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Harmonized System – Sets and composite goods and the HS 2017

Izaak Wind

Programme Overview & Positioning

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Session V



Amendments to the HS HS 2017

Guest speaker: Mr. Ed De Jong, Senior Technical Officer WCO



The HS and Customs duties

- International agreements
- Relationship and consequences

HS Convention

Preamble of the HS Convention :

- intended to be used for international trade negotiations
- desirability of meeting the specified needs through a combined tariff/statistical nomenclature

HS Convention

First: Article 9:

- The Contracting Parties do **not** assume by this Convention any obligation in relation to rates of Customs duty

Article 3:

- Customs tariff nomenclature in conformity with Harmonized System

Article 1:

- Customs tariff nomenclature = nomenclature established under legislation of CP for levying duties on imported goods



HS and International Agreements

- Any applicable Customs tariff to be reflected in the national Customs tariff nomenclature
- Including such tariffs coming from (multilateral) agreements

HS and International Agreements

International agreements dealing with Customs duties
(sectorial agreements)

- ITA (WTO)
- Pharmaceuticals (WTO)

HS and ITA

- WTO instrument (Ministerial Declaration), concluded at the Singapore Ministerial Conference – 1996
- Tariff cutting mechanism
- To become ITA participant :
 - ✓ All products listed in the agreement must be covered
 - ✓ All must be reduced to a zero level
- MFN basis

HS and ITA

Product coverage (1)

- Attachment A :
 - HS headings or parts thereof ('ex')
- Attachment B :
 - Specific products (no reference to HS classification)

HS and ITA

Product coverage (2)

Attachment A - Example

ex 8472.90 – Automatic teller machines

EU :

8472 90 30 - - Automatic teller machines	... Free
8472 90 70 - - Other	... 2.2%

USA :

8472 90 10 - - Automatic teller machines	... 0%
8472 90 90 - - Other	... 1.8%

HS and ITA

Product coverage (3)

Attachment A - Example

ex 8504.40 – Static converters for adp machines

EU :

8504 40 30	-- Of a kind used (..)	... Free
8504 40 55/90	-- [Other]	... 3.3%

USA :

8504 40 60/70	-- Power supplies (...)	... 0%
8504 40 95	-- Other	... 1.5%

HS and ITA

Product coverage (4) Attachment B - Example

Set top boxes which have a communication function: a microprocessor-based device incorporating a modem for gaining access to the Internet, and having a function of interactive information exchange

EU :			
		- Reception apparatus for television, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus:	
	8528 71	- - Not designed to incorporate a video display or screen:	
		- - - Video tuners:	
	8528 71 11	- - - - Electronic assemblies for incorporation into automatic data-processing machines	Free
	8528 71 15	- - - - Apparatus with a microprocessor-based device incorporating a modem for gaining access to the Internet, and having a function of interactive information exchange, capable of receiving television signals (so-called 'set-top boxes which have a communication function', including those incorporating a device performing a recording or reproducing function, provided that they retain the essential character of a set top box which has a communication function)	Free
	8528 71 19	- - - - Other	14
		- - - Other:	
	8528 71 91	- - - - Apparatus with a microprocessor-based device incorporating a modem for gaining access to the Internet, and having a function of interactive information exchange, capable of receiving television signals (so-called 'set-top boxes which have a communication function', including those incorporating a device performing a recording or reproducing function, provided that they retain the essential character of a set top box which has a communication function)	Free
	8528 71 99	- - - - Other	14

HS and ITA

Product coverage (4) Attachment B - Example

Set top boxes which have a communication function: a microprocessor-based device incorporating a modem for gaining access to the Internet, and having a function of interactive information exchange

USA :

	- Reception apparatus for television, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus:	
8528.71	- - Not designed to incorporate a video display or screen:	
<u>8528.71.10</u> **	- - - Incorporating video recording or reproducing apparatus	3.9% of FOB value
	- - - Other:	
<u>8528.71.20</u> **	- - - - Set top boxes which have a communications function	0%
<u>8528.71.30</u> **	- - - - Printed circuit assemblies incorporating a tuner, of a kind used with data processing machines of heading 8471	0%
	- - - - Other:	
<u>8528.71.40</u> **	- - - - - Color	5% of FOB value
<u>8528.71.45</u> **	- - - - - Black and white or other monochrome	5% of FOB value

HS and ITA

Product coverage (4) Attachment B - Example

Set top boxes which have a communication function: a microprocessor-based device incorporating a modem for gaining access to the Internet, and having a function of interactive information exchange

USA :

	- Reception apparatus for television, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus:	
8528.71	- - Not designed to incorporate a video display or screen:	
<u>8528.71.10</u> **	- - - Incorporating video recording or reproducing apparatus	3.9% of FOB value
	- - - Other:	
What about set top boxes with built-in recording apparatus?		
	- - - - Other:	
<u>8528.71.40</u> **	- - - - - Color	5% of FOB value
<u>8528.71.45</u> **	- - - - - Black and white or other monochrome	5% of FOB value

HS and ITA

Potential conflicts

- **Covered :**
 - **Digital still image video cameras (ex 8525.80)**
 - **Displays for ADP machines (8528.51)**
- **Not covered :**
 - **Video camera recorders (ex 8525.80)**
 - **Video monitors (8528.59)**

HS and ITA

Discussion point

Composite machine having the following functions:

- Personal computer;
- Colour television receiver; and
- Sound reproducing.

HS and International Agreements

Pharmaceuticals

- WTO agreement
- Elimination of Customs duties
- Coverage:
 - ✓ particular areas of the HS
 - ✓ pharmaceutical ingredients as designated by WHO

HS and International Agreements

Particular areas of the HS

All items classified in:

- Chapter 30
- Headings 29.36, 29.37, 29.39 and 29.41 (with some exception)

HS and International Agreements

Ingredients as designated by WHO

- Ingredients that bear INN from WHO
- Salts, esters and hydrates with particular prefix or suffix, classified in the same HS code as the INN product
- Salts, esters and hydrates of INN ingredients contained in Annex III, not classified in the same HD code as the INN product
- Additional products designated in Annex IV

INN (WHO)

- INN: International Nonproprietary Names
- identify pharmaceutical substances or active pharmaceutical ingredients
- each INN is a unique name that is globally recognized and public property

INN products (WHO)

- Request from WHO, HS Committee, assisted by the Scientific Sub-Committee provides information on the HS classification
- More than 3,300 products identified and classified by WCO so far
- WCO has published the list with INN products and their HS classification

HS and International Agreements

Sectorial agreements – potential conflicts

- Classification in particular Chapter or heading
- Description of the product coverage not always unambiguous
- Disputes between:
 - ✓ Importer and Customs
 - ✓ HS Contracting Parties

HS and International Agreements

Sectorial agreements – potential conflicts

Parts: part of the agreement?

- ITA, Attachment A: list of HS headings or parts thereof to be covered
- ITA, Attachment B:
 - ✓ List of specific products
 - ✓ Where parts are specified, they are to be covered in accordance with HS Notes 2 (b) to Section XVI and Chapter 90, respectively.

HS and International Agreements

Sectorial agreements – potential conflicts

Parts: part of the agreement?

- Both Attachments include parts, but only by application of Note 2 (b) to Section XVI or Chapter 90
- Parts which are to be classified by application of Note 2 (a) or 2 (c) are not covered

HS and International Agreements

Sectorial agreements – potential conflicts

Parts: part of the agreement?

- Ruling C-297/13 of the EU Court: classification according to Note 2 (b) only if classification under Note 2 (a) fails
- Consequently, many parts of machines covered by ITA do not have the same tariff treatment as the parent machine
- Next review of ITA?

HS and International Agreements

Non-fiscal agreements

Monitoring commodities:

- UNEP (environmental goods)
- CITES (endangered species)
- OPCW (chemical weapons)
- Rotterdam Convention (hazardous chemicals)

HS and International Agreements

Non-fiscal agreements

Specific headings or subheadings (example):

- Montreal Protocol: 2903.71 - - Chlorodifluoromethane

Or:



HS and International Agreements

Non-fiscal agreements

Recommendation to implement at national level (example):

- OPCW: 2811.19 - - - Hydrogen cyanide

EU:

2811 19		- - Other:
2811 19 10		- - - Hydrogen bromide (hydrobromic acid) .
2811 19 20		- - - Hydrogen cyanide (hydrocyanic acid) . .
2811 19 80		- - - Other



HS and International Agreements



Thank you

Any questions?





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Session VII: Summary and wrap up





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THAT'S ALL !

(for this year)

