PRACTICAL TASKS AND METHODICAL RECOMMENDATIONS
FOR THE TOPIC 1

Task 1.1

The company "Global Export" imports goods from different countries. When importing, it has to face various customs risks. Consider a situation: a company plans to import a 100,000 USD product from China. During the execution of customs documents, the question arises about the classification of goods according to the Commodity Nomenclature of Foreign Economic Activity. According to one classification, it is considered electronics, and according to another, it is considered a home appliance. This can have a significant impact on customs duties and taxes.

Consider both possible classifications and calculate the customs duties and taxes for each. It is known that according to the "electronics" classification, customs duties are 10%, and taxes are 5%. According to the "household appliances" classification, customs duties are 5% and taxes are 8%.

How to choose the correct classification of goods and calculate customs costs, while minimizing customs risks?

Methodical recommendations for the topic 1.1

To calculate customs costs and determine the optimal classification of goods for Global Export, we will first consider both possible classifications and compare their customs duties and taxes:

Classification 1 "electronics":

Customs duties: 10% of the value of the goods.
Taxes: 5% of the value of the goods.
Total customs costs 1: customs duties 1 + taxes 1.

Classification 2 "household appliances":
Customs duties: 5% of the value of the goods.
Taxes: 8% of the value of the goods.
Total customs costs 2: customs duties 2 + taxes 2.

Do conclusions in order obtain approaches to goods classification and customs cost calculation aimed at minimizing customs risks.

Task 1.2

During an inspection at the “Romny” customs post, officials discovered that the declared customs value of an imported batch of electronics was significantly lower than the market price. Discrepancies were also found between the invoices and the accompanying shipping documents.

Tasks:

Which customs risk management tools could have helped prevent this violation?

How should customs authorities act to prove the fact of customs value underestimation?

What preventive measures should the company implement to avoid similar situations in the future?

Methodical recommendations for the topic 1.2

Review the principles of risk-oriented customs control and the role of automated risk management systems.

Discuss how data analysis, customs intelligence, and post-clearance audits contribute to identifying value manipulation.

Analyze relevant articles of the Customs Code of Ukraine and WCO guidelines on customs valuation.

Encourage students to simulate a decision-making process for verifying declared customs value.

Emphasize ethical and compliance aspects of fair customs declaration.

Task 1.3

A company imports textile goods and declares them as originating from a country that has a preferential trade agreement with Ukraine. During inspection, it was discovered that the certificates of origin were forged.

Tasks:

How can the State Customs Service of Ukraine verify the authenticity of such documents?

What steps should be followed during the investigation of this type of violation?

How can the government prevent the use of forged certificates in the future?

Methodical recommendations for the topic 1.3

Explain the process of document verification through WCO and intergovernmental information exchange systems.

Discuss international cooperation in detecting and combating forgery of origin certificates.

Examine legal consequences for importers and customs brokers involved in fraudulent certification.

Encourage students to propose preventive mechanisms, such as digital certification systems, blockchain tracing, or electronic databases of origin verification.

Highlight the importance of transparency and due diligence in foreign trade operations.

Task 1.4

According to the data provided by the Department of Customs Risk Profiling, calculated from information stored on the central ASMO “Inspector” server, it is necessary to determine the share of customs declarations for which, as a result of the execution of customs formalities determined by the ASRM system, actual discrepancies were detected.

For the Kyiv Customs Office in the first quarter of the current year:

Total number of customs declarations selected by ASUR for control: 41,533

Number of declarations with actual discrepancies detected: 2,933

Task Objective

Calculate the indicator of the share of customs declarations with detected discrepancies.

Provide an evaluation of the result (e.g., “good”, “satisfactory” etc).

Prepare a short analytical conclusion, including:

How this indicator reflects the effectiveness of customs risk management.

Which factors can influence changes in this indicator (e.g., quality of risk profiles, human factor, technical errors, etc.).

Methodical recommendations for the topic 1.4

Factors Influencing the Indicator

Quality and relevance of risk profiles developed by the Department of Risk Profiling.

Staff qualification and compliance discipline during inspection procedures.

Quality of data integration between ASUR and ASMO “Inspector” systems.

Changes in trade patterns or fraudulent practices by importers.

Technical or procedural errors in data entry and processing.

Methodological Recommendations

Before calculation, ensure accurate data collection from **ASMO “Inspector”** and **Customs Risk Management modules**.

Students should perform both **manual and spreadsheet-based calculations** to confirm precision.

Encourage **group discussion**: interpret the result from both the **operational (customs)** and **analytical (management)** perspectives.

Conduct a **comparative analysis** of this indicator across different customs offices (e.g., Kyiv, Lviv, Odesa).

Discuss the importance of maintaining a **“golden ratio”** — where ASRM effectively detects real discrepancies without excessive intervention.

Integrate this exercise into a **training simulation** on customs risk assessment and data-driven decision-making.

The share of customs declarations for which, as a result of the execution of customs formalities determined by the ASRM system, actual discrepancies were detected = number of customs declarations with detected discrepancies *100 % / total number of customs declarations selected by ASUR for customs formalities.

Task 1.5

Consider the commodity nomenclature of foreign economic activity, that is a classifier of goods used in customs operations by declarants and customs inspectors. Import and export duty rates depend on which HS code the goods belong to. Consider for different goods on example on TURKEY, Canada and USA. Do conclusions.

Methodical recommendations for the topic 1.5

The Harmonized System Nomenclature (HS) forms the basis of the tariff system of all countries of the world. In fact, nomenclature means the systematic numbering or naming of all goods sold on the international market, in accordance with international rules and interpretations. The Harmonized System provides a universal framework for the statistics of international trade and customs tariffs of all countries. The Harmonized System, officially called the Harmonized Commodity Description and Coding System, is an international classification system used for all goods sold on the international market. In the Harmonized System, each product is classified according to a certain logical and systematic structure. Goods are registered at customs on the basis of these codes. Each product/product group has its own HS code. All goods are processed at customs based on these codes. The HS code is a universal trade language for goods and an indispensable tool for both commodity coding and international trade. The HS code (HS Code) can be defined as the "identification number" of all goods in customs procedures. This system is used in more than 200 countries and economies as a basis for collecting international trade statistics. In addition, HS codes are used by customs authorities around the world to identify products for the application of customs duties, taxes, and regulations. More than 98% of the world's trade is classified in HS codes.

HS code is an international harmonized commodity coding system, which almost completely coincides with the HS Code.

The rules relating to the Harmonized System at the international level are regulated by the World Customs Organization (WCO). The WCO regulates customs clearance and ensures uniformity in member countries. The WTO makes comprehensive changes to the Harmonized System approximately every 5 years. As an example, the WTO made fundamental changes to the

Harmonized System in 1992, 1996, 2002, 2007 and 2012. The root cause of these changes can be described as the coding of goods entering the market in the first place. First of all, changes are taking place in the field of information technology. For example, merging product codes whose trade volume is correspondingly low. Each product exported or imported into the country must be assigned an HS code.

STRUCTURE OF THE COMMODITY CODE OF THE COMMODITY CODE OF THE COMMODITY COMMODITY

The first 2 digits are the commodity group of TN FEA:

(84 - Nuclear reactors, boilers, equipment and mechanical devices; parts thereof);

The first 4 digits are the commodity item of TN FEA:

(8458 - Metal-cutting lathes (including multipurpose lathes);

6 first digits - Commodity subheadings of TN FEA:

(845811 - Numerically controlled);

the first 8 digits – Commodity category of TN FEA: (84581141 - Single-spindle);

10 digits, full product code – Product subcategory: (8458114109 - Others).

STRUCTURE OF THE CONSTRUCTION OF TN FEA

1. Chapters: denoted by Roman numerals (*total Chapter XXI*);

The sections are formed according to the industries.

2. Groups: denoted by two Arabic numerals (99 groups in total);

Groups are formed according to:

a) to the materials from which the goods are made;

b) to the functions performed by the goods;

c) to the degree of processing (the higher the level of processing, the higher the group number), example:

/ Live Tree - 06 group / ------ / deck - 44 group / ------ / stool - 94 group /

3. Headings: indicated by the first four Arabic numerals (approximately 1220 in total);

Commodity items are formed on the basis of simple to complex, for example:

/ Deck - 4403 / ------ / board - 4407 / ------ / box - 4415 /.

4. Commodity subheadings: indicated by the first six Arabic numerals (more than 5000 in total, corresponding to the HS commodity code).

5. Commodity subheading: denoted by the first eight Arabic numerals (corresponding to the commodity code according to the codification of goods of the European Commonwealth)

6. Commodity subcategory: denoted by ten Arabic numerals, actually the numerical code of the HS Code.

Thus, it should be remembered that the 1-6th digits correspond to the grouping of goods according to the Harmonized Commodity Description and Coding System, the 7th-8th correspond to the commodity code in accordance with the codification of goods of the European Commonwealth, the 10th category is transferred to the national classifiers of goods.

The nomenclature of the harmonized system (HS) almost completely coincides with the HS Code.

The HS code, up to the 6-digit level, is applied internationally and is common to all countries. In the tariff list of each country using the Harmonized System, the 2-digit, 4-digit and 6-digit codes are the same worldwide. In other words, these codes represent the same group of goods/products in these countries. For example, the HS code "071120" is "olive oil" in all countries.

The HS code consists of 6 digits. Codes containing more than 6 digits in the tariff tables can be ordered and detailed by countries according to their needs for a number of reasons (e.g., to obtain more detailed statistics, to apply customs duties to goods based on more detailed codes). For example, the HS code for lentils is 071340 in all countries. However, each country can use different codes for its needs to distinguish between types of lentils, such as seed for sowing, green lentils, and red lentils after the 6-digit HS code.

Table 1.1

Classification of lentils in the tariff plans of Turkey, the United States of America (USA) and Canada

COUNTRY	TURKEY	USA	CANADA
Hs Code	0713.40	0713.40	0713.40
Seeds for sowing	0713.40.00.00.11	0713.40.10.00	0713.40.00.10
Green	0713.40.00.00.12	0713.40.10.10	0713.40.00.91
Red	0713.40.00.00.13	0713.40.10.30	0713.40.00.92
Other			

As can be seen from the data in the table, lentils are coded as 071 340 in all three countries. However, the type of lentils may differ after the 6-digit code.

Each country is allowed to add additional digits to these international HS codes according to its national statistical or trade needs. For example, 10 digits are used in the EU, USA, South Korea, Canada and China, 12 digits are used in Turkey, 8 digits are used in India, 9 digits are used in Moldova and Japan according to national requirements.

In some cases, after the 6-digit codes, the product codes and the detailed product codes may differ. For example, after the 6-digit code for an apple, Turkey and the United States use different codes and classifications for an apple whose HS code is 080 810 in both countries.

Table 1.2

Classification of apples in the customs tariff lists of Turkey and the United States

TURKEY	TURKEY	USA	USA
Turkey	Turkey	USA	USA
0808.10	- Apples	0808.10	- Apples
0808.10.10.00.00	- - Cider apples, in bulk, from 16 September to 15 December	0808.10.00.30	- - Valued not over 22¢ per kg
	- - Others		- - Valued not over 22¢ per kg
0808.10.80.00.11	- - - Golden apples	0808.10.00.45	- - - Certified Organic
0808.10.80.00.13	- - - Starking apples	0808.10.00.65	- - - Other
0808.10.80.00.14	- - - Starkrimson apple		
0808.10.80.00.19	- - - Others		

As can be seen from the table above, the detailed classification of products after the 6-digit code may also differ in the number of digits (number of codes) in customs tariffs in different countries. For example, the most detailed codes used to classify products consist of 12 digits in Turkey, 10 digits in the United States, the European Union (EU), South Korea, Canada, and China, 9 digits in Japan and Moldova, and 8 digits in India.

Products entering the international market are classified not one by one, but according to their type/type and qualities. Products that have a certain specialization or have higher shares in trade are classified more clearly in this

coding system. In particular, detailed classifications are made after 6-digit codes according to the weight / share of goods / groups of goods in (international) trade. For example, fenugreek, which is a type of sauce that is not coded separately in the customs tariffs of quite a few countries; but it is included in the category "Other", which is the heading of the 6-digit code "210 390" (Other products for the preparation of sauces and ...). However, since fenugreek has a wider use and demand in Turkey than in other countries, it is classified with the code "210390.90.00.12".

The coding of fenugreek in Turkey and Canada's customs tariffs are discussed in the following table 1.3.

Table 1.3

The coding of fenugreek in Turkey and Canada's customs tariffs

TURKEY	TURKEY	CANADA	CANADA
TURKEY	TURKEY	CANADA	CANADA
2103.90	Sauces And Preparations Therefor, ; Mixed Condiments And Mixed Seasonings	2103.90	Sauces And Preparations Therefor, ; Mixed Condiments And Mixed Seasonings
....	....	....	....
210390.90.00.12	Funegreek	....	....
....	....	210390.90.90	Others
210390.90.00.18	Others		

As you can see in the table above, while the detailed code for fenugreek in Turkey is 210390.90.00.12, Canada uses 210390.90.90 (other sauces) as the detailed code for this product.

In the Harmonized System, products are classified horizontally and vertically according to categories such as raw and natural products, unprocessed, semi-processed and processed products. For example, while 'Ethylene polymers in primary forms' (raw product) are encoded in heading 3901.3924, 'Cutlery, kitchen utensils, other household articles and hygiene or toiletries of plastics' (processed product) are in heading <>.

Another example is that 'unwrought aluminium' (crude product) is encoded in heading '7601', while 'aluminium sheets, sheets and strips with a thickness of more than 0.2 mm' (semi-processed product) fall in heading 7606 and 'Tableware, kitchen and other articles for domestic use and parts thereof of aluminium' (processed product) fall in heading 7615.

Another important feature regarding the classification in the Harmonized System is that the products are classified according to the materials in Chapters 01 to 83 and are classified according to the functions in Chapters 84 to 97.

Literature:

1. Визначення ТН ЗЕД коду. URL: https://www.tradeatlas.com/uk/page/sho-take-kod-tn-zed-viznachennya-kodu-tn-zed-poshuk-po-kodu-tn-zed

2. Тема: Гармонізована система опису та кодування товарів. Митний тариф України, основні правила інтерпретації УКТЗЕД URL: https://dspkz.customs.gov.ua/wp-content/uploads/2022/01/3.8.pdf