

# INTRODUCTION TO THE HARMONIZED COMMODITY DESCRIPTION & CODING SYSTEM



# SESSION OUTLINE

- Introduction to the Harmonized Coding System
- Presentation on the Harmonized System 2022 Edition
- Industry Duty Rates
- Exemption
- Stakeholders response & Queries
- Wrap Up & End

# BACKGROUND

- The Harmonized Commodity Description and Coding System, also known as the Harmonized System (HS) is an internationally standardized system of names and numbers to classify traded products.
- The HS is governed by “The International Convention on the Harmonized Commodity Description and Coding System”, which was adopted in June 1983 and entered into force on January 1988.
- The Convention is maintained by the World Customs Organization (WCO) (formerly the Customs Co-operation Council), an independent intergovernmental organization based in Brussels, Belgium, with over 200 member countries
- Vanuatu became a member of the WCO in 2009.
- Vanuatu acceded to the International Convention on the Harmonized Commodity Description and Coding System on 28 March 2018
- The Vanuatu HS is in Schedule I of the Import Duties Act

# HS AMENDMENTS

- Since the first HS implementation in 1988, there has been six amendments as follows:

<b>Year</b>	<b>Amendment Done</b>	<b>Number of HS Codes (6 digits)</b>
• 1992	Mainly editorial	5018
• 1996	393 sets of changes	5113
• 2002	374 sets of changes	5224
• 2007	354 sets of changes	5052
• 2012	225 sets of changes	5205
• 2017	242 sets of changes	5,387      Vanuatu HS2017 (5,518 + local splits)

- The 7<sup>th</sup> HS edition, HS2022 is currently being rolled out internationally and will come into effect on 1<sup>st</sup> of January 2022.

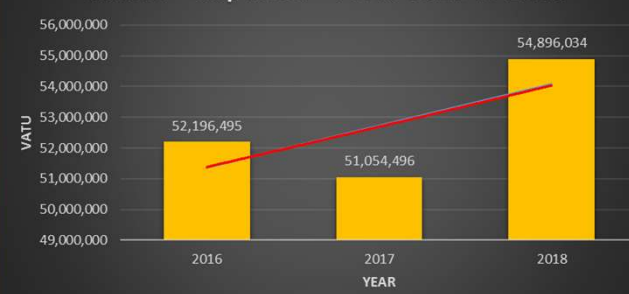
# WHY IS IT IMPORTANT TO HAVE A HARMONIZED CODING SYSTEM?

- Used to standardize classification of goods within countries and across borders
- Used by countries to implement taxation systems
- Ensure availability of statistical data for national and international uses
- Simplify customs procedures
- Essential tool in free trade agreements E.g. MSG, PACER+, PICTA

Tomato Products - Imports by Value (VT) from 2016 - 2018



Value (VT) of Onions/Shallots Fresh or Chilled - Imported - From 2016 to 2018



## WHO ARE THE STAKEHOLDERS OF HS?

- Customs administrations to classify goods
- Governments to impose taxes and excise on imported, produced and exported goods
- Governments use it for policy decisions
- Statistics (SITC) on national and international trade
- Monitoring of controlled goods (e.g. narcotics, chemical weapons, ozone depleting substances)
- Customs risk assessments, information technology and compliance e.g. Selectivity
- Importers/Companies use it to calculate their landing costs
- Investors use it to identify investment opportunities

# THE HS STRUCTURE

- Vanuatu HS2017 has three parts:
- Part 1 - Adopted from the WCO HS with local splits included
- Part 2A – List of Goods Eligible for Concession
- Part 2B – Commodities and Transactions Not Classified According to Kind
- Part 3 – Concessions Applicable to Particular Persons or Bodies.

# THE HS STRUCTURE

<b>Sections</b>	<b>21 Sections</b>	
Chapters	99 Chapters	2 digits
Headings	1,244 Headings	4 digits
Subheadings	5,224 Subheadings	6 digits
Local Splits	131 Local Splits	8 digits

- **E.g. Kava**

Section II	Vegetable Products
Chap 12	Oil Seeds and oleaginous fruits
12.11	Plants and parts of plants
1211.90	- Other
1211.90.10	--- Piper methysticum (Kava) in dried chips





## THINGS TO NOTE:

- Application of duty, excise and taxes are done at the 8-digit level.
- The above are displayed on the HS2017 Tariff book in the form of tables broken down as follows:
  - Tarff Item
  - Description
  - Unit QTY
  - Import Duty
  - Excise Duty
  - Value Added Tax (VAT)
  - Standard International Trade Classification (SITC)
  - Export Duty

## THINGS TO NOTE:

- Units of measures are important in the calculation of duties, excise, taxes and export duties  
e.gs:
  - Cigarette HS 24022000 & 240290000 16 Vatu per stick
  - Second Hand Vehicles 87021020 20% of 200,000VT per unit, Whichever is the greater
- Duty is levied on the customs value of the goods (Import Duties Act Section 2), known as the “ad valorem” value.
- Value of the goods are calculated according to WTO Valuation Rules outlined in Schedule II of the Import Duties Act, based on the CIF Value.
- Duty Rate Ranges from 0% to 75%. The higher duty rates from 30% and above are protective rates.
- Excise Duty calculations are governed under the Excise Act. Excise is calculated based on the quantity of the product, in contrast to the ad valorem calculation of the duty. Excise is usually used to control certain products, e.g.. Alcohol, Cigarette, fire arms

## THINGS TO NOTE:

- Excise duty is calculated on imported goods, or goods produced in Vanuatu. E.g. Imported beer or local produced beer as Tusker.
- SITC codes are added to the HS code to ensure the National Statistics Office can easily correlate data between HS and statistics requirements.
- Export Duty is taken from the Export Act also calculated on the ad valorem value, based on the FOB value. With the exception of timber export which is 5% + VT3,000 per meter cubic.
- Currently only two products have export duty, Timber (4403) & Coral (HS 05080000)

## HOW TO CLASSIFY A PARTICULAR PRODUCT:

How to classify a product to a particular HS Code is called, “HS Classification”. All products can be classified in the HS using the **General Rules of Interpretation (GRI)**. This is done by classifying the product by its:

- composition
- form
- function

# HOW TO CLASSIFY A PARTICULAR PRODUCT:

There are 6 GRIs to help you classify a product outlined below:

- GRI - 1 prescribes how to classify products at the 4-digit Heading level, based on the wording of the headings and the relative HS Section and Chapter Notes.
- GRI 2 - prescribes how to classify both incomplete and unassembled goods, and mixtures and combinations of goods.
- GRI 3 - prescribes how to classify products that are, prima facie, classifiable under two different HS headings.
- GRI 4 - prescribes how to classify products that cannot be classified according to GRI's 1, 2, and 3.
- GRI 5 - prescribes how to classify packaging.
- GRI 6 - prescribes how to classify products at the 6-digit subheading level, based on the wording of the subheadings and the relative HS Section and Chapter Notes.

# TOOLS:

Some Tools to assist with classification

- Tariff on the VESW portal
- Tariff book – with minor errors e.g. VAT still at 12.50%.
- VeSW system
- WCO database – tariff compendium
- Tariff
- Enquiry personal – CRU tariff officer, Selectivity officers, VeSW tariff officer, PCA Auditors

# INDUSTRY DUTY RATES

- Import Duty, Excise, Value Added Tax (VAT) and Export Duty are managed by the Department of Finance
- Request for any Increase or Decrease In Rates will require Department of Finance Approval

# EXEMPTION

- Part 2A – List of Goods Eligible for Concession
- Part 2B – Commodities and Transactions Not Classified According to Kind
- Part 3 – Concessions Applicable to Particular Persons or Bodies.





# STAKEHOLDER QUERIES

THANK YOU TUMAS!

(REGISTRATION)