



# Understanding international product classification through Harmonized System codes

Everything you need to know about Harmonized System codes when shipping internationally





## The Harmonized System

The Harmonized System is an international terminology for the classification of products that are imported and exported worldwide. It enables participating countries to classify traded goods on a common basis for customs purposes. At the international level, the Harmonized System (HS) for classifying goods is a six-digit code system. Developed in 1988 by the World Customs Organizations and adopted by more than 200 countries, it's the global standard used to classify and apply customs duty and tax rates for specific types of products. Applying HS codes for classification also enables countries to collect trade statistics, implement trade agreements, control regulated goods, and conduct risk management with internationally traded goods.

### How HS codes work

An HS code is used to reference classification with your customers, vendors, trade organizations, customs departments, when completing your import and export documentation. A six-digit code is generated from approximately 5,300 article/product descriptions in the form of chapters, headings, and subheadings.

**Chapter:** The first two digits categorize the product (ex: dresses, women's or girl's).

**Heading:** The second two digits define this classification further (ex: knitted or crocheted).

**Subheading:** The third two digits specify the product in more detail (wool or fine animal hair).

### HS Codes

Chapter	Heading	Subheading
61	04	41

### HS Codes Apparel

Chapter	Heading	Subheading	Description
61	04	41	Women's or girls' ensembles, jackets and blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted; Dresses; <b>Of wool or fine animal hair</b>
61	04	42	Women's or girls' ensembles, jackets and blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted; Dresses; <b>Of cotton</b>
61	04	43	Women's or girls' ensembles, jackets and blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted; Dresses; <b>Of synthetic fibers</b>

Everything that is shipped internationally relies on identifying the right six digit code for basic classification. As you can see in the previous example, these six-digit HS codes are for apparel products and relay important details for each product.

If you fail to use HS codes accurately, there are consequences for your business. Tariffs and customs duties are applied to products based solely on the HS codes assigned to various products. That means, if you apply an incorrect HS code, the receiving country won't be able to properly classify that product. Incorrectly assigning an HS code may result in legal, administrative, or non-compliance penalties; denial of import privileges; seizure of goods; delay of delivery; and increased inspections on your shipments. Further, many of these penalties can result in a poor experience for your customers.

## HS codes and international shipping

All governments add numbers to the six-digit HS codes to further define and distinguish products in certain categories. These additional numbers typically vary by country and can result in a total HS code of eight to 12 digits. For example, the U.S. uses the Harmonized Tariff Schedule (HTS) which is 10-digit classification based on the Harmonized System for imported goods. For other countries, the 10-digit code for international shipments differs depending on the country that receives the goods. The additional numbers are essential for imports as they're used by the importing country to identify restricted goods and to classify imports.

### International shipments destined for the U.S.

For shipments destined for a location in the U.S., an HTS code must be applied by the company that is shipping to a U.S. destination.

The HTS code is used to determine item classification and product taxability. To build upon our previous example for apparel products, the following table shows the additional complexity HTS codes bring to item classification. This provides a good example of how difficult item classification can be since apparel is one of the more complicated commodity groups to classify. Many factors should be considered when assigning apparel HTS codes including fabric construction, fabric composition, gender classification, and size.



### International shipments

When shipping items internationally, the 10-digit, customs-grade code, helps ensure imports make it into the destination country because the additional numbers help identify restricted goods or classified imports.

### Harmonized Tariff Schedule codes: Apparel

Chapter	Heading	Subheading	HTS	Description
61	04	43	0010	Women's or girls' ensembles, jackets and blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted; Dresses; Of synthetic fibers; Of polyesters containing spandex
61	03	43	0015	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted; Trousers, bib and brace overalls, breeches or shorts; Of synthetic fibers; Shorts
61	11	20	0300	Babies' garments and clothing accessories, knitted or crocheted: Of cotton; Sleepwear and underwear
62	01	13	0000	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks, (including ski jackets), wind-cheaters, wind-jackets, and similar articles: Of man-made fibers; Of man-made fibers

## International shipments with destinations outside the U.S.

When shipping to international destinations beyond the U.S., businesses still need to apply an extension to the international HS code to complete the full code. Each country determines individual regulations and naming when it comes to import classification. International codes are also critical to ensuring your products are classified and taxed appropriately when entering another country. If not, you could owe the country for missed taxes or your items could be rejected at customs and returned, resulting in unhappy customers.



### Shipping to the European Union (EU)

All EU members use the same four-digit country code called the Integrated Tariff of the European Union (TARIC).

## HS international codes: Apparel

Chapter	Heading	Subheading	Country Code	Description
61	04	43	0000	Women's knitted dress, cotton fiber
61	11	30	9000	Babies knitted other apparel, synthetic fibers
62	09	20	0010	Babies woven gloves, mittens and mitts, cotton
62	03	19	3000	Men's woven jacket or blazer, artificial fibers

## Complexity is a necessity

Almost all countries require HS codes eight to 12 digits in length to calculate customs duty prior to importing goods. Considering all the different categories of products and the types and variations of those products, it's easy to understand why HS codes require such levels of complexity. That said, it doesn't make it any easier for businesses that have to determine which item classification to apply to their products. Nor does it minimize the stress associated with incorrectly classifying your products.

There are approximately 5,300 product descriptions, arranged in 21 sections and 99 chapters. Researching all the various codes for products in all countries is a time-intensive and confusing process. As you can see from our example, even products that might seem straightforward can have multiple HS code options depending on the type of product, how it's made, the destination country, and many other factors.

Expanding businesses need an efficient and scalable customs duty and import tax compliance solution to determine and assign the appropriate HS code for the applicable destination country. Once the HS code is identified, customs charges can be determined for the HS code. This supports exporters in their efforts to ship goods Delivered Duties Paid (DDP) and for importers to create customs entries. The results are more accurate total cost estimates and freeing your employee resources to focus on growing your business.

## How Avalara can help

As business increases, the inefficiency of manual solutions for assigning Harmonized System codes becomes a barrier to growth. Let Avalara map your products to full, country-specific tariff codes with [Avalara Item Classification](#). We handle the assignment of HS codes for your products sold and delivered into the U.S. or for export outside of the U.S.

- **Classify with confidence.** With Avalara Item Classification, you don't have to be a global trade expert to feel confident about your tariff codes.
- **Increase efficiency.** Avalara's automated process saves you the hassle of trying to sort through the complexity of the codes.
- **Enhance the buyer experience.** Armed with an accurate HS code, you can calculate and collect the customs duty and import taxes up front, allowing Delivery Duty Paid (DDP) shipments and improving customer satisfaction by avoiding delays and surprise changes.
- **Improve accuracy and reduce costs.** Using incorrect HS codes can result in products being held in customs, and heavy fines. Having a broker or carrier figure out the right code often adds unnecessary costs. Avalara Item Classification can help you operate more accurately and efficiently.

Avalara Item Classification in conjunction with AvaTax Cross-border provides automated calculations of custom duties and import taxes, which can help make international sales more efficient.



To learn more about Avalara's products, visit:

[avalara.com](https://avalara.com) or call **877-780-4848**

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