

Guide to Tariff Classification

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TARIFF CLASSIFICATION OF PRODUCTS

Overview & Topics of Discussion



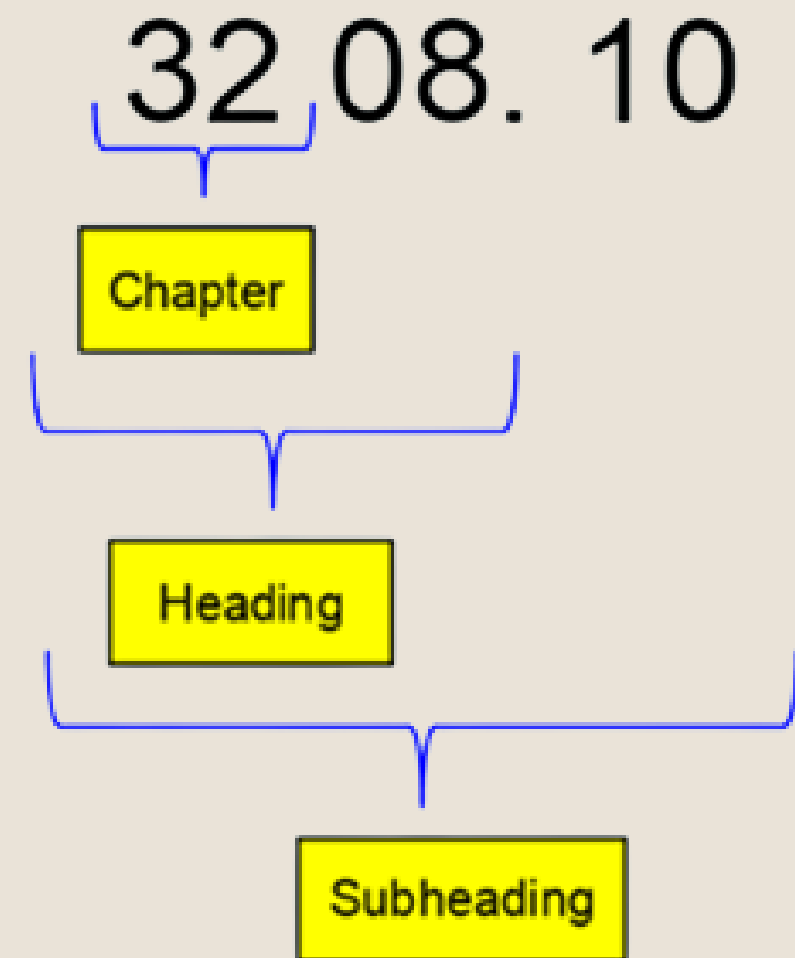
GENERAL RULES FOR THE INTERPRETATION OF THE HARMONIZED SYSTEM

- In depth description of how to classify a tariff using the Harmonized System (HS)
- Discusses the GRI rules 1 through 6, when and how to use them

TOPICS OF DISCUSSION

- Foundation of customs compliance
- Importance cannot be overstated
- Rules must be followed in the order they are presented 1 to 4; if provision of Rule 1 cannot be used, then go to Rule 2 and so on
- Six (6) rules governing all countries that use the HS system and three (3) specific to Canada
- Rules are always to be consulted when classifying goods

HARMONIZED SYSTEM (HS)



All countries must
classify the same
substance under
the same Subheading

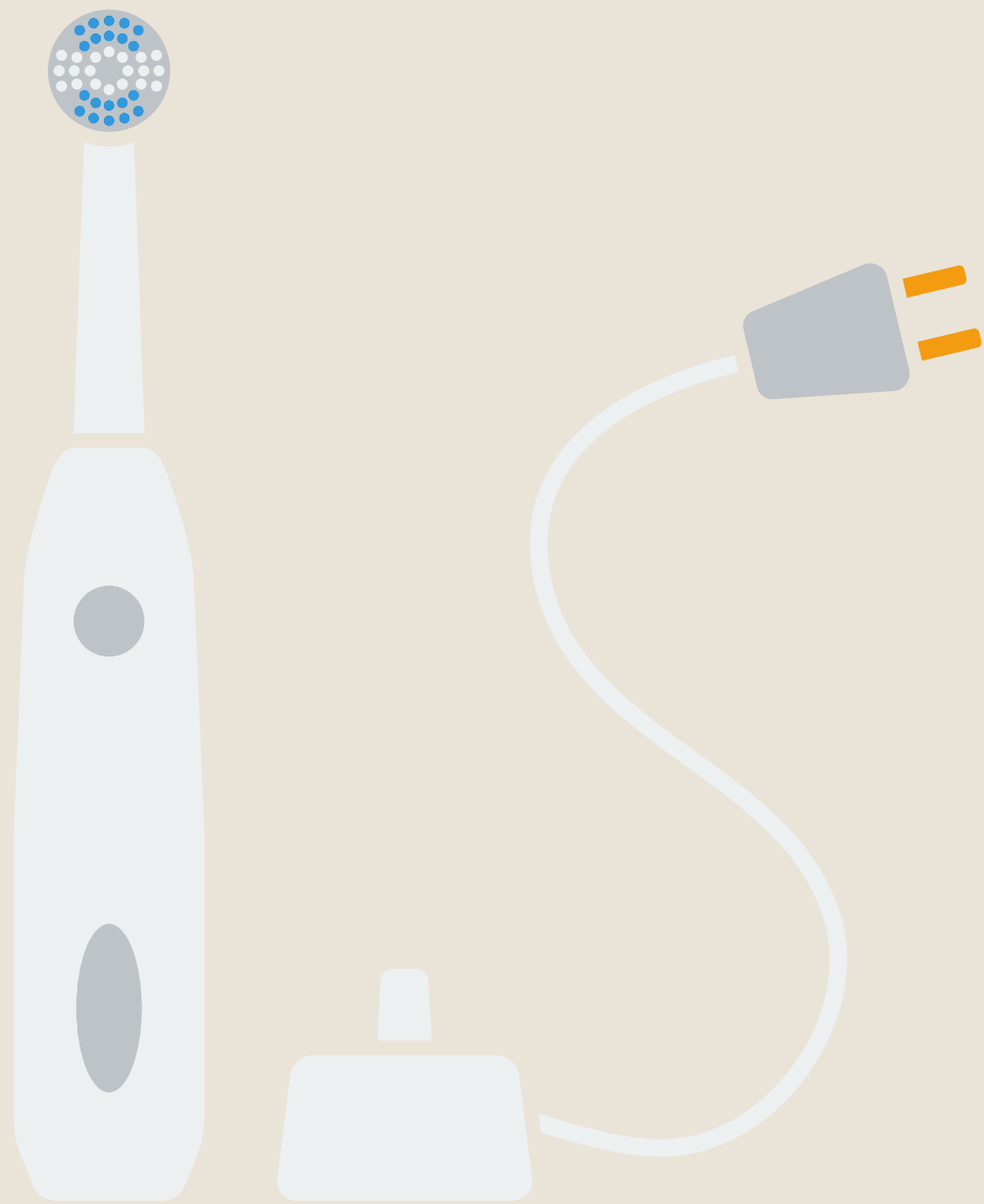
HARMONIZED SYSTEM (HS)

Important Notes
to Remember

THE H.S CODE

- Goods must be classified at 4-digit level first
- Only 4 digit headings are comparable
- **Heading descriptions must not be compared with subheading descriptions**

EXAMPLE OF AN ELECTRIC TOOTHBRUSH:



HEADING

Heading 85.09 as an "Electro-mechanical domestic appliances with self-contained electric motor,...."

SUBHEADING

OR Subheading 9603.21 which provides for "Toothbrushes,...". (Heading 96.03 provides for "Brooms, brushes...")

HARMONIZED SYSTEM (HS)

Example: Electric
Toothbrush

GRI RULE 1

Headings, Section/ Chapter Notes



GRI RULE 1 TERMS OF THE HEADINGS, SECTION/CHAPTER NOTES

- Titles of Sections, Chapters and sub-Chapters are meant to be helpful but not definitive
- If a provision specifically and completely describes a product, then the product would be classified in that provision
- Section and Chapter have Notes - provide explicit direction on where to classify goods, e.g. Note 3 to Section XVI
- Finally, GRI 1 states if Headings and Notes are not definitive, must follow the Rules in order

GRI RULE 2 HAS TWO PARTS:

PART ONE OF GRI 2 (A)

- Deals with incomplete or unfinished goods

PART TWO OF GRI 2 (B)

- Deals with unassembled or disassembled goods

PART ONE:

- As presented, it has the “essential character” (which is discussed below) of the complete or finished article



GRI RULE 2 PART ONE

Incomplete or
Unfinished Goods



GRI 2 (A)

- Provides that complete or finished articles presented unassembled or disassembled are to be classified in the same heading as the assembled article



GRI 2 (B)

- Governs the classification (1) of mixtures and combinations of materials or substances and (2) of goods consisting of two or more materials or substances



GRI RULE 2 PART TWO Unassembled or Disassembled Goods

GRI RULE 3: PART A & B

Two (2) or More
Headings:
Part A & B

RULE 3 (A) MOST SPECIFIC

- Goods should be classified in the heading that provides the most specific description
- A wooden ladder is classified as “Other articles of wood(HS4421)
- A wooden chair is classified as “Wooden chair(HS9401)



RULE 3 (B) ESSENTIAL CHARACTER

- Deals with mixed goods, composite goods, and goods put up in sets for retail sale
- Mixture of barley (60%) of HS10.03 and oats (40%) of HS10.04
- Composite good (radio/flashlight)
- A hairdressing kit consisting of a pair of electric hair clippers of heading 8510, a comb of heading 9615, a pair of scissors of heading 8213, and a brush of heading 9603

GRI RULE 3 PART C

Last in Numerical
Order

RULE 3 (C):

WHEN GOODS CANNOT BE CLASSIFIED BY REFERENCE TO 3(a) OR 3(b),
THEY SHALL BE CLASSIFIED UNDER THE HEADING WHICH OCCURS
LAST IN NUMERICAL ORDER AMONG THOSE WHICH EQUALLY MERIT
CONSIDERATION

EXAMPLES:

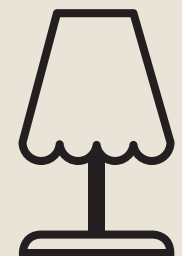
A BELT

- A belt made of 50 % leather(heading42.03) and 50 %
textiles (heading62.17) is classified in Heading 62.17



ELECTRIC LAMP

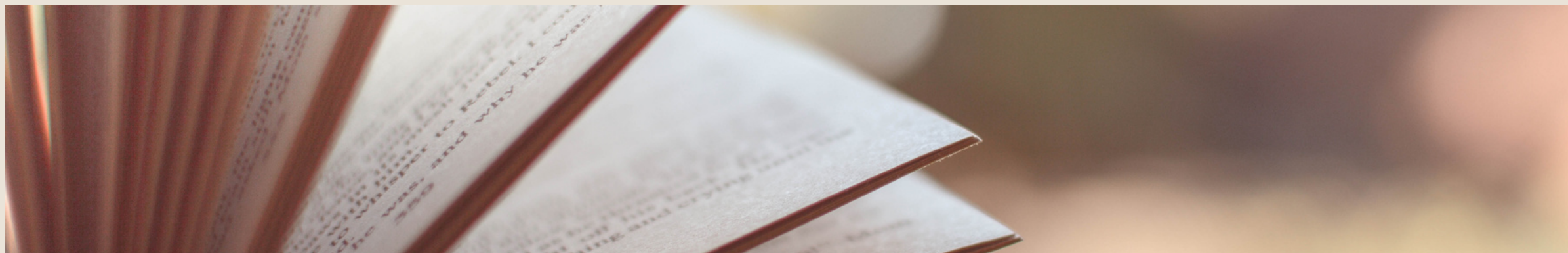
- Electric lamp (heading 94.05) with an alarm clock
(heading 91.05) is classified in 94.05



CHANDELIERS

- Chandeliers (heading 94.05) with electric fan (heading
84.14) is classified in 94.05





RULE 4 MOST AKIN:

GOODS WHICH CANNOT BE CLASSIFIED IN ACCORDANCE WITH THE ABOVE RULES SHALL BE CLASSIFIED UNDER THE HEADING APPROPRIATE TO THE GOODS TO WHICH THEY ARE MOST AKIN

APPLIED INFREQUENTLY

- This rule should be applied very infrequently as GRIs 1 to 3 will cover the classification of almost all goods

DEPENDANT FACTORS

- Depend on such factors as description, character, purpose or intended use, designation, production process and the nature of the goods

GRI RULE 4

Overview of
When to Apply
Rule 4

GRI RULE 5

Containers Part A & B

GRI 5 (A)

- Deals with the treatment of long-term use cases, boxes, and similar containers presented with the articles for which they are intended
- Long-term use containers imported with articles for which they are intended to be used are to be classified with the articles



GRI 5 (B)

- States that packaging containers and materials not normally intended to be reused are classified with the articles in which they are presented or imported
- This rule does not apply to packaging materials or packing containers clearly suitable for repetitive use



GRI RULE 5 EXAMPLE

Does GRI 5
Apply?

RULE 5(A) STATES THAT:

- THIS RULE DOES NOT, HOWEVER, APPLY TO CONTAINERS WHICH GIVE THE WHOLE ITS ESSENTIAL CHARACTER
- Packaging gives the whole it's an essential character.

RULE 5(B) STATES THAT:

- THIS PROVISION IS NOT BINDING WHEN SUCH PACKING MATERIALS OR PACKING CONTAINERS ARE CLEARLY SUITABLE FOR REPETITIVE USE.
- Dispensing machine is considered as a container which suitable for repetitive use

EXAMPLE: GUMBALLS IN A DISPENSER

- Gumballs are classified HS1704
- The dispenser is classified HS7907



RULE 6: SUBHEADING RULE

- GRI 6 prescribes that, for legal purposes, GRIs 1 to 5 govern, classification at subheading levels within the same heading
- GRIs 1 to 5 are to be reapplied to determine the classification of goods at the subheading level
- Only subheadings at the same level within the same heading are comparable



CANADIAN RULES

- Tariff Item level (7 & 8 digits of tariff classification)
- If a Canadian and international term are presented; meaning and scope the international term takes precedence
- In relation to rule 5(b), packing materials and containers are classified in their respective heading, e.g. pallet (wood) or plastic container (Chapter 39)

GRI RULE 6
Subheading
Rule/Canadian
Rules

FRONTIER
SUPPLY CHAIN SOLUTIONS INC.