

Understanding HS Codes and the Schedule B

The Harmonized System (HS) is a global product classification system. To export, you will need to know the HS Code for your product.

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Among <u>classification systems</u>, Harmonized System (HS) codes are commonly used throughout the import and export process for the classification of goods. The Harmonized System is a standardized numerical method of classifying traded products. It is used by countries around the world to uniformly identify and describe products

for purposes such as assessing duties and gathering statistics.

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The HS is administrated by the <u>World Customs Organization</u> (WCO) and is updated every five years. It serves as the foundation for the import and export classification systems used in the United States and by many trading partners.

The HS assigns specific six-digit codes for varying classifications and commodities. Countries are allowed to add longer codes to the first six digits for further classification.

Expanding from the Harmonized System's 6-digit level, the United States requires a 10-digit number to classify products being imported or exported. For US exports, the Schedule B is used to classify products, and it is administered by the U.S. Census Bureau. For US imports, the Harmonized Tariff System (HTS) is used, and it is administered by the US International Trade Administration Commission (USITC). While a complete 10-digit US Schedule B number and US HTS number may not be the same for every physical product, the first 6 digits (the Harmonized System Subheading/code) will be the same.

How You Use the HS Code

You will need the U.S. Schedule B number for your product when exporting out of the United States. The first 6 digits will contain the Harmonized System code. You can use this information to:

- Classify physical goods for shipment to a foreign country;
- Report shipments in the <u>Automated Export System</u> (AES) when the value is more than \$2,500, or the item requires a license.
- Complete required shipping documentation such as shipper's letter of instructions, commercial invoice or certificate of origin;
- Determine import tariff (duty) rates?and figure out if a product qualifies for a preferential tariff under a free trade agreement;
- Conduct market research and obtain trade statistics;
- Comply with U.S. law, where applicable.

How to Identify Your Product's (U.S.) Schedule B Code

The Census?Bureau offers a free, widely used online Schedule B search engine that can help you classify your products. The search engine can be found at the US Census Bureau's <u>Schedule B Website</u>. The Schedule B search tool is the most commonly used method for classifying products. The site provides training resources to help you better identify for your Schedule B number, as well as contact information for assistance.

If your product is difficult to classify, the <u>Customs Rulings Online Search System?(CROSS) database</u> can help you find its HS code. CROSS contains official, legally binding rulings from requests for Harmonized Tariff System (HTS) numbers for products importing into the United States.

Although CROSS can't offer legally binding rulings on requests for Schedule B numbers for exports, the information on CROSS can give you a headstart as you ultimately find your Schedule B number. By finding the Harmonized Tariff System (HTS) number for an imported product from the CROSS database, the first 6 digits will contain the HS Subheading. Being the subheading, the first 6 digits of a product's HTS number will also be

the first 6 digits of a product's Schedule B number. Therefore, you can browse the Schedule B with the HS Subheading, where you'll be able to find the remaining 4 digits of your 10-digit Schedule B number.

Special situations:

- Shipping multiple items as a set: For the most part, determining a product's Schedule B code is straightforward. For example, an unassembled bicycle that is sold in a box containing the bicycle frame, handlebars, pedals, and seat is classified as a bicycle (because the item is sold as one unit) and not as several different components. Some sets, however, are harder to classify. Rule 3 of the General Rules of Interpretation (GRI) of the Harmonized Tariff Schedule addresses composite goods, mixtures, and items that are sold in a set. The GRI has established a three-step process for determining the Schedule B code in such situations; the introduction to the official Schedule B publication contains the relevant passage.
- **Textiles/Apparel shipped as a set:** The rules that govern Schedule B codes for textiles and apparel sets are unique. Refer to GRI Chapter 50, Note 14 for more information.

How to Identify Your Product's Foreign HS Code

The 6-digit Harmonized System Subheading will be the same whether you are importing or exporting into any country of the World Customs Organization. This ensures that all countries uniformly classify their products. To find your product's HS code, you can utilize tools such as the Customs Info Database.