

eLearning module

General Interpretative Rules of the Combined Nomenclature: Introduction, EU perspective, Impact on National Administrations and EU Economic Operators

Welcome to the **“General Interpretative Rules of the Combined Nomenclature: Introduction, EU perspective, Impact on National Administrations and EU Economic Operators”** eLearning module.

This eLearning module will guide you through the principles of tariff classification, which promotes legal certainty for traders and EU customs administrations.

Course takeaways

This is a quick and handy summary of the most relevant course information:

1 The History and Regulatory Framework of the Customs Tariff

1.1 Historical Background

The EU Common Nomenclature (CN) is a **classification system used to categorise goods for international trade**. Its historical background can be traced back to the 19th century when various countries developed their classification systems for customs and statistical purposes. As international trade boomed in the first half of last century, there was a growing need for the classification of goods and an underlying nomenclature.

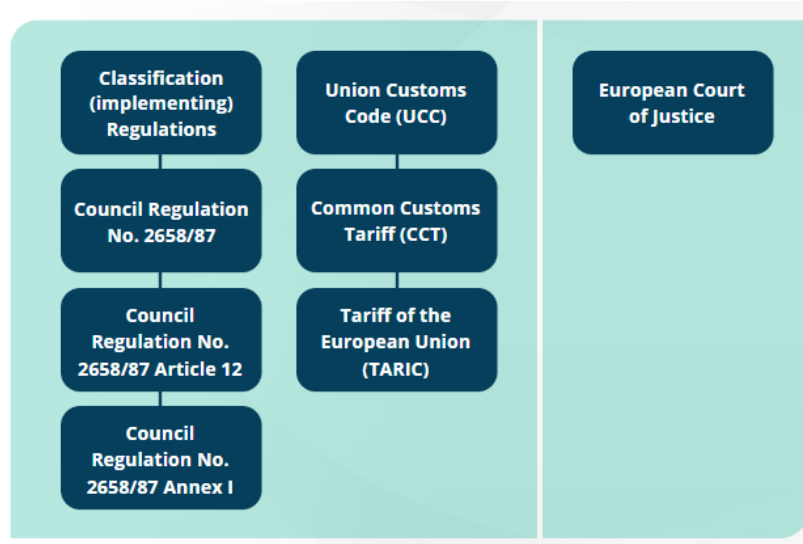
- **1931:** Set up by the League of Nations, the Geneva Nomenclature provided a standardised system for the classification of goods.
- **1950:** Adoption of the Convention on Nomenclature for the Classification of Goods in Customs Tariffs
- **1959:** Brussels Nomenclature established.
- **1968:** The European Customs Union was established to achieve a common EU market; an economic market space without internal borders or customs controls.
- **1974:** Name of the Brussels Nomenclature amended to Customs Cooperation Council Nomenclature (CCCN)
- **1983:** Harmonized System HS Convention adopted
- **1987:** The International Convention on the Harmonized Commodity Description and Coding System established to provide a standardised system for the classification of goods. The Combined Nomenclature (CN) established to meet, at one and the same time, the requirements of both the Common Customs Tariff and the external trade statistics of the European Union
- **2023:** The Combined Nomenclature is updated yearly and published in the EU's Official Journal. The latest version of the Combined Nomenclature entered into force on 1 January 2023.

1.2 Legal Background

Today trade has become truly global and demand for supply-side efficiency has grown exponentially. Therefore, Customs has an important task to facilitate international trade by supporting economic operators who are compliant with the rules.

- **Council Regulation (EEC) No 2658/87** - authoritative references during product classification, include a **product description, an assigned CN code, and a rationale for the classification**. Products listed in the Annex must be classified under the specified CN code.
- **Union Customs Code (UCC)** provides the **legal framework for customs procedures in the EU, including the classification of goods** according to the Combined Nomenclature (CN).
- **Common Customs Tariff (CCT)** uses the Harmonised System (HS) to classify products and decide the customs duty rate. The CCT safeguards EU industries and oversees trade with non-EU nations by making sure imported goods face the same taxes as EU-made ones.

- **Integrated Tariff of the European Union (TARIC)** is a database containing details such as duty rates for various goods, specific trade measures for certain places, and import/export rules within the EU.
- Judgements of the **European Court of Justice** hold crucial and legally binding references within the EU.



2 Introduction to Classification, the Combined Nomenclature, and its Structure

2.1 Introduction

All goods imported into or exported from the EU must be classified for Customs purposes. Each product that is the subject of trade can be classified under one of the codes.

2.2 Tariff Classification

Tariff classification is an internationally recognised method for defining types of goods for customs purposes as they are transported between countries.

- **Importers and exporters are responsible** for ensuring the correct commodity codes are identified and declared to customs when moving goods internationally.
- A **classification code is needed to complete import or export declarations** and other paperwork for goods.

To **identify the correct tariff commodity code**, several steps are usually taken:

Step 1 - Determine the product's name and composition

Step 2 - Analyse the product's objective characteristics

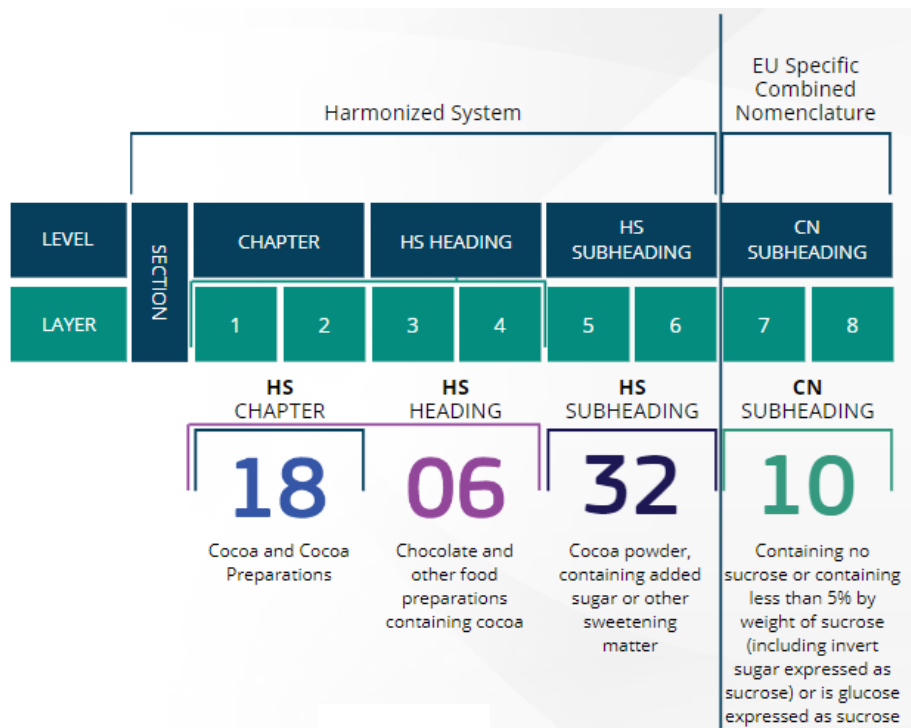
Step 3 - Search the [EU TARIC Consultation Code Database](#)

Step 4 - Check any relevant rules or notes

Step 5 - Consult with customs authorities or professionals

2.3 Structure of the Classification Code

The Combined Nomenclature has eight digits, with the first six digits following the structure of the Harmonised System.



Section

The tariff section is the **broadest level of classification** and is divided into **XXI Sections**, each covering a particular category of goods.

Chapter – Digits 1 and 2

Each section is divided into chapters, represented by two-digit codes, giving detailed information about the products within the section. There are a total of 99 chapters. The chapter number must always have two digits, like 01 or 02.

HS headings – digits 3 and 4

Chapters are further divided into headings which have a 4-digit numerical code where the first two digits represent the chapter number. At the HS heading level, the descriptions become more specific to distinguish between particular products or subgroups, e.g. 0808 - fresh apples, pears, and quinces, and 0813 - dried fruit.

HS Subheading – digits 5 and 6

Headings are further divided into subheadings (6-digit numerical code). It further refines the narrative that belongs to a specific product or good. The 5- and 6-digit subheadings separately identify products within a heading, e.g. 0808 10 – Apples and 0813 30 – Apples (dried).

CN Sub-heading – digits 7 and 8

The next two digits are the CN Subheading and are specific to the EU. It is made up of 8-digit codes. At this level, the standard rate of duty that applies to products is determined.

TARIC code – digits 9 and 10

The two extra digits of the TARIC code represent additional measures at the EU level, such as anti-dumping duties, or specific requirements related to goods like agricultural or environmental regulations.

3 The importance of a correct and uniform interpretation of the Combined Nomenclature

3.1 Why is the correct interpretation of the Combined Nomenclature important?

The correct and uniform interpretation of the Combined Nomenclature (CN) is crucial for several reasons:

Market Access

Understanding the nomenclature can help companies identify market access opportunities and navigate any regulatory barriers.

Disputes and Delays

Inappropriate or incorrect classification can lead to disputes, entailing delays, and additional Customs clearance costs.

Customs duties and taxes

The CN is used to determine the customs duty rates and other taxes that may apply to imported goods.

Trade Statistics

The CN is used to collect trade statistics on imports and exports of goods between the EU and other countries

Trade Policy

The CN is used as the basis for various EU trade policies, such as commercial policy, environmental, agricultural, and legislative policy.

Health and safety regulation

The CN is used to categorise goods according to their health and safety risks, such as chemicals, pharmaceuticals, and food products. The correct classification of goods is therefore essential to ensure that they are subject to the appropriate regulations and standards.

Intellectual property rights

The CN is used to categorise goods according to their intellectual property rights, such as trademarks, patents, and copyrights and is therefore essential to ensure that these rights are protected and enforced.

Protection of EU resources

The correct application of the CN is vital to protect the European Union's resources.

Equal treatment of economic operators

Accurate interpretation of the Combined Nomenclature ensures that Economic Operators are treated fairly and equally. It also ensures that goods and products are handled more efficiently, reducing delays and costs for economic operators.

Uniformity of Customs law

The correct interpretation of the CN ensures that the EU complies with the WTO legal obligation to administer customs legislation uniformly.

3.2 The consequences of non-compliance with the Combined Nomenclature

Misclassified shipments can have multiple adverse consequences including:

- **Overpayment of duties**
- **Missed opportunity** to take advantage of free trade agreement benefits
- **Missed “heads up”** that an import may be subject to anti-dumping or countervailing duties
- Potential “red flag” alert to customs agents about **deeper problems with entry filings**, which could lead to an **audit**
- Unexpected customs clearance **delays**.

4 The General Interpretative Rules of the Combined Nomenclature (GIRs)

4.1 Overview

The General Interpretative Rules of the Combined Nomenclature (GIRs) are a set of six fundamental rules that EU officials and economic operators must **follow and document when classifying a product**.

The Rules must be applied in a sequential order, meaning that GIR 1 needs to be considered first. If the tariff classification of the product cannot be reached using this first rule, then the second rule will

be considered, then the third rule and so on, until the product's tariff classification can be determined.

4.2 General Interpretative Rule of the Combined Nomenclature - GIR1

Definition

"The titles of sections, chapters, and sub-chapters are provided for ease of reference only; for legal purposes, classification shall be determined according to the terms of the headings and any relative section or chapter notes and, provided such headings or Notes do not otherwise require, according to the following provisions."

GIR1 prescribes how to classify products at the 4-digit Heading level, based on the wording of the headings and the relative HS Section and Chapter Notes.

4.3 General Interpretative Rule of the Combined Nomenclature - GIR2

Definition

GIR 2(a)

"Any reference in a heading to an article shall be taken to include a reference to that article incomplete or unfinished, provided that, as presented, the incomplete or unfinished article has the essential character of the complete or finished article. It shall also be taken to include a reference to that article complete or finished (or failing to be classified as complete or finished by virtue of this Rule), presented unassembled or disassembled."

GIR 2(b)

"Any reference in a heading to a material or substance shall be taken to include a reference to mixtures or combinations of that material or substance with other materials or substances. Any reference to goods of a given material or substance shall be taken to include a reference to goods consisting wholly or partly of such material or substance. The classification of goods consisting of more than one material or substance shall be according to the principle of rule 3."

GIR 2 prescribes how to classify both incomplete and unassembled goods, and mixtures and combinations of goods.

4.4 General Interpretative Rule of the Combined Nomenclature - GIR3

Definition

GIR 3(a)

"The heading which provides the most specific description shall be preferred to headings providing a more general description. However, when two or more headings each refer to part only of the materials or substances contained in mixed or composite goods or to part only of the items in a set put up for retail sale, those headings are to be regarded as equally specific in relation to those goods, even if one of them gives a more complete or precise description of the goods."

GIR 3(b)

“Mixtures, composite goods consisting of different materials or made up of different components, and goods put up in sets for retail sale, which cannot be classified by reference to 3 (a), shall be classified as if they consisted of the material or component which gives them their essential character, insofar as this criterion is applicable.”

GIR3(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.”

GIR 3 prescribes how to classify products that are, prima facie, classifiable under two different HS headings.

4.5 General Interpretative Rule of the Combined Nomenclature - GIR4

Definition:

“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.”

GIR 4 prescribes how to classify products that cannot be classified according to GRI's 1, 2, and 3.

4.6 General Interpretative Rule of the Combined Nomenclature - GIR5

Definition:

“In addition to the foregoing provisions, the following Rules shall apply in respect of the goods referred to therein:”

GIR 5(a)

“Camera cases, musical instrument cases, gun cases, drawing instrument cases, necklace cases and similar containers, specially shaped or fitted to contain a specific article or set of articles, suitable for long-term use and presented with the articles for which they are intended, shall be classified with such articles when of a kind normally sold therewith. This Rule does not, however, apply to containers which give the whole its essential character;”

GIR 5(b)

“Subject to the provisions of Rule 5 (a) above, packing materials and packing containers presented with the goods therein shall be classified with the goods if they are of a kind normally used for packing such goods. However, this provision is not binding when such packing materials or packing containers are clearly suitable for repetitive use.”

GIR 5 prescribes how to classify cases, containers and packaging.

4.7 General Interpretative Rule of the Combined Nomenclature - GIR6

Definition:

GIR 6

“For legal purposes, the classification of goods in the sub-headings of a heading shall be determined according to the terms of those sub-headings and any related sub-heading notes and, mutatis mutandis, to the above rules, on the understanding that only sub-headings at the same level are comparable. For the purposes of this Rule, the relative section and chapter notes also apply, unless the context otherwise requires.”

GIR 6 prescribes how to classify products at the 6-digit subheading level, based on the wording of the subheadings and the relative HS Section and Chapter Notes.

4.8 Parts and accessories

There are specific considerations when classifying parts or accessories.

Parts:

Parts have to be **part of the whole**, they have to be **essential to the function of the main product** either electronically or mechanically although in some cases, they **could have their own heading**.

Accessories:

Accessories are items that must enhance the functionality of the product they are meant to accompany. To be classified as an accessory on its own, an item must serve a purpose related to the primary product.

5 Tools to support tariff classification

5.1 Tools and guides to support tariff classification

There are several tools available to support tariff classification under the Combined Nomenclature (CN). These tools can be used in combination to support tariff classification and ensure compliance with customs regulations

1. **Explanatory Notes to the Harmonised System (HSEN)** provide detailed guidance on the interpretation and application of the HS codes at international level. They are governed and published by the World Customs Organisation (WCO).
2. **Explanatory Notes to the Combined Nomenclature of the European Union (CNEN)** contain useful information for understanding the scopes of the various CN codes, established by the Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff.
3. **CLASS - Classification Information System** a single access point to different types of classification information.
4. **Correlation tables** allow economic operators to see if any headings have been changed. It is important to periodically (i.e. yearly) check the codes to establish if there is any change.

5. **The European Customs Inventory of Chemical Substances (ECICS)** specifically helpful to identify and classify chemicals.
6. **Binding Tariff Information (BTI)** provides legal certainty on the classification of products and can be applied to from the relevant Member State.
7. **Classification software** programs available that can assist with tariff classification.
8. **Non-binding customs tariff information** a service provided by customs authorities to guide the classification of goods under the Combined Nomenclature (CN). Unlike Binding Tariff Information (BTI), does not provide the same level of legal certainty for importers.
9. **Tariff Classification Database** provide information on tariff rates and classification.
10. **Customs Consultancy Services** importers can also seek advice from independent customs consultancy services or customs brokers.

6 The correct interpretation of the Combined Nomenclature

6.1 Overview

In order you have the guidance needed, the General Interpretative Rules of the Combined Nomenclature relies on so-called **use cases**.

The use cases are designed to cover the **main steps** to correctly interpret the CN and assign a tariff classification code.

The use cases are executed according to the exact **sequences** described in each of the six General Interpretative Rules.

6.2 The Use Cases

This section provides further details about how to correctly interpret the CN and assign a tariff classification code.

Correctly interpreting the Combined Nomenclature and assign a classification code to a product based on GIR 1 and 6.

The “**Correctly interpreting the Combined Nomenclature and assigning a classification code to a product based on GIR 1 and 6**” aims to verify the steps required by an economic operator to accurately assign a classification code to a product based on General Interpretative Rules 1 and 6, respectively.

Correctly interpreting the Combined Nomenclature and assign a classification code to a product based on GIR 3.

The **“Correctly interpreting the Combined Nomenclature and assign a classification code to a product based on GIR 3”** aims to verify the steps required by an economic operator to accurately assign a classification code to a product based on General Interpretative Rules 3 and 6.

Correctly interpreting the Combined Nomenclature and assign a classification code to a product based on all the GIRs and Explanatory Notes.

The **“Correctly interpreting the Combined Nomenclature and assign a classification code to a product based on all the GIRs and Explanatory Notes”** aims to verify the steps required by an customs officer to accurately verify that a correct classification code has been assigned to a product based on the General Interpretative Rules and Explanatory Notes.

Remember, this is a quick and handy summary of the most relevant course information. Only the European Union legislation published in the Official Journal of the European Union is deemed authentic. The Commission accepts no responsibility or liability whatsoever for the training.



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