



Future of the HS

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Building a better
working world

Talking points

- ▶ Discussions in preparation
- ▶ Company practical challenges
- ▶ “Pain points” working with the HS
- ▶ Conclusion

Discussions in preparation for conference

- ▶ EY is a global trade advisor to many companies around the world – over 1,000 trade professionals
- ▶ Working with companies, associations and Customs Authorities so have a unique position on the issues
- ▶ HS a major concern of our entire client base
- ▶ Currently work as the centralized classification provider for many clients
- ▶ Interviewed more than 15 companies on HS issues:
 - ▶ Technology, Manufacturing, Pharma/Lifesciences, Consumer Products, Chemical and other industries
- ▶ HS more visible in companies than ever before!

Company practical challenges

- ▶ Decentralized organizations and operations
- ▶ Enormous volume of products to be classified
 - ▶ One company with over 50 million parts
- ▶ Urgency of products crossing borders
- ▶ Gathering sufficient product knowledge and details
- ▶ New products created without HS in mind
- ▶ Employees shipping products unknown to trade team
- ▶ Cost to comply
 - ▶ Size of organization, strained budgets, scarce headcount
 - ▶ Limited resources with trade knowledge, orgs just for class
- ▶ High error rates – well over 50% sometimes

“Pain points”

HS still fit for purpose and not necessary for complete revision. It already “works well” so focus on improvements and dealing with the future.

▶ Complexity of the HS and language

- ▶ *“I don’t speak engineer and my engineer doesn’t speak HS. Its like a different language...”*
- ▶ *“our description gets lost in translation...”*
- ▶ Outdated language terms need updating and focus on newer products not considered
- ▶ Find enhanced connection to industry norms, standards, terminology, definitions to leverage similarities

▶ Use of HS for other purposes

- ▶ *“Is regulatory driving the HS or does the HS drive regulatory...”*
- ▶ Duty rate, statistical purposes, OGA, VAT/GST rates, licensing, quotas, etc.
- ▶ Revenue collection a driver
- ▶ Used in recent trade actions as key determinant of affected products
- ▶ Possible to work closer with these agencies or make info available on connections?

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- ▶ Inconsistencies across jurisdictions
 - ▶ Many reported high level of harmonization at 6 digit level
 - ▶ Continued divergence with increasing 8, 10 and 12 digits
 - ▶ Difficulty in complying when countries disagree
 - ▶ Study to eliminate nonessential and underutilized codes
 - ▶ Limit the addition of new codes to certain requirements
 - ▶ Closer collaboration between industry and WCO/Customs
- ▶ Transparency and visibility
 - ▶ Need to increase transparency of HS information
 - ▶ EN revisions needed and make available to all
 - ▶ Rulings should be reported and aggregated centrally
 - ▶ Working with the TFA structure to improve
 - ▶ Sharing of information
 - ▶ What information and to what level?
 - ▶ Public databases or export/import HS codes shared and aggregated?

“Pain points”

HS still fit for purpose and not necessary for complete revision. It already “works well” so focus on improvements and dealing with the future.

▶ Speed of developments

- ▶ HS does not address many of today’s products – either in description or considered
- ▶ Technology sector, IoT, biological and customized medicines, e-cigs, other
- ▶ Need for more regular forum or meetings to consider and address such developments
 - ▶ Reduce from 5 years
 - ▶ Create a quicker forum
 - ▶ Even if just initial guidance but opening a discussion

▶ The future

- ▶ Drive towards greater digitization and automation of HS decisions
- ▶ How can digitization efforts be facilitated?
- ▶ Will Customs accept the idea of automated classifications?
- ▶ Central database of gathered HS codes declared to WCO members?
- ▶ Public database of HS codes for those who want to participate?
How to make that work?

Conclusion

- ▶ The HS is still fit for purpose and the structure works. However, revisions to address, update and simplify are needed.
- ▶ Companies will continue to struggle to comply with complex HS with limited resources and work with the WCO and Customs Authorities to simplify and share insights will help to bridge the gap.
- ▶ Increased transparency and sharing of rulings across WCO members will facilitate greater compliance and work to resolve conflict.
- ▶ Excited about the future



Wrap up