

KNOW YOUR CUSTOMS HARMONIZED TARIFF SYSTEM

Presented by Cayman Islands Customs Department



Introduction

- In terms of the customs tariff, Cayman currently uses a hybrid version of the Harmonized Tariff System at the eight-digit level.
- Even at this level, a variety of products were collapsed into more general headings and as such, are not comparable with other international classifications.
- The Cayman Islands recognized the needed to keep abreast with its trading partners by modernizing the current system, by adopting the full Harmonized System, taking into consideration the increase in the volume of international trade, new technology and the rapid change in the world economies. Over 98 % of the merchandise in international trade is classified in terms of the HS

Outline

- **1: Harmonized Commodity Description and Coding System (HS)**
 - a six-digit standard international nomenclature system.
- **2: General Rules for the interpretation of the System**
 - there are six General Rules used in interpreting the Tariff.
- **3: *Benefits of using the HS***
 - a six-digit number which is uniform across all countries.

Objectives

Using the HS to improve on;

- the standardization and harmonization in product classification
- the production of more detailed trade statistics
- the processing of customs entries

It is **NOT** to increase customs duties

Content

- **What is the Harmonized System?**
- The Harmonized System is a six-digit standard international nomenclature system, which allows participating countries to classify globally traded products on a common basis for customs purposes.
- **What is the structure of the HS?**
- The HS comprises the following:
 - (a) General Rules for the interpretation of the System (GIR);
 - (b) Section and Chapter Notes, including Subheading Notes; and
 - (c) A list of headings arranged in systematic order (*i.e.*, degree of processing) and, where appropriate, subdivided into subheadings.

Part a: General Interpretative Rules (GIR)

- The General Rules are provided to ensure that a given product is always classified in one and the same heading (and subheading), to the exclusion of any others which might appear to merit consideration. There are six General Rules used in interpreting the Tariff.
- **Rule I**
- **Explanation:** This is the first Rule to be considered in classifying any product. Most products are classified according to this rule.
- **Simple Example:** If you were importing Christmas tree candles, it would seem logical to classify them with Classification Number 9505.10.00.90: Other, articles for Christmas festivities. However, when reading the Notes to Chapter 95, it clearly states this Chapter does not cover Christmas tree candles. In fact, we must classify them with the Classification Number 3406.00.00.00: Candles, tapers and the like.

Part a: General Interpretative Rules (GIR) continued

- **Rule 2**
- **Explanation:** Rule 2 (a) deals with the classification of unfinished, incomplete, unassembled or disassembled goods. Unfinished and incomplete goods can be classified under the same Heading as the same goods in a finished state provided that they have the essential character of the complete or finished article. As well, unassembled or disassembled goods may also be classified the same as the complete finished product.
- **Example:** An automobile missing only its wheels would be classified the same as if it were complete.

Part a: General Interpretative Rules (GIR) continued

- **Rule 3**
- **Explanation:** Rule 3 (a) states that where 2 or more Headings seem to apply, the one which provides the most specific description of the product in question should be used. This means that a Heading which names the actual product should be used in preference to one which only names a category to which the product could belong..
- **Example:** Mint tea is not stated specifically, as a product, in the Tariff. Although the product descriptions available are mint and tea, the importer must classify mint tea under the appropriate tea Heading because it provides the most specific product description and mint is only the flavour of the tea.

Part a: General Interpretative Rules (GIR) continued

- **Explanation:** Rule 3 (b) applies to mixtures, composite goods and sets that cannot be classified by use of the previous Rules.
- **Example:** An importer bringing in "liquor gift sets" (that include the bottle of liquor and glasses) must classify the goods under the appropriate liquor Heading. The essential character of the item is the liquor itself and not the glasses contained within the set.

Part a: General Interpretative Rules (GIR) continued

- **Explanation:** Rule 3 (c) is for use in cases in which a good seems to fit in more than one Heading and the essential character cannot be determined. In this case, the product should be classified under the Heading which occurs last in numerical order. Each objective should be concise, contain a verb, and have measurable results.
- **Example:** A gift set which includes socks (Heading number 6115) and ties (Heading number 6117) cannot be classified by the previous rule since neither item gives the gift set its essential character. The gift set must be classified under the Heading number for ties which is the Heading that occurs last in numerical order.

Part a: General Interpretative Rules (GIR) continued

- **Rule 4**
- **Explanation:** This is a "last resort" rule, most often used with new products and for goods which cannot be classified in accordance with the above Rules
- **Rule 5**
- **Explanation:** Rule 5 specifies how to classify containers.

Part a: General Interpretative Rules (GIR) continued

- **Rule 6**
- **Explanation:** Once goods have been classified to the Heading level by the use of international Rules 1 to 5, then classification to the Subheading level can now take place by repeating international Rules 1 to 5 and taking into account any related Legal Notes.

Part b: Section and Chapter Notes, including Subheading Notes

The titles of Sections, Chapters and sub-Chapters are provided for ease of reference only; for legal purposes, classification shall be determined according to the terms of the headings and any relative Section or Chapter Notes and, provided such headings or Notes do not otherwise require, according to the following provisions

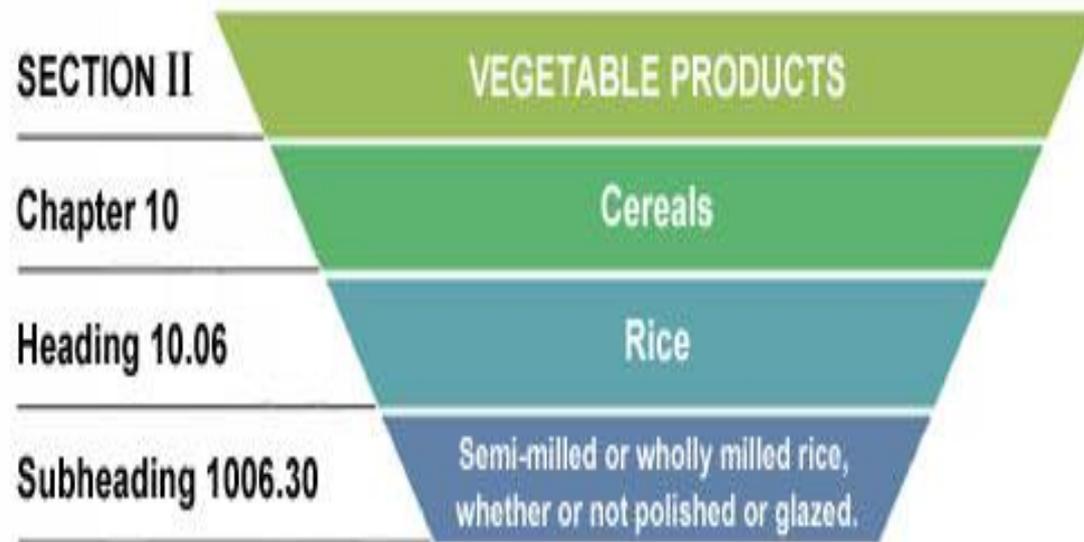
The international HS follows a hierarchical structure, comprising 21 sections, 98 chapters (2 digit), 1229 headings (4 digit), and 5,394 sub-headings (6 digit)

This structure is further broken down into an(8 digit) format for Cayman Island's purposes

Part b: Section and Chapter Notes, including Subheading Notes

The first two digits (HS-2) identify the chapter the goods are classified in, e.g. 10 = Cereals, Tea, Maté and Spices. The next two digits (HS-4) identify the heading within that chapter, e.g. 10.06 = Rice. The next two digits (HS-6) designate the subheading and is even more specific, e.g. 10.06.30 Rice (*Semi-milled or wholly milled rice, whether or not polished or glazed*)

Part b: Section and Chapter Notes, including Subheading Notes



Summary

Benefits to Traders/Brokers

- More Efficient & Speedy processing of cargo;
- Proper Classification of Products (save money);
- Harmonized Commodity Inventory (inventory control)
- Industry Market share statistics
- Identification of emerging markets

Benefits to the CI Government

- Better economic Policies (subsidies, concessions)
- More accurate trade statistics for Government Re: imports/exports (Economic)
- Harmonized Classification of goods with world trade (WTO). Promote consistency and comparability of information
- Monitoring and Enforcement (Data reports)

THANKS FOR YOUR TIME

ANY QUESTIONS



Cayman Islands Customs Department