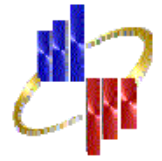


FAST FACTS

DETERMINING HS CODES



GENERAL INFORMATION

In 1952, the World Customs Organization (WCO) was founded to simplify international trade. The WCO developed the Harmonized Tariff System (HS) which forms the basis for the collection of customs duties and trade statistics for almost all countries. Over 190 countries, customs unions and economic unions are members - representing 98% of world trade. One of the more important innovations developed by the WCO was the Harmonized Tariff System Code. The 10-digit HS codes classify almost every product recognized by the majority of customs officials throughout the world. It is also extensively used by governments, international organizations and the private sector for many other purposes such as internal taxes, trade policies, monitoring of controlled goods, rules of origin, freight tariffs, transport statistics, price monitoring, quota controls, compilation of national accounts, and economic research and analysis. The HS is thus a universal economic language and code for goods, and an indispensable tool for international trade. Note that services do not have HS codes, only goods.

TERMINOLOGY: HS CODE, HTS CODE, AND SCHEDULE B NUMBER

An American business involved in international trade will hear references to HS and HTS codes, and Schedule B numbers. HS codes refer to American *exports* and are used by foreign customs to identify American products entering their country. HTS codes refer to foreign *imports* and are used by American customs to identify foreign products entering the United States. HTS codes are based on HS codes and do not substantially differ. Both HS and HTS codes are used by U.S. Customs for data collection and statistical purposes. The term "Schedule B number" is synonymous with the term "HS code", and can be used interchangeably.

HS code = Schedule B number = American exports
HTS code = Foreign imports

HARMONIZED CODES– APPLICATIONS

The HS code numbers have many purposes. The codes are used for preparing and comparing trade statistics. National governments use the HS codes when they are conducting trade negotiations. The codes also help officials regulate and monitor shipments of controlled items. One of the most important uses of the HS codes is the determination of import tariffs on specific products.

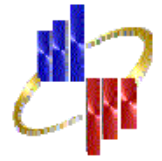
A Schedule B number is required on export shipment documentation such as the Electronic Export Information, or EEI (formerly known as the Shipper's Export Declaration, or SED).

See [VEDP FastFact - Export Documentation Overview](#) According to the U.S. Department of Commerce's Census Bureau Foreign Trade Division, there are more than 8,000 different product categories. All exported products have a corresponding 10-digit code that the U.S. exporter selects from the U.S. Census Bureau's Foreign Trade database.

See: <http://www.census.gov/foreign-trade/schedules/b/index.html#about>

FAST FACTS

DETERMINING HS CODES



The Longer the HS Code, the More Descriptive it Is

The HS code database is made up of “chapters” that are designated by the first two digits of the HS code – the broadest or most generic HS classification level. For example, below is the HS code description of roller skates starting at the chapter level:

- Chapter 95 of the HS is titled “*Toys, games and sports equipment; parts and accessories thereof*”, and every product in chapter 95 will have an HS code number that starts with the number 95.
- The 4 digit number gets more detailed: 9506 is “*Articles and equipment for general physical exercise, gymnastics, athletics, other sports (including table-tennis) or outdoor games, not specified or included elsewhere in this chapter; swimming pools and wading pools; parts and accessories thereof; Snow-skis and other snow-ski equipment; parts and accessories thereof.*”
- The 6 digit number offers more information: 9506-70 is “*Ice skates and roller skates, including skating boots with skates attached; parts and accessories thereof.*”
- The 10 digit number is the most detailed code number and is specific to the United States: 9506-70-2000 “*Roller skates, and parts and accessories thereof.*”

The full 10-digit HS code is part of a series of progressively broader product categories with the first six digits considered to be in “harmony”, or harmonized, with the majority of other countries. For instance, the first six digits of the HS code for “*Grinding, sanding or polishing machines*” is 8465.93, and customs officials in the U.S. and France, for example, will know what the product category is. However, at the full 10-digit level there are specific categories, such as 8465.93.0004: “*Grinding, sanding or polishing machines for woodworking, used or rebuilt, belt sanders, for a belt width 60 cm or wider.*” It may be that this specific product in France has a tariff, whereas another specific type of sander classified under 8465.93.0027 “*Edge belt sanders*” may be duty-free in France. So it is important for the U.S. exporter to understand their product’s full description and select the HS code that most closely matches their product description. The U.S. Census Bureau’s Foreign Trade Division has a Commodity Analysis Branch (tel: 301-763-3484) available to U.S. exporters to confirm the appropriate HS code for their product.

You may already have the U.S. Standard Industrial Trade Classification (SITC) number or the North American Industry Classification System (NAICS) code for your product or service. The United States International Trade Commission (USITC) website has a translator for your convenience. To convert NAICS or SITC and HS:

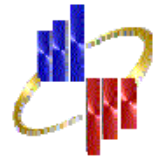
http://dataweb.usitc.gov/scripts/commod_select.asp.

How to Choose the Correct HS Code

Frequently, products are technical in nature and the appropriate HS code should be determined by someone within your company who has the expertise. Because there may be penalties or fines for incorrect or fraudulent use of HS codes, it makes good business sense to check with the U.S.

FAST FACTS

DETERMINING HS CODES



Census Bureau's Foreign Trade Division's Commodity Analysis Branch. Confirm your choice of HS code with a representative there and keep a file as to how you determined your HS code.

Occasionally, an overseas buyer will request the HS code from you to assist them with clearing the product through their Customs office. However, the importer retains full responsibility for clearance.

Your VEDP Trade Manager is available to provide you with guidance in determining the appropriate HS code for your product line.

2007 REVISIONS TO THE HARMONIZED TARIFF SYSTEM

As of January 1, 2007, a new Harmonized Tariff System went into effect. The 2007 version is the third major revision of the Harmonized Tariff System since its adoption by the WCO Council in 1983 and its entry into force in 1988. The new version includes more than 350 amendments to the HS Nomenclature. The new system was adopted in order to:

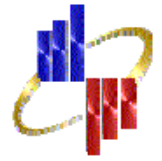
- Reflect technological developments
- Take account of current trade practices
- Clarify texts to ensure uniform application
- Cater to social and environmental concerns
- Assign code numbers

U.S. Customs offered a grace period of two months in which either the old or new 2007 revised HS codes could be used on the Electronic Export Information (EEI). As of March 4, 2007, however, all American exporters filing an EEI through the Automated Export System (AES) must use the new 2007 HS codes.

It is important for the U.S. exporter to verify that duty rates in the foreign market have not changed under the new HS system. In most cases, duties should remain the same. All U.S. federal government websites now have the updated version of the 2007 Harmonized Tariff System.

FAST FACTS

DETERMINING HS CODES



VEDP TRADE EVENTS

The VEDP participates in numerous trade events around the world that are open to all Virginia exporters.

For a complete listing of VEDP's international trade events, please visit the "Trade Events" tab on our website: www.exportvirginia.org

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ADDITIONAL RESOURCES

- U.S. Census Bureau Foreign Trade Division: <http://www.census.gov/foreign-trade/www/index.html> and Commodity Analysis Branch at: (301) 763-3484.
- U.S. International Trade Commission (USITC): <http://www.usitc.gov> Office of External Relations: (202) 205-3141.
- U.S. Department of Commerce. Trade Information Center On-line. HS codes and foreign country tariff and tax info: http://www.export.gov/logistics/eg_main_018130.asp

WORKS CITED

Schedule B Export Codes, U.S. Census Bureau's Foreign Trade database.

<<http://www.census.gov/foreign-trade/schedules/b/index.html#about>>

The World Customs Organization (WCO). <www.wcoomd.org>

Last Updated: May 2009

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