

## **BPE Global Hot Topic – September 2016**

### **HTS: Don't Stop After Assigning It**



I am a huge believer in the power of the Harmonized Tariff System (HTS). The HTS is a critical factor in any company's ability to be strategic in their product design, sales and marketing efforts. And the HTS is the cornerstone of any trade compliance operation, you can't begin without know what your products are.

By determining the HTS for your products, you can understand what the total landed cost of your goods will be when you import them. You can identify the duty rate that is assessed on your product into any country in the world. You can consider product design elements or even pricing to direct which HTS your product will fall under. In other cases, how you package and/or ship your products may result in a change of classification.

The purpose of this Hot Topic is to remind everyone that the HTS list has some great intelligence built in it on top of duty rates. You can definitively know if an item is eligible for a preferential trade agreement such as NAFTA or the U.S. Singapore Free Trade Agreement. You can identify products and suppliers that would be subject to antidumping and/or countervailing duties. And you can understand what other government agencies may require additional information about your product.

Understanding if a product is eligible for preferential trade agreement or may be subjected to additional antidumping and/or countervailing (AD/CVD) duties can be very strategic when you are making sourcing decisions. If you can source from a country where the product is eligible for a preferential trade agreement, then you could determine what it would take to qualify the item for the agreement. And if you can qualify your items you will likely avoid duties and certain taxes as well. You can look up the eligibility of a product or HTS for all Trade Programs by country at the USITC website <http://bit.ly/2cLJleD>.

Another critical factor in sourcing decisions revolves around AD/CVD duties. AD/CVD duties are levied when the U.S. government suspects and/or determines that a foreign producer sells a product in the United States at a price that is below that producer's sales price in the country of origin ("home market"), or at a price that is lower than the cost of production. AD/CVD duties can exceed 100 percent of the value of an item. You can look up AD/CVD investigations at <http://bit.ly/2da52FT>.

Knowing which of your products are subject to other government agency requirements can also be determined by the HTS of an item. Each government agency flags the HTS numbers with codes that indicate whether they want to or may want to review items with that HTS. In some cases, Customs and Border Protection (CBP) has actually interfaced with a Partner Government Agency (PGA) and collects additional product information as part of the customs clearance process. Knowing what government agencies regulate your product is critical to your supply chain and gathering any additional information required for clearance prior to the arrival of your products in the U.S. can significantly accelerate your customs clearance cycle time. You can look up the PGA requirements by tariff number at CBP's website <http://bit.ly/2cn5VcF>. You can also call your customs broker and ask them for an Excel version of this list. It's also important to note that many PGAs are scheduled to receive data electronically from CBP in the near future so being current on the PGA requirements is very important.



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You can't clear your goods through Customs without a classification. Getting the classification right is a pretty complex process and is outlined in CBP's Informed Compliance Publication titled Tariff Classification <http://bit.ly/2cYZkpk>. Some common mistakes that importers make include relying on their customs brokers to classify their products. Customs brokers are amazing, but it's next to impossible for them to know everything that you need to know about an item to classify it. Your broker's don't have access to your engineers to get that information. Another common mistake made during classification is failing to read the WCO Explanatory Notes, the chapter and subheading notes and the General Rules of Interpretation. Other mistakes are to fail to check the Informed Compliance Publications to see if CBP has provided guidance on your item or to fail to review rulings on similar items. And finally, so many companies just look at the USHTS and fail to classify their products globally.

We highly recommend creating a repository for all your classifications for every country you operate in. You should include the special preference indicators, AD/CVD flags and other government agency codes in that database. And you should include an audit trail that shows that you used reasonable care in determining your classifications.

We hope you enjoyed this Hot Topic and will unleash the power of your HTS classification.

If you have any questions, or need help with classifying your products, BPE Global is here to help!

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