



# TARIFF CLASSIFICATION: WHY IS THIS IMPORTANT?

A Tariff Classification is a system used to categorize goods for customs purposes. It assigns a specific code from the Harmonized System (HS), a globally standardized system for classifying traded products. This code determines the duties, taxes, and regulations that apply to each product when it crosses international borders, ensuring accurate duty calculations and compliance with import/export regulations.

## Classification Structure

Canada uses the Harmonized System (HS) of classification, which consists of a 10-digit classification number, broken down into 5 categories. The first 6 digits are universal to all countries, and the last 4 are unique to Canada.

84.09	Parts suitable for use solely or principally with the engines of heading 84.07 or 84.08.
	-Other:
8409.91.00	-Suitable for use solely or principally with spark-ignition internal combustion piston engines
10	-Of the engines of vehicles of subheading 8701.21 to 8701.29 or heading 87.02, 87.03 or 87.04 .....
20	-Of marine propulsion engines .....
90	-Other .....

## Do you pay duty?

Duty and tax are essential in tariff classification because they determine the cost of importing goods. Accurate classification ensures that the right amount of duty (import tax) is applied, impacting the final price of products and affecting profitability. It also ensures custom compliance regulations, avoiding potential fines, delays, or illegal issues.

**Do you review the integrity of your customs entries?**

Legal compliance and regular audits in tariff classification SAVE money by preventing costly errors in duties and taxes. Accurate classifications reduce the risk of overpaying duties or facing fines and penalties for misclassifications. They also minimize shipment delays, which can lead to costly demurrage fees or missed sales.

**Do you take advantage of FTAs?**

Trade agreements, like Free Trade Agreements (FTAs), reduce or eliminate tariffs for qualifying products between member countries. To benefit from these reduced tariffs, products must meet specific origin and classification requirements. Accurate tariff classification helps determine if a product qualifies under an FTA's rules of origin, ensuring that businesses can legitimately claim tariff reductions or exemptions and SAVE on import costs.

**Where do you import from?**

Shipping and tariff costs vary based on the import source. Importing from countries with favorable trade agreements can reduce import duties, and considering the geographical distance helps in estimating shipping costs, which are affected by both distance and mode of transport.

**In Summary**

Proper tariff classification streamlines customs clearance process, helping to avoid unnecessary inspection, usually at air/sea ports. This reduces risk, avoids flags and/or penalties due to errors in customs documents.

**Frontier can help**

Frontier offers internal 'compliance checks', including a full review of your recent import data and parts database, uncovering any potential risks of non-compliance, and discovering any duty drawbacks you may be entitled to on past imports. Compliance checks can also help prepare you for upcoming CBSA trade verifications, and help you maximize your cost savings for future imports.

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