HS Code requirements in advance air cargo information filings to Customs

Context

An increasing number of Customs administrations are requesting the advance filing of electronic air cargo information for risk assessment purposes. Most of that information is requested from the parties that bring the goods into or out of the country supervised by the Customs administration, i.e. the air carriers and/or their contracted ground handling agents.

The information provided to Customs administrations is composed of data elements extracted from the messages used in the air cargo supply chain. One data element that is essential for an adequate risk assessment is the description of the cargo that is being transported.

While most Customs administrations are accepting accurate plain language descriptions for this data element, an increasing number of Customs authorities have started requesting from air carriers commodity descriptions ("HS codes"), usually referring to a number of reasons, for example minimizing misinterpretations in a multilingual environment and support automated risk management systems.

HS codes are listed in an international product nomenclature (the Harmonized System) developed by the World Customs Organization. The main objective of this tool (regulated by the International Convention on the Harmonized Commodity Description and Coding System of 1982) is to determine the duty or tariff rate applicable to goods moving across borders through the classification of such goods under this specific and highly-complex nomenclature. The Harmonized System is not intended nor initially designed to determine cargo risk profiles. It is nevertheless increasingly used not only for tariff classification but also for risk assessment.

This paper provides IATA's position on whether using HS Harmonized Commodity Description (hereafter: HS Codes) for risk assessment is appropriate for securing the air cargo supply chain.

Concerns and considerations

A concise description of goods is required for all customs purposes, as well as for export control obligations of the carrier. Documentation has been published by some customs authorities to illustrate what are acceptable and non-acceptable good descriptions. These lists however are not and can never be exhaustive.

Carriers are challenged by fines and/or inquiries from customs authorities regarding the adequacy of cargo descriptions. The interpretation of what constitutes an adequate description may vary. While certain terms (such as spare parts, general cargo, clothes etc.) are obviously too vague and can therefore be rejected by the carrier, others can be subject to different interpretations.

Providing HS codes in the data transmitted by the carrier to customs authorities can help clarify slightly vague cargo descriptions. Some customs authorities have indicated their intention to use HS codes, when provided, to enhance the specificity of these descriptions. This benefits both parties: customs authorities can carry out their process more efficiently, and carriers can avoid delays or penalties.

However, when considering HS code requirements for advance air cargo information filings, the following elements should be taken into consideration:

1. **Data ownership**

Most carriers do not own the shipment data. Only shippers or their agents at the source of the supply chain have precise knowledge of the nature of the goods and are therefore capable of providing accurate descriptions and correct HS classifications. As a result, carriers are entirely dependent on these parties to supply the precise and complete information expected by customs authorities at export and import.

2. **Qualification and reasonable expectations**

The vast majority of carrier staff are not qualified to perform any classification, nor can they know the exact content of a shipment. Carriers can be reasonably expected to:

- perform basic "sanity checks" on the conciseness of goods description (e.g. ensuring no terms from published lists of unacceptable descriptions, such as those from the EU or US, are used);
- conduct reasonable checks between the description of goods and the physical characteristics of the shipment (e.g. a description stating "full size electric scooter", while the shipment is a small cardboard box of 60x40x30 cm weighing 18 kg). In this context it is important to note that, even where a carrier secures a shipment using such tools as X-ray, this is done for the sole purpose of safety/security, not to analyze the exact contents of a piece of freight;
- request that HS codes are provided in the shipment data.

3. **Liability**

For the above stated reasons, the carrier should not be held liable for the accuracy of goods descriptions or HS codes provided. The carrier is simply passing on the information received from the shipper.

4. **Technical standards**

To strengthen the data foundation for risk analysis and border protection, concise goods descriptions should be used in combination with HS codes if available. Furthermore, the following standards need to be followed:

- The HS code requirement for risk assessment purposes shall be limited to the 6-digit WCO international standard (any digits beyond the first 6 digits are subject to national variances, making these additional digits not internationally compatible).
- To ensure consistent data provision from shippers/freight forwarders and their agents, HS codes should be used and accepted globally. Requiring differentiation based on destination or transit point introduces complexity and increases the risk of human error.
- Customs and other authorities should retrieve HS codes from the designated data fields as defined in IATA standards.

IATA position

IATA recognizes the importance of providing accurate and concise goods descriptions for all Customs purposes, including carriers' export control obligations. IATA also acknowledges that HS codes, when applied uniformly at the 6-digit international standard level, can enhance risk assessment by Customs authorities, while helping carriers avoid penalties.

Considering that descriptions alone can be subject to varying interpretations and enforcement exposing carriers to fines and delays, **IATA supports the global use of HS codes to complement cargo descriptions, provided that their use is framed within clear and consistent parameters.**

At the same time, IATA emphasizes that carriers do not own shipment data and are not qualified to perform classification. Responsibility for the accuracy of HS codes rests with shippers and their agents, not carriers, who act only as conduits of this information. Therefore, **while IATA supports the use of HS codes in advance cargo information filings, it insists on:**

- **clear boundaries on the scope of HS code requirements;**
- **global harmonization to avoid fragmented obligations; and**
- **the principle that carriers must not be held liable for the correctness of the HS codes provided.**

Conclusion

Cooperation with the air cargo industry is essential to make sure that the requirements reach their objectives. Air carriers must be involved in the development of requirements since they are the main filers of advance cargo information.

Customs administrations should accept that:

- there are different roles and responsibilities among the actors in the air cargo supply chain with regard to identifying the shipped cargo;
- business models in the air cargo industry differ, which may require different requirements for different business models; and
- in all requirements for advance cargo information, international standards must be used.

IATA's position is that HS codes, used consistently and globally, can strengthen supply chain security and compliance, but only within a framework that recognizes the respective roles and responsibilities of all actors in the air cargo chain.

If some basic rules and parameters are observed, the provision of HS codes (globally, as a standard) can help both economic operators as well as regulators achieve their goals in a safe and secure environment.