



Tariff and Trade Affairs

The Private Sector's View on the Harmonized System

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(IFCBA)**

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Overview

- WCO Process
- Scope
- National Implementation of Tariff Changes
- Challenges and Costs
- Impacts for National Administrations and Business
- Customs-Business Partnerships
- What Business Needs
- Looking Ahead

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WCO Process, as Understood by Business

- Changes to the 2017 Harmonized System Nomenclature were approved by the WCO Council in the summer of 2014.
- Administrations then had 6 months to enter any reservations or objections to what was adopted.
- The “package” of WCO tariff changes became official in January 2015; many business stakeholders are unaware of this early date.

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WCO Process, as Understood by Business

- Important to keep in mind that WCO staff manages tariff changes while also keeping up with regular activities – we appreciate the effort.
- WCO provides capacity building for various administrations in advance of the changes, since some administrations require technical assistance.
- The WCO also updates the Harmonized System Explanatory Notes and Compendium of Classification Opinions.

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Scope

The 2017 version of the HS includes 233 sets of amendments:

- agricultural sector 85
- chemical sector 45
- wood sector 13
- textile sector 15
- base metal sector 6
- machinery sector 25
- transport sector 18
- other sectors 26

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Preparation for Implementation by Business

- A single change to the HS can result in thousands of changes to product databases, especially for customs brokers with hundreds of clients importing a wide variety of products .
- One tariff item may be split into two or more new tariff items and this requires the manual reclassification of all products from the old to the new.
- Most changes are from one HS to three or four but at least one example expanded one tariff item in 2016 to ten in 2017.
- New classifications often need additional information not previously required to accurately classify the goods – this takes time and care.

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Challenges

Simple: one-to-one

Customs Tariff - 2017

Concordance

Showing 1 to 25 of 5,446 entries | Show entries | Filter items

2016 Terminated HS Codes 	2017 HS Codes 
0106.41.00.11	0106.41.00.10
0106.41.00.12	0106.41.00.10
0106.90.00.90	0106.90.00.20
0106.90.00.90	0106.90.00.90
0201.20.10.91	0201.20.10.99
0201.20.10.92	0201.20.10.99
0201.20.10.99	0201.20.10.99
0201.20.20.80	0201.20.20.91
0201.20.20.80	0201.20.20.93
0201.20.20.80	0201.20.20.99

In this example, 0106.41.00.11 (Honey bees, not including queen bees, in packages of a weight not exceeding 1 kg) converted to 0106.41.00.10 (Honey bees, not including queen bees)



Challenges

Not so simple: one-to-two

Customs Tariff - 2017

Concordance

Showing 1 to 25 of 5,446 entries | Show entries Filter items

2016 Terminated HS Codes 	2017 HS Codes 
0106.41.00.11	0106.41.00.10
0106.41.00.12	0106.41.00.10
0106.90.00.90	0106.90.00.20
0106.90.00.90	0106.90.00.90
0201.20.10.91	0201.20.10.99
0201.20.10.92	0201.20.10.99
0201.20.10.99	0201.20.10.99
0201.20.20.80	0201.20.20.91
0201.20.20.80	0201.20.20.93
0201.20.20.80	0201.20.20.99

In this example, 0106.90.00.90 (Other live animals, other, other) converted to 0106.90.00.20 (Other live animals, other, amphibians) and 0106.90.00.90 (Other live animals, other, other)

Challenges

Complicated: three-to-one

Customs Tariff - 2017

Concordance

Showing 1 to 25 of 5,446 entries | Show 25 entries | Filter items

2016 Terminated HS Codes	2017 HS Codes
0106.41.00.11	0106.41.00.10
0106.41.00.12	0106.41.00.10
0106.90.00.90	0106.90.00.20
0106.90.00.90	0106.90.00.90
0201.20.10.91	0201.20.10.99
0201.20.10.92	0201.20.10.99
0201.20.10.99	0201.20.10.99
0201.20.20.80	0201.20.20.91
0201.20.20.80	0201.20.20.93
0201.20.20.80	0201.20.20.99

In this example, 0201.20.10.91 (Meat of bovine animals, fresh or chilled; veal, rib) 0201.20.10.92 (Meat of bovine animals, fresh or chilled; veal, hip) and 0201.20.10.99 (Meat of bovine animals, fresh or chilled; veal, other) all converted to 0201.21.10.99 (Meat of bovine animals, fresh or chilled, veal, other)

Unique Challenges With National Implementation of Tariff Changes

- In countries where release and accounting processes are separate, there is an overlap from the time goods are released in 2016 to accounting for those goods in 2017: the 2017 tariff is used for release of goods in 2017, but the 2016 tariff must be maintained in order to account for goods released in 2016.
- It is senior staff, analysts, and consultants who are involved in updating databases for their clients and this may have to be done on an individual basis; this is not a clerical task so the resource cost can be significant.
- Customs brokers must advise all their clients of changes that affect the goods they import.
- Importers must update their internal databases and websites (especially when involved in e-commerce and publishing landed costs).

Building a Tariff Classification: the Canadian Experience

WCO: **1234.56**

Finance Canada: 1234.56.**78**

Statistics Canada: 1234.56.78.**90**

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Preparation for National Implementation Outside the WCO: the Canadian experience

In Canada, information was available on:

- October 24, 2016
 - 2016 to 2017 and 2017 to 2016 8-digit concordance tables, provided by Finance Canada
- November 18, 2016
 - 2016 to 2017 and 2017 to 2016 10-digit concordance tables, provided by Statistics Canada
- November 29, 2016
 - Complete 10-digit tariff in PDF, provided by CBSA
- December 8, 2016
 - CADEX files, provided by CBSA – this automated tool is critical for transition.

Impact of Tariff Changes on Customs Administrations: the CBSA example

- CBSA does not train front-line staff, since all changes are automated; changes are communicated to those who work with the tariff.
- CBSA has two full-time employees devoted to the conversion for implementation of the Canadian tariff (this seems to be a very small number).
- Other CBSA staff are working with publication, translation, and programming, which can be done only when the full tariff is available.
- Finance Canada and Statistics Canada assign their own resources (to get to 8- and 10- digit levels).
- There is no impact on CBSA audit verification priorities – if the goods were an audit priority in 2016, they will continue to be in 2017.



CBSA Verification Priorities - Examples

Tariff

Curling Irons (Round 3) - Harmonized System Number(s): 8516.32.10

Spectacle Lenses (Round 2) - Harmonized System Number(s): 9001.40.10 and 9001.50.10

Furniture for Non-Domestic Purposes - Harmonized System Number(s): Various goods of Headings 94.01 and 94.03

Seaweed (Round 3) - Harmonized System Number(s): 1212.21.00 and 1212.29.00

Dextrins and Other Modified Starches (Round 3) - Harmonized System Number(s): 3505.10.90

Disposable and Protective Gloves (Round 3) - Harmonized System Number(s): 3926.20.10 and 4015.19.10

Impact of Tariff Changes on Business

- Tariff changes are made due to new products/technology; products becoming obsolete or less significant; and various global priorities (such as the environment, combatting malaria, etc.).
- Until the WCO finalizes changes at the international level, detailed work on the national portion cannot begin.
- After the WCO releases the 6-digit tariff, business attempts to identify potential impacts based on the chapter and heading, but without full details cannot complete the exercise – this is often late in the year.

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Impact of Tariff Changes on Business

- In some countries, changes don't just take place every 5 years; for example, amendments are made to the Canadian tariff to reflect changes in budgets that affect duty rates for certain goods.
- All of this raises the question of whether the 5-year review cycle still makes sense for national administrations and for business.

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Impact to Both Customs and Business

Advance Rulings: a Canadian practice

- When there are changes to the tariff, CBSA will issue a notice indicating that if you have an Advance Ruling for goods whose tariff classification has changed, it would be prudent to review the ruling.
- Technically, the ruling is no longer valid if the HS no longer exists.
- The onus is on business to ensure that changes to the tariff do not affect the Advance Ruling, and to apply for a new Advance Ruling if required.

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Advance Rulings – Pros and Cons

Pro: Certainty of tariff classification

Con: Obligation to use the tariff determined by CBSA



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Post Implementation Impact: when changes aren't correct

- Once the implementation date is effective, business must be prepared for corrections. Any submission that is rejected must be reviewed:
 - was it a programming error in the importer's or customs broker's system?
 - was an item entered incorrectly in the database?
 - what about government programming – was there an error? – this does happen and is usually identified quickly because of wide impacts.
- Goods will not be released until a valid tariff classification is provided.



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Other Impacts

Changes to the HS also affect:

- Trade Agreements
- Requirements of Other Government Departments (CBM and single window)
- Sourcing Decisions
- Knowledge & Education programmes, which need to be updated
- Programming (internally with Customs brokers and their clients)
- Programming (externally for client's web pages and communication).

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Partnerships



There are possibilities for and benefits from Customs and business working together on HS classification case studies – resulting in better understanding of methodology and approach. This can build trust and improve communication, potentially resulting in fewer disputes and appeals. This can be especially effective in working with tariff changes – 2017 and then 2022?

Training



HS classification in general and implementation of WCO tariff changes every five years provides great material for training and development of Customs professionals in both Customs administrations and business.

Training – Examples of Case Studies

Bathroom Vanity



Using the pages from the tariff and the supplementary information, are the goods classified in:

6910.90.00, as other ceramic sanitary fixtures, or

7009.91.00 as unframed glass mirrors, whether or not framed, or

9403.60.10 as other wooden furniture and parts thereof?

Training – Examples of Case Studies

Banners



Using the pages from the tariff and the supplementary information, are the goods classified in :

- 4911.91.90 as other printed matter, including pictures, designs and photographs, or
- 4911.99.90 as other, other printed matter, including pictures, designs and photographs, or in
- 6307.90.99 as other made up articles of textiles?

Training – Examples of Case Studies

One-piece Toilets



Using the pages from the tariff and the supplementary information, are the goods classified in:

- 6910.90.00, as other ceramic sanitary fixtures, or
- 8543.70.00 as other machines and apparatus?

Webinars

Grant Tebbutt, Manager
Canada Border Services Agency
Trade Policy Division
Tariff Policy



Great opportunity for raising awareness of tariff changes, and highlight particular problems and challenges.

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Committees

- The Canada Border Services Agency includes business representatives in its committees.
- One committee, the Trade Policy and Recourse Committee, looks at issues related to tariff.
- The committee has provided a list of goods which are difficult to classify, as well as a list of tariff classifications that they feel could be clarified or are contentious.

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Committee Communication with CBSA

Goods

- Furniture – is it domestic or other?
- Pool covers – are they parts or accessories?
- Handbags vs. totes?
- Jewellery – what is a minor constituent?

Headings

- 8471, 8517, 8473, 8528 and 8531 (IT electronics, displays, monitors, controllers, processor, servers, routers, switching network units, encoders and misc. computer equipment)
- 8413 Pumps
- 8481 Valves

What Business Needs

- Time. Technology. Transparency.
- In a nutshell, the more time to review and prepare, the better for all.
- Administrations need to be responsive when advising of tariff changes
 - there are costs to business when implementation is delayed due to a lack of information. Once the WCO tariff is available, how can national administrations expedite the process?
- Kudos to WCO for 2017.



Looking Ahead....

- Looking ahead to 2022, discussions are taking place around the relevance/use of HS, with other pressures in some countries for alternative ways to identify goods, such as GS1 and scientific names.
- Accurate identification of goods may be required for risk management, requirements of Other Government Departments, trade compliance, and revenue collection.

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Looking Ahead....

- What does this mean for business? Cost, complexity, possible duplication, potential for errors – “too much” information!
- And what does this mean for the WCO’s work on HS tariff changes on behalf of its members?

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Thank You

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