

KACT 2020

The Harmonized System

What?

Why?

How?

Your facilitator

Izaak Wind

**Former Deputy Director WCO
Tariff and Trade Affairs**

The Harmonized System – a brief introduction

Harmonized System:

- International Convention
- One of the Flagships
- World Customs Organization

WCO



- ✓ WCO : the intergovernmental organization uniquely competent in Customs matters
- ✓ 183 Members
- ✓ Global Centre of Customs expertise
- ✓ Leading role in development and implementation of modern Customs procedures

Harmonization and simplification

Objective WCO :

- Harmonization and simplification of Customs systems and procedures
- Conventions
- Recommendations, Declarations and other instruments
- Best-practice approaches

Harmonization and simplification

Some of the WCO instruments :

- Simplification and harmonization of Customs procedures: Revised Kyoto Convention
- Commodity description and coding system: Harmonized System
- Declaration on the illegal wildlife trade

The International Convention on the Harmonized Commodity Description and Coding System



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- Annex to the Convention: the HS Nomenclature
- Multipurpose Goods Nomenclature
- Basis for Customs Tariffs and Trade Statistics of 200 countries and economies
- More than 98 % of World trade in terms of the HS
- The universal economic language and code for transportable goods

The Harmonized System (HS)



- Implemented internationally in 1988 by the HS Convention
- 159 Contracting Parties (September 2020)
- Maintained by WCO through the HS Committee
- Nomenclature Sub-Directorate acts as Secretariat

The Harmonized System (HS)



Main objectives :

- To facilitate international trade
- Collection, comparison and analysis of trade statistics
- Standardization of trade documentation and transmission of data

The Harmonized System (HS)



Used by :

- Customs
- Statisticians
- Governments
- International organizations
- Private sector

The Harmonized System (HS)



Many purposes, such as :

- ✓ internal taxes
- ✓ trade policies
- ✓ monitoring of controlled goods
- ✓ rules of origin
- ✓ transport statistics
- ✓ quota controls
- ✓ economic research and analysis.

A universal economic language and code for goods,
and an indispensable tool for international trade

The Harmonized System (HS)



HS provisions for monitoring international trade of controlled goods (examples):

- 1211.50 – Ephedra
- 2811.12 -- Hydrogen cyanide (hydrocyanic acid)
- 2903.83 -- Mirex (ISO)

The Harmonized System (HS)



HS provisions for Rules of Origin (example EU - ACP):

List of working or processing required to be carried out on non-originating materials in order for the product manufactured to acquire originating status

The products included in the list may not all be covered by this Regulation. It is therefore necessary to consult the other parts of this Regulation.

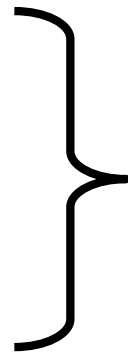
HS heading No	Description of product	Working or processing carried out on non-originating materials that confers originating status
(1)	(2)	(3) or (4)
Chapter 01	Live animals	All the animals of Chapter 1 used must be wholly obtained

HS heading No

The Harmonized System (HS)

Convention

- Preamble
- 20 articles
- Annex



“The Harmonized Commodity Description and Coding System”

commonly referred to as

“Harmonized System”, “HS”, or
“Nomenclature”

The structure

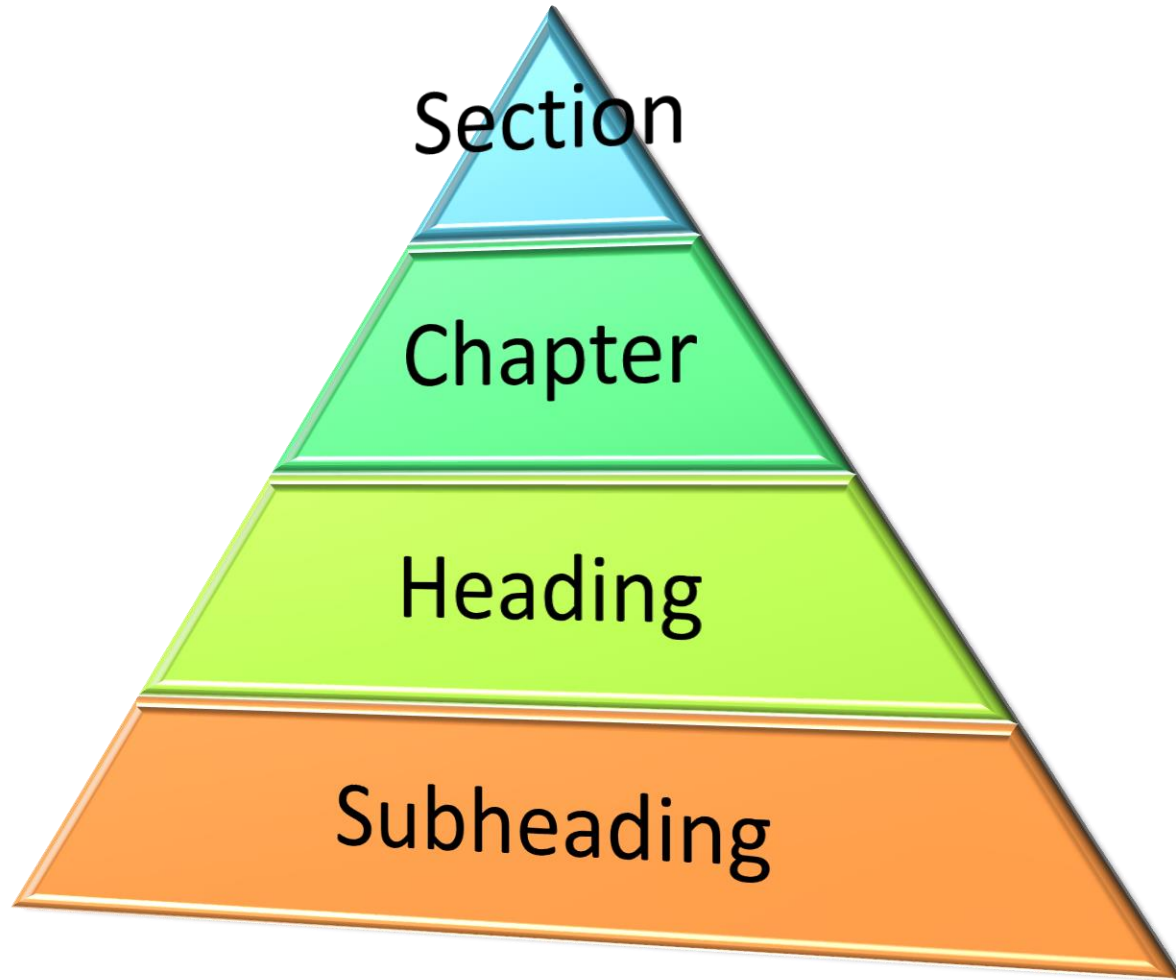
The Harmonized System (HS):

- ✓ Structured Nomenclature
- ✓ Provides a legal and logical structure
- ✓ Identification of goods

The structure (2017 edition)

- 21 Sections
- 96 Chapters
- 1,222 Headings (4 digits)
- 5,387 Groups of commodities identified by description (6 digits)

The structure



Structure Example (1)

Section I
Live animals; animal products

Chapter 1
Live animals

Chapter 2
Meat and edible meat offal

Chapter 3
Fish and crustaceans, molluscs and other aquatic invertebrates

Chapter 4
Dairy produce; (...)

Chapter 5
Products of animal origin, n.e.s.o.i.

Section I – typical products

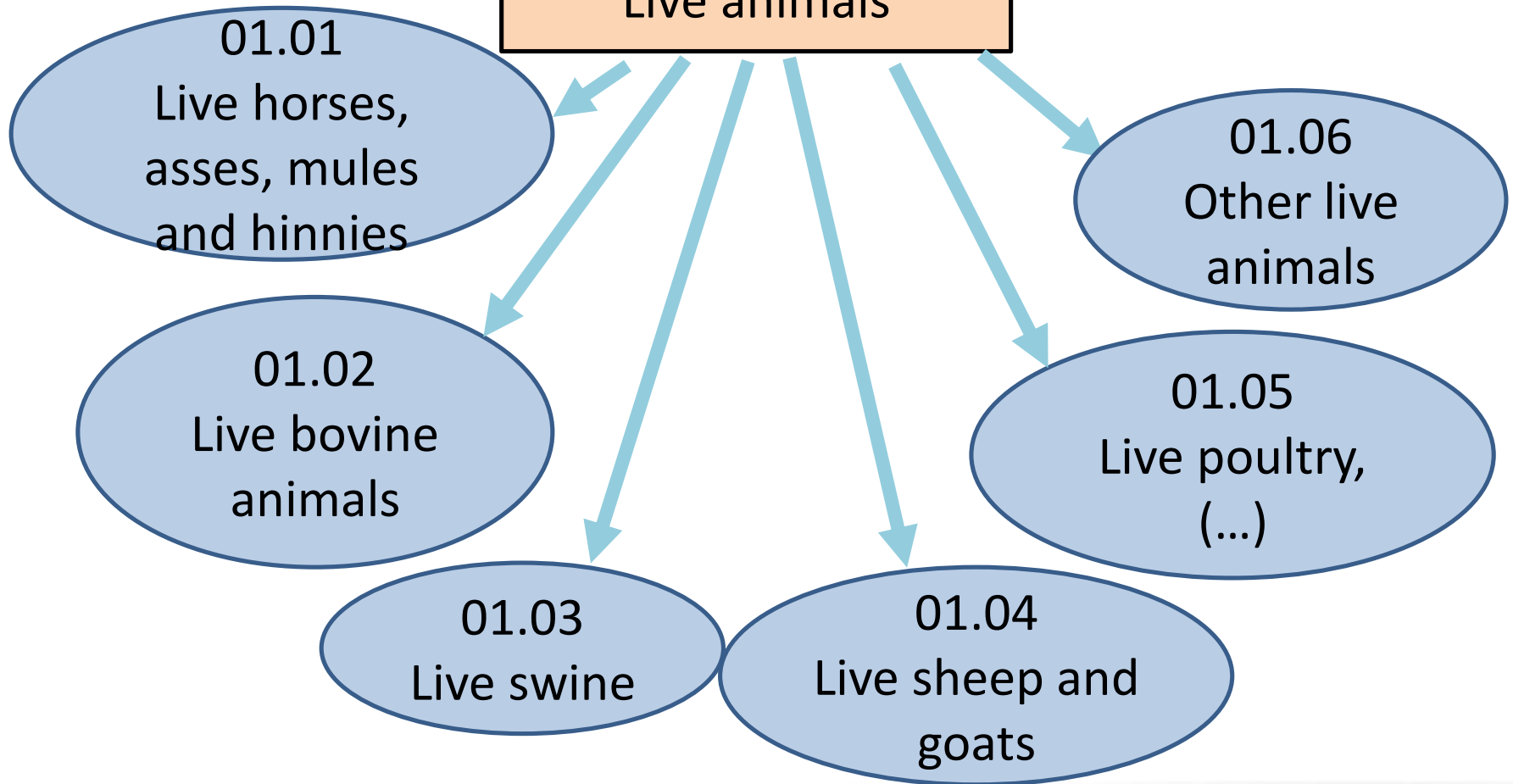
- Living poultry – 01.05
- Chicken meat, fresh, chilled or frozen – 02.07
- Eggs, in shell, fresh – 04.07

In general terms:

Further processed → higher heading number

Structure Example (2)

Chapter 1
Live animals



Structure

Example (3)

Heading 01.01
Live horses, asses, mules and hinnies

- Horses
- 0101.21 - - Pure-bred breeding animals
- 0101.29 - - Other
- 0101.30 - Asses
- 0101.90 - Other

The Harmonized System (HS)

Section, Chapter and Subheading Notes

- Form an integral part of the HS
- To define the scope of :
 - Section
 - Chapter
 - Heading (or group of headings)
 - Subheading
- Commonly known as “legal notes”

The Notes

General definitions limiting the scope of a subheading or heading or the meaning of particular terms

Examples :

- Note 5 (A) to Chapter 84 – definition of “ADP-machines”
- Note 5 to Chapter 85 – definition of “flash memory cards” and “smart cards”

The Notes

- *Non exhaustive* list of products covered (example)
 - Note 2 to Chapter 86 – “parts of railway or tramway locomotives or rolling-stock” of heading 86.07:

“Heading 86.07 **applies, *inter alia***”

The Notes

■ Exhaustive list of goods covered by a heading or group of headings (example) :

- Note 4 to Chapter 30 – scope of heading 30.06:

“Heading 30.06 **applies only to** the following”

The Notes

Scope of a Section/Chapter

- Important: what is covered
- Equally important: what is **not** covered

The Notes

- Exclusions (products not covered)

list of products not classified in the Chapter
+ indication where to be classified

– example Note 1 to Chapter 17:

This Chapter does not cover:

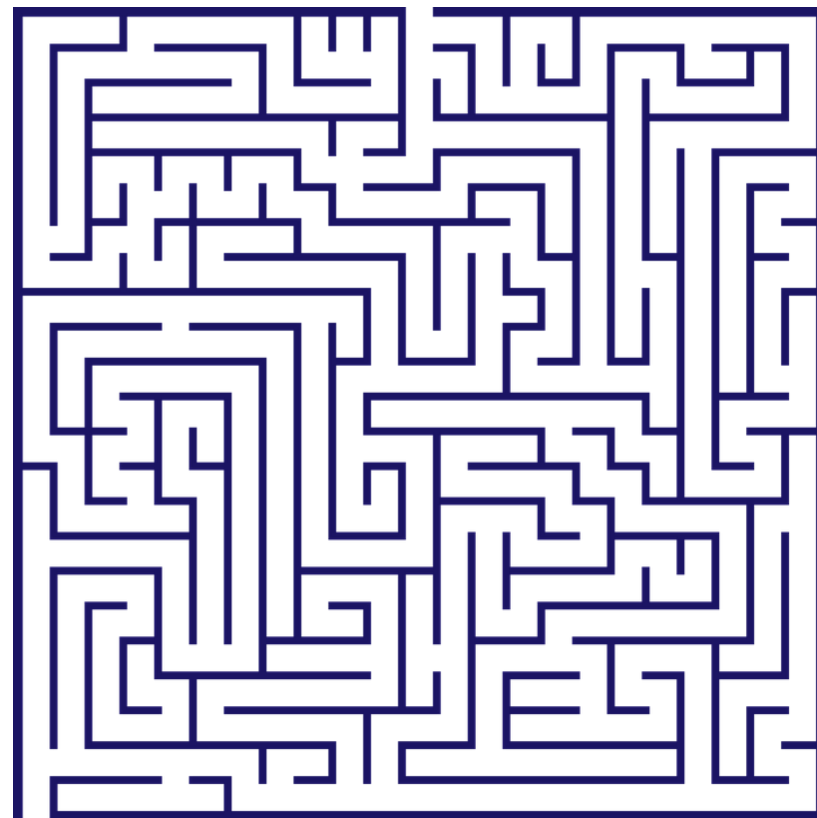
- (a) Sugar confectionery containing cocoa (heading 18.06)
- (b) (...)

NB. Almost all Chapters have an exclusion Note!



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Classification : an easy or complex exercise?

Step-by-step process:

- Identify the goods
- Identify the possible Chapters
- Consider the appropriate Section and Chapter Notes
- Locate the appropriate headings
- [Classify at subheading level]

Contracting Party - the obligations

Customs tariffs and statistical nomenclatures shall be in conformity with the HS :

- use all headings and subheadings together with their related numerical codes
- general rules of interpretation, all section notes, chapter notes and subheading notes
- follow the numerical sequence of the HS
- no modifications permitted except textual adaptations for the purposes of domestic law

Contracting Party - the obligations

- Make publicly available import and export trade statistics in term of 6-digit of the HS

Exceptions :

- for reasons of commercial confidentiality or national security
 - goods of no commercial value
- To implement HS amendments on the date of their entry into force (art. 16)

Maintenance

Harmonized System Committee (HSC)

- Composed of the representatives of HS Contracting Parties
- Two sessions in a year
- Classification questions (including disputes)
- Classification Opinions
- Explanatory Note amendments
- Legal Text amendments
- HS-related Council recommendations
- General questions and policy matters relating to the HS

Maintenance

- **Working Party (WP)**
 - finalizing drafts of Classification Opinions and Explanatory Notes
- **Review Sub-Committee (RSC)**
 - keeping the HS up to date in terms of trading patterns and changes in technology
- **Scientific Sub-Committee (SSC)**
 - assisting the HSC and other WCO committees

THAT'S ALL !
(for now)