Harmonised System: Introduction for Customs classification for businesses

If your business imports or exports goods, you need to find the correct HS code, or commodity code or CN code (all the same) that your goods fall in.

The commodity code is often the trader's Achilles heel. A commodity code is usually required to make an import, export or transit declaration when you bring goods in or send goods out of your country. This includes goods sent to you from abroad.

The commodity code determines the rate of customs duty of the customs tariff or the non-tariff measures that apply.

If you classify your goods correctly, you'll know what rate of duty and import VAT you should pay, and if:

- you can save duty because you can suspend it
- you need a licence to move your goods

Classification is the act of finding the right commodity code for your product, It is not just used to determine the customs duty rate for a specific subheading.

It is also used to apply non-tariff measures. So, even if all goods were zero-rated for customs purposes, classifications could still be necessary if you need to:

- apply for an import or export licence
- find out if import or export restrictions apply
- issue a certificate of origin
- claim an export refund or similar
- determine whether or not a product is liable to excise duty
- find out if a reduced value-added tax rate applies
- agricultural policy
- assess if anti-dumping duties apply
- consider tariff quotas or suspensions.

What does customs classification mean?

It means determining the chapter, headings or further subdivisions of the customs tariff of your country under which the goods will be classified. For example, in the EU, that is the Combined Nomenclature, in the UK it is the Trade Tariff, in Switzerland it is TARES and in the US it is the HTS.

Example of a classification system

Take the European Union (EU) for example.

The EU classification system has 2 elements:

- The Combined Nomenclature (CN) - the EU's 8-digit coding system. It is based on the Harmonized Commodity Description and Coding System (HS) - developed by the World Customs Organisation (WCO).The CN is used for the EU's common customs tariff. It is also used to provide EU trade statistics.
- The Integrated Tariff (TARIC) provides information on all trade policy and tariff measures that apply to specific goods in the EU (e.g., temporary suspension of duties, antidumping duties).

It is made up of the 8-digit code of the CN plus 2 extra digits (TARIC subheadings).

Searching for the right commodity code

Usually, countries of customs territories have an online tool to help businesses find the right commodity code. In the EU, businesses, for example, can use the TARIC working tariff online database, in the UK, importers and exporters use the Trade Tariff.

Classification rules

There are six General Rules used in interpreting (applying) the Tariff. These are known as the General Interpretative Rules (GIR) 1 through 6. They are quite complex and we suggest that you seek training to talk through them with your dedicated Customs Manager.

Get help with a difficult classification

If you cannot find the right commodity code for your goods, you can contact Customs Manager Ltd for advice.

Formal legally binding decision

If you feel that your goods are hard to classify and informal advice is inappropriate for you or your business, for example, because your goods are a new type, or you need a longer-lasting and legally binding decision for your goods, then look into getting a legally binding decision from the authorities.

How we can help

We can also help you get a legally binding decision from the authorities. This is known, for example, as a Binding Tariff Information decision in the EU or an Advanced Tariff Ruling in Great Britain (England, Scotland and Wales). Your dedicated Customs Manager know how to apply for a legally binding decision on the commodity code and can often fast-track the application so that you do not have to wait up to 120 days for the authorities to process them.