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Are You Ready to Reclassify in 2022?

In April, we published an article about gearing up for the 2022 Harmonized Tariff code changes. Your Import Compliance Department might classify your products internally or outsource this work. Either way we'll walk you through the basics and why your company should review the following key classification subject areas now and before the 2022 update.

Reclassifications:

Usually, the new HTS numbers further define new items that were not necessarily listed before but sometimes it's not clear with the new item is (e.g. Other, other, other) Remember the confusion over 8517.62.0090? Always note that you shouldn't ever reclassify to a new HTS just because the duty rate is more favorable. You must go through the prescribed classification procedure of reviewing GRIs, other rulings and Customs directives and informed compliance documents to determine the correct HTS –regardless of whether it's a new or older HTS number.

- **General Rules of Interpretation (GRIs)**

If you need to review the new HTS classifications because you are not sure if a new HTS applies you should always go back to the GRI's. GRIs that are the single set of legal principles that always govern the classification of merchandise under the Harmonized System. Always read the Section Notes, Chapter Notes and Explanatory Notes for each HTS heading before going to the actual tariff. You will find exclusions and other important definitions in these notes that you won't find in the tariff itself.

- **Customs Rulings Online Search System (CROSS) Rulings**

Use the [CROSS](#) system to find previous binding rulings by Customs on particular item HTS classifications. This is a very helpful resource to see how Customs goes through their decision making process when determining a classification. Note that some rulings may have been revoked or modified. Or [apply for a ruling](#) if it's still unclear how to classify your item. But be wary because CBP might not agree with your proposed HTS and the ruling might not come out in your favor.

- **Centers of Excellence**

While not as legally binding as CROSS rulings, there are other resources that can help in determining the classification of an item. The [Centers of Excellence Teams](#) can help provide guidance on particular commodity groups. These teams are focused on nationwide issues such as port level decisions but can be a resource for providing classification guidance.

- **Informed Compliance Publications**

These publications have a wealth of information and examples for classification purposes. See the List of publications [here](#). But note the following publications will be most useful day in and day out: All of the Classification publications, Base Metal Mountings and Fittings, Diodes-Transistors-Semiconductors, Fasteners of Heading 7318, etc.

Other Considerations:

When reclassifying an item, understand that it might cause that item to be subject (or not subject) to the following:

- **Section 301 / 232 tariffs**

New HTS numbers might be exempt from these Section Tariffs. Do not reclassify just to get around these tariffs. Different sourcing might be a better way to avoid them than trying to arbitrarily change the HTS.

- **ADD/CVD**

You'll want to track the new HTS classifications against any new ADD/CVD cases. There might be updates to the cases that could include the new HTS classifications.

- **Preferential Treatment**



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Any Free Trade Agreement that relies on a tariff shift will most likely need to be updated to some degree. The good news is that new HTS classifications are usually changes at the statistical suffix level. And so most rules of origin will still apply since they are at the heading or subheading level.

Classification System updates

One of the most painful parts of large HTS updates is how your systems get updated with the new content and how to maintain an audit trail of what changes and exactly when. If you have a GTM system, the content may be updated automatically through your service provider and they can notify you of HTS conflicts or obsolete HTS classifications. But in reality, what we've seen is there might be a few different systems that store HTS data and they all need to sync. In order to make this process less painful, it's important to have one system of record that feeds all other systems that house HTS content and product classifications.

Hopefully we've shed some light on this hot topic. Let BPE Global know if we can help you with any of your trade compliance needs. BPE Global is a global trade consulting and training firm. Julie Gibbs is a Director of BPE Global. You can reach Julie by email at julie@bpeglobal.com or by phone at 1-415-595-8543.