



IFCBA



**WCO CONFERENCE ON THE FUTURE DIRECTION OF THE
HARMONIZED SYSTEM**

Revitalizing the Harmonized System

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WHAT IS THE HS?

- The Harmonized Commodity Description and Coding System generally referred to as "Harmonized System" or simply "HS" is a multipurpose international product nomenclature developed by the World Customs Organization (WCO).
- Over 98 % of the merchandise in international trade is classified in terms of the HS.
- The HS is extensively used by governments, international organizations and the private sector for many other purposes.
- The HS strives to classify any physical good that can be subject to trade.
- The HS is thus a universal economic language and code for goods, and an indispensable tool for international trade.



HOW EASY
IS TO
IDENTIFY
GOODS?

Traders need to do their homework beforehand:

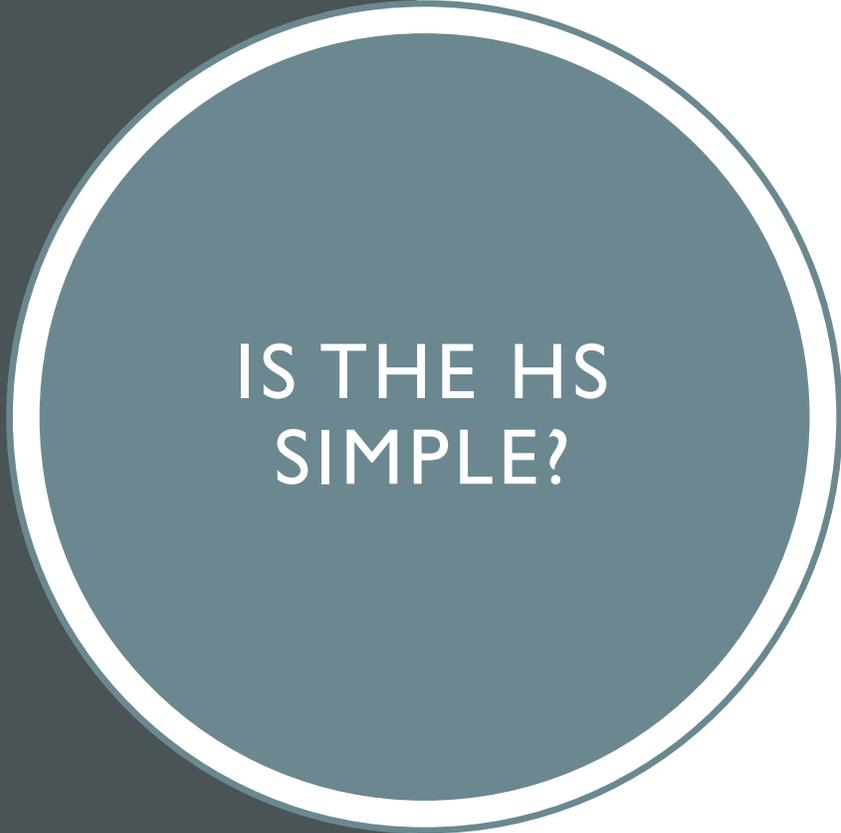
- Manufacturers usually have technical departments with people having deep knowledge of what they produce. However, the data that they normally handle has more to do with product development, production and technical service.
- People in international trade departments are normally non-technical staff. Communication with technical areas about data for customs purposes is not always successful.
- Resellers and retailers don't necessarily have the same level of required technical data on products.
- Customs Brokers, and other intermediaries, can provide assistance to importers and exporters to correctly identify goods.
- Aligning the definitions and technical specifications in the HS to what is normally used in each industry can facilitate and increase the accuracy of the identification of goods.



HOW ARE
GOODS
CLASSIFIED IN
THE HS AND
NATIONAL
TARIFFS?

Traders must provide the applicable tariff code in their declarations

- Once goods are properly identified, relevant and sufficient information is used to relate the products to the HS by the application of the General Rules of Interpretation, GRI's, to locate the heading and subheading applicable for the items to be classified.
- When classifying at the national level, GRI's are usually applied, *mutatis mutandi*, for the next categories in the national tariffs until the tariff code is determined.



IS THE HS
SIMPLE?

Think about:

- Parts & accessories.
- Sets and kits.
- New products on the market.
- Products consisting of mixed materials.
- Chemicals.
- Multi-purpose goods.
- Steel
- Functional units
- Combination of machines

AND THE
GRI'S – ARE
THEY
SIMPLE?

How many people can explain to someone else exactly what this means?

- 3. When, by application of rule 2(b) or for any other reason, goods are, prima facie, classifiable under two or more headings, classification shall be effected as follows:
- (a) The heading which provides the most specific description shall be preferred to headings providing a more general description. However, when two or more headings each refer to part only of the materials or substances contained in mixed or composite goods or to part only of the items in a set put up for retail sale, those headings are to be regarded as equally specific in relation to those goods, even if one of them gives a more complete or precise description of the goods.
- (b) Mixtures, composite goods consisting of different materials or made up of different components, and goods put up in sets for retail sale, which cannot be classified by reference to 3(a), shall be classified as if they consisted of the material or component which gives them their essential character, insofar as this criterion is applicable.



IMPORTANT

For those who work with the HS:

- Training is required. In some countries guidance in HS and goods classification is limited.
- Know the goods - accurate identification of goods is also required for risk management, Other Government Departments, trade compliance, and revenue collection.
- To keep up-to-date with changes to HS, National tariffs, Customs Rulings at HS and National levels may be a challenge

ARE
IMPROVEMENTS TO
THE HS ALL THAT
IS NEEDED FOR
EASIER AND MORE
ACCURATE
CLASSIFICATIONS?

It is a joint work by trade and customs

- The number of goods classifications done by traders and intermediaries at the national level is significantly higher than what Customs Administrations do nowadays.
- Improving the HS is only half of the picture. Unless countries undertake similar steps to their national tariffs, benefits will not reach far enough.
- Customs Administrations should train staff to apply the principles of the HS at the national level. Customs labs and customs rulings play an important role in the classification of goods
- Goods classification should remain a purely technical endeavour. When ambiguities in the classifications arise, it allows for external criteria to contaminate the process, i.e. higher taxation or commercial issues.



THANK
YOU!

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