

ORIGIN OF GOODS

According to the EU customs legislation, the country of origin of goods is considered the country in which the goods were wholly obtained or produced (Article 23, Community Customs Code).

The origin of goods is proven by a certificate of origin, which is normally issued by a chamber of commerce. Customs require this document both for export and import.

In order to obtain preferential tariffs applied for goods originating from certain countries, one must present EUR 1 or EUR 2 certificates. These goods are called goods of preferential origin.

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Transaction Value

The customs value of goods imported from non-EU countries is in the majority of cases based on the price paid by the buyer for the goods being imported (normally the invoice price). This is called the transaction value method of customs valuation.

The transaction value is the price actually paid or payable for the goods being imported when they are sold for export to the Community, subject to certain adjustments.

There are different methods of establishing the customs value of goods. They are applied in the order of priority: if the first method is not applicable, the next one is considered and so on. The full hierarchy of methods is as follows:

- 1) **Transaction Value**
- 2) Transaction Value of Identical Goods
- 3) Transaction Value of Similar Goods
- 4) Deductive Method
- 5) Computed Method
- 6) Residual Valuation Provision.

Classification of goods

The classification of goods is performed for customs purposes. It allows the customs authorities to exactly establish the type of duty to be applied to every type of goods according to the tariff classification.

All goods presented to the customs must be correctly classified according to this unique classification, that is, one and the same type of goods cannot be classified under two different tariffs.

Harmonised System

For customs duty purposes goods are classified and allocated a tariff code number using the Harmonised Commodity Description and Coding System established by the World Customs Organisation.

The HS is used in more than 120 countries. Every type of goods is allocated a code of 6 digits. Every part of the code bears specific information on the goods.

In the EU the **combined nomenclature** of goods is used. It is based on the HS (International Convention on the Harmonised Commodity Description and Coding System, 1983).

Combined Nomenclature

Council Regulation 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff established the "Combined Nomenclature" (CN), which is the EU coding system for classifying products for customs and statistical purposes.

This classification is based on the Harmonised System (HS), which is also the basis for the import and export codes used by the U.S. The Harmonised System assigns a 6-digit code for general categories. All countries which use the Harmonised System are allowed to define commodities at a more detailed level than 6-digits.

The Combined Nomenclature is an 8-digit coding system, structured as follows:

HS chapter - 2 digits, e.g. "Chapter 18 Cocoa and Cocoa Preparations";

HS heading - 4 digits, e.g. "1806 chocolate and other food preparations containing cocoa";

HS subheading - 6 digits, e.g. "1806 10 cocoa powder, containing added sugar or sweetening matter";

CN subheading - 8 digits, e.g. "1806 10 15 cocoa powder with 0-5 % sucrose".

Agricultural, food and fishery products are listed under chapters 1 to 24 and wood and wood products under chapter 44. An update of the CN (Tariff Schedule) is published annually by October 31 to enter into force on January 1 of the following year. Commission Regulation 2263/2000 (Official Journal L 279 - October 23, 2001) is the

most recent update. It provides the rate of duties on products entering the Unions territory under the standard import regime, including imports from the U.S.

TARIC

The Integrated Tariff of the Community (TARIC : acronym for "Tarif Intégré de la Communauté") is an instrument which was created at the same time as the Combined Nomenclature (CN) by Regulation 2658/87 (Art. 2). The TARIC contains a nomenclature in all 11 official languages with about 15,000 tariff lines. It shows all third country and preferential duty rates actually applicable as well as all commercial policy measures.

The TARIC comprises the Community legislation as published in the Official Journal. It constitutes an instrument for practical use and information, but does not have a legal status in itself. The TARIC serves as a direct basis for the preparation of Member States working tariffs. Another field for the application of TARIC codes is in automated customs clearance. The use of the TARIC codes is obligatory in customs and statistical declarations in trade with third countries (Article 5(2) of Regulation 2658/87). It has to be entered in box 33 of the Single Administrative Document (SAD).

The codes used are a further breakdown of the Combined Nomenclature to the 10-digit level. The TARIC further contains information on tariff quotas, all third country and preferential duty rates, tariff suspensions and other trade measures. TARIC is published annually with updates as necessary. The Commission's new DDS database (tariff data dissemination-system) allows interactive consultation of the TARIC.

Exercises

1- Customs Value and VAT Base

In an import transaction you have the following data:

- Goods (FOB price) 1,750,000 EUR
- Freight 106,800 EUR
- Insurance 9,200 EUR
- Sea port tariff 12,000 EUR
- Customs duty 5%

How much is the customs value of the goods?

How much is the base for calculation of VAT?

2- In a export transaction to USA you have the following product: "Edible fruit and nuts; peel of citrus fruit or melons".

What is th tariff code number of this product?

3- Determine the NON TARIFF BARRIERS of CHINA

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