



The Harmonized System

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What We'll Touch Upon in this Session

- An introduction to the Harmonized System
- Implications for compliance
- Structure of the HS and;
- The basics of classifying goods correctly using the HS



What is the Harmonised System (HS)?

- International system providing a common way for naming, codifying, describing and classifying goods
- Used by entities involved in the trade in goods across international borders
 - Customs administrations, government statistical agencies, other border agencies, freight forwarders, insurance, logistics providers, manufacturers, importers and exporters etc.



Poll Question 1



- Have you ever had to make reference to a customs tariff or determine the classification of a product as part of your work in DHL?
- Use the option buttons on your screen to cast your anonymized vote

Aims of the Harmonised System (HS)

- Achieve international uniformity in the classification of goods
- Enable the collection, analysis and comparison of global trade statistics
- To be a 'living' document
 - ensuring the HS can be regularly updated to reflect technological and trade developments
- Provide the basis for preferential, bilateral and plurilateral trade agreements
 - Support environmental control and enforcement e.g. hazardous waste, ODS, endangered species)

Comprehensive - all products can be classified — but many fall into residual 'other' categories because it is impossible to name/list every specific product.



How did the HS Come About

- Attempts to construct a standardised nomenclature or taxonomy going back to the 19th Century
 - HS developed by the Customs Cooperation Council during 1970s–1980s to unify multiple tariff nomenclatures
 - Brussels Tariff Nomenclature
 - HS Convention adopted in 1983, entered into force on 1 January 1988
 - 42 original contracting parties.
 - Created to provide a single, internationally agreed structure for classifying goods in trade.
 - Revised approximately every five years to reflect technological and trade changes.
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Under whose Auspices does the Harmonised System Sit

- Harmonized System
 - **administered** by the World Customs Organization (WCO)
 - **governed** by the International Convention on the Harmonized Commodity Description and Coding System.
 - **Convention** consists of 20 Articles and an annex (access [here](#))
 - **Committee** oversees interpretation, amendments, and the development of correlation tables.
 - Made of contracting party states representatives



- The HS is currently used by over 200 economies worldwide. The HS Convention has over 160 Contracting Parties (all of whom are WCO members).
- Contracting Parties are required to apply the HS without modification at the 6-digit level (although the Convention allows for a time-limited derogation for developing countries during their transition to full implementation).
- The WCO Secretariat provides technical support and coordinates HS updates across member administrations.

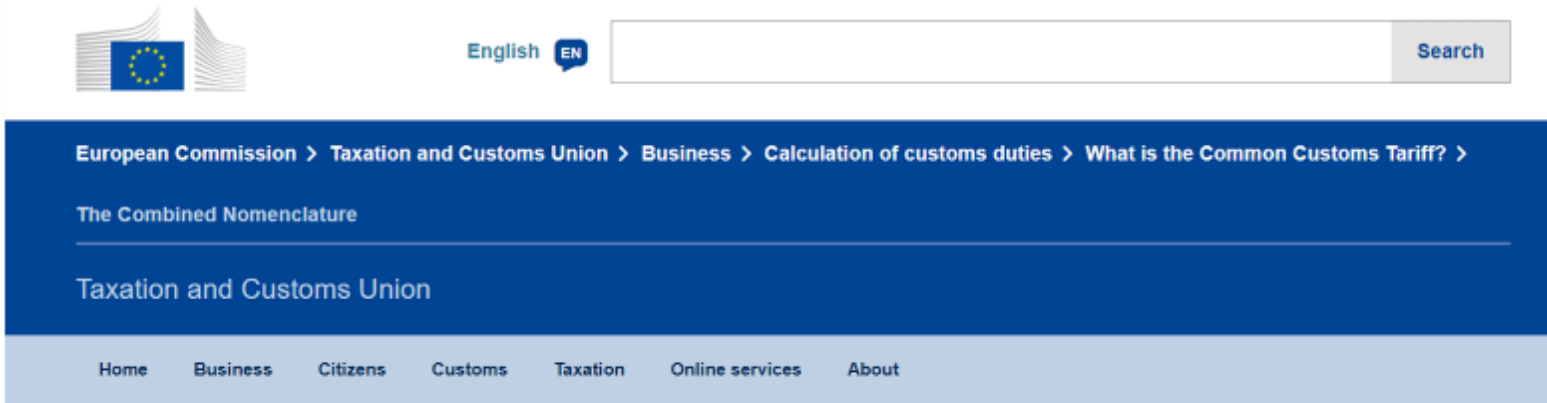


HS Governance - Harmonised System Committee (WCO)

- Normally meets twice a year
- The **Review Sub-Committee (RSC)** and **Working Groups** handle preparatory work.
- The HSC and RSC interact procedurally — for example,
- The Working Groups do the technical groundwork while the RSC refines and prepares proposals. The HSC then debates, adopts and formalises decisions relating to the HS.
- Ensures the interpretation and application of the HS.
- Oversees settlement of classification of goods disputes between Contracting Parties
- Managing updates/amendments of HS Nomenclature to reflect key trade changes.
- Administration and maintenance of general matters.



Adoption of the HS into national and supra-national systems



The Combined Nomenclature

Combined Nomenclature

The Combined Nomenclature (CN) is a **tool for classifying goods**, set up to meet the requirements both of the **Common Customs Tariff** and of the EU's **external trade statistics**. The CN is also used in intra-EU trade statistics.

It is a further development (with special **EU-specific subdivisions**) of the World Customs Organization's Harmonized System nomenclature. This is a systematic list of commodities **applied by most trading nations** (and also used for international trade negotiations).

How does it work?

It is used to classify most goods when they are **declared to customs in the EU**.

Quick Links

- [Combined nomenclature](#)
- [Explanatory notes](#)
- [Basic regulation \(2658/87\)](#)
- [Code of conduct](#)

[Combined Nomenclature - Taxation and Customs Union - European Commission](#)



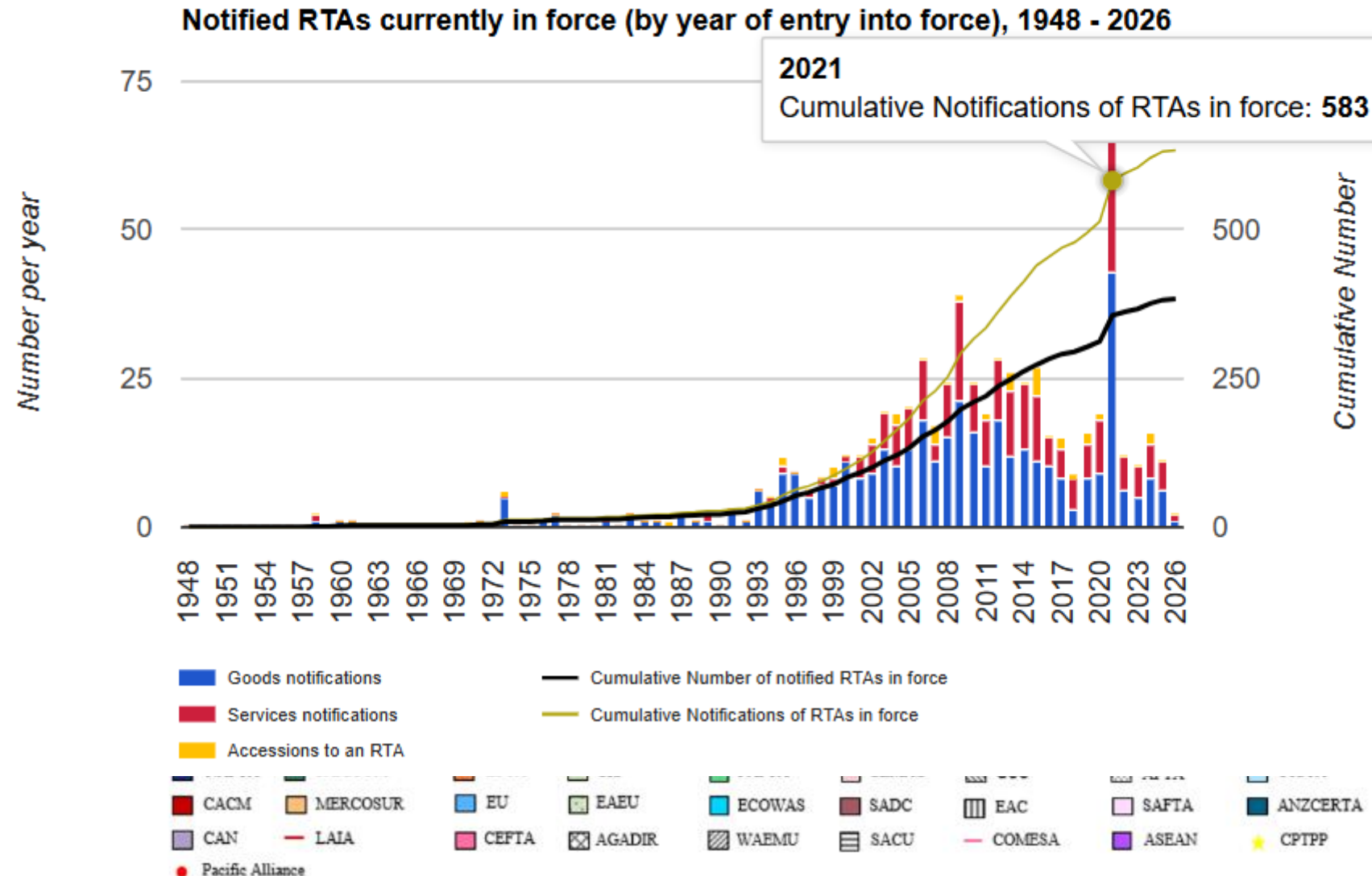
How significant is the HS?

- The HS covers around 98% of international trade in goods

Let's take Preferential Trade Agreements (PTA) as an example

A formal arrangement between two or more countries that reduces or eliminates tariffs, quotas or other trade barriers on selected goods and services traded between them; giving participating countries better (preferential) access to each other's markets compared to non-members.

Aims of the Harmonised System (HS) Preferential/Free Trade Agreements



Aims of the Harmonised System (HS) Preferential/Free Trade Agreements

EU – Eastern and Southern Africa (ESA) Economic Partnership Agreement (EPA)

S.I. 217 of 2019

Commodity Code	Description of goods	Rate of Duty 2017	Rate of Duty 2018	Rate of Duty 2019	Rate of Duty 2020	Rate of Duty 2021	Rate of Duty 2022
85162900	- - Other	15.625%	12.5%	9.375%	6.250%	3.125%	0%
85163100	- - Hair Dryers	15.625%	12.5%	9.375%	6.250%	3.125%	0%
85163200	- - Other hair dressing apparatus	15.625%	12.5%	9.375%	6.250%	3.125%	0%
					6.250%	3.125%	0%
					6.250%	3.125%	0%
					6.250%	3.125%	0%
					6.250%	3.125%	0%
85167200	- - Toasters	15.625%	12.5%	9.375%	6.250%	3.125%	0%
85167900	- - Other	15.625%	12.5%	9.375%	6.250%	3.125%	0%
85168010	- - - For immersion heaters, electric space heating apparatus or electric smoothing irons	10%	10%	9.375%	6.250%	3.125%	0%

Without a common nomenclature, PTA's would be very difficult to manage



How significant is the HS?

- For governments and Customs, classification of goods is a major compliance issue
- For example, a finding from the **Auditor General of Canada (AGoC)**, was that ‘**about 20 percent of goods were misclassified.**’ (2017 Spring Reports: *Customs Duties*)
- The misclassification of goods – deliberate or not deliberate – is viewed as one of the ‘big three’ revenue compliance risk issues faced by Customs along with undervaluation (including false invoicing) and incorrect designation of country of origin
- Misclassification directly affects revenue, risk targeting accuracy and national trade statistics



How significant is the HS?

HEADING NO.	DESCRIPTION OF GOODS	RATE OF DUTY	UNIT (S)	SPECIAL RATES
64.01	Waterproof footwear with outer soles and uppers of rubber or plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes.			
6401.10	Footwear incorporating a protective metal toe-cap	10%	kg and pair	
6401.90	Other footwear	10%	kg and pair	
64.02	Other footwear with rubber or plastics			
6402.10	Sports footwear			
6402.20	Footwear with assembled to the sole			
6402.30	Other footwear, metal toe-cap			
6402.90	Other footwear			
64.03	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather.			
6403.10	Sports footwear	10%	kg and pair	
6403.20	Footwear with outer soles of leather, and uppers which consist of leather straps across the instep and around the big toe.	10%	kg and pair	
6403.30	Footwear made on a base or platform of wood, not having an inner sole or a protective metal toe-cap	10%	kg and pair	
6403.40	Other footwear, incorporating a protective metal toe-cap	10%	kg and pair	
6403.50	Other footwear with outer soles of leather	10%	kg and pair	
6403.90	Other footwear	10%	kg and pair	
64.04	Footwear with outer soles of rubber, plastics, leather or composition leather and upper of textile materials.			
6404.10	Footwear with outer soles of rubber or plastics:			

6404.11	Sports footwear; tennis shoes, basketball shoes, gym shoes, training shoes and the like	10%	kg and pair	
6404.19	Other	10%	kg and pair	
6404.20	Footwear with outer soles of leather or		kg and pair	
64.06	Parts of footwear; removable in-soles, heel cushions and similar articles; gaiters, leggings and similar articles, and their parts.			
6406.10	Uppers and parts thereof, other than stiffeners	10%	kg	
6406.20	Outer soles and heels, of rubber or plastics	10%	kg	
6406.90	Other:			
6406.901	Gaiters, leggings and similar articles, and their parts	10%	kg	
6406.902	Sports footwear identifiable as such but not to include tennis shoes, sneakers and similar multiple footwear	5%	kg	
6406.909	Other	10%	kg	

Deliberate misclassification may save duty in the short term, but it exposes the importer to significant compliance and reputational consequences.

How significant is the HS?

Potential Consequences for the importer not getting classification right including:

- Financial penalties and recovery of duties — including interest and administrative fines.
- Increased scrutiny — consignments flagged more often, more documentary checks, more examinations.
- Post-Clearance Audit (PCA) triggers — misclassification is one of the most common PCA risk indicators.
- Reputational damage — loss of trusted trader (AEO) status, loss of business, strained relationships with customs and reduced trust from logistics partners.
- Potential criminal investigation where intent to defraud is established.



How significant is the HS?

In risk-based customs environments, profiling systems are used to detect and intervene in consignments where misclassification and other non-compliance is suspected.



Immediate Release



Documentary Check



Physical Inspection



Post-Clearance Audit



Poll Question 2



- Have you ever been involved in managing the logistics for a cross border shipment where customs has held up clearance due to a misclassification issue
- Use the option buttons on your screen to cast your anonymized vote

HS Structure

1

- The Text of the HS Convention

2

- The Nomenclature (i.e. the codes plus descriptions)

3

- Section, Chapter, Heading, Subheading, Notes (definitions, inclusions, exclusions, methods)

4

- Six General Interpretation Rules (GIRs)

5

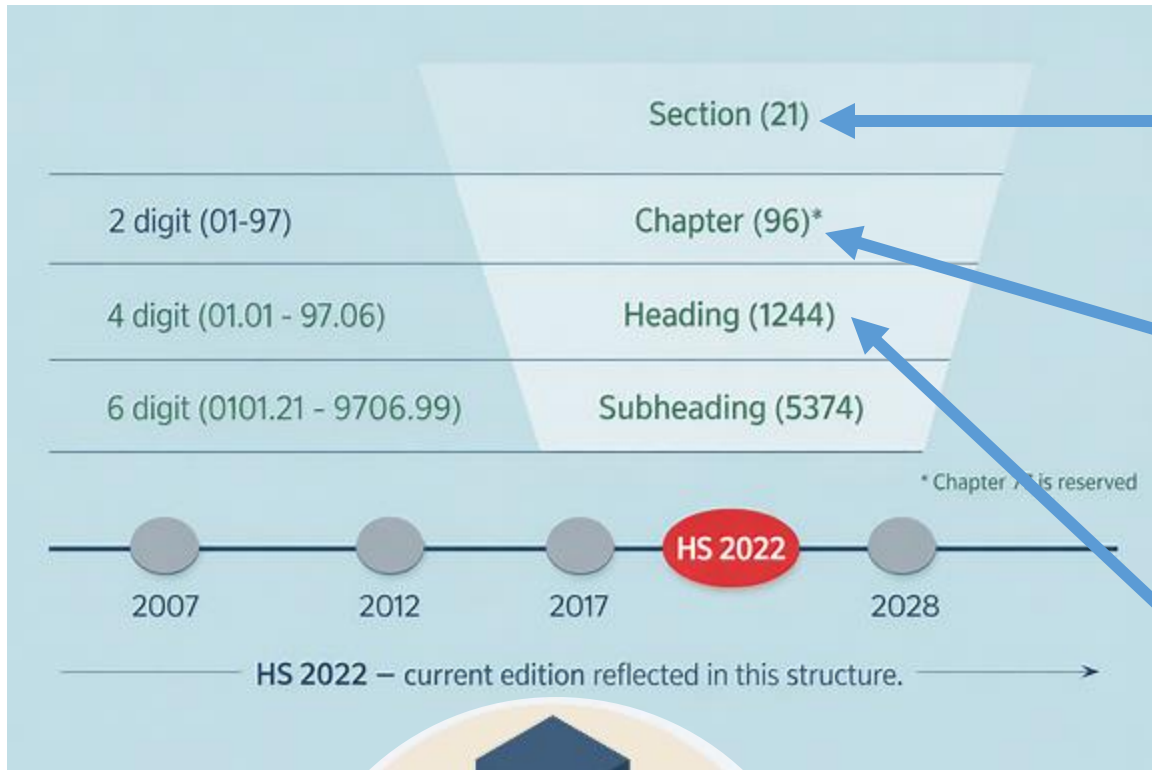
- Classification opinions

6

- Explanatory Notes



HS Structure



There are 21 Sections (groups of like product types) e.g. Section I = live animals, animal products

Each section linked to 97 Chapters (96 active chapters) - Chapter 77 is reserved for possible future use.

Commodities within each chapter are set out under **4-digit headings** which are divided into 6-digit subheadings.

The Headings group related goods, progressing from raw materials to finished products.



HS Structure – Product groupings and their Sections

Section I	LIVE ANIMALS; ANIMAL PRODUCTS	>
Section II	VEGETABLE PRODUCTS	>
Section III	ANIMAL, VEGETABLE OR MICROBIAL FATS AND OILS AND THEIR CLEAVAGE PRODUCTS; PREP...	>
Section IV	PREPARED FOODSTUFFS; BEVERAGES, SPIRITS AND VINEGAR; TOBACCO AND MANUFACTUR...	>
Section V	MINERAL PRODUCTS	>
Section VI	PRODUCTS OF THE CHEMICAL OR ALLIED INDUSTRIES	>
Section VII	PLASTICS AND ARTICLES THEREOF; RUBBER AND ARTICLES THEREOF	>
Section VIII	RAW HIDES AND SKINS, LEATHER, FURSKINS AND ARTICLES THEREOF; SADDLERY AND HARN...	>



HS Structure – Product groupings and their chapters

Chapter Range	Commodity Group
01–05	Animal & Animal Products
06–14	Vegetable Products
15	Animal or Vegetable Fats & Oils
16–24	Foodstuffs
25–27	Mineral Products
28–38	Chemicals & Allied Industries
39–40	Plastics / Rubbers
41–43	Raw Hides, Skins, Leather & Furs
44–49	Wood & Wood Products
50–63	Textiles
64–67	Footwear / Headgear
68–71	Stone / Glass
72–83	Metals
84–85	Machinery / Electrical
86–89	Transportation
90–97	Miscellaneous
98–99	National Use Only (country-specific provisions)

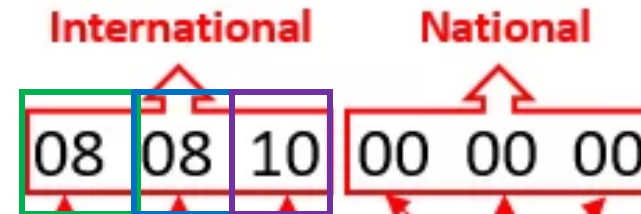


Structure of a Chapter- Headings/Subheadings

HS Code Example

Apple

HS Code: 08081000



Section 02: Vegetable Products

Chapter 08: Edible Fruit and nuts, peel of citrus/melons

Heading 08: Apples, Pears and Quinces, Fresh

Subheading 10: Apples

Country Specific Divisions

Structure of a Chapter- Headings/Subheadings



Heading 0808

Apples, pears and quinces, fresh.

Legal Notes

Explanatory Notes

Classification Opinions

<



Structure of a Chapter- Headings/Subheadings

Punctuation in the HS and why it matters

- Punctuation changes meaning in the HS — it tells you how far a description extends.
- The Key idea is that commas link items while semicolons separate groups (acting like full stops).
- For example, product “X, Y and Z; A and B” i.e. one group of like products before the semicolon, another after it.
- Punctuation shapes scope — read it carefully to avoid mixing product groups and misclassifying goods.



Structure of a Chapter- Headings/Subheadings

Punctuation in the HS and why it matters - Example

Heading 8401 Nuclear reactors; fuel elements (cartridges), non-irradiated, for nuclear reactors; machinery and apparatus for isotopic separation. ✓

⊕ Add to folder Legal Notes Nuclear reactors; fuel elements (cartridges), non-irradiated, for nuclear reactors; machinery and apparatus for isotopic separation.

🔗 See ROO

📄 Compare ✎ Add comment ⚙ Add tag

...

8401.10	- Nuclear reactors	>
8401.20	- Machinery and apparatus for isotopic separation, and parts thereof	>
8401.30	- Fuel elements (cartridges), non-irradiated	>
8401.40	- Parts of nuclear reactors	>



Structure of a Chapter- Headings/Subheadings

Other & Residual Headings

- Sometimes goods defy a precise description within the available headings or subheadings (*for example: multi-function items or products that don't match any listed group exactly*)
- “Other” subheadings are residual categories
- Used only when no specific description fits
- Remember the dash system: only compare subheadings at the same dash level before selecting “other”; You can't compare a double-dash subheading with a single-dash subheading — only compare subheadings at the same dash level
- You must test and eliminate all specific subheadings first (GIR 1 and GIR 6)
- Ensures classification is structured, not guesswork
- Takeaway: *“Other” is the last resort, not the starting point*





Legal Notes

- GIVE DIRECTION INTO OR OUT OF PARTICULAR AREAS
- DEFINE THE SCOPE OF HEADINGS AND SUBHEADINGS
- INTERPRET PARTICULAR WORDS OR PHRASES



Types of Notes

- Directional Notes
- Notes of Exclusion
- Notes of Inclusion
- Notes of Extension
- Notes of Restriction
- Definitional Notes

Example — Note of Exclusion (HS Chapter 1)

This chapter does not cover meat of animals of heading 02.01 or

Example — Note of Inclusion (HS Chapter 2)

This chapter includes edible offal of the animals covered by this

Example — Note of Extension (HS Chapter 3)

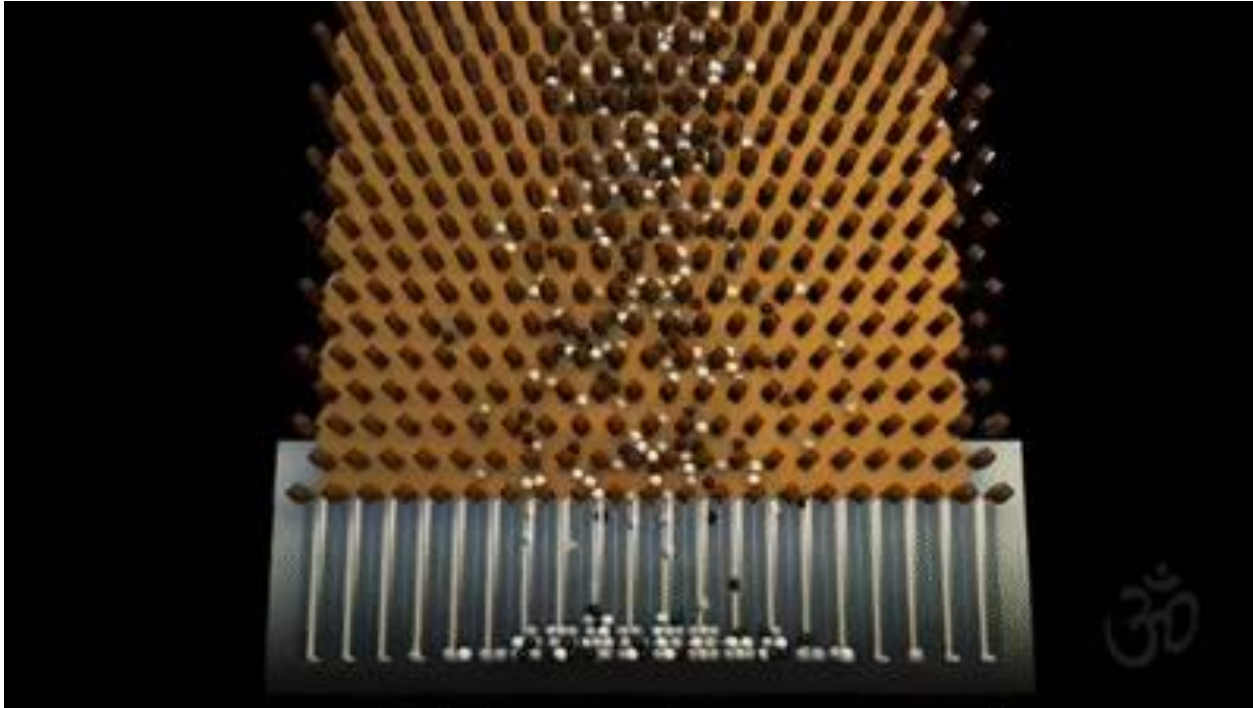
For the purposes of this chapter, the term “fish” also includes certain edible aquatic invertebrates.

- Additional Notes- these are domestic or national notes permitted by the HS. They refer to domestic tariffs. They are permitted provided they do not contradict the scope of the international structure.

Interpretation Rules

- Consist of 6 rules providing a step-by-step basis for the classification of goods.
- A product must first be classified in its appropriate 4-digit heading before proceeding to a 5-digit heading.
- The Rules are applied in a hierarchical fashion. Rule 1 takes precedence over Rule 2; Rule 2 over Rule 3 etc.





The Classification Process

Identify the goods

Identify/locate areas- the sections and chapters within the nomenclature where the goods may be covered

Identify and select appropriate headings within these areas

Classify the goods at heading level, taking account of any relevant legal notes

Classify the goods at subheading level, taking account of any relevant subheading notes.

Identification of Goods – Step Zero

What are the goods?

What function do the goods perform?

What are the goods made of?

Who sells, buys or uses the goods?

In what form or in what types of containers are the goods imported? Are they in cans, bottles, bulk or are they unassembled?

Identify the goods in their condition as imported.



Interpretation Rule 1

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

HS 4-Digit Heading: Car Parts

8708



Interpretation Rule 6

- For legal purposes, GIR 6 applies to the classification of goods in the subheadings of a heading.
- This means that when you classify goods at the 6-digit level, you must follow the exact wording of the subheadings and any Subheading Notes that apply.
- You only compare subheadings at the same level (for example, 4-digit with 4-digit, or 6-digit with 6-digit). You never compare a 4-digit heading with a 6-digit subheading.
- The Section Notes and Chapter Notes still apply, unless the wording of the subheading clearly overrides them.



A close-up, shallow depth-of-field photograph of a bicycle saddle and its rear springs. The saddle is dark brown with a leather-like texture. The metal springs and mounting hardware are visible below it. The background is a blurred brick wall.

Interpretation Rule 2(a)

1. An incomplete or unfinished article is to be treated as a complete article provided it has the essential character of the complete article
2. An unassembled or disassembled article is to be classified as if it were assembled.

Interpretation Rule 2(b)



Allows for mixtures or combinations of other goods



Includes goods that are made from different materials



When two or more headings are available for consideration the classifier is directed to apply the principles set out in Interpretation Rule 3

What is essential character

Essential Character may vary due to the nature of the product.

It may depend on the components of the product, its volume, quantity, weight value or its importance.



Interpretation Rule 3a- the most specific description

- A description by name is more specific than a description by class or genus
- A heading description that identifies goods clearly and precisely is more specific than a heading which relates only to a general description.



Interpretation 3(b) Essential Character

- This rule covers the classification of
- Mixtures
- Goods consisting of different materials
- Composite goods consisting of different components: the components may not be designed to be separated from each other
- The components may be separate (provided they are mutually complementary and that together they form an entity which would not normally be sold in separate pieces.
- Sets that are put up for retail sale
- *Note that goods in sets must perform together a specific activity, task or function to be considered a set.*



Interpretation Rule 3 (c)

- When goods cannot be classified by reference to 3(a) or 3(b), they shall be classified under the heading which occurs last in numerical order among those which equally merit consideration.



Interpretative Rule 4

Goods which cannot be classified in accordance with the above Rules shall be classified under the heading appropriate to the goods to which they are most akin.

Rule 4 is rarely applied because most chapters contain residual headings.

Rule 4 is a safeguard to ensure that new technologies do not make the nomenclature obsolete,

Further issues occur when there are different cultural interpretations of what is considered most akin.

The overriding message regarding Rule 4 is “do not use it”.



Interpretation Rule 5(a)

- Rule 5(a) directs camera cases, musical instrument cases, gun cases, drawing instrument cases, necklace cases and similar containers, specially fitted to contain a specific article or set of articles, suitable for long term use and presented with the articles for which they are intended, shall be classified with such articles when of a kind normally sold therewith.



Interpretative Rule 5(a) continued

These cases:

Are normally sold with the article they are designed to contain

Keep and protect the article when it is not in use

Are of no real use for articles other than those for which they are designed

Are suitable for long term use or at least have a durability comparable with the article they are designed to contain. They are not the type of goods that are disposed of, once you have the contents.

Cases must be imported with the article. (the article and the case may be packed separately for ease of transport)





Interpretation Rule 5(b)

- Subject to the provisions of Rule 5(a), packing materials and packing **containers presented with the goods therein** shall be classified with the goods if they are a kind normally used for packing such goods. However, this provision is **not binding** when such packing materials or packing containers are clearly suitable for **repetitive use**.
- Crates, cardboard boxes, foam pellets, cardboard dividers etc

Poll Question 3



- **In your opinion, what is the one key factor you must keep in mind when interacting with the HS?** *(There is no right or wrong answer from the options below.)*

- Classify based on what the product is, not what it's used for
- Follow the legal text first — headings, notes, and subheadings
- Base classification on evidence, not guesswork
- Compare only subheadings at the same level
- Apply the General Interpretative Rules in order
- Read Section and Chapter Notes — they determine scope
- Use the “other” subheading only when no specific description fits



Classification is not guesswork — it is a legal determination based on structure and evidence and every correct HS code tells the true story of what a traded product is and where it belongs



Questions?

