



TIMOR-LESTE
Customs
Authority

Harmonized Commodity Description and Coding System

A Guide for Customs
Brokers in Timor-Leste

English version

2021

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Table of Contents

1. INTRODUCTION.....	5
a) Harmonized Tariff.....	5
b) The Importance of Tariff Classification.....	5
c) The Harmonized System – A Brief History.....	6
d) International Customs Organisations	6
e) Harmonized System.....	7
f) Timor-Leste Tariff Legislation	8
2. TARIFF STRUCTURE - OUTLINE	11
a) Table of Contents.....	11
b) Working Tariff Numbering System	13
c) 1 - 5 Dash System	14
d) Types of Duty Rates	15
3. WHAT ARE THE INTERPRETATION RULES?.....	17
a) Interpretation Rule 1.....	17
b) Interpretation Rule 2.....	17
c) Interpretation Rule 3.....	19
d) Interpretation Rule 4.....	23
e) Interpretation Rule 5.....	24
f) Interpretation Rule 6.....	26
4. PRINCIPLES OF CLASSIFICATION - INTRODUCTION.....	29
a) Identifying the Goods	29
b) Refer to Interpretation Rules.....	32
c) Check Section and Chapter Headings	32
d) Check Section, Chapter and Additional Notes.....	33
e) Aids to Classification.....	34
5. LEGAL NOTES - INTRODUCTION	37
a) Section and Chapter Notes:	37
b) Subheading Notes:.....	37
6. CONTENT REVIEW.....	43
7. EXERCISE ANSWERS	49

1. INTRODUCTION

a) HARMONIZED TARIFF

The Harmonized Commodity Description and Coding System of Tariff Nomenclature, generally referred to as the Harmonized System (HS) is an international nomenclature defined by the World Customs Organization (WCO) for the classification of products. It allows participating countries to classify traded goods on a common basis for Customs purposes. At the international level, the Harmonized System for classifying goods is a six-digit code system.

The HS comprises approximately 5,000 article/product descriptions that appear as headings and subheadings, arranged in 96 chapters, and grouped into 21 sections.

Of the six digits, the first two digits identify the chapter the good is classified in, e.g. 09 = Coffee, Tea, Mate and Spices. The first four digits identify the heading, a finer breakdown of the chapter, e.g. 09.02 = Tea, whether or not flavored. The full six digits identify the sub-heading, and are even more specific, e.g. 09.02.10 = Green tea (not fermented). Up to the HS-6-digit level, all countries using the Harmonized System have the same codes.

In implementing the Harmonized System, most countries add additional digits for finer breakdown below the sub-heading level. Some add an additional two digits, the tariff item level, at which duty rates are assigned. Others add a further two digits, the classification level. This final level is generally for statistical purposes, consequently, unit(s) of measure are generally assigned here. Note that a few countries do not assign additional levels, consequently their duty rates are applied at the sub-heading level.

b) THE IMPORTANCE OF TARIFF CLASSIFICATION

For Government

For government, a tariff classification system enables "uniform identification of imported and exported goods for purposes of duty and tax collection, enforcement of national laws and international treaties, analysis for economic and business planning, and international trade negotiations."

For Companies

For users of the tariff (importers and exporters of all types and sizes), correct classification is a legal responsibility. Non-compliance can mean shipment delays, increased cargo inspections, post compliance audits, prosecution, fines, and other administrative penalties.

Correct classification often saves money, both in the short and long term. When examining a company's past imports, customs brokers find that overall, too much duty has been paid, indicating that full advantage of provisions of the tariff were not taken. Making use of these provisions requires a precise knowledge of the product to be classified, something that the importer or exporter has, or should have, as well as knowledge of the Tariff and the principles of classification, something they should also be familiar with.

Whether goods are eligible for any of the special provisions of the Tariff that allow for lower duty

rates usually depends on the use or purpose for which they are being imported, or on the availability of certificates of origin. Again, the importer is in the best position to know these facts.

Verifying the classification decisions of customs brokers and professional classification suppliers is a good way of protecting both compliance levels and revenue outlay in the form of duties and taxes. By understanding how the tariff classification process works, importers will be able to work together with their classification provider (usually a customs broker or consultant) to ensure that their goods are classified correctly.

c) THE HARMONIZED SYSTEM — A BRIEF HISTORY

The Early Years

As early as a century ago, the lack of uniformity between the many different classification systems that had grown up throughout the world had become a major concern. Since that time, several attempts have been made to create an international system of classification.

In 1950, the **Customs Cooperation Council** was formed in Brussels. Shortly thereafter, the classification system it developed, known as the Customs Cooperation Council Nomenclature, came into use. By 1970, it became apparent that this system would have to be revised both in order to make it usable by more countries and to ensure compatibility with modern, computerized methods of doing business. Thus, the development of the Harmonized Commodity Description and Coding System began.

On January 1, 1988, most members of the WTO adopted the new Harmonized System. There are now more than 200 countries using the international Harmonized Tariff. So, are they all the same? Yes, and No. Yes, to the 6-digit level. No beyond that level. Before being adopted into law by a country, the WTO Harmonized System is augmented to accommodate particular national goals. For example, most add additional levels to provide a finer breakout of products. Duty rates and units of measurement are added — generally at the 8th digit level.

d) INTERNATIONAL CUSTOMS ORGANISATIONS

World Trade Organization (WTO)

The WTO's overriding objective is to help trade flow smoothly, freely, fairly and predictably. It does this by:

- Administering trade agreements
- Acting as a forum for trade negotiations
- Settling trade disputes
- Reviewing national trade policies
- Assisting developing countries in trade policy issues, through technical assistance and training programs
- Cooperating with other international organizations

History

The WTO was officially created in January of 1995, and essentially replaced the General Agreement on Tariffs and Trade (GATT), which had been in force since 1948, as the world economies became more global in trade and business, it became evident that GATT was not built or structured to address many of the new global trading challenges that were arising. As a result, the biggest trade negotiating event on record began in 1986. It was known as the *Uruguay Round*, seeing as it took place in Punta del Este, Uruguay. One of the final accomplishments of this round was the creation of the WTO. The WTO is currently working on new negotiations and agreements, known as the *Doha Development Agenda*, and these started in 2001. Timor-Leste has OBSERVER status of the WTO and is currently providing necessary documentation for accession to full WTO Member.

Purpose

The WTO is a complex international organization with many moving parts. Simply stated though, its main purpose is to help trade flow smoothly for all member nations so that they may increase the well-being of their countries and standards of living for their citizens. It works to educate and inform companies and governments on the acceptable rules that govern trade (i.e., imports and exports). When issues arise, it works to settle disputes based on the legal agreements that the countries have adopted and ratified in their governments.

World Customs Organization (WCO)

The **World Customs Organization (WCO)** is an intergovernmental organization headquartered in Brussels, Belgium. The WCO is noted for its work in areas covering the development of international conventions, instruments, and tools on topics such as commodity classification, valuation, rules of origin, collection of customs revenue, supply chain security, international trade facilitation, customs enforcement activities, combating counterfeiting in support of Intellectual Property Rights (IPR), integrity promotion, and delivering sustainable capacity building to assist with customs reforms and modernization. The WCO maintains the international Harmonized System (HS) goods nomenclature, and administers the technical aspects of the World Trade Organization (WTO) Agreements on Customs Valuation and Rules of Origin.

Timor-Leste became a Member of the World Customs Organization (WCO) on the 19 September 2003, and in keeping with its commitments as a Member Timor-Leste Customs Authority strives to achieve international standards and best practice.

e) HARMONIZED SYSTEM

As mentioned earlier, the Harmonized Commodity Description and Coding System generally referred to as "Harmonized System" or simply "HS" is a multipurpose international product nomenclature developed by the World Customs Organisation (WCO).

It comprises about 5,000 commodity groups; each identified by a six-digit code, arranged in a legal and logical structure and is supported by well-defined rules to achieve uniform classification. The system is used by more than 200 countries and economies as a basis for their Customs tariffs and for the collection of international trade statistics. Over 98 % of the merchandise in international trade is classified in terms of the HS.

It is also extensively used by governments, international organisations and the private sector for many other purposes such as internal taxes, trade policies, monitoring of controlled goods, rules of origin, freight tariffs, transport statistics, price monitoring, quota controls, compilation of national accounts, and economic research and analysis. The HS is thus a universal economic language and code for goods, and an indispensable tool for international trade.

The HS is designed to provide an international system for classifying all goods involved in international trade. Unlike its predecessor, the Customs Co-operation Council Nomenclature (CCCN) which was designed solely as a Customs tariff, the HS is however a multi-purpose system whose aims are to:

- Achieve international uniformity in the classification of goods in the Customs Tariff.
- Provide for the collection, analysis, and comparison of world trade statistics.
- provide a common international system for coding, describing, and classifying goods for commercial purposes, e.g. freight tariffs, transport requirements, banking and insurance institutions, manufacturers, shippers, forwarders and all other persons in the commercial chain; and
- Provide an up to date document that reflects continuing technological advancements and changes to international trade patterns.

The essence of the system is to have one international (six figure) code that identifies a commodity throughout its economic lifespan. Customs is one user of this system and has adopted it for tariff purposes. Whether used for classification or for trade statistics, a particular six figure code denotes one particular good or grouping of goods.

f) TIMOR-LESTE TARIFF LEGISLATION

Decree Law No 14/2017: Timor-Leste Customs Code

- Article 88: Customs Tariff
- Article 89: Tariff Classification and Taxation of goods
- Article 90: Publication of Customs Tariffs
- Article 91: Changes to the Customs Tariff

Law Number 8/ 2008: Taxation Law

- Chapter III – Excise Tax - Section 10: Imposition of Excise Tax on imported goods
 - Schedule II – Excise Tax rates
- Chapter IV – Sales Tax - Section 15: Imposition of Sales Tax on imported goods
 - Schedule III - Sales Tax rates
- Chapter V – Import Duty - Section 19: Imposition of Import Duty
 - Schedule IV - Import Duty rate

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2. TARIFF STRUCTURE - OUTLINE

The Harmonized Customs Tariff incorporates the Customs Tariff Code. It provides tariff classifications for all goods imported and exported into and out of Timor-Leste.

The Tariff is set out as follows:

- Introduction
- Section and Chapter Table of Contents
- General Rules for the Interpretation of the Timor-Leste Tariff
- Sections and Chapters

a) **TABLE OF CONTENTS.**

The Working Tariff consists of 98 chapters grouped into 22 sections. Please turn to the Section and Chapter Titles (We call this information the "Menu")

The "Menu" lists all the sections and chapters in the Working Tariff. The sections are overall groupings of related chapters, for example, please look at Section V which covers Mineral Products". It is divided into:

- Chapter 25: "Salt; Sulphur; earths and stone; plastering materials; lime and cement".
- Chapter 26: "Ores, slag and ash".
- Chapter 27: "Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes".

The "Menu" provides a good shortcut for getting to a particular area. For example, suppose you wanted to locate the whereabouts of aluminum ore.

Refer to the "Menu" will show that Section V relates to "Mineral Products" and in particular, Chapter 26 covers: "Ores...".

If you then turn to chapter 26 you will see that aluminium ore falls within heading 2606.

Exercise 1:

Using the "Menu" please locate chapters for the following:

1. Fresh cucumbers:
2. Domestic electric washing machines:
3. Video recorders:
4. Metal garden forks

5. Woven handkerchiefs:
6. Race Horse:
7. Woven Jumper of wool:
8. Jars of Jelly Beans:
9. Plastic Cups:
10. Chocolate:
11. Whisky:
12. Mixed spices:
13. Glue:
14. Ships Anchor:
15. Antiques:

Remember, the listings are only aids. They are not legal. Neither are the titles of sections, chapters or sub-chapters. These are for ease of reference only. (This will be discussed more fully when we examine the Interpretation rules in detail)

We have said that there are 98 chapters, however only 97 are operational. Why? Chapter 77 has been omitted. It has been reserved by the Harmonized System Committee for future use by them.

In general, we can divide the chapters into two broad and fairly arbitrary categories:

The **first category** may be referred to as "specific article or specific description" chapters or Type Chapters whereby the product to be classified may be specifically covered or mentioned in that area.

- The chapter specifically describes particular machinery; and
- the headings are generically grouped together, for example:
 - 8401 - 8412 relates to energy producing machinery, while
 - 8425 - 8428 covers lifting and handling machinery.

The **second category** covers chapters so arranged whereby each chapter deals with a particular material or related group of materials or substances. Products derived from a particular raw material are listed in the same chapter with that material.

For example: Chapter 44 covers wood and its products.

Notice here that the listing is progressive, from raw materials to the finished product.

b) **WORKING TARIFF NUMBERING SYSTEM**

The chapters in the working tariff are made up of, legal notes and an 8-figure numbering system. We will now concentrate on this numbering system. This 8-figure number is in effect the Timor-Leste Tariff number.

This numbering system has a hierarchy. The four-figure level description must be obtained before classification at the five-figure level can be considered. The five-figure level before the six-figure level etc. ***For Timor-Leste purposes we must classify up to the eight (8)-figure level to obtain Customs duty rates.***

Each six-figure code represents a description of specific goods. This code can be used internationally for a variety of purposes

- Customs organizations use it for duty rates
- freight associations may use it to levy transport costs
- insurance companies may use it to allocate premiums

The headings (being the four figures and their corresponding goods description), together with the subheadings (being the five, six, seven and eight figures, and their corresponding goods descriptions), are part of the legal Tariff code document.

The first six figures are part of the International Tariff Coding System, like many other countries, Timor-Leste has added an extra 2 figures to allow for further division of goods or groups of goods for trade or statistical purposes. Where 00 are the seventh and eighth figures, Timor-Leste has decided that no further division is necessary in this area and the 00 is only required to make it a legal eight figure classification. An eight figure Tariff classification ending in 00 is still regarded as an International Sub-heading.

Let us examine the layout of a standard Tariff page.

It consists of four standard "columns", namely:

- The ***"Tariff Item"*** column: it contains the 8-figure tariff classification;
- The ***"Goods Description"*** column: Contains the legal description of goods referred to by the classification number
- The ***"Statistical Code/Unit of Quantity"*** column: Contains the statistical code assigned to the tariff item and the unit and quantity required for the Goods Declaration.
- The ***"Import Duty Rate"*** column: Contains the Customs duty rate applicable to the imported goods in question.

Additional columns can be assigned by the country, when other duties or taxes are applicable to the goods. Timor-Leste has added two more columns in the electronic Tariff loaded in the ASYCUDA World system. These are:

- The **"Sales Tax Rate"** column: Contains the rate of Sales Tax applicable to imported goods (flat rate of 2.5%); and
- The **"Excise Tax Rate"** column: Contains the rate of Excise Tax applicable to imported goods.

c) **1 - 5 DASH SYSTEM**

The Timor-Leste Customs Tariff uses sub-headings with each class or category of goods being separated by a one dash, two dash, three dash and four dash system. This allows easy progression through a Tariff heading and allows you to arrive at the correct classification and duty rate.

85.08		Vacuum cleaners.
8508.1	-	With self-contained electric motor:
8508.11.00	- -	Of a power not exceeding 1,500 W and having a dust bag or other receptacle capacity not exceeding 20 l 01
8508.19	- -	Other:
8508.19.10	- - -	Of a kind suitable for domestic use
8508.19.90	- - -	Other 01
8508.60.00	-	Other vacuum cleaners
8508.70	-	Parts:
8508.70.10	- -	Of vacuum cleaners of subheading 8508.11.00 or 8508.19.10
8508.70.90	- -	Other

Exercise 2:

Please consider the following example of this progression by dashes:

Follow this progression through in your Tariff.

We have a consignment of Tennis Rackets classified to Heading 9506 "Articles and Equipment...etc"

Our first heading is 9506. We must fit our goods into a one dash sub-heading before we can proceed to a two dash sub-heading and so on.

Answer:

During this process don't be tempted to look forward to other sub-headings and thus lose the progression. Other sub-headings may have similar descriptions listed, but may be of different materials or for different uses, etc.

STICK STRICTLY TO THE ONE, TWO, THREE, FOUR AND FIVE DASH PROGRESSION OF LOCATING YOUR ANSWER.

d) **TYPES OF DUTY RATES**

The Harmonized Tariff has approximately 5000 classifications having rates of duty. The vast majority of these classifications have an **ad valorem** rate (rate given in terms of a percentage) using the Customs Value as a tax base. In Timor-Leste the Customs value is the Cost, Insurance and Freight (CIF) of the goods.

Other types of rates are:

Fixed rates:

These are expressed as so many Dollars per unit. Examples may be \$12 per piece or \$50 per kilo.

Composite Rates:

The goods may be subject to a combination of a percentage rate and a fixed rate, for example: 40% and \$12 per kilo (No examples in Timor-Leste Tariff)

Substitute Rates:

This rate directs you to another classification to obtain your answer, for example:

Please refer to tariff sub heading 3304 91 00 for duty rate applicable

(no examples in Timor-Leste Tariff)

Alternate Rates:

The goods may be subject to a percentage rate or a fixed rate whichever is higher or lower:

Example

30% or if higher \$12 per kilo (No examples in Timor-Leste Tariff)

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3. WHAT ARE THE INTERPRETATION RULES?

Their full name is the “*General Rules for the Interpretation of The Harmonized System*”. They are also known as the Interpretative Rules. They were developed in Brussels by Customs Cooperation Council (CCC), which then became the World Customs Organization (WCO), to ensure a systematic and consistent approach to the classification of goods. They are an attempt to document common sense. The Timor-Leste Customs Authority has taken them directly from the Harmonized System.

The six Rules are therefore the classification principles that are laid down to ensure a uniform interpretation so that a particular product will always be classified in the same heading, to the exclusion of others which, at various stages of the classification process, that may merit consideration.

a) INTERPRETATION RULE 1.

Rule 1 begins by establishing that the titles of Sections, Chapters and sub-Chapters are provided for ease of reference only. Their purpose is to provide an indication of the coverage of a particular area of the Tariff. They are a guide only and have no legal bearing on the classification of goods.

Rule 1 continues by allowing classification to be determined by reference to the four-digit headings and the Section or Chapter Notes. They all have the same legal status and are the primary classification factors. This is the key point to Rule 1 and the key point to all classifications.

Exercise 3:

The title of Chapter 62 reads:

"Articles of apparel and clothing accessories, **not** knitted or crocheted".

Question?

Are all knitted or crocheted garments excluded from Chapter 62? (Please examine chapter 62 Notes to find your answer). Please answer Yes or NO, and WHY.

.....

b) INTERPRETATION RULE 2.

This Rule is divided into a) and b)

Rule 2 (a)

Provides for any article imported in an *incomplete or unfinished* state to be classified as a complete article provided it has the essential character of the complete article, for example:

- An unpainted car is classified as a finished vehicle because it has the essential character of a finished (painted) car.
- A radio set imported without its control knobs would be treated as a complete unit.

This rule also provides that a reference to an article shall include such goods imported ***unassembled or disassembled***. Thus, an unassembled hat stand would be classified as a complete stand. We often hear the term "Completely Knocked Down or CKD", this indicates that the goods are in an unassembled state but that all components are present to assemble the goods to a complete or essentially complete state, this rule allows us to notionally assemble the goods and classify them in that state.

The first part of Rule 2(a) provides the means to allow incomplete or unfinished goods to be classified under the heading for the complete article. The two terms, "incomplete" and "unfinished" are interchangeable. The incomplete and unfinished goods must be recognizable or identifiable as having the essential characteristics of the complete or finished product.

The second part means, if goods are imported in an unassembled or disassembled state you are still required to classify these goods as if they were assembled.

Rule 2 (b)

Provides that any reference in a heading to a particular material shall include mixtures or combinations of such material with other material or substances.

Let's consider, for example, a bag of sand. What the first part of this rule is saying is that any reference in a heading to sand can be expanded to include mixtures of sand with other materials.

Let's now consider a bag containing a mixture of sand and gravel. Without Rule 2 (we would have nowhere to classify mixtures such as this).

So, all we are saying is:

- Yes, there is a heading for sand - 2505
- Yes, there is a heading for gravel - 2517

Therefore, it is possible to classify this sand and gravel mixture in one of those headings.

The second part of Rule 2(b) provides, any reference to goods of a given material or substance shall be taken to include a reference to goods consisting wholly or partly of such material or substance.

For example, heading 4414 covers "Wooden frames for paintings.....".

Similarly, heading 8306 covers "....picture or similar frames of base metal,"

This part of Rule 2(b) allows us to include in heading 4414 a wooden painting frame that is edged with a thin strip of metal, or conversely it allows heading 8306 to include a picture frame of base metal which has a wooden trim. Both these frames would be said to consist of more than one material or substance.

The final part of Rule 2(b) states "The classification of goods consisting of more than one material or substance shall be according to the principles of Rule 3".

What it is saying is that a mixture, combinations of materials or substances, and goods consisting of more than one material or substance cannot be classified by virtue of the provisions of Rule 2(b). If mixtures/combinations goods are considered to potentially fall within two or more headings, they must be classified according to Rule 3.

The important point to remember is that Rule 2(b) only extends the terms of the heading. It does not provide a classification answer.

c) INTERPRETATION RULE 3

Rule 3 gives the hierarchical structure to be followed when goods are "at first view" (or "prima facie") classifiable under two or more headings. This Rule has 3 parts: a), b) and c).

Rule 3 preamble says:

"When by application of Rule 2(b) or for any other reason, goods are, "at first view", classifiable under two or more headings, classification shall be effected as follows".

What the preamble is saying is that if we have **goods that fall within two or more headings**, then Rule 3 provides three methods by which we may obtain a classification answer.

The three methods operate in the sequential the order in which they are set out in the Rule. Rule 3(a) take precedence over Rule 3(b), Rule 3(b) takes precedence over Rule 3(c).

Rule 3 (a)

It relates to **specific description**. It provides that headings with a more specific description of the goods shall be preferred as the correct classification rather than a heading with a more general description.

Examples of specific description include:

A description by name is more specific than a description by class or genus.

E.g. Stainless-steel dining forks are classified within heading 8215 (forks) rather than in 7323 (table articles of steel); and secondly

A heading description which identifies goods clearly and precisely is more specific than a heading which relates only to a general description.

E.G. Seats identified for use in passenger aircraft are classified within heading 9401 (seats) rather than in heading 8803 (parts of aircraft)

Exercise 4:

- a) Heading 4011 covers new pneumatic tyres. Parts and accessories of motor vehicles are classified within heading 8708. Where do you consider a set of new pneumatic motor vehicle tyres to be classified? Give your reasons.

.....

- b) Where would you consider a "Walther PPK pistol" (handgun) to be classified? Heading 7326 or heading 9302? Give your reasons.

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- c) Leather Shoes: Chapter 42 or Chapter 64?

.....

- d) Plastic toy: Chapter 39 or Chapter 95?

.....

- e) Lead Sinkers for fishing: Chapter 78 or Chapter 95?

.....

- f) Reproductions (Prints) of the Mona Lisa Chapter 49 or Chapter 97

.....

Rule 3(a) continues by saying that this Rule may be considered only where each heading describes the subject goods as a whole. If two or more possible headings refer to part only of the material or substance of the goods those headings must be taken as being equally specific and therefore not classifiable under this part of Rule 3.

For example, let's again consider our bag of sand and gravel. Rule 3(a) directs that neither heading 2505 nor heading 2517 can be taken as more specific, since each refers to part only of the mixture.

Rule 3(a) also directs that if two or more headings each refer to only a part of a set of goods that have been put up or packaged for retail sale, those headings (for each of the components) would be regarded as being equally specific.

Consider for example, the classification of a hairbrush, comb and mirror set. Each of these components is classified in its own right:

- - hairbrush: heading 9603;
- - comb: heading 9615; and
- - mirror: heading 7009:

The classification of this set cannot be determined by the provisions of Rule 3(a) as each of the headings are considered to be equally specific, each referring to only one component of the set.

The classification of **mixtures, composite goods** and **sets**, of a kind described above may only be resolved by recourse in the first instance, to Rule 3(b).

Rule 3 (b)

It relates to **essential character**. This Rule provides the fallback solution when faced with a situation where goods cannot be classified by reference to Rule 3(a). When determining the classification of **mixtures, composite goods** and **sets of goods** that "prima facie" fall to two or more headings of equal merit then that heading that describes that part of the goods that gives them their essential character shall be the applicable classification.

This Rule covers:

- **Mixtures** - e.g. our sand and gravel mixture.
- **Goods consisting of different materials** - e.g. wooden coat hanger with a metal hook.
- **Composite goods consisting of different components**. Note that in these types of goods the entity may be made up as follows:
 - The components may be permanently attached to each other, for example, a pen that incorporates a digital clock.
 - The components may be separated (provided that they are mutually complimentary and together they form an entity which would not normally be sold separately). An example would be an ashtray consisting of a metal stand incorporating a removable glass ash bowl.
- **Sets that are put up for retail sale**. E.g. A brush, comb and mirror set.

All these types of goods have different bits and pieces. ***Rule 3(b) directs that goods of this kind shall be classified according to the bit that gives the entity its essential character.***

If we were to determine the essential character of our bag of sand and gravel we would probably ask "What is the proportion or weight of sand to gravel?"

If the mixture contains twice as much sand as there is gravel, we could argue that the sand component gives the mixture its essential character and would therefore be classified to heading 2505.

It is important to realize that the factor which determines essential character will vary between different types of goods and each issue must be treated on its own individual merits.

Exercise 5:

Argue the classification according to IR 3(b) of each component in **determining the essential character** of the following commodities:

- a) An oar having a wooden handle and a plastic blade;
 - heading 3926 ("....articles of plastic...") or
 - heading 4421 ("....articles of wood...")
- b) A wooden musical jewelry box;
 - heading 4421 ("....articles of wood...") or
 - heading 9208 ("....Musical boxes...")
- c) Headgear having the feature or shape of an umbrella, often worn at sporting events for protection against the sun.
 - heading 6506 ("Other headgear....") or
 - heading 6601 ("Umbrellas....")
- d) Gift pack containing a steel pen and a gold watch.
 - -heading 9101 (Wrist Watches) or
 - -heading 9608 (Pens)

It is important to realize that it is not always possible to determine essential character. What happens for example, if our bag of sand and gravel have equal amounts of sand and gravel, neither could be said to impart more essentiality than the other.

In such instances, goods that cannot be classified by virtue of Rule 3(b) are to be classified according to the provisions of Rule 3(c).

Rule 3 (c) - last occurring.

This Rule directs that if the classification cannot be determined by the provisions of **Rule 3 (a)**, *Specific description* or **Rule 3 (b)**, *Essential character*, the goods shall be classified under the **last occurring heading**.

In the case of our bag of equal quantities of sand and gravel, we would therefore classify the materials separately:

- - sand: heading 2505;
- - gravel: heading 2517,

Having done this, we see that the last occurring heading is that of gravel in heading 2517, under Interpretation Rule 3(c) this is the classification of our mixture.

In summary:

Rule 3 (a): Goods shall be classified to the heading that provides the most **specific description**.

Rule 3 (b): Goods shall be classified to the heading that describes that part of the goods that gives them their **essential character**.

Rule 3 (c): If goods cannot be classified according to Rule 3(a) or 3(b) then the goods fall to the heading that is **last occurring**.

d) **INTERPRETATION RULE 4**

Rule 4 provides that where goods cannot be classified in accordance with Rules 1, 2 or 3, they shall be classified under the heading appropriate to goods which are most akin to those being classified

This Rule is very seldom put to use. Should you find yourself faced with the possibility of using this Rule it is always best to go back and re-examine what you have done as it is possible you have not correctly identified the goods.

Should it be absolutely necessary to use Rule 4, select a particular commodity with which the subject goods are akin, and classify that particular commodity according to the provisions of Rules 1 - 3, then apply the resultant classification to the subject goods.

What does "akin" mean?

The Shorter Oxford Dictionary lists a number of meanings, however the one that has the most relevance for our purposes is: **"Allied in character,..."**

There is no one formula that that can be applied to determine kinship. Like the essential character situation, kinship can depend on a number of factors, for example:

- **Description.** The subject goods have a similar description to a particular commodity.
- **Character.** The subject goods have similar characteristics to a particular commodity.
- **Purpose.** The subject goods have a similar end use to a particular commodity (or they are interchangeable with it)

Consideration of classifications involving the use of Rule 4 has nearly always been confined to international debate between member countries of the WCO. Internationally the stand has been not to favor the use of Rule 4 and in almost every case, nations have refused to invoke it, as they maintain that an answer can always be found using the other Rules.

e) INTERPRETATION RULE 5

Rule 5 deals with cases (boxes), containers and packing materials, and has parts, a) and b).

Rule 5 (a)

It concerns certain cases that are specifically shaped or fitted so as to contain a specific article. While Rule 5(a) mentions specific cases, it also includes containers similar to those listed. These may be many and varied. 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 so designed.
- Are suitable for long-term use, or have a durability comparable with the article they are designed to contain. They are not the type of goods you throw away once you have removed the contents; and
- Are imported with the article for which they are intended, even though that article may be packed separately for ease of transport.

Rule 5(a) directs, that to classify these cases and containers in the same heading as the articles they are designed to contain they must be imported with those articles.

If the cases or containers are imported without their contents they are to be classified according to their own characteristics - in most cases according to constituent material.

Exercise 6:

Should the following goods be classified within the same headings as the articles they are designed to contain? Please explain your answers.

- a) An electric shaver case, having a shaver inside it.

.....

- b) A violin case, imported separately from its violin: and

.....

- c) A binocular case, imported with a pair of binoculars, but packed separately.

.....

The last sentence of Rule 5(a) deserves a special look. It directs:

"This Rule does not, however, apply to containers which give the whole its essential character;"

In other words, cases or containers may be classified in the heading appropriate to their contents provided the essential character of the combination is not given by the case or container.

This would preclude for example, a case or container of an unusually high value or ornamental nature etc. when it is compared with its contents. Articles such as these would normally be regarded as composite goods and therefore classified in accordance with Interpretation Rule 3(b).

Rule 5 (b)

It governs the classification of packing materials and packing containers of a kind normally used for the packing of goods to which they relate.

Examples of outside containers include:

- the crates
- the cardboard boxes
- the polybags
- all variety of flexible containers, bags and sacks

Examples of inner packing materials include:

- Foam pellets, felts, scrap textiles etc. used for "shock absorbing" purposes.
- The cardboard stiffeners (for shirt collars)
- The cardboard dividers.

All these goods are classified within the heading applicable to the article for which the packing is required, provided of course they are imported with that article.

Rule 5 (b) also states:

"However, this provision is not binding when such packing materials or packing containers are clearly suitable for repetitive use".

Examples of the intention here are:

- a) Gas cylinders imported filled with gas - the cylinders and gas are classified separately
 - the cylinders are clearly of a substantial nature and for repetitive use.
- b) Chinaware imported in Cabin Trunks - solid cabin trunks are clearly designed for long term repetitive use and may be used to pack many types of goods.

Containers and packing materials that are not designed for repetitive use, but which may be used for **other purposes** are to be classified with the goods they contain at the time of importation. For

example, small metal containers that hold tea or biscuits are to be classified in the same heading as the tea or biscuits they contain, even though they may, at some future date, be used as kitchen canisters.

So, remember, containers referred to by this part of Rule 5(b) must be designed specifically to be re-used for the same purpose as that originally intended

Exercise 7:

Should the following goods be classified within the same headings as the articles they contain? Please explain your answer.

- a) A cardboard box (with dividers) containing a dozen bottles of "Dom Perignon" Champagne;

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- b) A metal tin containing a 750 Gram selection of Milk Chocolates.

.....

f) INTERPRETATION RULE 6

This is a new Rule following the introduction of the Harmonized Tariff. It has been introduced to ensure uniform classification of goods at the subheading level. (The Harmonized System gives us subheadings at the 5 and 6 figure level)

Rules 1 - 4 however only refer to headings (the first four figures). They do not deal with classification issues below heading level.

Essentially what Rule 6 is saying is:

"do below heading level exactly what you would do at heading level"

We must look at the terms of subheadings and we must have regard to any relevant subheading notes.

Rule 6 also covers our domestic situation, i.e. our subheadings at the 7 and 8 figure level. Therefore, in Tariff Rule 6 it enables us to use the provisions of the other

Interpretation Rules for the 5, 6, 7, and 8 figure levels as well as for the first four figures.

The final part of the first sentence refers to comparing subheadings at the same levels. This means that we cannot compare a 5-figure subheading with a 6-figure subheading.

Please examine 8714:

Where would you classify a consignment of wheel spokes that are especially designed for a Yamaha motorcycle?

As you can see, the strict use of our one, two and three dash progression is a must here.

The final part of Rule 6:

"For the purposes of this Rule the relative Section and Chapter Notes also apply, unless the context otherwise requires".

This is best illustrated by example. Please turn to Chapter 71 in the tariff and look at Note 4(b) that defines platinum:

"Platinum means....."

Consider the classification of powered osmium. By virtue of Note 4(b) the goods are classified at heading level within 7110.

Now look at subheading Note 2 on the following page. Although subheading 7110.1 covers platinum the subheading note says that for subheading purposes osmium is not included. If you look down the structure of heading 7110 you will see that powered osmium is covered by subheading 7110.4. Therefore, in this instance the subheading note has given the term "platinum" a different scope from that of the chapter note.

Use of the Interpretation Rules will become more familiar to you as you gain experience in classification. It is highly recommended that before attempting classifications that you quickly revise these Rules until they are well known to you.

Please use this space to make your own notes:

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4. PRINCIPLES OF CLASSIFICATION - INTRODUCTION

Having examined the broad outline of the Customs Tariff structure we must now look at the approach taken when classifying goods within the tariff. This can be termed the "Principles of Classification" and follows a set pattern which must be adhered to for each classification exercise.

First of all, we should ask ourselves why do we want to obtain the correct classification? There are a number of reasons:

- So that we can collect the correct amount of revenue;
- So that particular Timor-Leste industries / commodities can receive tariff protection to foster manufacturing growth, employment as approved by Government;
- So that correct trade information can be gathered;
- So that we can honor our international obligations under the Harmonized System Convention to provide correct statistical information.

To arrive at the correct classification, we use what are known as the "Principles of Classification" these are:

- a) Identify the goods.
- b) Refer to the Interpretative Rules
- c) Check Section and Chapter Headings
- d) Check Section, Chapter and Additional Notes
- e) Refer to aids for classification

a) IDENTIFYING THE GOODS

The first principle is arguably the most important factor in the classification exercise. If you don't identify the goods properly you will find it impossible to arrive at a correct classification.

Identification is also the most difficult part of the exercise. It is hard because it is subjective and it depends on the individual person doing the assessment. Unlike many other Customs processes, there are no strict rules to determine the identification of particular goods. However, when examined **identification** basically comes down to the following:

We must make a layman's identification or assessment based on the characteristics which the goods themselves present.

We must look at the goods independently of the Tariff and we must ask ourselves questions, for example:

- What are the goods?
- What do the goods do?
- How do the goods perform their function?
- What are the goods made of?

- Who buys the goods?
- Who uses the goods?
- In what form are the goods presented (Alive, dead, canned, bottled)?
- What is the value of the goods?

We are trying to find out as much as we can about the goods in their condition as imported. Each article must be judged according to its own merits.

Once we have made our identification it must be maintained throughout the classification process.

Our identification must also be able to be transferred into Tariff terminology. There is no point identifying something in broad terms, for example, gifts, souvenirs, mail order goods, goods for propaganda purposes etc., as these "general" categories are not specified in the Tariff.

If you use a logical approach and common sense in your identification process you will achieve your aim of a correct classification.

Let's look at an example of the identification process:

If we examine a shipment of Atlantic Salmon, we will need to ask the following questions:

- Is the salmon:
 - Alive or dead?
 - Fresh, chilled or frozen?
 - Preserved?
 - In fillets or whole?
 - Fit for human consumption?

In obtaining the answers to these questions, we should be able to identify the goods correctly and locate possible areas in the tariff, by use of the "menu", where the goods may fall.

Exercise 8:

What questions would you ask yourself when examining the following?

- a) A consignment of ***Balls for sport***;

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b) A consignment of ***bags***.

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c) A consignment of ***men's jackets and trousers*** in the same quantity

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A further example would be a consignment of ***fishing rods imported with fishing reels attached***.
Consider the structure of heading 9507:

"9507 Fishing rods.....and other line fishing tackle.....:
 9507.10Fishing rods
 9507.30Fishing reels
 9507.90 Other".

We must first identify the goods. The rod by itself is no problem, nor is the reel. However, we must ***identify the goods in their entirety***. What do you think?

Write down your thoughts!

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The answer is ***we have a fishing rod and a fishing reel***. In this case the two articles do not make a third entity. The rod and reel would be ***classified separately***.

There is no one formula that can be applied in every instance. You must consider each article individually and decide what it is that gives it its inherent characteristics.

b) REFER TO INTERPRETATION RULES

The second principle following the identification of the goods is to refer to the Interpretation Rules (previously discussed), as your knowledge of the rules improves, so does the speed at which this principle is applied.

As the Rule most used, it may be wise to re-examine Rule 3 (a) (b) & (c) covering:

- Specificity - (Specific Description)
- Essentiality - (Essential Character)
- Last Occurring

Remember: *The six rules are law and are laid down to ensure a uniform interpretation so that a particular product will always be classified in the same heading.*

c) CHECK SECTION AND CHAPTER HEADINGS

The third principle involves the use of the "menu" located at the beginning of the Tariff.

Once we have identified the goods and located possible areas within the Tariff using the "menu" we can then examine our item listings and identify possible four figure headings where the goods may fall.

On further examination of this "Menu" you will notice that the Tariff broadly categorizes goods on the basis of **type** and **function** or **constituent materials**.

- Chapters 64-66, 84-95 and 97 are called "**type**" chapters.
- Chapters 1-63, 67-83 are called "**material**" chapters.

Consider the following example:

A tennis racket: it could be made of:

- Plastic (Chp 39)
- Wood (Chp 44)
- Aluminum (Chp 76)

These are all "Material" chapters, however, by first identifying our tennis racket logically through our identification process as a racket for tennis, the "Menu" at the front of the Tariff will lead us to also consider Chapter 95 (a type or function chapter) which covers in part, articles for sports or outdoor games.

Here we have invoked Interpretative Rule 3(a) and selected a heading that provides the most "Specific Description".

If our tennis racket was not a tennis racket, but merely a length of wood, plastic, or aluminium, then chapter 95 would not be a consideration and the goods would be classified according to its constituent material.

Exercise 9:

For the following goods, please list (giving brief reasons) Chapters in the tariff that may come into consideration during the application of the first 4 principles of classification.

- a) A stapling machine

.....

- b) A snorkel

.....

- c) A grand piano once owned by Mozart.

.....

d) CHECK SECTION, CHAPTER AND ADDITIONAL NOTES

Now that we have identified possible headings where the goods may fall, we must now examine in detail, the Section, Chapter and Additional Notes (if any) that precede our selected Sections and Chapters.

Let's consider a consignment of Wooden Dolls.

Once we are happy with our identification, we should consult the "Menu", from this, we could select two possible areas

- Chapter 44 "Wood and articles of wood" and
- Chapter 95 "Toys, games and sports requisites."

We now consult the "Tariff Items Listing" for each of these Chapters and select possible 4 figure headings.

- Heading 4421, and
- Heading 9502.

We now examine the Section (if any) and Chapter notes applicable to both chapters.

You will see that Chapter 44 Note 1 is a note of exclusion as it excludes certain goods from classification in Chapter 44. Chapter Note 1 (p) excludes "Articles of Chapter 95 (for example, toys, games, sports requisites)"

Thus, we have excluded from our considerations Tariff item 4421 subject to Chapter 44 Note 1 (p). We can now confidently continue to Chapter 95 and we must now examine the Chapter Notes for Chapter 95 for any relevant information, and then proceed to heading and sub-heading level to arrive at our eight figure classification and duty rate.

It is important to read all Notes for all Chapters considered during the classification process.

Exercise 10:

Would a consignment of Glass Dolls Eyes be classified to Tariff Heading 9502, please explain your answer?

.....

We will learn more about these Division and Chapter notes in the next Section.

e) AIDS TO CLASSIFICATION

The last Principle involves referring to “Aids to Classification” the main aid is the Brussels Explanatory Notes. These notes are compiled by the Customs Co-operative Council (now World Customs Organization) and provide the classifier with a wonderful tool to assist with reaching the correct classification.

Other References include:

- Your own knowledge and experience
- Dictionaries
- Trade manuals
- Product brochures
- Technical experts
- Knowledge of others (Don't be afraid to ask)

Please use this space to make your own notes:

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5. LEGAL NOTES - INTRODUCTION

Rule 1 of the General Rules for the Interpretation of the Harmonized Tariff directs that:

".. for legal purposes, classification shall be determined according to the terms of the headings and any relative Section or Chapter Notes...."

Legal notes are primarily used to:

- Give direction into or out of a particular area; and
- Define or tell us how to interpret particular phrases.

Section and Chapter Notes are legal notes. They are located at the beginning of Sections and Chapters. Nine Sections have legal notes as do all Chapters except 50, 53 and 88.

a) **SECTION AND CHAPTER NOTES:**

These are International Notes. They are part of the Harmonized Convention Annex, and Timor-Leste is obliged to use all of them.

- They interpret legislation at the section, chapter or heading level.

b) **SUBHEADING NOTES:**

They are also part of the Harmonized System Convention Annex and have the same status as the Notes mentioned above.

- They refer to legislation below heading level.

All legal notes must be read fully and carefully and applied only for their explicit purpose.

Legal Notes may also be divided into two broad categories:

Directional Notes

Directional notes are often labelled as:

- Notes of Inclusion.
- Notes of Exclusion; or
- Notes of Extension,

These notes give you direction - they explicitly direct or require certain goods to be treated in a particular way.

The most common are **Notes of Exclusion** and are usually introduced by the phrase:

- *"This Section (Chapter) does not cover....."*

For example, please look at Chapter Note 1 to Chapter 44.

This Note has the effect of denying access to certain areas where goods may prima facie fall and thus minimize the number of classifications possible.

Exercise 11:

- a) Can we classify a wooden chair to Chapter 44 (Articles of Wood)? If not, why not?
.....
- b) Can we classify a fur hat made of cuscus fur strips to chapter 43 (Fur skins and Manufacture thereof)? If not why not?
.....
- c) Please turn to heading 2509. It covers "Chalk". Does this heading include all articles of chalk?
Please give reasons.
.....
- d) Can we classify a Billiard Table to Chapter 94 (Furniture) if not why not?
.....

Notes of Inclusion

These Notes direct us to include only certain goods or classes of goods within certain Sections, Chapters or Headings.

Please turn to page 142 of the Tariff and examine Chapter 28 Note 1, this note directs that only those goods listed in paragraphs (a) to (e) can be classified in chapter 28.

Please turn to page 222 of the Tariff and examine Chapter 38 Note 3, this note directs that the goods listed at Paragraph (a) to (e) be classified in 3824 and nowhere else.

Notes of Extension

These Notes extend the scope of headings to include certain goods or classes of goods.

Please examine Chapter 6 Note 2, this note widens the scope of headings 0602 and 0603 to include complete bouquets, floral baskets, or wreaths.

Similarly, if you turn to page 328 of the Tariff, Chapter 44/2, you will see that the terms of Note 6 extend the scope of Chapter 44 to include:

"....bamboo and other materials of a woody nature".

Definitional Note:

These notes provide for words or phrases to have a special meaning for the purposes of the Tariff.

The most common notes of this type usually commence:

- "Throughout this Schedule....";
- "In this Chapter (or Section)...."; or
- "For the purposes of (Heading)....".

For example, please turn to the following notes:

Note 7 to Chapter 71.

"Throughout the Nomenclature "metal clad with precious metal" means..."

Note 4 to Chapter 48.

"In this Chapter 'newsprint' means..."

Note 4 to Chapter 94.

"For the purposes of Heading 9406, 'prefabricated building' means..."

For the purposes of Chapter 38, what is "Municipal Waste" Quote your legal note and does the term include Industrial Waste. ?

Again, quote your legal note:

.....

In each case you will notice that the notes go on to specify the particular meaning or definition which must be given to the subject words or phrases.

Exercise12:

Please turn to Chapter 63 and examine Note 3

- a) What category of legal note is it?

.....

- b) Could we classify a consignment of second-hand blankets in heading 6309.00.00? Please give your reasons.

.....

Exercise13:

Please complete the following, giving reasons for your answers, quote any legal note applicable:

- a) Heading 4015 covers articles of vulcanized rubber. Does this heading include rubber gum boots?

.....

- b) Do watch chains fall within Chapter 91?

.....

- c) Heading 4205 covers articles of leather. Does this heading include leather whips?

.....

- d) Water is included within the terms of heading 2201. Does this include sea water?

.....

- e) Live sheep are included within the terms of heading 0104. Does this include live lamb

.....

- f) Heading 4203 covers articles of apparel and clothing accessories, of leather. Does this include leather golf gloves?

.....

- g) Please locate the meaning of "made up" for the purposes of Section XI.

.....

- h) Heading 8701 relates to "Tractors" Please locate the meaning of "Tractor"

.....

In summary, the two broad descriptive categories of legal notes are:

- **DIRECTIONAL**, which extend or restrict the scope of headings or require a particular good to be treated in a particular way; and
- **DEFINITIONAL**, which amplify and explain the normal meaning of the terms used in the tariff or which provide a special meaning for terms used.

The meaning of a legal note may also differ from the normally recognized trade meaning.

Please turn to Chapter 61 Note 3. It defines a suit. In the industry or trade it is quite acceptable for a man's suit to have a coat, a waistcoat and two pairs of trousers. It is also common practice for the trousers to be more robust material, than the coat. However, Note 3 does not recognize such a collection as a suit. It only included a coat, a waistcoat and one pair of trousers, and the three garments must be of the same fabric, style, color and composition.

Remember: Legal Notes must be read fully and carefully, and must be regarded as having no other meaning other than that explicitly shown

Please use this space to make your own notes:

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6. CONTENT REVIEW

In Section 1 we examined the WTO and WCO and how it influences trade policy on a Global basis. We saw that in modern times, the Timor-Leste Customs Tariff is a multipurpose international product nomenclature developed by the World Customs Organization (WCO). It is referred to fully as the "Harmonized Commodity Description and Coding System", and is commonly referred to as the Harmonized System (HS).

The Harmonized System is designed to provide an international system for classifying all goods involved in International trade.

We examined the construction of the Customs Tariff and highlighted the four sections of most relevance. We listed the Articles of the Timor-Leste Customs Code so you may gain a basic understanding of this area of the law

The table of Contents was discussed with the numbering system explained, including the 1-5 dash system.

Remember to adhere to the one dash, two dash progression in locating your answer.

In Section 3 we looked at the Interpretative Rules, Rule 3 is arguably the most used with rule

3(a) relating to Specific Description

3(b) relating to Essential Character

3(c) relating to Last Occurring

It is important that all the rules of Interpretation are very familiar to you.

In Section 4 we examined the Principles of Classification and the Identification of goods, which is the first of these principles. What are the remaining 4 principles?

1.

2.

3.

4.

Identification of the goods is the most important principle. A correct identification will lead to the correct classification, an incorrect identification will lead to a wrong classification. Remember, find out as much as you can about the goods in question and locate possible headings using your "Menu" and items listing.

Also remember, for each selected Heading, read the contents table for each heading in full, not just the first few words as each heading can classify a number of different types of goods. Take for example Heading 9021. This covers:

1. Orthopedic appliances, including crutches, surgical belts, and trusses.
2. Splints and other fracture appliances.
3. Artificial parts of the body.
4. Hearing aids and other appliances which are worn or carried or implanted in the body to compensate for a defect or disability.

Each different type of good is closed by a semi-colon, be careful to read each category under each **Heading**.

In Section 5 we examined the legal notes to the Tariff.

We identified Directional notes that **"Include", "Exclude" or "Extend"** and we identified Definitional notes that define certain words or phrases for the purposes of the tariff.

Do not forget there have also been a number of "Aids to Classification" made available special emphasis is given to the Brussels **HS Explanatory Notes**. These notes are designed to make the job of identification easier and ensure a uniform approach is adopted when classifying goods.

All that is left is for you to put all this knowledge together in the classification of goods.

Let's do one together:

Consider a consignment of **children's two-wheel bicycles**.

Our identification of these goods identifies them as BMX style children's bicycles imported in an assembled state, ready for use.

Examination of our "Menu" reveals two possible areas the bicycles may fall

Chapter 87 "Vehicles" and

Chapter 95 "Toys, games and sports requisites"

We must now locate possible four figure headings in our item's listings

Chapter 87 reveals 8712

Chapter 95 reveals 9503 and 9506

We now examine the legal notes to these Sections and Chapters.

Chapter 87 Note 4 – 8712.00.00 includes all children's bicycles.

Chapter 95 Note 1(o) - This chapter does not cover Children's Bicycles (8712.00.00)

This note excludes Headings 9503 and 9506 from further consideration.

The correct classification is therefore **8712.00.00**

Exercise 14 - Classification

Using the same process as just demonstrated, please complete the following exercise.

Please classify the following goods to eight figures, and give all reasons for your answers:

- a) A Live Pig coming in from NZ for the Easter Show. The Pig has no breeding certificates, is not for breeding and weighs 150 Kilo's

Answer.....

Workings: (Rules, notes etc. that may be of relevance)

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- b) A consignment of frozen goat meat for human consumption

Answer.....

Workings: (Rules, notes etc. that may be of relevance)

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- c) A consignment of Brazilian Spice being a mixture of vanilla and nutmeg in equal proportion
Imported in 10Kg catering packs

Answer.....

Workings: (Rules, notes etc. that may be of relevance)

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.....

.....

d) Ice Cream Mix made with no additives

Answer.....

Workings: (Rules, notes etc. that may be of relevance)

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.....

e) A consignment of partly stemmed tobacco for use in the manufacture of cigarettes.

Answer.....

Workings: (Rules, notes etc. that may be of relevance)

.....

.....

.....

f) A first Aid kit designed for home use

Answer.....

Workings: (Rules, notes etc. that may be of relevance)

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g) Hot-Water Bottles of vulcanized natural rubber

Answer.....

Workings: (Rules, notes etc. that may be of relevance)

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- h) Wooden Beads strung together as necklaces and bracelets.

Answer.....

Workings: (Rules, notes etc. that may be of relevance)

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.....

- i) Perfumed Paper Cleansing Tissues (scented with "Dior" fragrances) for personal use

Answer.....

Workings: (Rules, notes etc. that may be of relevance)

.....

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.....

- j) 100% cotton knitted shirts of unisex design (no front closures) for use by both male and female persons.

Answer.....

Workings: (Rules, notes etc. that may be of relevance)

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k) Metal Buttons for use as shoe components in the manufacture of shoes.

Answer.....

Workings: (Rules, notes etc. that may be of relevance)

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By now you should have identified that there are great benefits for the classifier in becoming familiar with the contents of each chapter. Continued use of the Tariff will bring this familiarity and with this, increased confidence in your approach to classification.

7. EXERCISE ANSWERS

Exercise 1.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
7	84	85	82	63	1	62	17	39	18	22	9	35	73	97

Exercise 2.

9506.51.00 -- Lawn-tennis rackets, whether or not strung

Exercise 3.

No. Heading 6212 Covers "Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted"

Exercise 4.

- a) Use of Interpretative Rule 3a Specific Description would lead us to classify pneumatic tyres to Chapter 40 heading 4011.
- b) Use of Interpretative Rule 3a Specific Description would lead us to classify a handgun to Chapter 93 and heading 9302.
- c) Chapter 42 Note 2 (d) excludes articles of Chapter 64 "footwear" and Interpretative Rule 3a specific description.
- d) Chapter 39 Note 2 (y) excludes articles of Chapter 96 "toys, games" and Interpretative Rule 3a specific description.
- e) Section XV Note 1(L) excludes articles of Chapter 96 "sports requisites" and therefore excludes chapter 78.
- f) Chapter 97 Note 2 defines artwork as being produced by hand. Does not include mass produced reproductions. Chap 49 Printed pictures 4911.91.39

Exercise 5.

Under Rule 3(b) Essential Character we would argue that:

- a) **Boat oar having a wooden handle and plastic blade.** Under essential character we consider the working part, in this case the plastic blade constitutes the working part as it enters the water and propels the craft forward. Chapter 39 applies under IR 3(b)

- b) ***Wooden musical jewellery box.***-Essential character is considered to be the musical aspect as this is why this item is purchased, the storage aspect is considered secondary, and therefore 9208 would apply.
- c) ***Umbrella headgear.***-Essential character is considered to be a hat as the item is worn on the head, therefore 6506 would apply.
- d) ***Gift pack of steel pen and gold watch.*** When considering essential character consider the value of the gold watch over the steel pen, if the gold watch is found to be of greater value then this could be argued that the watch gives the set its essential character and 9101 applies.

Exercise 6.

1. Case containing an electric shaver, under Interpretative Rule 5 we would classify the case as one with the shaver.
2. A violin case imported separately, under Interpretative rule 5 case is classified as a case as case has no contents.
3. Binocular case with binoculars but items packed separately, under Interpretative Rule 5 items would be notionally placed together and classified as binoculars.

Exercise 7.

- a) ***Cardboard Box containing a dozen bottles of "Dom Perignon"***. - Rule 5(b) governs the classification of packing materials, in this case the cardboard box is normally used to pack these goods and would be classified with the goods.
- b) ***A metal tin containing milk chocolates***. Under Rule 5(b) in this case chocolates are commercially packed and sold in metal containers and as such would be classified as one with the chocolates.

Exercise 8.

- a) ***Balls for sport***: What are the goods?
- What are they made of?
- What sport are they for, golf, tennis, football?
- b) ***Consignment of Bags***: What type of bags?
- What do they contain?
- Are they for repetitive use or disposable?
- What are they made of?

- c) ***Jackets and Trousers in same quantity***: What are goods made of?

Can goods be considered as suits?

Are they designed for male or female wear?

Are goods knitted or woven?

Exercise 9.

- a) ***A stapling machine***:

Chapter 84 (Machines)

Chapter 83 (Misc. articles of base metal)

Chapter 73 (Articles of iron or steel)

- b) ***A snorkel***:

Chapter 90 (Medical appliances)

Chapter 95 (Toys, sports requisites)

- c) ***A grand piano*** once ***owned by the great composer Mozart*** (*who lived from 1756 to 1791*):

Chapter 92 (Musical Instruments)

Chapter 97 (Antiques)

Exercise 10.

No, Chapter 95 Note 1(ii) excludes separately imported glass eyes for dolls and sends the classifier to Heading 7018

Exercise 11.

- a) Wooden Chair to Chapter 44 (articles of wood)

No. Excluded by Chapter 44 Note 1(o) to Chapter 94

- b) Fur hat of cuscus fur strips to Chapter 43 (Fur skins and articles thereof)

No, excluded by Chapter 43 Note 2(e) to Chapter 65

- c) Chapter 25 and heading 2509 covers "Chalk" does this heading cover all articles of chalk

No, Chapter 25 notes 2(h) and (i) excludes billiard and writing chalks

- d) Can we classify a Billiard Table to Chapter 94 (Furniture)

No. Chapter Note 1(l) excludes to Chapter 95 and heading 9504

Exercise 12.

- a) Note of Inclusion
- b) Second-hand Blankets - Yes, must comply with conditions of Chapter 63 Note 3(b) (i) and (ii)

Exercise 13.

- a) No, Chapter 40 Note 2(b) excludes footwear
- b) No, Chapter 91 Note 1(b) excludes watch chains
- c) No, Chapter 42 Note 2(f) excludes whips
- d) No, Chapter 22 Note 1(b) excludes sea water
- e) Yes, Section 1 Note 1
- f) Yes, Chapter 42 Note 4 Includes leather sports gloves
- g) Section XI Note 7 defines the term "Made Up"
- h) Chapter 87 Note 2 defines the term "Tractors"

Exercise 14 – Classification

Nr	Goods	Legal Notes	Chapters & Headings	Answer
a)	Live Pig being identified as a live animal	Chapter 1 Chapter Note 1 (Includes all live animals)	0103 0103.9 0103.91.00	0103.91.00
b)	Frozen Goat Meat for Human Consumption	No Notes of relevance	0204 0204.50.00	0204.50.00
c)	Brazilian Spice mixture of vanilla and nutmeg in 10kilo bags	Chapter 9 Note 1 (Mixtures of 0904 to 0910 to be classified 0910)	0910 0910.9 0910.91 0910.91.90	0910.91.90
d)	Powered Ice Cream Mix	Chp 19 Preps of milk Chp 21 Misc edible preps Terms Of Item -Ice Cream	2105.00.00	2105.00.00
e)	Burley Tobacco partly stemmed	Chp 24 Tobacco	2401 2401.20 2401.20.40	2401.20.40
f)	First Aid Kit (home use)	Chp 3006 Chpt note 4 Chp 96	3006.50.00	3006.50.00
g)	Hot Water Bottles of Vulcanised Rubber	Chp 4016.99.99 Chp 40 Note 1 includes vulcanised rubber	4016.99.99	4016.99.99
h)	Wooden beads strung together as bracelets	Chp 44 excl Chp Note 1(k) Chp 7117	7117.90 7117.90.1 7117.90.12	7117.90.12
i)	Perfumed paper cleansing tissue or home use	Chp 33 Inc Chp Note 4 Chp 48 Excl Chp Note 2(c)	3307 3307.90 3307.90.30	3307.90.30
j)	100% cotton knitted shirts of unisex design	Chp 61 Chp Note 9 must be women's or girls	6106 6106.10.00	6106.10.00
k)	Metal buttons for use in shoe manufacture	Chp 81/83 Excl Section Note 1(m) Chp 96	9606 9606.22.00	9606.22.00

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