

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



# The review of HS codes for ceramic tiles

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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 5 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. Next steps – writing 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. Next steps – transposing codes to regional level



#### Regional custom codes:

- Can further distinct between products using digits 8-10 of the custom code
- Can be changed more frequently than HS codes

#### Main challenges:

- Creating an understandable system of custom codes which is user-friendly and covers all products in the market
- Achieving such consistency without infringing the principle of fiscal neutrality of the transposition from old to new codes



### III. Next steps – transposing codes to regional level

Legal basis: WTO guidance documents published in every revision cycle

1. In cases where **combining different tariff lines or parts of tariff lines could be avoided authorities can:**
  - 1.1) Merge old sub-categories bearing the same tariffs
  - 1.2) Create old sub-categories at eight digit level for each former sub-category with a different tariff
  
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
  - 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

### III. 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						

### III. Next steps – transposing codes to regional level



Benefits of reducing sub-divisions at regional level:

- Facilitates trade
  - Eases understanding of the custom codes
  - Increases in user-friendliness of the custom code system
- ▶ Ideal situation: Harmonised custom codes at regional level

### 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
- ▶ but the 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/>)

### 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

## IV. Possible actions by WCTF members



- Consent on comments on draft explanatory notes
- Decide on common approach towards the transposing of HS codes into regional custom codes
  - Aim at preliminary implementation of codes at 6-digit level and create sub-categories at a later point in time
  - Decide on and advocate for common structure of codes at regional level