



Harmonized Tariff Schedule Numbers

What are they and how do they affect you?

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Introduction

The Harmonized Commodity and Coding System (HS) comprises a hierarchical structure for describing all goods in trade for duty, quota, and statistical purposes. This structure is administered by the World Customs Organization in Brussels. Under the HS, items are classified using a numerical coding system. The first 4 digits define the heading and the first 6-digits define the product categories which are theoretically universal in all countries that have implemented the HS. The Harmonized Tariff Schedule of the United States (HTSUS) further subdivides into 8-digit unique U.S. rate lines and 10-digit non-legal statistical reporting categories. Classification of goods under the HTSUS system must be done in accordance with the General and Additional U.S. Rules of Interpretation, starting at the 4-digit heading level to find the most specific provision and then moving to the subordinate categories.

The U.S. Census Bureau maintains the Schedule B coding system, which is also based on the 4- and 6-digit headings and subheadings of the international HS. Schedule Bs may be used in place of the HTSUS for export reporting but may not be used during the U.S. import/entry process.



Classifying goods per the Harmonized Tariff Schedule of the United States (HTSUS)

Every tangible good in existence can be assigned a tariff code. How that's done is a multi-step process to which one must closely adhere.

The first step is always understanding what precisely the good is. What purpose does it serve? How is it used? It is meant to be used in conjunction with another item or can it be used independently? What material(s) is it made of?

Next, familiarize yourself with the General Rules of Interpretation (GRI). These six rules provide the overarching principle on how goods fit in to the HTSUS. Rules one to four are related and must be applied in sequence. Rules five and six are standalone and are applied only when the situation calls for it.

GRI rule 1 will apply in most cases.

To better understand GRI 1 it can be broken down into two parts:

- 1) What's written in the HTSUS Section and Chapter text is meant to assist the classifier in identifying the area in which the product is likely to fall under. Products are not necessarily classified under the Chapters and Sections that appear to be closest fit.
- 2) Classifications are determined based on the HTSUS headings and their corresponding Section and Chapter notes. If the text of a specific HTSUS heading best describes a product and none of the Section/Chapter notes pointedly exclude it said heading should be used.

For example, the most accurate heading for hair shampoo is 3305.10.0000 which calls out shampoo specifically. None of the Section VI notes or Chapter 33 notes would prevent standard hair shampoo from being classified this way.

In another example, at first glance HTS 4905.10.0000 would be the most appropriate heading for a world Globe given it calls out Globes specifically. However, if said Globe had topographical relief for mountain ranges, etc.

It would instead fall under HTS 9023.00.0000 (*Instruments, apparatus and models, designed for demonstrational purposes (for example, in education or exhibitions), unsuitable for other uses, and parts and accessories thereof*).

The reason for this is Chapter 49 note 1(b) which excludes the following: 'maps, plans or globes, in relief, whether or not printed (heading 9023).'

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GRI rule 2 is broken down into parts, (a) and (b).

Part (a) covers how unfinished, incomplete, unassembled or disassembled products are classified. Incomplete/unfinished products can be classified in the same heading as if they were complete products provided, they share the essential character of the completed products. The same holds true for unassembled/disassembled products. This does not apply if the text of the heading or any Chapter/Section notes specifically prohibits it.

Shoes imported without shoelaces are an example of GRI rule 2(a). While the shoes require laces to be effectively used, they, nonetheless, take on the essential character of shoes and would be classified as such.

Part (b) delineates how products that are not classifiable under GRI rule 1 or GRI rule 2(a) are dealt with due to being comprised of mixtures of materials/substances. It states that a heading referring to a specific material/substance also includes mixtures of that material/substance.

An example of GRI rule 2

(b) in action could be a tomato-based pasta sauce with cheese added for flavor. The sauce clearly includes more than one ingredient: tomato sauce and cheese. However, it would be classified under HTS 2103.20.40 (Tomato ketchup and other tomato sauces) despite the addition of cheese given it's fundamentally a tomato sauce.

When GRI rules 1 and 2 cannot be applied to a product GRI rule 3 comes into play.

GRI rule 3 is broken into three parts, (a), (b) and (c).

Part (a) covers situations where two or more headings accurately describe a product. Where possible, the heading which most accurately describes a product should be used in lieu of a heading which provides a more general or vague description of said product.

A good example of this is a children's highchair made of plastic. HTS 9401.80.2001 which calls out children's highchairs made of plastic specifically would be preferable to HTS 3924.10.40 which is table and kitchenware made of plastic.

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Part (b) discusses composite items and the need to classify them as if they consisted of the material or component which imparts upon them their essential character. Kits often fall under the purview of this rule.

For example, a gift set including a bottle of wine, corkscrew and bottle stopper would be classified as though it consisted solely of the bottle of wine. The corkscrew and bottle stopper are meant to be used solely with the bottle of wine thus the bottle of wine imparts the essential character of the kit.

Part (c) comes into play when neither **3(a)** nor **3(b)** can be applied. In this situation more than one heading accurately describes the composite products in question. In such case the classifier must look at all the headings which accurately describe the product. The heading in last numeric order would then be chosen.

An interesting example of GRI rule 3

(c) would be a Christmas tree decorating set. Such a kit would contain everything you need to decorate a Christmas tree.

Ornaments, trim, poinsettias, lights, and ribbons all come together in the same package. None of these items effectively impart the essential character of the kit; they're all used to decorate a Christmas but don't necessarily need to be used in conjunction with one another. In this situation HTS 9505.10.4020 would be applied; this heading falls last in numeric order of all the headings used to describe the items within the kit.

GRI 4 is applies when 1 - 3 are exhausted.

This rule states that products which cannot be classified with the previous rules should be classified under the heading appropriate to the product to which it is most akin. This rule is seldom used but may come into play when dealing with a brand-new product entering a market.

GRI rule 5 deals with containers and packing materials.

Includes two parts and falls outside the hierarchy of rules 1 - 4. It only applies when the product in question are cases or packing materials.

GRI 5 part a) essentially states cases meant to house specific articles entered with said articles, suitable for long-term use and normally sold with the articles for which it was designed can be classified with said articles. For example, guitar cases, gun cases, jewelry cases, etc.

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GRI 5 part b) states packaging which is clearly meant to be used with entered goods will be classified with said goods. Often products are imported enclosed in cardboard, plastic, rigid framing, etc. Said packaging components would be classified with the articles being entered assuming they're not designed for repetitive use.

The final rule, GRI 6 requires you to use GRI rules 1 through 5, provides a general outline of classification hierarchy. During the classification process you must start with the section, chapter and subchapter notes. From there you proceed to the headings and subheadings.



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Binding Rulings

Binding rulings are one of the most valuable resources a classifier can tap into when it is unclear which heading a product should fall under. Despite the existence of the General Rules of Interpretation, as well as Chapter and Section notes it is not always clear how something should be classified per the HTSUS. In these cases, the classifier can potentially refer to precedent to see how a like item has been classified by Customs and Border Protection (CBP) in the past. Every binding ruling CBP has issued can be found online in the Customs Ruling Online Search System (CROSS).

An importer has the option of requesting a binding ruling either before a product is imported or after the fact. Often importers will request binding rulings before they plan to import a new product to know exactly which heading it will fall under allowing for effective tariff duty rate planning as well as Free Trade Agreement applicability. In some cases when a product has been imported CBP may contest the HTSUS code the importer chose. Should the importer disagree with this decision they may request a binding ruling to clarify the situation.

It is important to note binding rulings are only legally applicable to the specific products and importers to which they were granted. They're a valuable source of guidance to gain insight into how CBP interprets the often-ambiguous rules governing the HTSUS but classifiers must remain cognizant of this fact.

Due diligence, accuracy and transparency are key in any successful import/export operation. Such parties must, to the best of their abilities and knowledge, adhere to regulations as closely as possible to minimize the risk of violations. In some cases, it is prudent to elicit outside support who are well versed in said regulations to reduce the risk of legal issues, provide expertise on topics that may not be well understood by the importer as well as provide a better overall picture of potential regulatory and tariff duty rate obligations.

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Trade Consulting Services is a full service import and export consulting company specializing in helping companies understand and implement the requirements of the import and export regulations.

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- Commodity Jurisdiction determination;
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- Drafting licenses and agreements for both the Department of Commerce and State;
- Providing customized training;
- Drafting and implementing compliance programs and procedures.
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