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Simplified method to identify the Harmonized System Coding

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Traditionally, it is considered that assigning the appropriate Harmonized System code (commonly known as HS code) is a tacit knowledge. Many practitioners used to ascertain the HS code of commodities through the hands-on experience, or by simply by following the instructions of their senior officers or solely accepting the decision of customs officers. This practice was not a big challenge when the importers and exporters handled just a handful of commodities. However, with the gradual increase of international trading and logistics activities the industry became very complex resulting the logisticians need to deal with many commodities thus HS codes. This paper provides a simplified method that helps the user to find the accurate HS code of any complicated cargo/commodity promptly and logically. Therefore, the Documentation or Customer service staff in the shipping line/agent office should be very familiar about the HS Nomenclature to expedite the booking process while eliminating risks of potential customs penalties.

With the implementation of ENS-Entry Summary System (or AMS- Advanced Manifest Submission to Customs authorities) the HS code became a buzz word in the industry because even the front-line customer service personnel are compelled to work with HS codes. In contrast, this challenge was faced by those who directly interact with customs officials and others simply followed the instructions of the said staff. Therefore, in addition to those who are directly involved in commercial trading, the staff of shipping lines/agents also need to be very cautious about the accuracy of the HS codes.

Usually shipping lines heavily depend on cargo declaration (Especially in the context of containerization where the cargo is described as "Shippers load and count"). According to the rule pertaining to advanced manifest provides that "Customs must receive from the carrier the vessel's Cargo Declaration, Customs Form, or a Customs approved electronic equivalent, 24 hours before such cargo is laden aboard the vessel at the foreign port. The AMS (or commonly known as 24 Hour Rule) has been implemented by U.S. Government in the wake of 9/11

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December 2002 Ocean carriers/NVOCC's (Non-Vessel Operating Common Carrier, if registered for it) should transmit electronically cargo manifest data to customs 24 hours in advance. If not transmitted at least 24 hours prior loading at port of loading into U.S.Customs' system "AMS", high fines will be imposed by CBP (U.S. Customs and Border Protection). The EU regulation which came later is also very clear and strict on the rules for submission of Entry Summary Declarations (ENS) or as it is often termed - The EU Advanced Manifest regulation.

To meet the requirement for detailed cargo description, the Harmonized System Nomenclature (HS code) is a valuable supplement to the general cargo description. Most importantly the accuracy of HS Coding helps eliminating the risk of customs rejections and/or delays consequently end up with very serious penalties and demurrages etc. Shipping Lines generally, cannot process Shipping Instructions (SI) without declaring the appropriate main HS code for each item for shipment. While this declaration is technically a responsibility of the exporters, practically shipping agents used to struggle when submitting these documents due to incomplete cargo details and the common industry practice of eleventh hour booking confirmations by exporters and NVOCC.

Endorsement

Mr. W. Sudattha I. Silva- *Superintendent of Customs*

The Process Flow Chart for Classification of Goods designed by Dr. Lalith Edirisinghe is an innovative approach to simplify to understand the process of The Harmonized System for classifying traded products that is developed and maintained by the World Customs Organisation. Particularly the students who are in Logistics, Transport and supply chain industry need a clear understanding of the technical classification mechanism rather than its practical use working environment. Even the entire cross section of staff members of any logistics related organization should be able to analytically view the HS codes that are regularly in use. As the author correctly pointed out in the article the HS code should not be perceived as 'just a number' by its users. It provides very vital