



# Introduction to the HS System: The Draft MAC Protocol Context

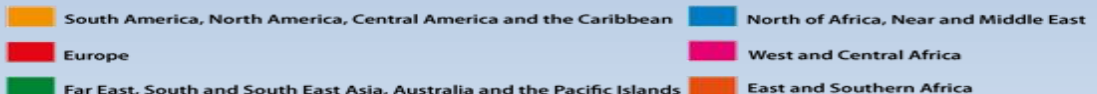
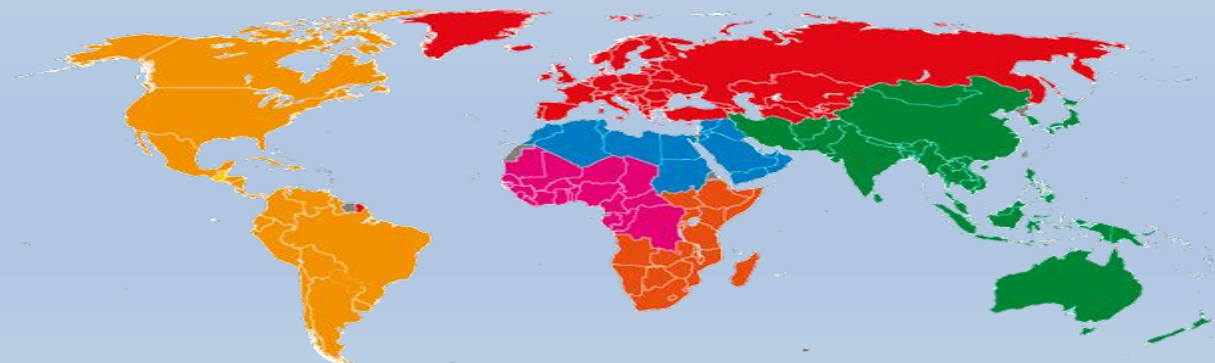
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# Overview of the HS System



- ◉ Nomenclature developed by the WCO under the 1983 International Convention
- ◉ System to uniformly classify goods in international trade
- ◉ Utilized by over 200 countries covering 98% of international trade
- ◉ Doc. 4 (App. I)



# Structure of the HS System



- ◉ **21 Sections (Section XVI - Machinery and Mechanical Appliances) and 97 Chapters**
- ◉ **Over 1,200 headings identified by four-digit codes and 5,387 six-digit codes (draft MAC Protocol)**
- ◉ **HS System comprises:**
  - 1) List of (sub)headings;
  - 2) Section and Chapter Notes; and
  - 3) General rules for the interpretation



# Sample HS Code



- ◉ **842911 - Self-propelled bulldozers...**
- ◉ **84 - Chapter**
- ◉ **29 - Heading within the Chapter**
- ◉ **11 - Subheading**
  - 00 if no subheading
  - All HS codes in the draft MAC Protocol have a subheading





# MAC Protocol Definition



- ◉ **MAC Article 1(2)(e) defines Harmonised System as**  
*the Harmonised Commodity Description and Coding System governed by The International Convention on the Harmonised Commodity Description and Coding System*
- ◉ **HS Convention defines Harmonized System as**  
*the Nomenclature comprising the headings and subheadings and their related numerical codes, the Section, Chapter and Subheading Notes and the General Rules for the Interpretation of the Harmonized System*

# General Rules of Interpretation



- 1) heading classification according to the terms of the headings and related notes
- 2) reference in a heading to an article includes unfinished and incomplete articles
- 3) if two headings potentially applicable, classify under the one with more specific description
- 4) classify under a heading covering goods to which they are most akin
- 5) cases, packaging materials and containers classified with the goods if they are normally sold therewith
- 6) sub-heading classification according to the terms of the sub-headings and related notes

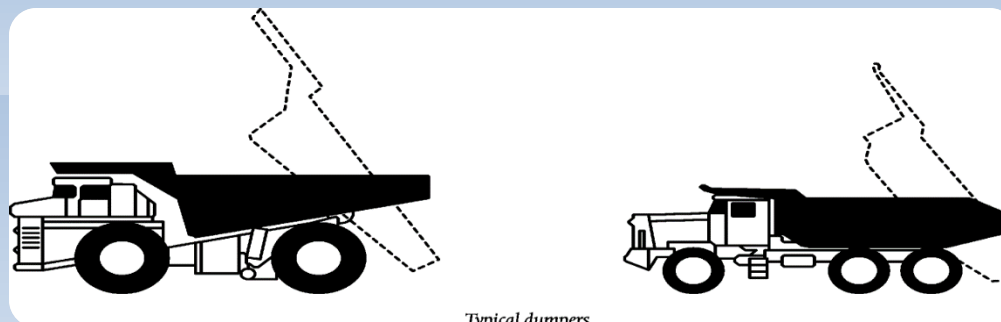
- ◉ **Official commentaries on headings and sub-headings (5 Volumes)**
- ◉ **Relied on by customs authorities in classifying goods, and courts when adjudicating disputes**
- ◉ **Regularly amended**

# Explanatory Note Example



## Dumpers Designed for Off-highway Use HS870410

These subheadings mainly cover vehicles fitted with a front or rear tipping body or a bottom-opening body that have been specially designed to transport sand, gravel, earth, stones, etc., and are intended for use in quarries, mines, or on building sites, at roadworks, airports and ports. Examples illustrating various types of dumper are given at the end of this note. These subheadings also cover smaller vehicles of the type used on construction sites for carrying earth, rubble, fresh cement and concrete, etc. These have a fixed or articulated chassis and two-or four-wheel drive, the dumper hopper being located above one axle and the driver's seat above the other. The driver's seat is not usually inside a cab.



Typical dumpers



# Notes Also Explain Exclusions



## Explanatory Note to HS8430 (two sub-headings in Annex 1)

### *'To avoid internal overlap'*

*This heading covers machinery, other than the self-propelled machines of heading 84.29 and agricultural, horticultural or forestry machinery (heading 84.32), for "attacking" the earth's crust (e.g., for cutting and breaking down rock, earth, coal, etc.; earth excavation, digging, drilling, etc.), or for preparing or compacting the terrain (e.g., scraping, levelling, grading, tamping or rolling).*

### *'To avoid overlap with the other Protocols' (Reinforced by Article II(4))*

*Excavating, etc., machines are classified in heading 86.04 if they are mounted on wagons or trucks, of a kind suitable for coupling into a train running on a railway network of any gauge. Railroad ballast excavator-screening machines are often mounted on wagons or trucks complying with this condition. On the other hand, excavating, etc., machines mounted on trucks or platforms **not** meeting the specifications of true railway rolling stock remain classified in this heading.*

### *'To avoid overlap with other potentially applicable regimes'*

*All machines (e.g., dredgers) mounted on pontoons or other floating structures, whether or not self-propelled, are classified in Chapter 89.*

- ◉ **Established under Article 6 of the HSC**
  
- ◉ **Article 7 functions:**
  - Propose amendments to the Convention
  
  - Prepare Explanatory Notes, Classification Opinions and guides
  
  - Provide guidance to international organizations with respect to classification of goods

- Codes from Chapters: 82, 84, and 87





- ◉ **Three Annexes**
- ◉ **Article II(3) allows for an opt-out and Article XXXI(4) provides for denunciation**
- ◉ **Presently, ALL mining equipment HS codes are covered under the 'construction Annex'**
  - Final version may differ
  - Future developments

# Headings (Labels)



- HS 842481 in the Annex: *Mechanical appliances (whether or not hand-operated) for projecting, dispersing, or spraying liquids or powders; fire extinguishers, whether or not charged; spray guns and similar appliances; steam or sand blasting machines and similar jet projecting machines – Other appliances – Agricultural or Horticultural*
- **HS 842481 – Agricultural or Horticultural**
- **HS 842410 – Fire extinguishers, whether or not charged**
- **HS 842420 – Spray guns and similar appliances**
- Same analysis for 8430 that references snow plows (843020 not included)



# Amendments



- Article XXXII paragraphs 4 and 5 procedures and Doc. 6
- Periodical – every five years (Annexes reflect the 2012 version, which was revised with the effect from 2017)

*“The Council may recommend amendments to this Convention to the Contracting Parties...”*

- Article 16 of the HS Convention*



- 72% of sub-headings have never changed