

Harmonized Commodity Description and Coding System (HS) of tariff nomenclature

Agenda

- 09:00 Welcome, introductions and expectations
- 09:30 The HS system
 - origin, purpose, process, mechanics and examples
- 10:30 Practical – basic classification approach
 - hierarchical method.
 - reference (or keyword) method
- 10:45 Discussion & Questions
- 10:55 Looking ahead - next session and closure

During training please keep phone on silent and yourself on mute unless engaging
If you can, please keep your video on – it improves interaction

- ➔ Session 1: Thu 28 July 9:00am – 11:00am: Introduction and overview
- Session 2: Mon 01 Aug 9:00am – 11:00am: Practical HS codes and the South African (SACU) tariff schedules
- Session 3: Wed 3 Aug 9:00am – 11:00am: What next? International market selections and strategies for particular HS codes



From data to intelligence

Moving past
the **big data**
challenge...

-  International trade and development advisory support
-  Strategy formulation and policy support
-  Economic impact studies
-  Specialised quantitative analysis and modelling
-  Specialised market research

Innovated by the North-West University

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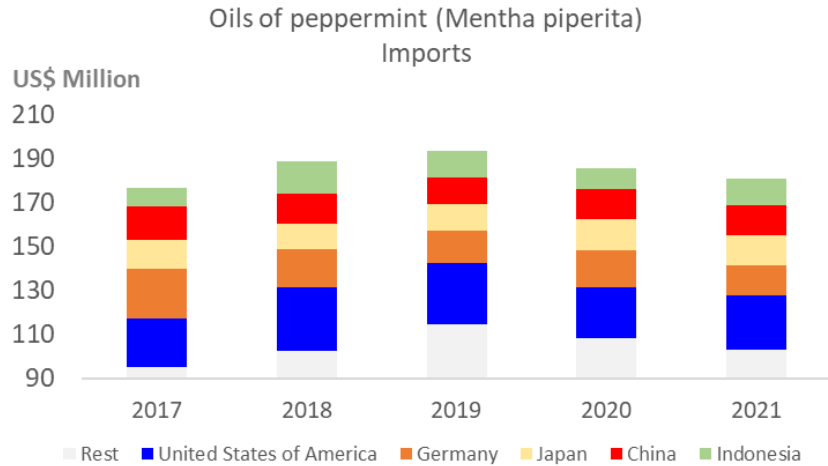
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The HS system

Peppermint oil - which country is the

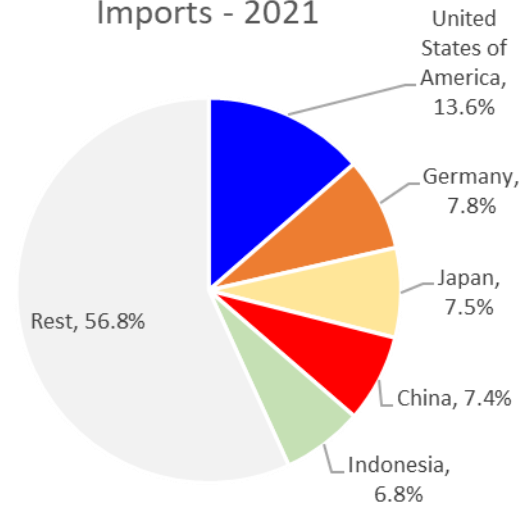
largest importer?



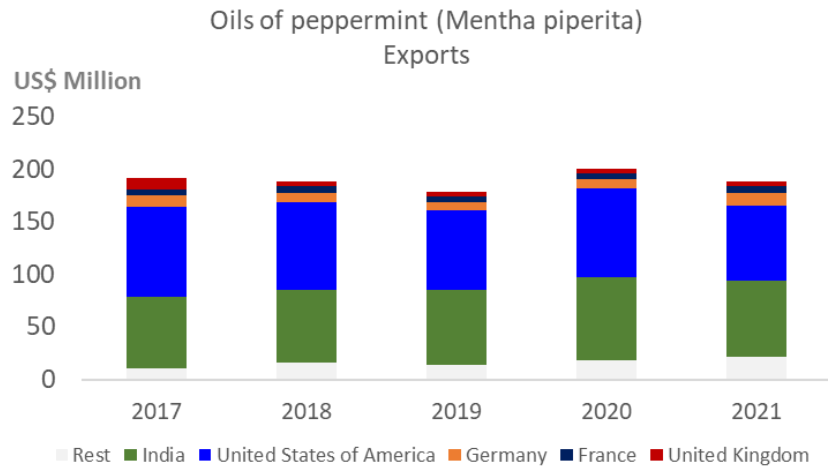
Source: Calculated from ITC TradeMap

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Imports - 2021



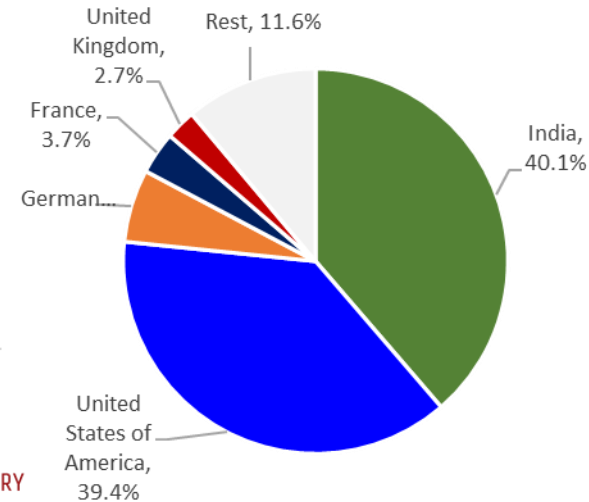
largest exporter?



Source: Calculated from ITC TradeMap

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Exports - 2021



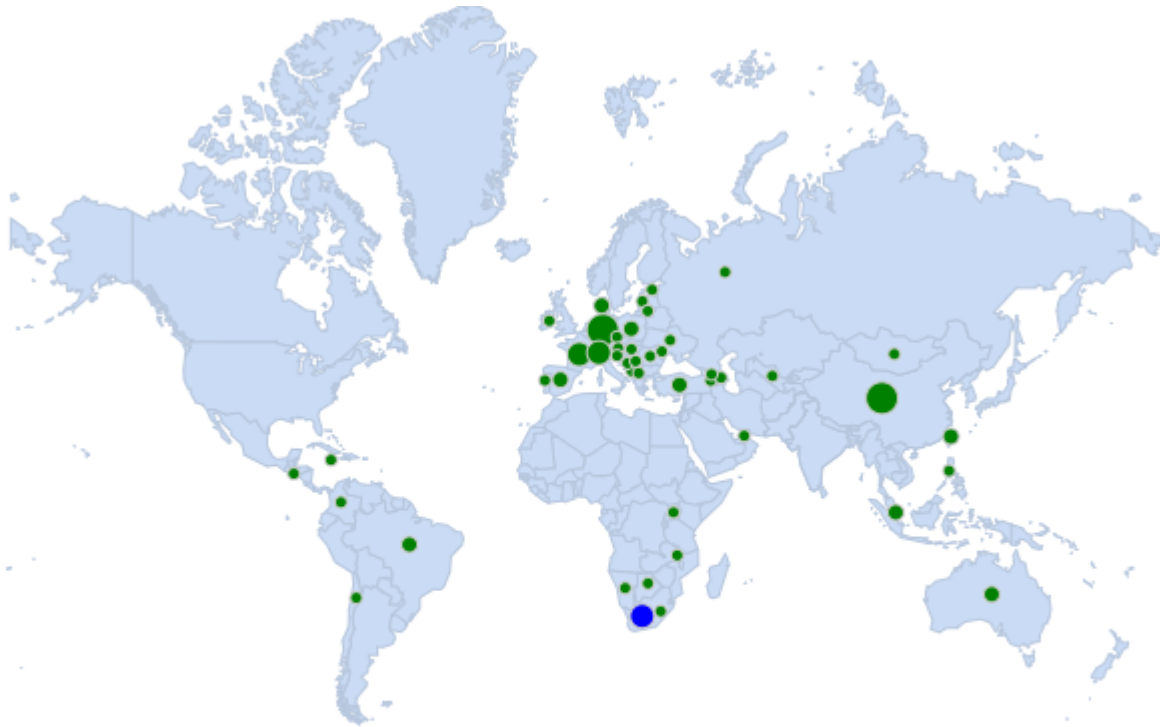
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The HS system

Peppermint oil - which country has the most potential?

45 markets exhibits 'untapped' potential from South Africa's (SACU's) perspective

Note – neither India nor USA included (to be discussed more in session 3)



● Home Market - South Africa [National]
● Markets importing selected product(s) from all markets. Size indicates 'untapped' potential from home market's perspective.

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Map not to scale



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The HS system

Essential oils other than those of citrus fruit: of peppermint (*Mentha Piperita*)

HS Code – some examples

3301.24 (South Africa / SACU)

3301.24.000 (Japan)

3301.24.00.00 (USA)

3301.24.10.00 / **3301.24.90.00** (EU – with / without terpenes)

3301.24.00.00 (USA / EU)

3301.24.00 (Australia exports) **3301.24.00.00 / 09** (Imports – with / without terpenes)



The WCO

World Customs Organization (WCO)

History

The World Customs Organization (WCO), established in 1952 as the Customs Co-operation Council (CCC) is an independent intergovernmental body whose mission is to enhance the effectiveness and efficiency of Customs administrations (developed from the 1947 European Customs Union Study Group (ECUSG)).

Today, the WCO represents 184 Customs administrations across the globe that collectively process approximately 98% of world trade.

Objectives

The WCO's primary objective is **to enhance the efficiency effectiveness other members customs administrations**, thereby assisting them to contribute successfully to national development goals, particularly revenue collection, national security, trade facilitation, community protection, and collection of trade statistics.

Instruments

Our focus - The International Convention on the Harmonized Commodity Description and Coding System (HS Convention)

5 others: (Revised Kyoto Convention, Istanbul Convention, Arusha Declaration on Customs Integrity, SAFE Framework of Standards to Secure and Facilitate Global Trade, Columbus Program)

The HS system

The **Harmonized Commodity Description and Coding System** (popularly known as the Harmonized System or the HS) - developed and administrated by the **World Customs Organization** (WCO).

What is it?

- a multipurpose goods nomenclature used by more than 200 countries and Customs or Economic Unions as the basis for Customs tariffs and for the compilation of international trade statistics.

- “language of international trade”, used for many other purposes such as
- trade policy, rules of origin, monitoring of controlled goods, internal taxes, freight tariffs, transport statistics, quota controls, and economic research and analysis
- governments and businesses alike use the HS as a unique way of identifying and coding merchandise in order to facilitate international trade and Customs regulations and applications
- the HS is, therefore, an important instrument not only for the WCO but also for all institutions, public or private, involved in world trade.

The Harmonized System is designed to be used for **transportable goods even if such goods are not actually involved in international trade.**

The HS system

Why is it important?

For exporter - avoid delays at customs by having all permits and other regulatory matter ready prior to shipping.

- Classify physical goods for shipment to a foreign country;
- Report shipments in Automated Export Systems (AES) when the value is more than XXX (can differ per country) or the item requires a license;
- Complete required shipping documentation such as shipper's letter of instructions, commercial invoice or certificate of origin;
- Determine import tariff (duty) rates and figure out if a product qualifies for a preferential tariff under a free trade agreement;
- Comply with destination market law, where applicable;
- Conduct market research and obtain trade statistics;

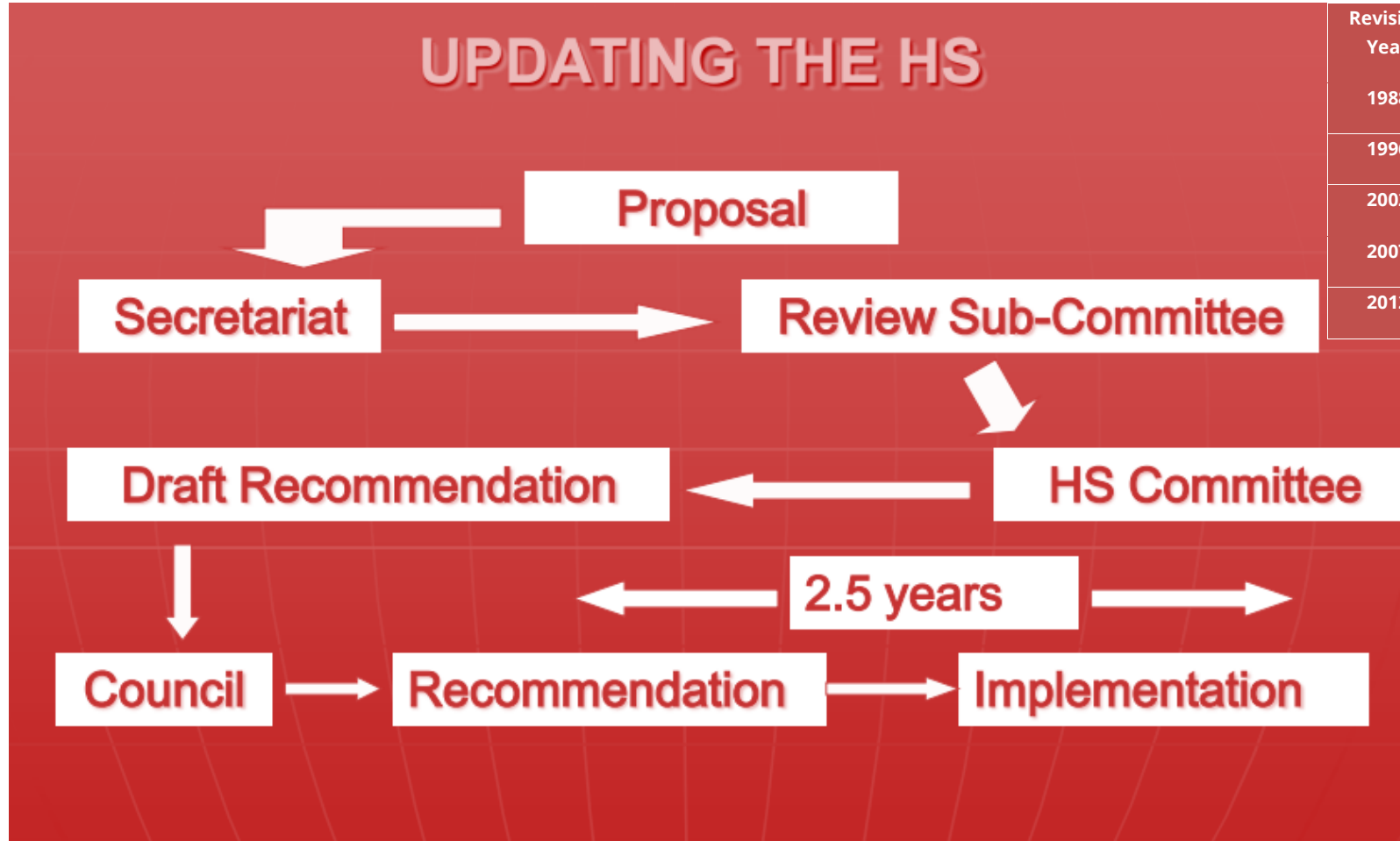
Helps with marketing / pricing

Competitive intelligence & market trends and potential

For users of the tariff (importers and exporters), correct classification is a legal responsibility. Non-compliance can mean shipment delays, increased inspections, fines, and other administrative penalties. Correct classification often saves money.

The HS system

Review (international) process: HS 6-digit

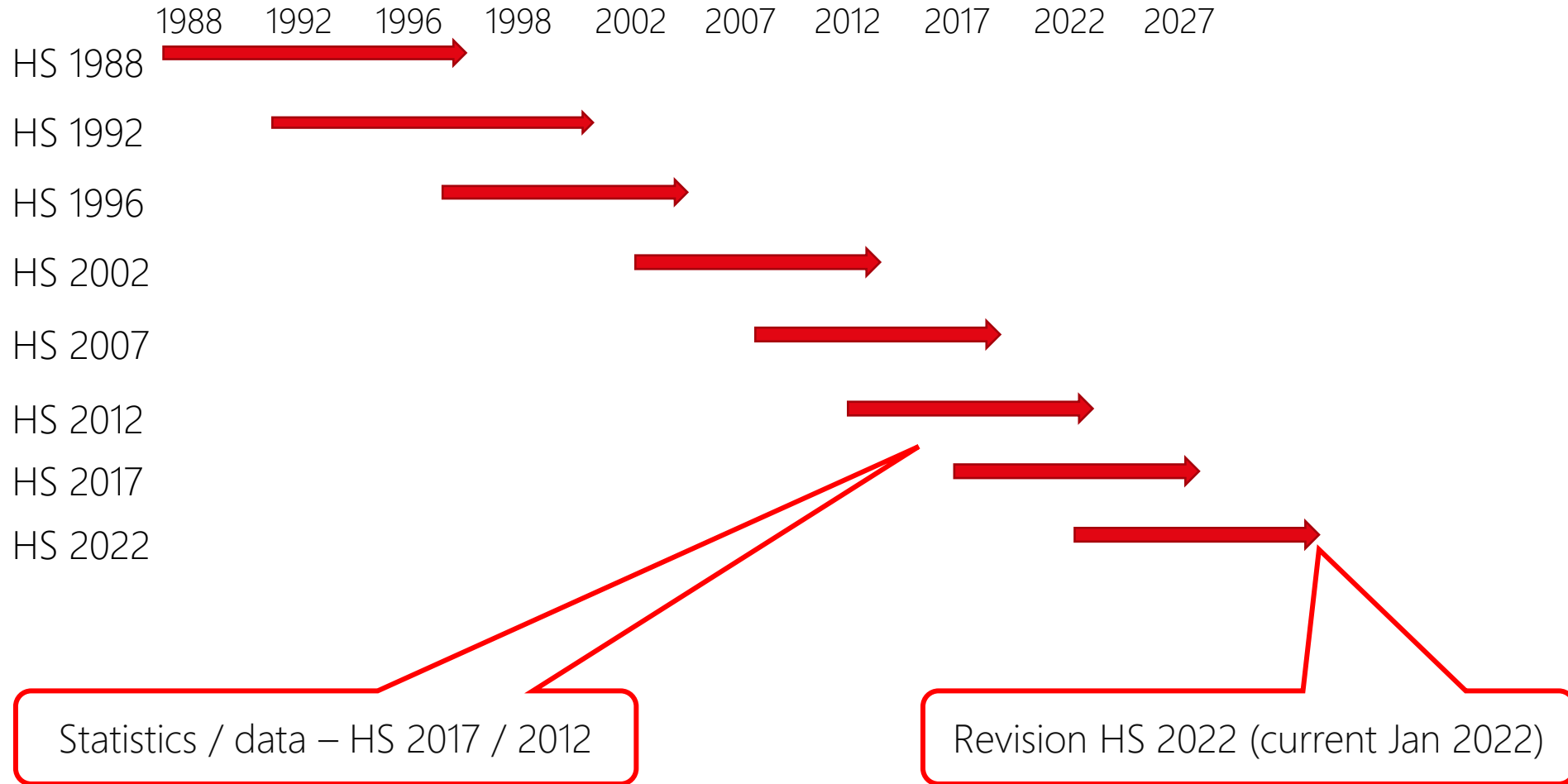


Example of past changes

Revision Year	Number of unchanged codes	Number of new codes	Number of reused codes	Number of deleted codes
1988	0	5,020	0	0
1996	4,421	348	344	255
2002	4,713	338	173	227
2007	4,451	262	341	432
2012	4,748	329	128	176

The HS system

New revision – aim is every 5 years on a rolling basis



The HS system

Example of changes to classification

For

Harmonized System revisions correspondences

HS Product code

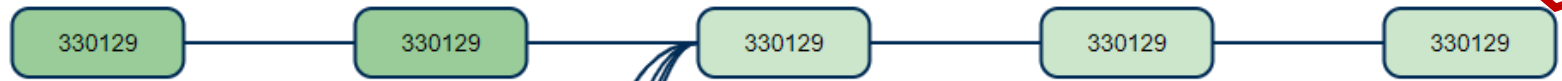
1996 revision

2002 revision

2007 revision

2012 revision

2017 revision



Geranium

330121

Jasmin

330122

Lavender or lavandin

330123

Vetiver

330126

In 2022 revision remains HS3301.29 - Essential oils, whether or not terpeneless, incl. concretes and absolutes (excluding those of citrus fruit and mint)

Revisit next session

The HS system

Example of changes to classification

For

Harmonized System revisions correspondences

HS Product code

1996 revision

2002 revision

2007 revision

2012 revision

2017 revision

In 2022 revision remains
HS3301.19 - Essential oils of citrus fruit,
whether or not terpeneless, incl. concretes
and absolutes (excluding those of sweet and
bitter orange and lemon)

330119

330119

330119

330119

330119

Bergamot

330111

Lime

330114

Revisit next
session

The HS system

In summary – what the HS system is not

- HS not designed to distinguish between characteristics such as brands, colours etc.
- HS driven by industry requirements – works in both directions (more or less detailed)
- HS codes below HS 6-digit level not directly comparable without detailed manual scrutiny

Some alternative systems exist

- United Nations Standard Products and Services Code[®] (UNSPSC[®]), managed by GS1 US[®] for the UN Development Programme (UNDP), is an open, global, multi-sector standard for efficient, accurate classification of products and services (specifically targeted at enabling E-commerce integration)
- Represents > 46 000 products
- More specific than the HS coding system

But HS system used for Customs globally

UNSPSC = 'additional'

Hierarchy	Category Number	Name
Segment	44000000	Office Equipment and Accessories and Supplies
Family	44120000	Office Supplies
Class	44121700	Writing Instruments
Commodity	44121706	Wooden Pencils

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Basic classification approach

Hierarchical method

Follows the structure of the tariff – example

Section 28 – 38 Chemicals and allied industries

Chapters

HS28: Inorganic chemicals; organic or inorganic compound of precious metals, of rare-earth metals etc

HS29: Organic chemicals

HS30: Pharmaceutical products

HS31: Fertilizers

HS32: Tanning or dyeing extracts; tanning and their derivatives; dyes, pigments and other colouring matter

HS33: Essential oils and resinoids; perfumery, cosmetic or toilet preparations

HS34: Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes

HS35: Albuminoidal substances; modified starches; glues; enzymes

HS36: Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations

HS37: Photographic or cinematographic goods

HS38: Miscellaneous chemical products

Basic classification approach

Hierarchical method

Follows the structure of the tariff – example

Product groups 28 – 38 Chemicals and allied industries

Chapters

HS33: Essential oils and resinoids; perfumery, cosmetic or toilet preparations

Section

HS3301: Essential oils (terpeneless or not), including concretes and absolutes; resinoids; extracted oleoresins; concentrates of essential oils in fats, in fixed oils, in waxes or the like, obtained by enfleurage or maceration; terpenic by-products of the deterpenation of essential oils; aqueous distillates and aqueous solutions of essential oils

HS3302: Odoriferous substances and mixtures: of a kind used in the food or drink industries

HS3303: Perfumes and toilet waters

HS3304: Beauty or make-up preparations and preparations for the care of the skin

HS3305: Preparations for use on the hair

HS3306: Preparations for oral or dental hygiene

HS3307: Perfumes and deodorizers: perfuming or deodorizing preparations for rooms, (excluding those which operate by burning)

Basic classification approach

Hierarchical method

Follows the structure of the tariff – example

Product groups 28 – 38 Chemicals and allied industries

Chapters

HS33: Essential oils and resinoids; perfumery, cosmetic or toilet preparations

Section

HS3301: Essential oils (terpeneless or not), including concretes and absolutes; resinoids; extracted oleoresins; concentrates of essential oils in fats, in fixed oils, in waxes or the like, obtained by enfleurage or maceration; terpenic by-products of the deterpenation of essential oils; aqueous distillates and aqueous solutions of essential oils

HS 6-digit product level

HS3301.12: Oils, essential: of orange (terpeneless or not), including concretes and absolutes

Basic classification approach

Reference (or keyword) method

Search for words / fraction of words in descriptions

Practical example - potatoes

Some resources

Tools to help you find codes

Generalised international

ITC TradeMap (<http://www.trademap.org/>) – Reference Material / Harmonized System Correspondences

South Africa / SACU

SARS – Customs & Excise (<https://www.sars.gov.za/customs-and-excise/>) – trade statistics / tariff book

Other countries – examples

USA – (<https://hts.usitc.gov/>)

EU – (https://ec.europa.eu/taxation_customs/dds2/taric/taric_consultation.jsp?Lang=en)

Australia (<https://www.abf.gov.au/importing-exporting-and-manufacturing/tariff-classification/current-tariff/schedule-3>)

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Discussion & Questions

Notes / questions

- 1) Karen = Martin, we found information on the vegetable/ seed oils is limited to edible oils: sunflower, soya, canola and cotton oil. Please help the moringa, marula and baobab seed oil producers. These oils are used in cosmetics but where to find info on it?
- 2) Setseka = Pharmaceutical applications of essential oils
- 3) Sarah = tariff code – SA versus international? Seed meal – mechanical versus solvent extraction “hazard”
- 4) Derrick = Case numbers / ISO

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Next session and closure

Session 2:

Mon 01 Aug 9:00am – 11:00am:

Practical HS codes and the South African (SACU) tariff schedules

Focus on essential oils

Process for national level codes

Thank you

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