



WORLD CUSTOMS ORGANIZATION
ORGANISATION MONDIALE DES DOUANES



WCO Knowledge Academy for
Customs and Trade



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Harmonized System – Sets and composite goods and the HS 2017

Izaak Wind



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Ground Rules

- Be on time
- No PCs or mobile phones
- Respect
- There is no such thing as a stupid question
- Support
- Team Work
- Active participation
- Have fun





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Introductions

HELLO

What's my name?
Where do I work?
Why am I here?

Session I: Programme Overview & Positioning

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General Interpretative Rule 3

Mechanics of classification

The mechanics of classification involve two separate stages:

- identification of the goods**
- the use of the Interpretative Rules**

The process of classification can be broken down into a series of steps, as follows:

Step 1 : identify the goods → **WII**

Step 2 : Identify the possible Chapters

Step 3 : Locate the appropriate heading(s)

Step 4 : Consider the relative Section and Chapter Notes

Step 5 : Classify at the 6-digit level

GIR 2 (b):

The classification of goods **consisting of more than one material or substance** shall be according to the principles of **Rule 3**.

Session II

RULE 3

CLASSIFICATION OF GOODS CLASSIFIABLE UNDER TWO OR MORE HEADINGS

Three methods of classification:

(a) Most specific description Rule 3 (a)

(b) Essential character Rule 3 (b)

(c) Heading which occurs last in numerical order Rule 3 (c)

To be operated in order: (a), (b), (c)

Session II

EXPLANATORY NOTE

- (I) This Rule provides three methods of classifying goods which, *prima facie*, fall under two or more headings, either under the terms of Rule 2 (b) or for any other reason.
- These methods operate in the order in which they are set out in the Rule. Thus Rule 3 (b) operates only if Rule 3 (a) fails in classification, and if both Rules 3 (a) and (b) fail, Rule 3 (c) will apply.
- The order of priority is therefore (a) specific description; (b) essential character; (c) heading which occurs last in numerical order.
- (II) The Rule can only take effect **provided the terms of headings or Section or Chapter Notes do not otherwise require.**

Rule 3 can only be applied if the **terms of headings or Section or Chapter Notes** do not otherwise require.

Examples:

- Textile garments – Note 14 to Section XI: separate classification (with a view exclusions)
- Composite machines – Note 3 to Section XVI: classification according to principal function
- Sets consisting of a microphone and one or more loudspeakers (heading 85.18)

GIR 3 (a): Explanatory Note – Most specific

- ✓ Hard and fast rules?
- ✓ Description by name or by class (generic – EU Court ruling C-297/13)
- ✓ Clear identification vs less complete identification

RULE 3 (a) - specific description

- Most specific description preferred to a more general description
- Examples:
 - ✓ **Tufted textile carpet**, identifiable as for use in a car:
57.03 (“carpets”) more specific than 87.08 (“accessories”)
 - ✓ **Unframed safety glass** identifiable as part of aeroplanes:
70.07 (“safety glass”) more specific than 88.03 (“parts”)

RULE 3 (a) - specific description

When two or more headings **each** refer to:

- ✓ **part only of the materials or substances** contained in mixed or composite goods; or
- ✓ **part only of the items in a set put up for retail sale**
- ✓ headings are as **equally specific** in relation to those goods, even if one of them gives a more complete or precise description of the goods

Due to this language :

- **Mixtures, sets and composite goods** are excluded from this provision
- Classification according to GIR 3 (b) or 3 (c)

GIR 3 (b) relates only to :

- i. Mixtures
- ii. Composite goods consisting of different materials
- iii. Composite goods consisting of different components
- iv. Goods put up in sets for retail sale

GIR 3 (b):

- Classification according to **essential character**
- Classified as if they consisted of the material or component which gives them their essential character

Essential character (Explanatory Note):

- Nature of the material or component
- Bulk
- Quantity
- Weight
- Value
- Role in relation to use of the goods
- Function

If GIR 3 (a) and 3 (b) cannot be applied:

Goods shall be classified under the heading which occurs **last in numerical order** among those which equally merit consideration

Example

Graduated dropper tubes, made up of:

- a tubular dosage measure of transparent plastic material; and
- a cylindrical teat of vulcanised rubber other than hard rubber

Classification according to GIR 3 (c): 40.14





Session III



Classification of composite goods



Session III

GIR 3 (b) refers to :

- Mixtures
- **Composite goods**
- Goods put up in sets

What are composite goods?

GIR 3 (b)

Composite goods are goods consisting of:

- Different materials; or
- Made up of different components

This is the legal frame work!

The Explanatory Note to GIR 3 (b):

- Goods in which the components are attached to each other **to form a practically inseparable whole**; and
- Those with **separable components**, provided:
 - ✓ these components are adapted one to the other;
 - ✓ are mutually complementary;
 - ✓ together they form a whole which would not normally be offered for sale in separate parts

Note : The Explanatory Notes are not part of the legal frame work!

Session III

Some examples of separable goods

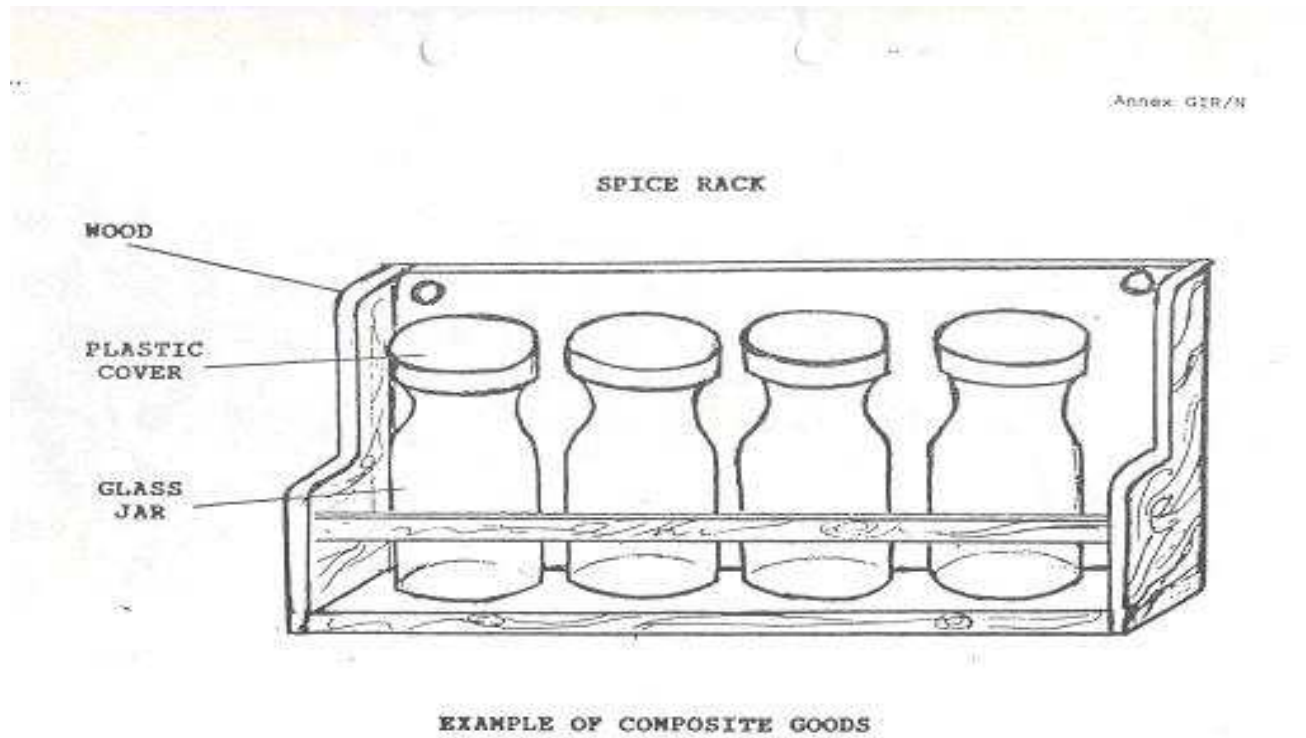
- (1) Ashtrays consisting of a stand incorporating a removable ash bowl.
- (2) Household spice racks consisting of a specially designed frame (usually of wood) and an appropriate number of empty spice jars of suitable shape and size.

As a general rule, the components of these composite goods are put up in a common packing.



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Session III



A good consisting of a selection of spices, seeds, herbs, fruit, salt and seasonings, put up in hourglass-shaped glass bottles, each containing two different products



Session III

- Mosquito net of warp knit fabric impregnated with an insecticide: 63.04
- Cartridge for an electronic cigarette consisting of a plastic mouthpiece and a plastic tube containing an absorbing material saturated with a solution consisting of propylene glycol, glycerol, nicotine and ethyl alcohol: 38.24



Session III

- 63.04: insecticides?
- 38.24: articles of plastic?

The answer: Rule 2 (b)

Reference in a heading to a material or substance includes a **reference to mixtures or combinations** of that material or substance with other materials or substances

Consequently:

44.12 : Plywood, (...) and similar laminated wood => covered with plastic

42.05 : Other articles of leather => parts of textile or plastic

68.10 : Articles of cement => reinforced with metal bars

What about references in Notes?

Any reference to goods **of a given material or substance** shall be taken to include a reference to **goods consisting wholly or partly** of such material or substance

Example – Note 1 (a) to Section XVI:

This Section does not cover articles (...) of vulcanised rubber

The term “rubber” includes any article made of a combination of rubber and another material **AS LONG AS THE RUBBER GIVES THE WHOLE ITS ESSENTIAL CHARACTER**

A grooved pulley wheel (of **cast iron**) joined concentrically between a flexible ring of **rubber** with a **cast iron** outer hub (vibration damper) → 84.83

(Picture for reference only)



The classification of goods **consisting of more than one material or substance** shall be according to the principles of Rule 3.

Note : this provision does not apply when Rule 1 is applicable!

>>>>>>>>

Some situations where Rule 1 applies :

- sheet of steel coated with plastic => heading 72.10
- nails, etc. of steel with heads of copper => heading 74.15
- And → → →

References to mixtures and composite goods at Section, Chapter or heading level

- Mixtures of nuts or dried fruits (08.13)
- Note 1 to Chapter 9 (mixtures)
- Note 2 to Chapter 16 (preparations containing meat, fish, etc.)
- Heading 27.10 (preparations containing petroleum oils)
- Note 3 to Chapter 56 (felt and nonwovens combined with plastics or rubber)
- Note 2 to Chapter 59 (textile fabrics combined with plastics)

Session III

Typical example at Section level

Note 7 to Section XV (classification of composite articles)
(base metals and articles of base metals)

- articles of base metal containing two or more base metals
- are to be treated as articles of the base metal **predominating by weight** over each of the other metals
- including articles of mixed materials treated as base metal under the GIRs

If there is no Rule 1 application:

Classification according to the principles of Rule 3 (a), (b) or (c)

Rule 3 (a) does not apply to composite goods :

'(...) when two or more headings each refer to part only of the materials or substances (...) headings are equally specific'

Therefore : → → →

Session III

- According to the principles of Rule 3 (b) or (c) (if (b) does not apply)
- Classification as **if the good consists of the material or component** which gives the whole its essential character

Essential character :

- Nature of the material or component
- Bulk
- Quantity
- Weight
- Value
- Role of constituent material

But also : the individual functions of the components

Some examples (1):

- Clothes hangers of wood with metal hook → wood = function
- Article of wood: 44.21



Some examples (2):

- Hollow profile of plastics with magnetic strip inside → magnetic strip = role
- Permanent magnet: 85.05



Some examples (3):

- Cat's eyes (road reflectors) consisting of a rubber block with glass reflectors on opposite sides → glass reflectors
- Article of glass: 70.14



- In many cases not possible to determine the “essential character”
- Application of Rule 3 (c):
 - ✓ Last heading in numerical order
 - ✓ Meriting equal consideration

An example :

- Concentrate of anti-freezing liquid, consisting essentially of:
 - ✓ ethyl alcohol; and
 - ✓ water mixed with small amounts of:
 - a. anionic surface-active agent
 - b. methyl ethyl ketone
 - c. colouring matter and
 - d. depending upon the formulation, monoethylene glycol
- Intended for windscreen defrosting or windscreen cleaning after dilution with water
- 22.08 or 38.20 → 38.20 (anti-freezing preparation)

Session III

Composite goods

Any questions?





Session IV



Classification of sets

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





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THAT'S ALL !

(for today)

