

World Ceramic Tiles Forum – The review of HS codes for ceramic tiles



The review of HS codes for ceramic tiles

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- III. Modifications of HS explanatory notes
 - i. Changes to general definition
 - ii. Ongoing discussion related to water absorption test methods
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I. Context – The Harmonised system



The Harmonised System:

- Is the universal basis for Customs tariffs and the international trade statistical system
- Composed of custom codes consisting of six digits, legal and explanatory notes

Changes to the system:

- Keep system adopted to market realities
- Need to be well designed
- Can be made by the WCO every four to six years

I. Context – The revision of HS codes 6907 and 6908

Currently valid HS codes

6907 - Unglazed ceramic flags and paving, hearth or wall tiles; unglazed ceramic mosaic cubes and the like, whether or not on a backing

6907.10 -- Tiles, cubes and similar articles, whether or not rectangular, the largest surface area of which is capable of being enclosed in a square the side of which is less than 7 cm

6907.90 -- Other

6908 - Glazed ceramic flags and paving, hearth or wall tiles; glazed ceramic mosaic cubes and the like, whether or not on a backing

6908.10 -- Tiles, cubes and similar articles, whether or not rectangular, the largest surface area of which is capable of being enclosed in a square the side of which is less than 7 cm

6908.90 -- Other

I. Context – The revision of HS codes 6907 and 6908

WCTF 2012: approval of a common approach towards the revision of HS 6907 and HS 6908

Proposed changes by the WCTF:

- Abolition of distinction between glazed and unglazed tiles
 - Structure based on water absorption capacity of tiles
 - Creation of five sub-codes corresponding to ISO categories of water absorption
 - Creation of additional code for finishing/technical products
- ▶ These proposals have been partially implemented.

II. The current situation



HS codes, valid from 2017

6907 – Ceramic flags and paving, hearth or wall tiles; ceramic mosaic cubes and the like whether or not on a backing; finishing ceramics.

Flags and paving, hearth and wall tiles, other than those of subheadings 6907.30 and 6907.40

6907.21 -- of a water absorption coefficient by weight not exceeding 0.5%

6907.22 -- of a water absorption coefficient by weight exceeding 0.5% but not exceeding 10%

6907.23 -- of a water absorption coefficient by weight exceeding 10%

6907.30 – Mosaic cubes and the like, other than those of subheading 6907.40

6907.40 – Finishing ceramics

6808 – This heading will be deleted.

III. Modifications of explanatory notes



Explanatory notes:

- Specify the meaning of HS codes
 - Are not legally binding
 - Provide guidance in the use of the HS
- ▶ influence on classification of goods

III. Modifications to explanatory notes

Changes provisionally approved by the WCO Revision Sub-Committee on the general definition of ceramic tiles categories:

“This heading covers ceramic flags and tiles, including quarry tiles, commonly used for paving or for facing walls, hearths, etc..

Flags and paving, hearth or wall tiles are thinner in relation to their surface dimensions than are building bricks. Whereas bricks play an essential part in constructional work, forming the very framework of the building, flags and tiles are more especially intended for fixing by cement, adhesive or by other means to the surface of existing walls, etc. They also differ from roofing tiles in that they are usually flat and do not need to be pierced or provided with nibs or otherwise shaped for interlocking and that they are designed to be placed side by side without overlapping. Flags are larger than tiles and are usually rectangular; tiles may be of other geometric shapes (hexagonal, octagonal, etc.). Tiles are mainly used for facing walls, mantelpieces, hearths, floors and paths; flags are more especially used for paving or flooring, or as hearth slabs. Both categories may be made from clays or other inorganic raw materials, usually shaped by extruding or pressing at room temperature but can be formed by other process, then dried and subsequently fired at temperatures sufficient to develop the required properties. However types which have to withstand heavy wear are often vitrified, for example, tiles of stoneware, or porcelain (china) or of fired steatite (e.g., tiles for lining grinding mills, etc.).

The wear resistance and the vitrification rate vary depending on the structure of tile. These structural features are characterized by the absorption capacity of water. A high water absorption level corresponds to a porous structure. A low water absorption level corresponds to a compact (vitrified) structure.”

III. Modifications of HS explanatory notes



Ongoing discussions in WCO on water absorption test methods:

- Detailed definition of water absorption approved by Revision Sub-Committee
- Remaining question: Should the HS codes explanatory notes refer or not to one or more specific test methods?
- WCO aware of the lack of correlation between ASTM and ISO boil test methods
- WCO also informed of the ISO work item to revise the test method for water absorption
- WCO will discuss this matter during meetings to be held the week of 9 November 2015
- WCO expecting the outcome of the discussions to be held this week in ISO TC 189 and WCTF

IV. Next steps – transposing codes to regional level



Currently existing sub-categories at regional level:

Division into sub-categories based on...						
...size	...size and water absorption:	...size and material:	...size and other technical criteria:	...material:	...use:	...other technical criteria:
Mexico, Pakistan, Saudi Arabia, United Arab Emirates, USA	Jordan, Iran	EU, Ukraine, Morocco	China, Israel	Russia	Indonesia	India
No further division into sub-categories:						
Algeria, Argentina, Australia, Brazil, Japan, Nigeria, Switzerland						

IV. Next steps – transposing codes to regional level

Legal basis: WTO guidance documents published in every revision cycle

1. *In cases where implementing the new HS codes does not imply any **combination of different tariff lines or parts of tariff lines**:*
 - 1.1) **Merge old sub-categories bearing the same tariffs**
 - ⇒ Australia(*), China (*), India, Indonesia(*), Iran, Israel, Jordan, Mexico, Morocco, Pakistan, Saudi Arabia (*), Switzerland, United Arab Emirates
 - (* indicates that fees only differ for the category “others”)

2. *In cases where implementing the new HS codes does imply **combination of different tariff lines or parts of tariff lines and customs decide** apply strictly the principle of **fiscal neutrality**:*
 - 1.2) **Create old sub-categories at eight digit level for each former sub-category with a different tariff**

Option 1.2 would mean re-creating the old distinctions under the new HS codes and would result in more complex codes rather than more simplified and harmonised.

IV. Next steps – transposing codes to regional level

3. *In cases where implementing the new HS codes does imply combining different tariff lines or parts of tariff lines but customs decide apply alternative options to strict fiscal neutrality as foreseen in WTO guidelines:*
 - 2.1) *Apply the lowest rate of any previous tariff line to the whole of the new tariff line*
 - 2.2) *Apply the rate previously applied to the tariff line with the majority of trade*
 - 2.3) *Apply the trade weighted average rate of duty for the new line*
 - 2.4) *Apply the arithmetic average of the previous rates of duty where no basis exists for establishing reasonably accurate trade allocations*

IV. Next steps – transposing HS at regional level



Today, the wide range of sub-categories make the classification too complex and result in:

- Unjustified classification in “miscellaneous” categories
- Unreliable production and trade statistics

New HS classification will offer the opportunity:

- to facilitate customs declarations and verifications
- to ensure more representative statistics

Main challenge: ensure that this opportunity is not lost due to the creation or maintenance of new or old sub-categories under the new HS codes

- ▶ **Ideal situation:** No sub-category created in national customs codes other than the new HS codes categories (6 digits): *(i) Tiles low water absorption, (ii) Tiles medium water absorption, (iii) Tiles high water absorption, (iv) mosaics and (v) finishing products*



Thank you

For any question:

batier@cerameunie.eu

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Background slides

III. Next steps – transposing codes to regional level



Evaluation of options:

- 2) *In cases where combining tariff lines or parts of tariff lines could not be avoided authorities can:*
 - 2.2) *Apply the rate previously applied to the tariff line with the majority of trade*
 - 2.3) *Apply the trade weighted average rate of duty for the new line*
 - 2.4) *Apply the arithmetic average of the previous rates of duty where no basis exists for establishing reasonably accurate trade allocations*
- ▶ allow creation of new sub-categories without regard to tariff lines
 - ▶ require extensive analysis of trade data in each country
 - ▶ are considered hard to implement

III. Next steps – transposing codes to regional level

Evaluation of options:

1) *In cases where combining tariff lines or parts of tariff lines could be avoided authorities can:*

1.1) *Merge old sub-categories bearing the same tariffs*

- ▶ reduction of sub-categories
- ▶ no changes in tariffs
- ▶ applies to countries where sub-categories are subjected to same tariffs

1.2) *Create old sub-categories at eight digit level for each former sub-category with a different tariff*

- ▶ recreation of old categories
- ▶ HS code reform loses desired effects as old product categories are sustained
- ▶ no improvements in user-friendliness
- ▶ no improvements for trade statistics
- ▶ not in line with WCTF decision to abolish categorization based on glazing of tiles

III. Next steps – transposing codes to regional level

Evaluation of options:

2. *In cases where combining tariff lines or parts of tariff lines could not be avoided authorities can:*

2.1) *Apply the lowest rate of any previous tariff line to the whole of the new tariff line*

- ▶ allows creation of new sub-categories without regard to tariff lines
- ▶ results in lowering tariffs for certain products
- ▶ financial impact likely to be minor

EU: 98% of all ceramic tiles (in value and quantity) were reported using the custom codes to which the lowest tariff applies.

Russia: 99% of products (in value) reported under 6908 were reported in the sub-category of the code which is subjected to a lower tariff.

China: 96.5% of products (in value) reported under 6907 were reported in the sub-category of the code which is subjected to a lower tariff.

(trade data for 2013; source: UN Comtrade Database, <http://comtrade.un.org/data/>)