

Are You Ready For The 2022 Harmonized Schedule Update?

November 16th, 2021



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Agenda

- 01** WCO & the Harmonized System
- 02** What's Changing in 2022
- 03** Examples of Product Code Changes
- 04** How to Prepare
- 05** Q&A



What is the WCO?

The World Customs Organization (WCO) is an independent intergovernmental body with 183 member Customs administrations, representing 98% of world trade.

Its mission is to enhance the effectiveness and efficiency of Customs administrations.





What is the Harmonized System?

The Harmonized System (HS) was developed by the WCO as an international product nomenclature, made up of more than 5,000 commodity groups; each identified by a 6-digit code.

HS codes are the basis of Harmonized Tariff Schedule (HTS) codes, 10-digit codes used by countries to determine tariff duty rates and much more!

Harmonized System



6206 . 10 . 0050



Harmonized Tariff Schedule



What is Happening in 2022?

Every 5-6 years the WCO updates the HS to conform to developments in technology and changes in trade patterns.

The 7th edition of the HS will go into effect **January 1, 2022**, which will bring sweeping changes to how the international trade community classifies their products.



Which Countries Have Published Their 2022 HTS?

The WCO has already released the newest edition of the Harmonized System to the public.

Individual country's Customs institutions are now adapting their own HTS codes to conform to the new edition before end of year.

Country	Updated HTS?	Link
US	Yes	Link
CA	Yes	Link
EU	Yes	Link
GB	No	-
AU	Yes	Link
CN	Yes	Link



Stats: What is the Impact?

351

Global HS Updates Made

70+

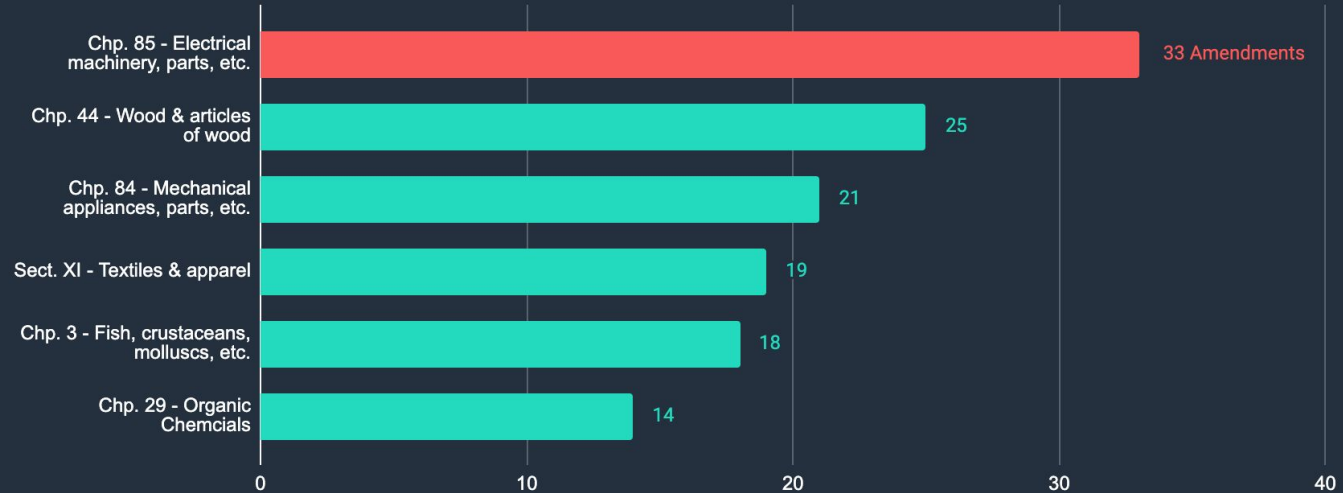
Headings & Subheadings Added

1,500+

US HTS Codes Updated



What Product Groups Are Most Affected?



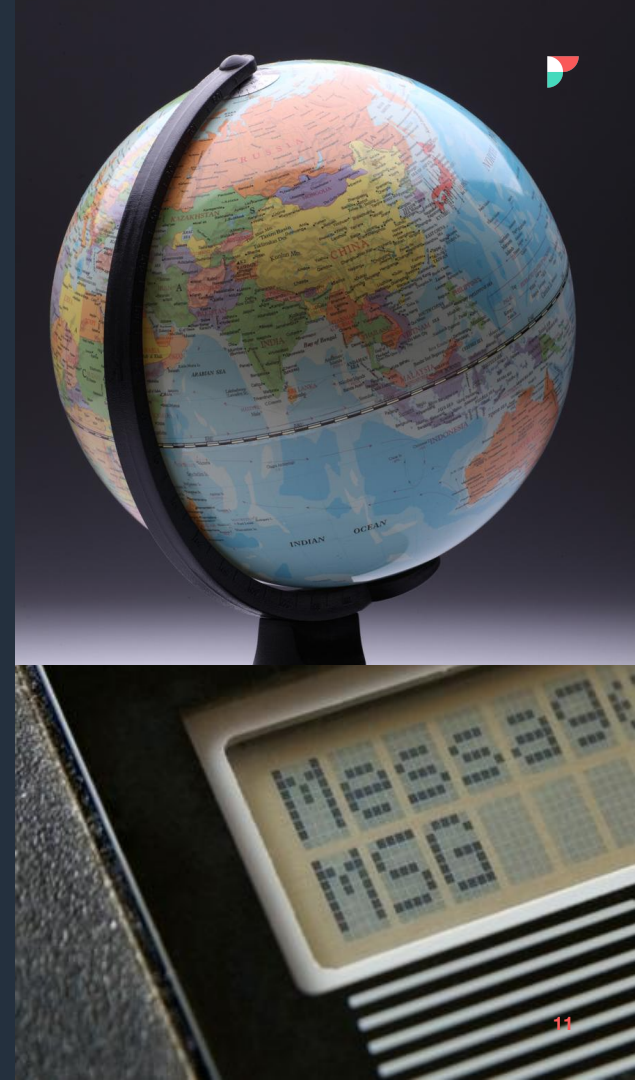
Examples of Deleted Codes

Globes & Telephone Answering Machines

4905.10

8519.50

The codes for globes (4905.10) and telephone answering machines (8519.50) will be deleted due to significantly reduced trade.



Examples of New Codes

Pomace Oil

1510.10

New code created for pomace oil. This extracted oil is in a crude and inedible state and must be processed before it may be safely consumed.



Examples of New Codes

Organic Chemicals Used in Production of Chemical Weapons

3911.20.0000

New code created for petroleum resins and other organic chemical compounds used in the manufacture of chemical weapons

Examples of Updated Notes

“Lamps” to “Luminaires”

Lamps



Luminaires

Previously CBP used the term “lamps” which may be confused with the household goods, though it is important to note that the term “lamp” is used in the lighting industry to mean lightbulbs. This has since been updated to “luminaires”.



Examples of Updated Notes

Updates to Section XII (Plastics & Rubber) Notes

Incidental

“printed motifs or representations” are part of the product but are not crucial or essential or added with purpose to the product



Subsidiary

“printed motifs or representations” are intentionally added to the product yet are lesser / ancillary / secondary to the product’s main purpose



Examples of Updated Codes

New Subheadings for Evolved Technologies

Chp. 85

New Subheadings for:

- Smart Phones: **8517.13.0000**
- High Speed Digital Cameras: **8517.13.0000**
- Photovoltaic AC Motors & Generators: **8501.80**
- Photovoltaic DC Motors & Generators: **8501.71**
- Flat Panel Displays: **8524**





Things to Watch Out For

The “Unknowns”

■ **Implementation Date**

- International Trade Commission News Release 21-064 states HTS amendments are to enter into force on January 1, 2022.
- Requires approval by President and there have been delays in the past.
- Look for a Presidential Proclamation on or around December 1, 2021.

■ **Section 301 Impact**

- Section 301 tariffs are applied based on the HTS of an imported product. It is unclear if, how, and when Section 301 tariffs will be applied to the updated HTS.
- New HTS codes may not be flagged for 301.

■ **PGA/OGA & ADD/CVD Flags**

- HTS flags controlled by other government agencies or processes may take time to be applied to the updated HTS.
- AD/CVD it is important to remember that it is the written scope language that is dispositive even if new HTS codes are not flagged.



Things to Watch Out For

The “Unknowns”

- **Free Trade Agreements**

- FTA rules of origin are based on previous HTS versions until updated by all countries.

- **Drawback**

- Are you claiming substitution drawback on products whose HTS has changed?
- Export classifications may not align with new import codes.

- **Duty Calculation Dates**

- If the changes to the HTS for any of your products results in a lower duty rate you may want to consider how to take advantage of these before the end of the year.

- **Previous Customs Rulings**

- Previous Customs rulings based on HTS codes may no longer be valid and may require updates.



How to Prepare

It's Never Too Early to Start.

- **Ensure your current product codes are accurate**
 - Take time to do a full review of your current product codes to ensure accuracy going into 2022.
- **Begin mapping existing codes to the 2022 updates**
 - Download [Flexport's U.S. HTS concordance table here](#) to begin mapping your classification codes yourself.
 - Use a classification specialist to ensure your codes are mapped correctly - classification@flexport.com
 - Understand how your products may be affected by updates not only to heading descriptions, but to chapter & section notes as well.
- **Review past Customs rulings**
 - Identify any previous Customs rulings that affect your product codes
 - Prepare to file new ruling requests for high impact rulings - flexport.advisory@flexport.com



Q&A