



HARMONIZED SYSTEM  
REVIEW SUB-COMMITTEE

-  
25<sup>th</sup> Session  
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NR0233E1  
(+ Annexes I and II)

O. Fr.

Brussels, 28 January 2002.

POSSIBLE AMENDMENT TO THE STRUCTURE OF HEADING 84.18

(PROPOSAL BY THE SECRETARIAT)

(Item III.B.4 on Agenda)

I. BACKGROUND

1. Administrations' difficulties with the application of the Harmonized System include certain frequently-asked questions on the interpretation of various subdivisions within heading 84.18. The Secretariat therefore considers that it would be worthwhile to review the structured nomenclature of this heading, in order to better reflect technological advances and the actual trade in refrigerating or freezing equipment.
2. Notwithstanding any other changes which might be envisaged should the Sub-Committee later agree that certain subdivisions might no longer be necessary (for example, to distinguish between certain types of equipment), the Secretariat considers that the proposal for amendment should initially focus on the two most frequent sources of difficulty, namely : (i) the scope of subheading 8418.50, and (ii) the practical problems encountered by administrations in identifying the "compression type units whose condensers are heat exchangers" of subheading 8418.61.

II. SECRETARIAT COMMENTS

3. The Secretariat wishes to begin by pointing out that no major changes have been made to the structured nomenclature to heading 84.18 since the first version of the Harmonized System.

(1) Possible deletion of certain subdivisions

4. While noting that the statistical data concerning the various types of household type refrigerators (i.e., the goods of subheadings 8418.21, 8418.22 and 8418.29 – see below) are relatively stable, and that great technological progress has been made with regard to their manufacture, the Secretariat questions the need to maintain a distinction based on their

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operating principles and has therefore proposed the merger of the three subheadings concerned.

In thousands of US dollars

	1996	1997	1998
<b>8418.21</b>	1,541,588.502	1,764,998.628	1,787,131.696
<b>8418.22</b>	88,172.725	90,563.948	88,382.018
<b>8418.29</b>	109,125.729	144,754.712	138,183.113

(Source: UNSD Statistics)

(2) Scope of subheading 8418.50

5. The Explanatory Note to heading 84.18, part (I), second segment, paragraph (2), on page 1432 in the 2002 version, indicates that this heading covers “cabinets or other furniture or appliances incorporating a complete refrigerating unit or an evaporator of a refrigerating unit, whether or not equipped with ancillary devices such as agitators, mixers, moulds. These appliances include domestic refrigerators, refrigerated show cases and counters, ice-cream or frozen food storage containers, refrigerated water or beverage fountains, milk cooling vats, beer coolers, ice-cream makers, etc.”
6. On a historical note, the Secretariat wishes to point out that at the time of the first revision of the Harmonized System, an alignment of the English text of subheading 8418.50 on the French drew attention to the Interim Committee’s intention that this subheading should cover “other” types of furniture, i.e., those not covered by the subheadings which preceded it in the new structure (see Annex H/26 to Docs. 34.390 and 34.391 – NC/59 et IHSC/9/Nov. 87).
7. In the light of the foregoing, it seems clear that subheading 8418.50 was intended to cover, firstly, chests, cabinets, show cases, counters and similar refrigerating or freezing furniture (other than those specifically referred to in the texts of subheadings 8418.10 to 8418.40), and secondly, certain other articles of furniture incorporating refrigerating units, such as show cases, counters and similar articles, regardless of their capacity.
8. Against that background, the Secretariat considers that the legal text of subheading 8418.50 could usefully be amended to make it clear that the refrigerating and freezing equipment classifiable here takes the form of furniture whose purpose is to conserve foods by storing them at low temperature; moreover, the insertion of the words “and display” will make it clearer that the goods of this subheading are normally used in commercial premises.
9. In the Secretariat’s view, the amendments proposed might also offer the advantage of facilitating the exploitation of statistical data on equipment of this kind, given the very large volume of trade recorded (*see statistical data reproduced below*).

In thousands of US dollars

	<b>1996</b>	<b>1997</b>	<b>1998</b>
<b>8418.30</b>	535,270.577	552,442.260	511,894.357
<b>8418.40</b>	538,406.232	524,408.473	549,441.167
<b>8418.50</b>	1,333,937.335	1,634,392.575	1,592,812.744

(Source: UNSD Statistics)

(3) Scope of subheading 8418.61

10. In dealing with the classification questions submitted by administrations, the Secretariat has found that the choice between subheadings 8418.61 and 8418.69 is almost always problematic, because in most cases it is not possible to determine from the technical literature whether or not the equipment at issue is a "compression type unit whose condensers are heat exchangers". Moreover, during previous discussions in the HS Committee it was claimed that the above-mentioned wording could conceivably give rise to confusion, the argument being that all condensers are, by definition, heat exchangers. If the Sub-Committee accepts this argument, then clearly the present legal text of subheading 8418.61 is unsound.
11. Should that be the case, the Secretariat would also like it to be noted that heat exchangers perform a clearly-defined function which is covered by heading 84.19. Moreover they are specifically covered by subheading 8419.50, and logically they should be classified there if presented separately. By application of Note 2 (a) to Section XVI, this would apply to heat exchangers intended for the equipment of subheading 8418.61. The Note concerned states that :
 

"(a) Parts which are goods included in any of the headings of Chapters 84 and 85 (other than headings 84.09, 84.31, 84.48, 84.66, 84.73, 84.85, 85.03, 85.22, 85.29, 85.38 and 85.48) are in all cases to be classified in their respective headings;"
12. On the basis of previous research (see Doc. 40.783 -RSC/15/Feb.97) described in an extract at Annex I hereto, the Secretariat is able to confirm that subheading 8418.61 was intended to relate directly to the heat pumps of heading 84.15, and was not supposed to apply to any other equipment.
13. That being the case, the Secretariat wonders what type of heat pump could now be regarded as a "compression type unit whose condenser is a heat exchanger" of subheading 8418.61, given that the 2002 version of the HS uses the expression "reversible heat pumps" in subheading 8415.81.
14. Following on from this, the Secretariat proposes that subheading 8418.61 should simply refer to "heat pumps other than air conditioning machines of heading 84.15", thus echoing the appropriate part of the legal text of heading 84.18. All other refrigerating or freezing equipment not covered by subheadings 8418.10 to 8418.50, apart from heat pumps, would be classified in subheading 8418.69.
15. The Secretariat reproduces below, for the Sub-Committee's information, statistical data relating to world trade in the goods concerned.

In thousands of US dollars

	<b>1996</b>	<b>1997</b>	<b>1998</b>
<b>8418.61</b>	1,387,429.859	1,488,493.824	1,498,731.812
<b>8418.69</b>	1,313,668.195	1,405,378.189	1,336,045.360

(Source : UNSD)

### CONCLUSION

16. The Sub-Committee is invited to examine the possibility of amending the structured nomenclature of heading 84.18 as indicated in the Annex appended hereto, in the light of the Secretariat comments set out above.

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**Extract from Doc. 40.783 (RSC/15/Feb.97)**

The Secretariat would first point out that the Nomenclature Committee already considered this matter when examining the more general question of the classification of heat pumps.

At the time, the Committee initially decided to classify heat pumps in a single heading, although some delegates expressed doubts about the advisability of such a regrouping in view of the fact that Harmonized System subheading 8415.81 already covered air conditioning machines ... “incorporating a refrigerator unit and a valve for reversal of the cooling/heat cycle” (i.e., autonomous cycle air conditioning machines functioning on the heat pump principle) (see Doc. 30.000, Annex D/9, paragraph 1 - NC/50/Apr. 83). In this respect, it was determined that the term “reversible heat pumps” applied to a certain type of air conditioning machine fitted with a four-way valve on the compressor; this structure allows them to be used either for heating or for air conditioning, as required, as indicated in the diagrams at the Annex hereto.

The Nomenclature Committee decided explicitly to mention heat pumps in the text of heading 84.18, while specifying that only the heat pumps themselves (compressor or absorber type) should be classified in that heading, more complex machines incorporating heat pumps being classified by reference to their function (see Doc. 30.000, Annex D/9, paragraph 3 - NC/50/Apr. 83).

However, the Harmonized System Committee did not adopt the text put forward by the Nomenclature Committee. It considered it essential to establish a text which would not empty other headings of part of their content, particularly, the air conditioner heat pumps covered by subheading 8415.81; in this connection, the Delegate of the United States had pointed out that, in his country, these machines were regarded as conventional heat pumps, as were the heat exchangers of subheading 8419.50. Consequently, at its 31<sup>st</sup> Session the Harmonized System Committee decided to add the following expression : “; heat pumps other than air conditioning machines of heading No. 84.15” (see Doc. 30.070, paragraph 153 - June 1983).

This amended text was subsequently approved by the Nomenclature Committee when the two Committees met in joint session (see Doc. 30.100 - NC/May 83 - Report on the joint special meeting).

Since then, this has since been reflected in the Explanatory Notes in the form of an exclusion in the Explanatory Note to heading 84.18 (page 1270, fourth paragraph) which specifies, moreover, that reversible heat pumps are classifiable in heading 84.15, since they are to be regarded as air conditioning machines.

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