

## Common Concepts in Customs

**Harmonised Customs Procedures** - Though regulations vary from country to country, there has been an effort to develop a standard nomenclature and numbering convention led by the [World Customs Organization the \(WCO\)](#). The more than 200 member states of the WCO have agreed on what is called a Harmonised Commodity Description and Coding Systems, or frequently referred to as the Harmonised System (HS) for short. The HS process has also been adopted and backed by the United Nations, through the Kyoto Convention or International Convention on the Simplification and Harmonisation of Customs Procedures ([Annex J, Chapter 5, specifically deals with relief consignments](#)). Last updated in 2017, the HS codes allow customs authorities and exporters/importers support clearance of goods through simplified and harmonised customs procedures, thus facilitating international trade. Shippers can learn more about the HS process and look up HS codes for specific products on the [WCO's online system](#).

HS codes are six digits long, and are derived directly from the WCO's classification system, however many countries use eight or even ten digits to accommodate both regional and national legislation. The structure of the HS codes is derived from:

Chapter	Heading	Sub Heading	Region Specific Codes	Country Specific Codes
94	04	21	00	00
Furniture	Mattress	Of cellular rubber or plastics	Region Specific	Country Specific

HS codes can be searched for and identified using the [HS Code Lookup Tool](#).

**International Commercial Terms (Incoterms)** – In the customs process Incoterms denote at what physical point cargo may be delivered to and who bears the responsibility for clearing customs. Incoterms range from the importer having to do all the work regarding transport and clearance (FCA) all the way to carriers clearing customs on behalf of the receiving agency and delivering to a named place inside the country (DDP). For information on international trade, see International [Commercial Terms used in international contracts of sale](#).



**Bonded Storage / Transport** – a bonded storage facility is any facility that holds cargo that has not yet been cleared for import into a country, or cargo that has been pre-cleared for export from a country. In real terms, the inside of a bonded facility “international territory” for any cargo stored there. Bonded facilities are usually highly regulated and guarded, and penalties for removing cargo from a bonded facility without proper clearance can be very high. As cargo

is imported into a country, usually customs authorities keep cargo in a bonded facility of some kind prior to clearing customs. Third party companies may also maintain bonded facilities if they have special arrangements with their respective customs authorities, or they operate in some kind free trade zone.

Any time cargo in a bonded facility must be moved from one place to another without undergoing proper clearance, it must be transported with 'bonded transport.' The concept of bonded transport is the same as bonded storage – the items are not technically cleared for import, nor have duties been paid on them and as such bonded transport is highly regulated.

**Demurrage** – Demurrage is the accrual of fees on any cargo items that are left in the holding of a customs authority or air/port side operation after a pre-defined time. Cargo that arrives via air/sea/land border is usually given a specific period of time to undergo clearance without additional charge. The duration of the free of charge period and the daily/hourly rates varies location to location, and is negotiated between the national authorities, the company/authority authorised to run the air/seaport, handling agents, and the transport companies. Demurrage accrued from air and railway shipping typically begins with 1-3 days, while demurrage accrued sea shipping can start as late as two weeks after arrival. Importers should be aware of what their demurrage rates can be, as long-term delays can lead to significant costs.

**Reexport** – any time a cargo is imported into a country and then shipped again to another third country, it is defined as a "reexport." Importers and exporters of goods must be aware of how reexports impact their operations. Governments may have import/export restrictions on specific goods coming from or going to specific countries, either through regional politics binding international sections. Many governments view a reexported item as the same as coming from its original country, even if it passed through a different country in-between. Unwitting importers may accidentally import/export banned commodities, which can have legal and financial repercussions on both the consignee and the shipper.

**Frustrated Cargo** - Any shipment or cargo undergoing the customs procedure that is stopped and prevented from release for any reason. Frustrated cargo could be held up due to improper documentation, failure to meet payment, and attempted import of regulated or banned goods, and usually requires further disposition instructions or additional paperwork.