



The Harmonized System and its GIRs : a brief introduction

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The HS : a WCO instrument

- **WCO : the intergovernmental organization uniquely competent in Customs matters**
- **177 Members (latest Member : Guinea-Bissau)**
- **Global Centre of Customs expertise**
- **Leading role in development, and implementation of modern Customs procedures**

Harmonization and Simplification of Customs Systems and Procedures

- **Conventions, other instruments and best-practice approaches**
- **Harmonization and simplification of Customs systems and procedures**

The Harmonized System (HS)

- **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**
- **A universal economic language and code for transportable goods**
- **Implemented internationally in 1988 by the HS Convention (139 Contracting Parties by June 2011)**
- **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 and statisticians
- Governments
- International organizations
- Private sector

■ Many purposes, such as :

internal taxes, trade policies, monitoring of controlled goods, rules of origin, freight tariffs, transport statistics, price monitoring, quota controls, compilation of national accounts, and economic research and analysis.

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

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■ *Convention*

- PREAMBLE
- 20 ARTICLES
- + ANNEX

“The Harmonized
Commodity Description
and Coding System”

commonly referred to as

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

The Harmonized System (HS)

■ **Structure** (2007-edition)

21 Sections

– 96 Chapters

■ **1,221 headings (4 digits)**

– 5,052 descriptions of commodities (6 digits)

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■ **Section, Chapter and Subheading Notes**

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

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- **General definitions **limiting** the scope of a subheading or heading or the meaning of particular terms**
- **Examples :**
 - **Subheading Note 4 to Chapter 27 – definition of “light oils and preparations”**
 - **Note 2 to Chapter 30 – definition of “modified immunological products”**

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- **Non exhaustive list** of products covered
- **example :**
 - **Note 4 to Chapter 33 –**
“perfumery, cosmetics or toilet preparations”
of heading 33.07
- **Exhaustive list** of goods covered by a heading or group of headings
- **example :**
 - **Note 4 to Chapter 30 - “scope of heading 30.06”**

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- **Exclusions** (products **not** covered)

- **example :**

- **Note 2 to Chapter 29 –**

- “list of products not classified in Chapter 29
+ indication where to be classified”

NB. Almost all Chapters have an exclusion Note!

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■ Structure of the code

3004.10 (medicaments containing penicillin)

- **30** = Chapter no.
- **04** = the fourth heading within Chapter 30
- **10** = further subdivision within heading 30.04, at 5-digit level.

NB. Can also be further sub-divided at 6-digit level – see 3004.31

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■ **Relation to national Customs tariffs**

- *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**

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- **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)**

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- **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

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■ 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

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And then :

HOW TO CLASSIFY A COMMODITY ?

- wii
- what material or substance is it ?
- what is its function or use ?
- under what form is it imported/exported ?
- is it the only possible classification ?

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Classification : an easy or complex exercise?

General Interpretative Rules

- **Rule 1 : Terms of headings and Notes**
- **Rule 2 : Expanding the scope of headings**
- **Rule 3 : Classification under two or more headings**
- **Rule 4 : Akin**
- **Rule 5 : Packaging**
- **Rule 6 : Subheading level**

Rule 1 : Terms of headings and Notes

- **Heading 22.06 : Mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, n.e.s.o.i.**
- **Heading 82.14 : Manicure or pedicure sets**
- **Heading 30.06 : First-aid boxes and kits**
- **Heading 96.05 : Travel sets for personal toilet**

Rule 2 : Expanding the scope of headings (i)

Rule 2 (a) :

- **presented incomplete or unfinished**
- **essential character of the complete or finished article**

Rule 2 : Expanding the scope of headings (ii)

Rule 2 (a) :

- **presented unassembled or disassembled**

However :

- **Work trucks fitted with a crane (heading 84.26) or with lifting or handling equipment (heading 84.27)**
- **Chassis fitted with engines : heading 87.06**

Rule 2 : Expanding the scope of headings (iii)

Rule 2 (b)

- (i) Reference to a material => includes a reference to mixtures or combinations of that material or substance with other materials or substances**
- (ii) Reference to goods of a given material or substance includes goods consisting wholly or partly of such material or substance**
- (iii) Classification of goods consisting of more than one material or substance => Rule 3**

Rule 3 : Classification under two or more headings

- (a) Most specific description**
- (b) Mixtures / Composite goods consisting of different materials or made up of different components / Goods put up in sets for retail sale**
- (c) Heading which occurs last in numerical order among those which equally merit consideration**

Rule 3 (a) :

Most specific description

What is 'most specific'?

- **Tufted textile carpets identifiable for use in cars : heading 57.03 and not 87.08**
- **Unframed safety glass, shaped and identifiable for use in aircraft : heading 70.07 and not 88.03**
- **A 'photomask' to be used in machinery of heading 84.86 : heading 37.05 and not 84.86**

Rule 4 : Akin

- **Only if not possible with recourse to GIRs 1 to 3**
- **Very rarely applied**
- **Kinship : description, character, purpose**
- **Safeguard**

Rule 5 : Packaging

- **Separate classification of articles and wrapping materials?**
- **Additional to the foregoing provisions**
- **Rule 5 gives the answer, unless . . .**

Rule 5 (a) : Specific case

- **Specific cases and containers**
- **Conditions :**
 - **Suitable for long-term use**
 - **Specially shaped or fitted**
 - **Presented with the articles for which they are intended**
- **Classification with such articles when of a kind normally sold therewith**
- **Rule does not, however, apply to containers which give the whole its essential character**

Rule 5 (a) : Specific cases

- * **Shaver case containing an electric shaver**
- * **Binocular case presented with a pair of binoculars, but packed separately**
- * **But what about the following?**

Rule 5 (a) : Specific cases



Rule 5 (b)

- **Subject to the provisions of Rule 5 (a)**
- **Presented with the goods therein**
- **Of a kind normally used for packing such goods**
- **Packing materials or packing containers are clearly suitable for repetitive use**

Rule 6 : Subheading level

⇒ **Not applicable if there are no subdivisions :**
e.g., heading 22.03

For legal purposes :

- **Classification according to the terms of subheadings and any related Subheading Notes**
- **Mutatis mutandis, to Rules 1 to 5**
- **Only subheadings at the same level are comparable**

Rule 6 : Section and Chapter Notes (1)

Relative Section and Chapter Notes also apply, unless the context otherwise requires

Note 1 to Section I : ‘Any reference (...) to a particular genus or species of an animal, except where the context otherwise requires, includes a reference to the young of that genus or species.’

Lamb :

01.04

Live sheep and goats

0104.10

- Sheep

Rule 6 : Section and Chapter Notes (2)

Poults (young turkey) :

01.05 **Live (...) turkeys,**

0105.12 **- Weighing not more than 185 g :**

- - Turkeys

- Other :

0105.99 **- - Other**

GIRs : Where do we find them?

HS Convention



Annex

Article 2 :

Annex = integral part of Convention

**National tariff and statistical
nomenclatures**

Rule 1
+ 2 - 5
unless

Rule 5 (b)
Rule 5 (a)

Rule 2
Expanding
scope

Rule 2 (b)

Rule 4

Rule 3

Rule 3 (c)

Rule 3 (a)

Rule 3 (b)

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**THANK YOU FOR YOUR
ATTENTION**

ANY QUESTIONS ?