

*The International
Trade Compliance
And Operations
Experts for
129 years!*

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Rules for using the Harmonized System

The World Customs Organization (WCO) has given us the Harmonized System (HS) to provide uniformity in the classification of internationally traded goods. There are over 200 countries that have adopted the use of the HS. The United States did so effective January 1998. Here in the U.S., when we talk about the HS, we are referring to the good old ten digit number that we are required to use when classifying imported and exported goods. The WCO has also provided some rules, some guidance, to follow when trying to classify something within the HS. Every country who has adopted the HS has the exact same rules to follow.

The goal in creating and then publishing these universal rules is to get everyone in 200+ countries to call an item by the same classification number. If the rules are applied honestly and knowledgeably, then the chances are far better that the goal will be achieved. The WCO named these things the General Rules of Interpretation (GRIs). They speak to how you use, how you interpret the Harmonized System. To try and ease the burden, the WCO has limited the number of them to six. However, it is very important to understand that the GRIs are presented in a hierarchical order. To make them work, you must always begin with GRI 1. If that doesn't work for you, only then do you proceed to GRI 2. You cannot be starting off with GRI 3.

In applying the GRIs – in interpreting the HS – the WCO wants the person doing the work to, first and foremost, arrive at a classification that (in the words of this writer) is an accurate classification for the subject article. The terms (descriptions) found within the HS say exactly what the article is. Another way of saying this is that the description found for your article is a “no-brainer”. This is, basically, GRI 1.

Often, if there is no accurate description then an article, a set of articles, a mixture, or a composite good could have two or three possible classifications. In the hierarchy, the GRIs next tell us that failing an accurate description, find the most specific description possible. This can require some substantial research within the HS to be certain that you have picked the most specific among the possibilities – and, have you found all the possibilities?

Continued...

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Rules for using the Harmonized System *Continued*

Finally, failing accuracy and specificity, then what is the article you are trying to classify most like? Is it most like something that is either accurately or specifically described? If no accuracy or specificity then, and only then, will generalities be acceptable: generalities such as “Other”, “other parts thereof,” “parts and accessories thereof.” You have found the place within the HS where your article should be classified because it is most like, most akin, to everything else in the same heading and subheading. Since you are not allowed to make up your own description and number, the HS has provided some general descriptions (*basket provisions*). You apply these only when everything else has failed to provide a more accurate or specific classification.

A couple of other rules define how you treat – how you think about – a particular article. Here the GRIs require you to identify the “*essential character*” of the article. If its condition as imported/exported is incomplete, disassembled or unfinished but is it still identifiable as the end item then you will classify it as the end item. For example, if the item does not have any drawers, needs to be sanded down and painted, but it still looks like a desk made of wood, you see the essential character of a wooden desk. That is then how the GRIs require you to classify it.

In a set, mixture or composite good, is there a material, component or substance that so dominates as to impart the essential character. You are importing a set containing a cordless electric drill/driver, an array of drill bits, a battery charger, and one spare battery. The essential character of this set is imparted by the cordless drill/driver. The GRIs tell you that the classification will be as a powered hand tool.