

## BPE Global Hot Topic – April 2021

### New in 2022 – Gearing up for the new Harmonized Schedule



There is a new tariff on the horizon in 2022. In gearing up for the changes, we recommend you arm yourself for the conversations and questions that will arise if these changes affect your organization. During our classification trainings and presentations, it is inevitable that someone will ask us the big “Why.” “Why does this matter that much?” “Does everyone seriously have to figure this out?” “Do we really have to change these numbers? They’ve been the same for years!” In short, we’ve come to realize that there is often a gap in understanding the context of what these codes mean. We believe that understanding the foundation and history of these numbers empowers us to drive the dialogue and be prepared to respond to questions within our organizations. It is Trade Compliance’s job to initiate the conversations with the requisite groups who will be potentially impacted by any tariff changes. Explain the context of this information to your colleagues who will need to make the systemic updates, the finance group if duty rates are subject to change, sourcing group if preferential treatment shifts, etc... The reality of April 2021 is that finite details of the proposed changes have not yet been confirmed. However, we have visibility to the high-level changes. Now is the time to drive dialogue surrounding your company’s potentially impacted items. Being armed with the background of the rationale of these changes will prepare you for the inevitable “Why?”

#### HS Background

The Harmonized Tariff Schedule is set forth by the World Customs Organization (WCO). The WCO has had some aliases over the years. In 1947, a committee for European Economic Cooperation created a “study group” called the European Customs Union Study Group (ECUSG) to examine economic and technical issues of inter-European customs union concerning rules of the General Agreement on Tariffs and Trade (GATT). This work led to the adoption of the Convention establishing the Customs Co-Operation Council (CCC). That inaugural session was 17 founding members in 1953. It expanded membership over the years to cover all regions of the globe- US joined in 1970 and in 1994 the organization adopted its current name, the World Customs Organization.

The WCO’s primary objective is to enhance efficiency of member customs administrations. Customs administrations support, inter alia: national development goals, revenue collection, national security, trade facilitation, community protection and the collection of trade statistics. The WCO now has 183 member countries and represents more than 98% of international trade. The WCO adopted the HS Convention to facilitate international trade and data collection by harmonizing the description and classification of goods to reduce expenses related to international trade.

The standardized nomenclature not only helps streamline customs clearance, but also helps respond to concerns of many government and international organizations who want to take steps to counter newly emerging problems. For example, Harmonized System codes have been created for concerns such as ozone depleting substances, precursor chemicals to manufacture illicit drugs, and even endangered species.

#### HS 2022

The HS 2022 will be the 7<sup>th</sup> edition of the Harmonized Schedule. It will go into effect on January 1<sup>st</sup>, 2022 and will set forth 351 amendments. The changes are driven by environmental and social issues of global concern and introduces new product categories to recognize changing trade patterns. Examples of this are: new codes surrounding e-waste, new tobacco and nicotine-based provisions, specific codes for unmanned aerial vehicles (UAV)s and smartphones, and new provisions for placebos to facilitate cross-border medical research.

## Correlation Tables

To facilitate the implementation of the 2022 edition of the Harmonized System, the WCO's Secretariat (in accordance with instructions received from the Harmonized System Committee) created correlation tables to map the 2022 changes against the 2017 HS. Though the tables have no legal status and are subject to further amendments or changes, it is recommended that industry familiarize themselves with the proposed changes and, should any be relevant, raise awareness within the organization. Awareness of any potential tariff changes allow organizations to plan proactively to respond quickly once the changes are formalized.

[Table 1](#) offers the correlation of the 2022 HS against the 2017 HS and contains a column for remarks. As certain proposed changes impact only certain types of goods from the original tariff code, those details are found within Table 1's remarks column. The "ex" prefix in front of the HS 2017 subheading indicates that the corresponding HS 2022 entry has taken only *some* types of goods (scope) covered by the HS 2017 subheading. [Table 2](#) is correlation only and contains no remarks. This table is useful for exporting to an Excel format to compare against an extract of codes used within your organization.

For example, the following are examples of two proposed HS 2022 tariff changes from Table 1:

2022 Version	2017 Version	Remarks
8517.13 8517.14	ex 8517.12 ex 8517.12	New subheading 8517.13 has been created to provide for "smartphones"  <i>(Note: the "ex" indicates that the 2022 tariff 8517.13 was created specifically for smartphones and does not fully transition all other types of items previously classified under 8517.12)</i>
8806.10	ex 8802.11 ex 8802.12 ex 8802.20	New heading 88.06 has been created to provide for unmanned aircraft (drones)  <i>(Note: the "ex" indicates that the 2022 tariff 8806.10 was created specifically for drones and does not fully transition all other types of items previously classified under 8802)</i>

The best way to prepare for the 2022 Harmonized Schedule changes is to compare these correlation tables against your organization's existing classification data. If your organization has potentially impacted tariff codes, build a roadmap to raise early awareness of the changes within the relevant departments of your organization. As you share the changes, remember to bring awareness to the "why" - factor. That ultimately these are changes which strengthen the global landscape against environmental and social issues of global concern and introduces new product categories to recognize changing trade patterns.

As always, BPE Global is in your corner and will continue to monitor and share the developments surrounding the HS 2022. You can follow us on [LinkedIn](#) where we publish topical opinions on the ever-changing rules and regulations governing the landscape of global trade.

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