



WORLD CUSTOMS ORGANIZATION
ORGANISATION MONDIALE DES DOUANES

Established in 1952 as the Customs Co-operation Council
Créée en 1952 sous le nom de Conseil de coopération douanière

HARMONIZED SYSTEM
COMMITTEE

-
23rd Session

-

NC0012E1
(Annexes I and II)
O. Eng.

H2-32

Brussels, April 1999.

SIMPLIFIED CLASSIFICATION TREATMENT OF CERTAIN GOODS

(Item III.5 on Agenda)

Reference documents :

40.014 (HSC/21)

42.100, Annex C/9 (HSC/21 – Report)

42.505 (HSC/22)

42.750, Annex C/5 (HSC/22 – Report)

I. BACKGROUND

1. At its 22nd Session, the Harmonized System Committee considered an interim report on the survey of Members' practices regarding the simplified classification treatment of certain goods. After an exchange of views, the Committee agreed to re-examine the Secretariat's proposal to simplify the classification of certain goods at its next session, on the basis of a new document explaining the objectives of the proposal.
2. Meanwhile, the Secretariat was asked to continue its study vis-à-vis the appropriateness of simplified tariff classification treatment, in particular for goods traded electronically and for those traded through courier services, to be undertaken on the basis of a questionnaire.
3. On 14 January 1999, the Secretariat sent out a letter to all Member Administrations with a request to provide information as to whether simplified classification treatment was provided for goods traded electronically and/or via courier services. A copy of the letter is reproduced in Annex I to this document.
4. By the time of drafting of this document, the Secretariat had received 44 responses from Andorra, Australia, Belarus, Bolivia, Botswana, Bulgaria, Canada, Chile, Colombia, Croatia, Cyprus, the Czech Republic, Ghana, Hong Kong China, Hungary, Indonesia, Ireland, the Islamic Republic of Iran, Japan, Korea (Rep. of), Lithuania, Macao, Malaysia, Maldives, Mongolia, Norway, Peru, Poland, Romania, Senegal, Slovakia, Swaziland, Switzerland, Thailand, The Former Yugoslav Republic of Macedonia, Tunisia, Turkey, Uganda, the United States, Ukraine, Uruguay, Uzbekistan, Vietnam and one unidentified administration. The Secretariat wishes to thank these administrations for responding to the enquiry.

File No. 2730

For reasons of economy, documents are printed in limited number. Delegates are kindly asked to bring their copies to meetings and not to request additional copies.

II. RESPONSES FROM ADMINISTRATIONS

5. Among the 44 respondent administrations, 7 have indicated that they utilised a simplified tariff structure of some kind, either in the form of an additional Chapter in the Harmonized System (e.g., Chapter 98) or in the form of a separate tariff schedule, or by specific legal provisions (procedures). However, it seems that none of the respondents has made arrangements for goods traded electronically. A summary of the various observations is set out in Annex II to the document.
6. The goods covered by such simplified tariff treatment generally fall into two categories : goods of minor value and goods subject to special duty treatment, or a combination thereof. It is to be noted, however, that in a number of cases the goods referred to do not cover consignments carried by courier services only, but also special types of goods (e.g., passenger's baggage, postal parcels, spare parts and waste). According to one administration, goods carried by courier services account for 12 % and 16.6 % of total imports of all commodities, for the years 1996 and 1997, respectively. Another administration has introduced one code number (in Chapter 98) for all goods carried by courier services. The range of goods or items indicated by the respondents are :
- goods below a threshold value;
 - spare parts of Chapters 84, 85 and 87, or of ships and aircraft;
 - passenger's baggage; and
 - postal parcels.
7. Some administrations have witnessed an increase in goods being carried by courier services. However, no specific statistical data is available to quantify this growth, or is collected for these goods.
8. With respect to the possible introduction at international level of simplified treatment for goods traded electronically or carried by courier services, 20 of the respondents indicated a favourable position, while 21 were not in favour. The following suggestions were made :
- the introduction of a simplified structure with 4-digit headings, or classification at 4- or 6-digit Harmonized System level;
 - simplification of the classification of all low valued goods;
 - the introduction of a new heading or a simplified index for electronically traded goods; and
 - inclusion in a separate annex to the Harmonized System Convention or in Chapters not being used by the Harmonized System.
9. One administration indicated that classification should be commodity based, no distinction being made for the mode of transport. Another administration, considered that the development of a simplified nomenclature to cover goods traded electronically would lead to inequalities in treatment to the detriment of goods traded by normal means.

III. SECRETARIAT COMMENTS

10. The Secretariat's initiative with regard to the simplified classification treatment of certain goods was intended to facilitate trade by reducing the costs and time connected with the classification of those goods. In this context, the Secretariat had noted that a number of administrations had already introduced such simplified classification treatment in their national tariffs. The Secretariat had sought to encourage more countries to follow these simplifying measures and to do so in an internationally uniform fashion.
11. The Secretariat's questionnaire was limited to soliciting the experience of administrations with respect to goods traded electronically and/or via courier services – two of the most technologically advanced and fastest growing means of trade in goods.
12. Based on the information gathered to date, the question becomes whether the Committee wishes to continue with a study leading to proposals for provisions for simplified tariff treatment for certain limited categories of goods in the Harmonized System. The questionnaire responses to this question are certainly mixed.
13. In this connection, the Secretariat would note that the questionnaire responses were limited to electronic trade and courier service trade, while the overall question is broader, covering goods having no or limited commercial value, for example.
14. Accordingly, the Secretariat seeks the Committee's guidance as to:
- whether to proceed with a study on simplified classification treatment, in general,
 - if so, what direction to pursue, e.g., courier shipments, goods having no commercial value, goods with a low commercial value, etc., and
 - the appropriate vehicle, e.g., a Recommendation, amendment of the HS Convention, etc.
15. With regard to the suggestion to introduce a provision for goods traded electronically, the Secretariat would defer to the outcome of the discussions of the Review Sub-Committee with regard to this matter (see Agenda item VI).

IV. CONCLUSION

16. The Committee is invited to examine the question of the introduction of a simplified tariff treatment for certain goods, taking into account the results of the Secretariat's survey in Annex II and the comments of the Secretariat above.

x

x

x

The Secretary General

Tel. (32 2) 209 94 00

Fax (32 2) 209 92 92

99NLOO3 – Liu/FI

Brussels, 14 January 1999.

Dear Sir/Madam,

At its 22nd Session, the Harmonized System Committee examined the issue of simplified classification treatment of certain goods, on the basis of Doc. 42.505 providing an interim report of the Secretariat concerning Members' practices (see Annex C/5 to Doc. 42.750).

After an initial exchange of views, the Committee decided to re-examine the question at its next session on the basis of a new document, taking into account the results of an extended survey to cover goods traded electronically and via courier service.

In view of the above and to facilitate further study of the issue, the Secretariat has prepared the enclosed questionnaire. To avoid misunderstanding, the Secretariat would like to clarify that the study is not aimed at scrutinising Members' Customs procedures, but is aimed at developing a simplified structure for the classification of certain goods which require expeditious Customs clearance.

Members are invited to respond to the questionnaire, as soon as possible, so as to enable the Secretariat to prepare a new document in good time for the next session of the Harmonized System Committee in May 1999.

Thank you in advance for your co-operation.

Yours faithfully,

Michel DANET

Questionnaire on Simplified Classification Treatment of Certain Goods

1. Does your Administration or Economic Union provide simplified classification treatment for goods traded electronically and/or via courier services ?

YES NO

2. If your answer to question No. 1 is "Yes", please specify below the kind of simplified classification treatment. Attach a copy of the simplified classification structure if necessary.

3. If your answer to question No. 1 is "NO" :

(i) Do you classify those goods in the Harmonized System based tariff ?

YES NO

(ii) Has your Administration or Customs Union experienced excessive administrative burden or complaints from the trade community on account of difficulties in Harmonized System classification of those goods ?

YES NO

(iii) Does your Administration or Economic Union plan to introduce a simplified classification scheme for such goods in the near future ?

YES NO

4. Has your Administration or Economic Union witnessed a rapid growth in goods traded electronically or through courier services after the introduction of the Internet ?

YES NO

5. If your answer to question No. 4 is "YES", please give data on the following representative periods :

1995 1996 1997

(a) Percentage increase in imports (value) taking 1994 as the base year (100%)

(b) As percentage of total imports of all commodities

6. Do you consider that simplified classification treatment of goods traded electronically and/or through courier services should be considered at the international level ?

YES NO

7. If the answer to question No. 6 is "Yes", please give your suggestions regarding the development of a "harmonized" simplified nomenclature for those goods.
8. Do you have any other comments or suggestions concerning the simplification of the harmonization of tariff classification structures (or nomenclature) at the international level ?

YES NO

9. If your answer to question No. 8 is "Yes", please explain below in brief.

Name of Administration or Customs Union :

Date :

Signature :

Name:

Title :

Please return the completed questionnaire to : The Director
 Tariff and Trade Affairs Directorate
 World Customs Organization
 Rue du Marché, 30
 B-1210 Brussels
 Tel (32 2) 209 92 01
 Fax (32 2) 209 94 92

x

x

x

	Country	Simplified classification treatment	Harmonized System classification	Adm. burden	Plan to introduce	Rapid growth	Simpl. treatment at int. level	Other comments
1.	[Unidentified]	NO	YES	NO	-	NO	NO	NO
2.	Andorra	NO	YES	NO	NO	NO	YES ¹⁾	NO
3.	Australia	NO	YES	NO	NO	YES ²⁾	NO	NO
4.	Belarus	NO	YES	YES	YES	NO	YES	NO
5.	Bolivia	NO	YES	NO	NO	NO	NO	NO
6.	Botswana	NO	YES	NO	NO	NO	-	NO
7.	Bulgaria	NO	YES	YES	NO	-	YES	NO
8.	Canada	NO	YES	YES	NO	YES ³⁾	YES ⁴⁾	NO
9.	Chile	NO	YES	NO	NO	NO	NO	-
10.	Colombia	NO	YES	YES	YES	NO	YES ⁵⁾	NO
11.	Croatia	NO	YES	NO	NO	NO	YES ⁶⁾	YES ⁷⁾
12.	Cyprus	YES ⁸⁾	-	-	-	NO	NO	NO
13.	Czech Republic	NO	YES	NO	NO	NO	NO	NO
14.	Ghana	NO	YES	NO	NO	NO	NO	-
15.	Hong Kong China	NO	YES	NO	NO	-	-	-
16.	Hungary	NO	YES	NO	NO	NO	YES ⁹⁾	NO
17.	Indonesia	NO	YES	NO	NO	NO	NO	NO
18.	Ireland	NO	YES	NO	NO	NO	NO	NO
19.	Islamic Republic of Iran	NO	YES	NO	-	NO	NO	NO
20.	Japan	YES ¹⁰⁾	-	-	-	-	YES ¹¹⁾	YES ¹²⁾
21.	Korea (Rep. of)	YES ¹³⁾	-	-	-	¹⁴⁾	NO	NO
22.	Lithuania	YES ¹⁵⁾	-	-	-	NO	NO	NO
23.	Macao	NO	NO	NO	NO	YES ¹⁶⁾	YES ¹⁷⁾	NO
24.	Malaysia	YES ¹⁸⁾	-	-	-	NO	YES ¹⁹⁾	NO
25.	Maldives	NO	YES	NO	NO	NO	YES	NO
26.	Mongolia	NO	YES	YES	NO	-	-	NO
27.	Norway	NO ²⁰⁾	YES	NO	NO	YES	NO	NO
28.	Peru	NO	YES	YES	YES	NO	YES	YES ²¹⁾
29.	Poland	YES ²²⁾	-	-	-	NO	NO	NO

	Country	Simplified classification treatment	Harmonized System classification	Adm. burden	Plan to introduce	Rapid growth	Simpl. treatment at int. level	Other comments
30.	Romania	NO	YES	YES	NO	NO	NO	NO
31.	Senegal	NO	YES	NO	NO	NO	YES ²³⁾	NO
32.	Slovakia	NO	YES	NO	NO	NO	NO	NO
33.	Swaziland	NO	YES	NO	NO	NO	NO	NO
34.	Switzerland	NO	YES	NO	NO	NO	NO	YES ²⁴⁾
35.	Thailand	NO	YES	YES	NO	NO	NO	NO
36.	The Former Yugoslav Rep. of Macedonia	NO	NO	NO	NO	NO	YES	NO
37.	Tunisia	NO	YES	YES	YES	NO	YES ²⁵⁾	YES ²⁶⁾
38.	Turkey	NO	YES	NO	YES	NO	YES ²⁷⁾	NO
39.	Uganda	NO	YES	NO	NO	NO	YES ²⁸⁾	NO
40.	United States	NO	YES	NO	NO	NO	NO ²⁹⁾	NO
41.	Ukraine	NO	YES	NO	NO	NO	NO	NO
42.	Uruguay	NO	YES	NO	NO	NO	YES ³⁰⁾	NO
43.	Uzbekistan	NO	YES	NO	NO	-	YES	NO
44.	Vietnam	YES ³¹⁾	YES	YES	YES	YES	YES	- ³²⁾

- 1) Andorra : It is suggested to create a nomenclature with four digits for goods traded electronically or via courier services.
- 2) Australia : The data generated cannot be broken down into this form. 20 % increase in imports, but cannot be isolated to Internet alone.
- 3) Canada : An increase through the courier system has been witnessed, but not sure whether this growth is due to Internet. The percentage increase for low value courier consignments is 17.6 % for the years 1996 and 1997, whereas the percentage for low value courier consignments of total imports of all commodities is 12 and 16.6 % for the years 1996 and 1997, respectively.
- 4) Canada : It is suggested to simplify the classification for goods of low value, not only for electronic data and courier services but also for all other modes, i.e., postal and commercial, travellers.
- 5) Chile : An electronic connection to other Customs Administrations or to the WCO would be helpful.
- 6) Croatia : It is suggested to create a new tariff number for goods traded electronically.
- 7) Croatia : Sets of spare parts for engines, devices and appliances, if they consist of at least three items classifiable in three different HS subheadings, ready to be built in, could be classified with the particular machine, device or appliance.

- 8) Cyprus : Simplified classification is provided for spare parts of Chapters 84, 85 and 87, which may be grouped under the subheading with the higher rate of duty, according to a specific Administrative Circular. This simplification can be used for spare parts of a specific value which is actually low.
- 9) Hungary : Classification on the basis of HS headings.
- 10) Japan : A simplified tariff structure has been introduced for small packages, which is applicable to goods the value of which is less than 100,000 yen (approximately 840 US\$). The rates of the simplified structure are applied according to descriptions such as “articles of subheading 2208.20”, “articles of heading 43.03” and “articles of Chapter 55”.
- 11) Japan : The idea to introduce a simplified classification treatment would facilitate the treatment of such goods.
- 12) Japan : The Japanese simplified tariff schedule is applicable to goods having a value below a certain threshold. This should also form the basis for the simplification at international level.
- 13) Korea
(Rep. of) : The Korean Customs Administration applies a simplified tariff schedule for passengers’ baggage, postal materials, consignments (including goods traded electronically or via courier services) to speed up customs clearance. Goods are classified into 14 groups, each group having a different rate to be applied, which is a combination of tariff and taxes, including VAT and special excise tax.
- 14) Korea
(Rep. of) : It is assumed that there has been a growth in goods traded electronically or through courier services, but we do not have specific statistical data on these goods.
- 15) Lithuania : The simplified procedure for declaring postal items is applied to postal items carried by economic entities having permits issued by the Customs Department. Code 9817.00.00.0 should be used when the weight of the postal item does not exceed 31.5 kg and the value does not exceed 400 litas (approximately 100 US\$). Code 9818.00.00.0 should be used when the weight of the postal item does not exceed 31.5 kg and the value exceeds 400 litas but not 3,000 litas (approximately 750 US\$). This simplified treatment is not applied to goods traded electronically.
- 16) Macao : Not counted for trade statistics.
- 17) Macao : Classification according to the GIRs.
- 18) Malaysia : Special provisions within code 9800.00 for mail bags, coffins containing human corpses, urns containing human ashes, used personal effects, used household effects, trade samples, ship’s spares and aircraft spares, and certain types of wastes.
- 19) Malaysia : It is suggested that members adopt a practice of simplified tariff classification of goods traded electronically or via courier services, with a uniform classification at six digits level.
- 20) Norway : Music, literature, software, etc. are regarded as a good whether they are imported on a physical carrier medium or electronically. However, tailored software (developed for one single customer/user) is regarded as provision of service and not as goods. Classification of goods traded electronically could be left for each party to decide on a national basis. However, the proposal of China (Doc. NR0031E1 – RSC/19) could form a starting point for a discussion for a common international treatment of such goods.

- 21) Peru : The Peruvian Customs Administration is interested in opening Chapter 98 in order to facilitate customs clearance of certain goods, which may have an administrative or different tax treatment, but, at the same time, do not respond to economic politics of incentive or promotion to determined industries or economic areas such as : baggage and furnishing, goods imported by diplomatic corps or international organizations, provisions for vessels, war material, plants “key in hand”, postal packets, etc. That is, goods with no commercial characteristic or goods with similar treatment in the majority of countries that do not require a simplified procedure.
- 22) Poland : Polish Customs law does not provide for electronic sales for the import or export of commodities. There is, however, simplified classification treatment for goods traded via courier services. Customs clearance of goods traded via courier services may be executed summarily on one form SAD (Single Administrative Document) but only in the case that the value of the goods contained in the parcel does not exceed 70 EURO (approximately 75 US\$) and the goods are exempted from customs duties and from taxes. In this case the goods are described as “miscellaneous goods”.
- 23) Senegal : It is suggested to create a separate annex to the Harmonized System Convention.
- 24) Switzerland : The development of a simplified nomenclature to cover goods traded electronically would lead to inequalities in treatment to the detriment of goods traded by normal means. Switzerland, therefore, feels that such a development should not be considered.
- 25) Tunisia : Establish a simplified index for goods which may be traded electronically, in the form of the present Compendium of Classification Opinions.
- 26) Tunisia : It is suggested to reduce the time necessary for the Secretariat to respond to requests from Administrations, in order to avoid delay in releasing goods from customs clearance.
- 27) Turkey : The Turkish Administration has introduced the use of a customs software at a pilot site in Istanbul. The system uses a tariff number such as “98.00.00.00.00” for the goods that are traded through courier services. So this system helps the trader to carry out the procedures under one tariff number.
- 28) Uganda : Consideration should be given to the possibility of using the Chapters reserved in the Harmonized System.
- 29) United States : Classification should be strictly commodity based and not by mode of purchase or transportation.
- 30) Uruguay : A harmonized simplified nomenclature should be used for trade below a certain value, electronic trade and for goods traded through courier services. It also needs a simplified taxation indicating the maximum national duty plus internal taxes.
- 31) Vietnam : Publications, articles, documents, trade files contained in one and the same consignment and having a customs duty of 0 % may be cleared together using one customs declaration. Publications and goods having a value of less than 100 US\$ may benefit from duty exemption.
- 32) Vietnam : Publications, articles, documents, trade files sent by courier services should be the subject of a uniform system at international level. The packages should indicate the countries of departure and destination, and also the Harmonized System code of the goods contained.