



NAVIGATING THE EXPORT JOURNEY

DUTIES, TARIFFS AND HS CODES

DUTY VS TARIFF

- The words “DUTY” and “TARIFF” are commonly used interchangeably, but there are subtle differences.

DUTY

- Duties are an indirect tax imposed by the government on the consumer.
- Duties are applied to financial transactions and commodities.
- Duties are imposed on both goods that are imported and locally manufactured.
- A CUSTOMS DUTY is the indirect tax levied on the import or export of goods.
- IMPORT DUTY - A duty levied on goods being imported.
- EXPORT DUTY - A duty levied on exports.
- EXCISE DUTY is applied to try and discourage the consumption of products that are seen to be damaging to the environment or to consumers' health (for example, alcohol, tobacco, or fuel products).

DUMPING AND COUNTERVAILING DUTIES

- The Australian Government charges dumping and countervailing duties on dumped or subsidised goods.
- Anti-dumping and countervailing measures are imposed where Australian manufacturers are being materially injured by dumped or subsidised imports.
- **Dumping** is when goods exported to Australia are at a lower price than charged in the manufacturing country.
- **Subsidy** is a financial benefit an exporter receives from a government. A subsidy may allow the exporter to sell goods to Australia at a lower price.
- Dumping and countervailing duties can still apply to goods imported from countries with which Australia has free trade agreements.
- Australia's anti-dumping system is administered by the Anti-Dumping Commission.

TARIFFS

- TARIFFS are a direct tax applied by a government on goods and services imported from or exported to a different country.
- Tariffs are used to restrict imports. Tariffs on exports are very rare.
- Tariffs are among the most widely used instruments of protectionism, along with import and export quotas.
- Types of tariffs:
 - Unit or Specific Tariffs – a tax levied as a fixed charge for each unit of a good that is imported. For example \$0.139/L on LPG imported into Australia from the USA.
 - Ad valorem Tariffs – Latin for “according to value”. This type of tariff is levied on a good based on a percentage of that goods’ value. Australia levies a 5% tariff on European cars.

HARMONISED COMMODITY DESCRIPTION AND CODING SYSTEM (HS CODES)

- Tariffs directly relate to the 'Harmonised Commodity Description and Coding System' (HS Codes) which imported/exported products are classified under.

WHAT IS AN HS CODE?

- Developed in 1988 by the World Customs Organisation (WCO), HS Codes are typically 6 to 10 digit figures that all goods require for international transport.
- The system is enforced in Australian law by the Customs Tariff Act.
- Customs authorities not only use HS codes to identify what goods are being shipped; they also use them to apply relevant customs duties, taxes and regulations. Governments also use HS codes to collect global trade statistics and create tariffs.
- Private companies use the same system to monitor goods, develop and advocate trade policies, collect statistics on traffic and transport as well as monitor prices.

WHAT IS AN HS CODE?

- There are approximately 5,300 HS Codes in circulation.
- All customs agencies are able to identify goods easily using the number associated with the particular commodity.
- More than 98% of internationally traded goods rely on the HS Code system for their classification.
- The six-digit identification code reflects the product's chapter, heading and subheading forming a unique digit customs authorities can recognise.
- Think of the code as being split three groups of two numbers: the first group of two broadly categorises the product. The second two define the classification and the third group specifies the actual product.

WHAT IS AN HS CODE?

- Example: White Rice
 - Section 2 of the HS Codes are 'Vegetable Products'
 - Chapter 10 of Section 2 is entitled 'Cereals'
 - Heading 06 of Chapter 10 is then called 'Rice'
 - Subheading 30 of Heading 06 is then very specifically called 'Semi-milled or wholly milled rice, whether or not polished or glazed'.
 - The HS Code given to this particular good is 1006.30.
- Fresh or chilled potatoes will be classified as 0701.90.
- Frozen potatoes will go under the code 0710.10.
- Umbrellas which have a telescopic shaft will be classified as 6601.91
- Other umbrellas and sun umbrellas will be classified as 6601.99

WHAT IS AN HS CODE?

<https://www.youtube.com/watch?v=2TIMhZd4ccw>



WHAT IS AN HS CODE?

- As the HS Code system is used by over 200 countries, there are variations of how the Code is used. This is why using the correct digits can sometimes be difficult. It is a good idea to consult customs authorities directly or engage an expert freight forwarder and customs broker for advice as to the correct code.
- Generally, the first six digits of the HS code is the same in all countries.
- Different countries, however, may add further digits to describe commodities in more detail without amending the first six digits. In the United States, for instance, ten-digit codes are used.
- As it is the Customs Department of the importing country that clears goods and levies taxes, etc, the Consignee or Importer should be consulted re determining the HS Code suitable for the country of import. It may be that the shipper defines the HS Code for export, but this is not the most appropriate code for the customs entry on the import. A good customs broker will be able to advise appropriate HS Codes for your cargo.
- Alternatively, you can visit the [Free Trade Agreement Portal](#) administered by the Department of Foreign Affairs and Trade (DFAT) to classify your cargo.
- HS codes never work alone. You still need to include a complete description of your goods on your commercial invoice. This description should explain what you are shipping, what is it made of and what will it be used for.

WHAT IS AN HS CODE?

- It is integral that you use the relevant HS Code on each line on your commercial invoice.
- Using a HS Code on a commercial invoice ensures that exports make it through customs seamlessly and without delay. That way, importers will receive their goods faster and exporters are paid sooner.
- Failure to place the HS Code on the commercial invoice could risk the importer paying the incorrect tax. You also may end up paying interest on any back-payments for incorrect classification, and your goods may even be seized.
- Placing the right HS code on your commercial invoice means you'll pay the correct amount of duty. You'll also know if the duty is suspended on any of your products and if any preferential duties rates can be applied on the goods being imported.
- Australia has a free trade agreement with many countries, and using the correct HS code may allow you to access certain preferential duties stemming from those agreements.

FINDING YOUR TARIFF RATE

- Once you know the HS code for the product you are exporting, look up the corresponding tariff rate applicable to the goods by consulting one of a variety of tariff resources available.

FINDING YOUR TARIFF RATE

Trade	Action
Imports to Australia	Search the Department of Home Affairs working tariff .
Exports to ASEAN	Search the ASEAN Tariff Finder
Exports to Brunei	Search the Royal Brunei Department of Foreign Affairs Customs Import Duties
Exports to Cambodia	Search the Cambodia Customs Tariffs
Exports to Canada	Search the Canada Border Services Agency Customs Tariff
Exports to Chile	Search the Chilean National Customs Service Current Customs Tariff (Spanish only)
Exports to China	Search the Chinese General Administration of Customs tariff database . (Chinese)
Exports to Indonesia	Search the Indonesia Customs Tariffs
Exports to Japan	Search the Japanese Customs Service tariff schedule .
Exports to Korea	Search the Korean Customs Service tariff database .
Exports to Laos	Search the Lao Import and Export Tariff Nomenclature
Exports to Malaysia	Search the Malaysia HS Explorer .
Exports to Myanmar	Search the Myanmar Customs Tariffs
Exports to New Zealand	Search the New Zealand Customs Service working tariff .
Exports to Philippines	Search the Philippine Tariff Commission Tariff Book
Exports to Singapore	Search the Singapore Trade Classification, Customs & Excise Duties
Exports to Thailand	Search the Thai Customs Integrated Tariff
Exports to United States	Search the United States International Trade Commission Harmonized Tariff Schedule
Exports to Vietnam	Search the Vietnam Customs Tariff Database

FINDING YOUR TARIFF RATE

- Remember that the actual tariff rates will be determined by the importing country Customs and may, therefore, differ on occasion from your estimate.
- Also, the tariff rates do not include other charges such as Value Added Taxes or other fees collected by Customs or shippers that comprise the total cost of a landed shipment including purchase price, freight, insurance, and other fees up to the port of destination.