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ARTICLE

Structure of Customs Tariffs Worldwide and in the European Community

Carsten Weerth*

I. Introduction

The Nomenclature that is governed by the Convention on the Harmonized Commodity Description and Coding System (Harmonized System Convention, Brussels, 14 June 1983) has resulted in an adjustment of many nomenclatures used worldwide for statistical and customs classification because nomenclatures that are based on the HS nomenclature are accepted in more than 200 countries and economic regions – more than 98 percent of world trade is classified according to the HS nomenclature.

However, only the first six digits are uniform (HS-6), and further subdivisions are allowed if the structure of the HS nomenclature is not altered. Basically, most customs tariffs worldwide are uniform and the statistical data are comparable, which is important for economic research and comparability of economic data. However, the European Community (EC) applys a Common Customs Tariff (CCT) that is not uniform, because the EC combined statistical and customs nomenclature (so-called Combined Nomenclature – CN) allows a further subdivision of the Integrated Customs Tariff (TARIC, HS-6 + 4) by an 11th digit if there is a national purpose in one of the EC Member States.

II. Worldwide Situation

Large and important world trade nations are using 10 digits (HS-6 + 4) – for example, the United States, Canada, Japan, South Korea and Russia. Most HS Member States are applying a subdivision of eight digits (HS-6 + 2 = 8) – for example, China, Switzerland, Norway, Australia, New Zealand (see Table 1). Few states are not using a further subdivision, which means that they are using six digits directly (e.g., Angola) or uneven digits (e.g., HS-6 + 1 = 7 in Thailand or HS-6 + 3 = 9 in Philippines; the principle of Mauritius is interesting, in that it is alternatively using none, one or two additional digits that are added to the coding of HS-6). On the basis of the HS nomenclature, the contracting states publish external trade data that are also given to the United Nations statistical division and published in databases. Worldwide trade data can now be compared and analysed.

III. Situation in the EC-25 and EC-27

In the European Community (EC-25: 2004–2006; EC-27 since 1 January 2007), Member States have applied the so-called Integrated Customs Tariff (TARIC), which is an overall subdivision of 10 digits (HS-6 + 4 = 10). However, Article 5(3) of Council Regulation (EEC) No. 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff[1] (Reg. CN), allows a further subdivision with a 11th digit for national purposes (HS-6 + 4 + 1 = 11). This regulation allows therefore a non-uniform application of the Common Customs Tariff[1] (CCT) in which some Member States are allowing 10 and others are applying 11 digits.

A. Results of Questionnaire in the EC-25

A questionnaire was sent to 25 national customs services of the EC-25 seeking information on the national decision of using the 11th digit for national purposes (see response results in Table 2).

Notes

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1 OJ EC 1987, L 256/1.

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Table 1: Important states that are applying the HS and its nomenclature

State/Customs union (*)	***Number of digits (HS-6 + n)***
Germany	11 (6 + 5)
France	11 (6 + 5)
EC[Ω]	10 (6 + 4)
United States	10 (6 + 4)
Japan	10 (6 + 4)
Russia	10 (6 + 4)
Turkey	10 (6 + 4)
Canada	10 (6 + 4)
South Korea	10 (6 + 4)
Serbia and Montenegro	10 (6 + 4)
Maldives	10 (6 + 4)
Azerbaijan	10 (6 + 4)
Philippines	9 (6 + 3)
Australia	8 (6 + 2)
Chile	8 (6 + 2)
India	8 (6 + 2)
Iceland	8 (6 + 2)
Kenya	8 (6 + 2)
Cuba	8 (6 + 2)
Mexico	8 (6 + 2)
New Zealand	8 (6 + 2)
Norway	8 (6 + 2)
Pakistan	8 (6 + 2)
Saudi Arabia	8 (6 + 2)
Switzerland	8 (6 + 2)
PR China	8 (6 + 2)
ALADI[Ω] (Asociacion Latinoameriana di Intigracion)	8 (6 + 2)
CEMAC[Ω] (Cameroon, Congo, Gabon, Equatorial Guinea, Chad)	8 (6+2)
Mauritius	8 (6/ + 1/ + 2)[#]
Thailand	7 (6 + 1)
Angola	6 (6 + 0)

Source: WCO, available at: <www.wcoomd.org>.
Notes: [#] Mauritius uses an uncommon system: the HS-6 is applied directly in all headings, but in some cases a 7th or 8th national digit is added.
The table shows the applying state/customs union (Ω) and the number of digits for national coding. The first six digits are identical worldwide (HS-6); additional digits are shown in brackets as 6 + n.

Results of Internet Research for the EC-27

Answers were no received from France, Italy, Portugal, Spain, Hungary, Lithuania, Latvia, Malta and the Czech Republic. After the succession of Bulgaria and Romania, Internet research was undertaken to cover these two states. In this additional research on the websites of the national customs services, direct

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Table 2: Answers of national customs services of the EC-25 on decision of application of 11th digit for national purposes

Result	**EC Member State**
10 digits (direct TARIC application)	Belgium, Denmark,[2] Estonia, Finland, Greece, United Kingdom, Ireland, Luxemburg, Netherlands, Austria, Sweden, Slovakia, Slovenia, Poland, Cyprus
11 digit (national option)	Germany[3]
No answer	France, Italy, Portugal, Spain, Hungary, Lithuania, Latvia, Malta, Czech Republic.

Table 3: Results for the national decision of the member states of EC-27 to introduce a national 11th digit according to Article 5(3) Reg-CN

Result	**EC Member State**
10 digits (direct TARIC application)	Belgium, Bulgaria, Denmark, Estonia, Finland, Greece, United Kingdom, Ireland, Italy, Lithuania, Latvia, Luxemburg, Malta, Netherlands, Austria, Poland, Portugal, Romania, Sweden, Slovakia, Slovenia, Spain, Czech Republic, Hungary, Cyprus
11th digit (national option)	Germany and France

links to the TARIC database were found in Latvia, Lithuania and Malta. Therefore, it must be assumed that the TARIC is applied directly in these Member States.

On the website pages of many customs authorities, national customs tariffs were available: Italy[4] (in the 'Tariffa doganale d'uso integrata', 10 digits of the TARIC were applied directly), Portugal[5] (in the 'Pauta de servico', 10 digits of the TARIC were applied directly), Spain[6] (in the 'Arancel Integrado', 10 digits of the TARIC were applied directly), Czech Republic[7] (in the 'TARIC CZ', 10 digits of the TARIC were applied directly), Hungary[8] (in the 'TARIC nómenklatúra lekérdezés', 10 digits of the TARIC were applied directly), France[9] (in the 'Tarif integré', 10 digits of the TARIC were added by an 11th national digit), Bulgaria[10] (in the 'TARIC-BG', 10 digits of the TARIC were applied) and Romania[11] (in the 'TARIR', 10 digits of the TARIC were applied directly).

In Germany, and some other EC Member States, the TARIC is not applied directly but incorporated into a national utilization form of a customs tariff. The states concerned are France, Italy, Portugal, Spain, the Czech Republic and Hungary.

This means that only the founding Member States of the European Economic Community (EEC) Germany and France are applying the national 11th digit – in other words, only two of the 27 EC Member States.

IV. Discussion

A questionnaire that was sent to the Member States of the EC-25 (with 16 responses – see Table 2) and an additional research on the websites of the national customs services of the EC-27 has established that only France and Germany use an 11th digit for national purposes (see Table 3). All of the other 25 Member States of the EC-27 apply the Integrated Tariff of the EC (TARIC) directly. Denmark used this 11th digit until December 1994 for statistical reasons but ceased to use it for national purposes. Apparently, a further subdivision of the detailed Combined Nomenclature is not important for 25 Member States but it is still used by France and Germany for national purposes.

Notes

2 Since December 1994, Denmark has not used the 11th digit (until that point it was used in Denmark for statistical reasons).
3 Germany's Customs Service was not questioned because the result is easily found in the Internet (EZT-online) available at: <www.zoll.de>.
4 *See* Customs Tariff of Italy, available at: <http://aidaonline.agenziadogane.it/nsitaric/index.html> (visited 17 December 2006).
5 *See* Customs Tariff of Portugal, available at: <http://pauta.dgaiec.min-financas.pt/pautaonline> (visited 17 December 2006).
6 *See* Customs Tariff of Spain, available at: <www3.aeat.es/ADUA/internet/aduanaie.html> (visited 24 December 2006).
7 *See* Customs Tariff of the Czech Republic, available at: <www.cs.mfcr.cz/CmsGrc/Clo-online/taricz.htm> (visited 24 December 2006).
8 *See* Customs Tariff of Hungary, available at: <http://openkkk.vpop.hu/taricweb> (visited 24 December 2006).
9 *See* Customs Tariff of France, available at: <www.douane.gouv.fr/appli/tarif/default.asp> (visited 17 December 2006).
10 *See* Customs Tariff of Bulgaria, available at: <http://tariff.customs.bg:55080/tariccm/tariccm/main_BG> (visited 7 October 2007).
11 *See* Customs Tariff of Romania, available at: <http://80.96.3.68:9080/taric/web/main_ro> (visited 7 October 2007).

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Therefore, the legal possibility for the 11th national digit should be cancelled in the Reg. CN in order to facilitate a uniform application of the CCT in the EC. This 11th digit is used in Germany only for import statistics and import restrictions for certain goods (e.g., collectibles and seeds). Other world trade nations (apart from France) subdivide the HS nomenclature in 10 digits (see Table 1) – therefore Germany and France are the two nations with the most subdivided customs tariff.

In textbooks and comments on European customs law, it is well-known reasoning that the 11th digit is used for national purpose for German value added tax (VAT).[12] This is simply bad reasoning.

An example with oats of heading 1004:

Germany's EZT-online: 1004 0000 00 1 oats for seeding VAT 7 percent
Germany's EZT-online: 1004 0000 00 9 other oats VAT 7 percent

For both code numbers the duty is 'EUR 89/1,000 kg', the VAT is '7 percent' (EZT: 2007), and for both numbers an EC import licence is required. The difference with the 11th digit 1004 0000 00 1 has been introduced in Germany in order to monitor two national laws on seeds – *Saatgutverkehrsgesetz*[13] and *Forstvermehrungsgesetz*[14] at the EZT-online.[15] Further subdivisions facilitated by the 11th digit are being made in TARIC Codes 9705 0000 90 and 9706 0000 90.

For the utilization of national VAT, this national subdivision is not obligatory. For national VAT in other Member States, the 10-digit TARIC is sufficient and this means that 10 digits should be sufficient in France and Germany. The national tariff for VAT could easily fit into a 10-digit TARIC scheme.

A further reason is the incorporation of the so-called *Einfuhrliste* in the German customs tariff EZT-online.[16] But this reasoning is flawed by the argument that the *Einfuhrliste* is similar to the EC import restrictions that are also contained in the TARIC database – therefore further subdivision of the 10-digit TARIC code is not compulsory. Further German footnotes could also be placed within the TARIC code numbers in EZT-online as is done today with national footnotes, VAT tariffs, national excise tariffs, national restrictions, for example, for seed laws this could easily be done under a 10-digit code; the further subdivision by help of a 11th digit is not required any more and in order to receive a uniform application and facilitation of European and world trade a cancellation of the legal possibility of introducing the 11th digit would be desirable[17] and it should therefore be done.

V. Conclusion

Most world trade nations use the HS-nomenclature for customs tariffs with either eight or ten digits (HS-6 + 2 or HS-6 + 4) (see Table 1). Very few nations apply the HS nomenclature directly (e.g., Angola), or use uncommon systems (e.g., Mauritius, HS-6, + 0, + 1 or + 2), or uneven numbers (e.g., Philippines HS-6 + 3 and Thailand HS-6 + 1).

The situation in the EC is not uniform and rather interesting but not widely known and this was therefore a subject of further research. The Member States of the EC (EC-25 from 2004–2006 and EC-27 since 2007) basically use the integrated customs tariff (TARIC), which consists of 10 digits. However, the Regulation CN (Article 5) allows further subdivisions of the TARIC with an 11th digit for national purposes. Moreover, the questionnaires and further Internet research resulted in an amazing finding: only two of the 27 Member States – France and Germany – use an additional 11th digit. This means that only the founding Member States of the European Economic Community (EEC), Germany and France, apply the national 11th digit. Apparently, newly admitted Member States immediately apply the TARIC and do not intend to use further national digits that maybe were still important when the Reg. CN was drawn up in 1987 but are not in common usage 20 years later. Therefore the option to further subdivide the TARIC by an 11th digit in Article 5(3) of Reg. CN should be cancelled.

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Notes

12 *See* Böhne, Möller and Schumann (2003), S. 19; Bleihauer in H/H/Sp, Zollkodex (2004), Article 20, no. 63; and Lux in Dorsch, Zollrecht, Comment (2001), Article 5 Reg.CN, no. 9; this reasoning is also being made by Germany's Federal Ministry of Finance, BMF on the Internet site, *see* BMF, Aufbau des EZT <www.zoll.de/b0_zoll_und_steuern/a0_zoelle/d1_zolltarif/b0_aufbau_ezt/index.html> (visited 1 December 2007).

13 BGBl. I (1985), p. 1633.

14 BGBl. I (2002), p. 1658.

15 That is the quote of the footnote of the German Customs Tariff EZT-online (visited 1 December 2007).

16 *See* Lux in *Dorsch Zollrecht*, Kommentar (2001), Artikel 5 VO-KN, Rz. 9.

17 *See* Lux in *Dorsch Zollrecht*, Kommentar (2001), Artikel 5 VO-KN, Rz. 10.

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Table 1 (above) is derived from Table A-6 (Annex 16), Table 2 (above) from Table 13, and Table 3 (above) from Table 14 (revised).

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