariff Schedule (HTS)**, maintained and updated by the U.S. International Trade Commission (ITC), is based on the HS, and is used by the United States **to determine the tariff rate for goods being imported into the United States.**
- The **Schedule B** (*Statistical Classification of Domestic and Foreign Commodities **Exported from the United States***), is maintained by the Census Bureau, it is also based on the HS, and **is used by the United States to classify goods being exported.**

While the HTS and Schedule B match the HS through 6-digit subheadings, they do not necessarily match each other at the 10-digit level.

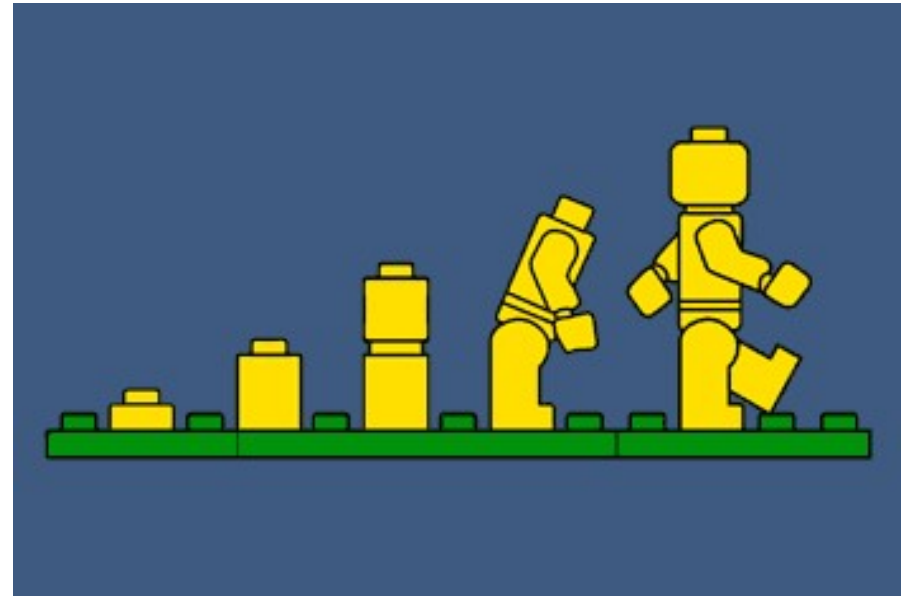
With few exceptions, **HTS codes can be used to report U.S. exports, in lieu of Schedule B codes** (For exceptions, see <http://hts.usitc.gov/view/Notice%20to%20Exporters>)

*Harmonized Tariff Schedule of the United States
(2018) Revision 1.1, (Effective Date 02/07/2018)*

HS organization



HS product distribution

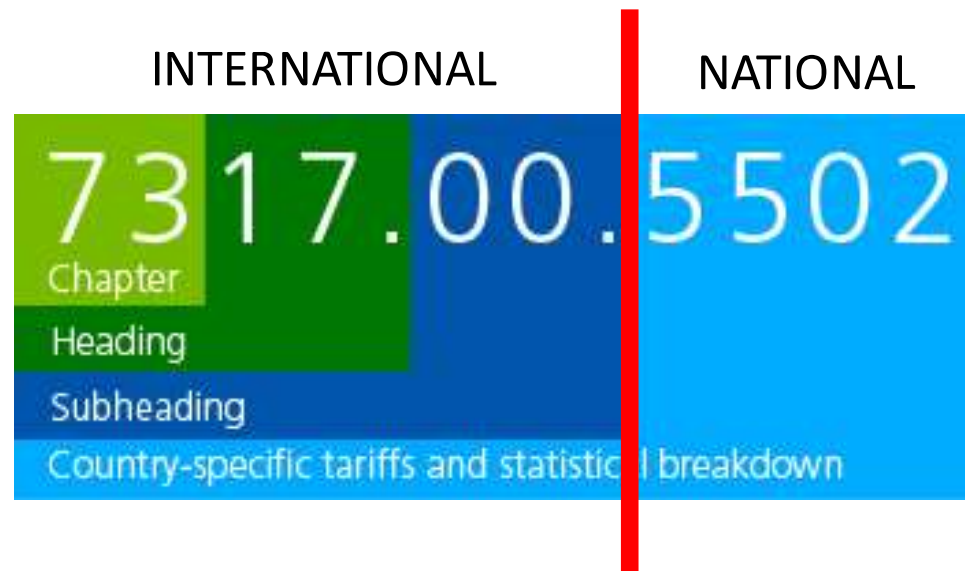


Goods are organized according to additional value-added features. Raw materials and unprocessed goods can be found in the earlier chapters. Finished goods can be found in the later chapters.

The same principle applies within each of the chapters.

HS code structure: *International vs National level*

An HS code has at least 6 digits. **HS codes are globally harmonized and are accepted by country members** of the World Customs Organization.



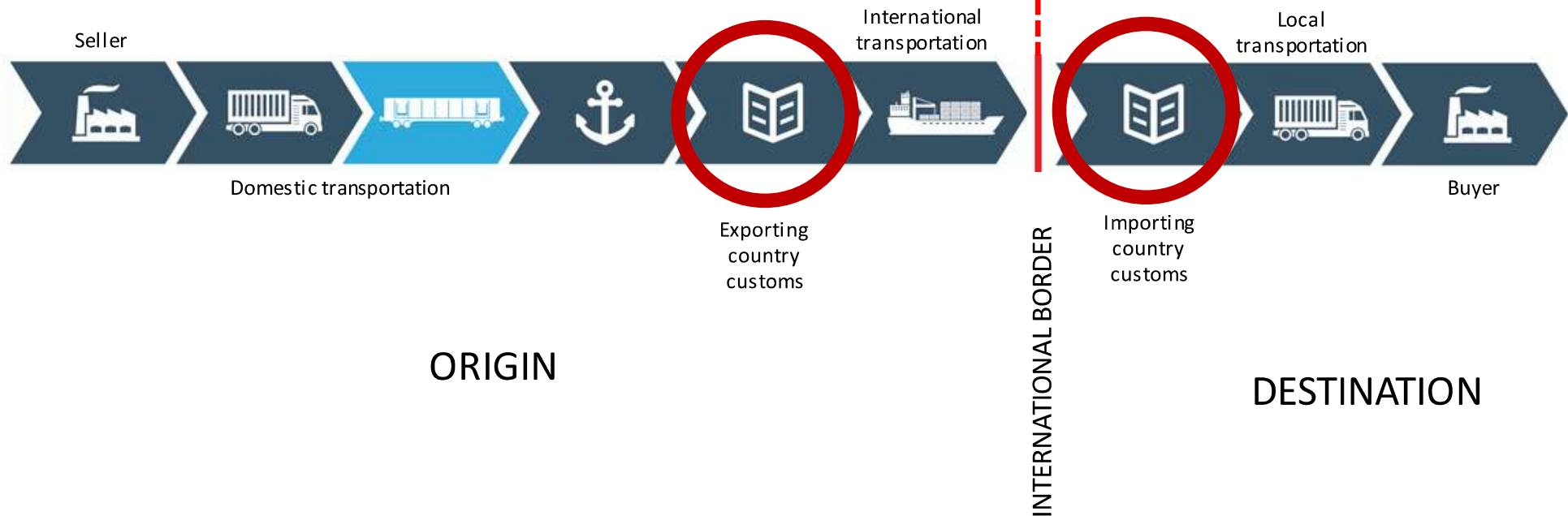
If desired, individual countries can also use additional digits (8 or 10) to detail the classification even further. It is important to remember this point since HS codes at the 8 or 10 digit levels can differ from country to country.

NOTE: In different countries, the same code at the 8 or 10 digit level might be for slightly different products. For Marine Tech products, that subtle difference might be significant for the companies selling those products.

HS – Where is it used?

EXPORTER

IMPORTER



HS – How is it used?

HS codes are used by Customs agencies, both at origin and destination



EXPORTER

- **Required** by CBP as part of the Export documentation



U.S. Customs and
Border Protection

- Statistical value



United States
Census
Bureau



IMPORTER

- **Required** by foreign country customs agency to determine the **tariff** and duties that the importer will have to pay



Foreign Country
Customs Office



- **Required to import** the product
- Statistical value

HS – Uses

U.S. exporters need to know their product's HS numbers for the following reasons:

1. To determine applicable import tariff rates and whether a product qualifies for a **preferential tariff under a Free Trade Agreement (FTA)**
2. To file the Electronic Export Information in the Automated Export System (AES). This system requires 10 digits HS numbers without periods.
3. To complete shipping documents, **such as certificates of origin**. (to get the preferential tariff under a FTA)

