



**Revenue
Services**
Lesotho

**GUIDE ON CUSTOMS
RULES OF
INTERPRETATION**

“Re Tjena Ka Uena”

INTRODUCTION

For countries to prosper and grow economically, there should be an exchange of goods and services across national borders. This enables countries to access a wider range of products and capacity to participate in the global supply chain.

Prior to entry at the destination or any port of entry, Importers must accurately complete customs declaration forms to provide details about the goods being imported, including their value, origin, and classification.

Tariff classification is the process of determining the appropriate Harmonized System (HS) code for imported goods. Each product is assigned a unique HS code based on their physical characteristics and intended use. This classification directly impacts the applicable customs duty rate and hence crucial for accurately calculating customs duties.

IMPACT

The Customs duties play an important role in regulating international trade and generating revenue for governments. This revenue helps to fund Public services and infrastructure. Tariffs also protects domestic markets by shielding domestic industries against foreign competition allowing them to grow and thrive in the local market.

Customs tariffs can have significant impacts on trade between countries. High tariffs can lead to reduced trade volumes, as imported goods become more expensive for consumers. This can harm businesses that rely on international trade and limit consumer choice.

To ensure consistency of application, Tariff nomenclature follows a logical, hierarchical structure based on the Harmonized System, with sections, chapters, headings, and subheadings.

The Nomenclature sets out in systematic form the goods handled in international trade. It groups these goods in Sections, Chapters and sub Chapters which have been given titles indicating as concisely as possible the categories or types of goods they cover. In many cases, however, the variety and number of goods classified in a Section or Chapter are such that it is impossible to cover them all or to cite them specifically in the titles.

Interpretations

Tariff rules of interpretation have been developed to provide a framework for accurately classifying goods for import and export purposes using the six General rules of interpretation. They ensure a consistent and predictable application of tariff schedules across different trade transactions and jurisdictions.

Sections and Chapter notes

These are supplementary notes and explanations which refine the interpretation of Heading descriptions and provide guidance on specific Classification criteria. For example, an explanation of the word may be provided where contextual meaning of the word is different from the normal literal meaning, or the scope is intended to be limited to or extends to other similar products.

Descriptions

Tariff headings and subheadings include detailed product descriptions to aid in accurate classification.

Rule 1

Classification shall be determined according to the terms of the headings and any relative Section or Chapter Notes. Terms of the headings and notes can take the following form and content.

Ordinary interpretation

The terms may be specific to products they cover requiring common, everyday meaning of the words or products. For example, live horses. In such circumstances, it is not necessary to make further reference to other Interpretation rules or analysis to determine the appropriate classification.

Inclusions and Exclusions

In most cases, the terms precisely identify what goods are intended to be covered by that Heading. However, certain goods may be explicitly excluded from a particular Heading. Reference is often made to their characteristics which disqualifies them from that Heading and providing an alternative.

Sets of articles

Certain goods may be available for retail sale as sets of articles or tools. For example, Hand saws, spanners, wrenches and similar tools are often available as sets.

Rule 2

Having considered the manner in which the Terms of Headings are structured, it is essential to note how other subsequent Rules come into place.

Rule 2 provides that, incomplete or unfinished, unassembled or disassembled goods shall be classified under the heading of complete article provided that, as presented, they have essential character of the complete article.

Rule 3

This Rule provides three methods of classifying goods which, prima facie, fall under two or more headings, either because they consist of mixtures and combination of materials or substances or for any other reason.

These methods operate in the order in which they are set out in the Rule. Thus Rule 3 (b) operates only if Rule 3 (a) fails in classification, and if both Rules 3 (a) and (b) fail, Rule 3 (c) will apply. The order of priority is therefore

- (a) specific description;
- (b) essential character;
- (c) heading which occurs last in numerical order.

Essential character

In cases where a product consists of:

- (i) Mixtures.
- (ii) Composite goods consisting of different materials.
- (iii) Composite goods consisting of different components.
- (iv) Goods put up in sets for retail sales

The goods are to be classified as if they consisted of the material or component which gives them their essential character. The factor which determines essential character will vary between different kinds of goods. It may, for example, be determined by the nature of the material or component, its quantity, weight or value, or by the role of a constituent material in relation to the use of the goods.

Heading which occurs last in numerical order

When goods cannot be classified by reference to Rule 3 (a) or 3 (b), they are to be classified in the heading which occurs last in numerical order among those which equally merit consideration in determining their classification.

Rule 4

Sometimes as new products are introduced as a result of technological advances or otherwise, it may be difficult to find the correct classification for the newly invented products. This means the goods cannot be classified in accordance with Rules 1 to 3. The rule therefore provides that such goods shall be classified under the heading appropriate to the goods to which they are most akin.

In classifying in accordance with Rule 4, it is necessary to compare the presented goods with similar goods in order to determine the goods to which the presented goods are most akin. The presented goods are classified in the same heading as the similar goods to which they are most akin.

Rule 5

The rule states that cases, boxes and similar containers must be classified together with the goods they are intended to contain provided that:

1. The containers are specially shaped or fitted to contain a specific article or set of articles, i.e., they are designed specifically to accommodate the article for which they are intended. Some containers are shaped in the form of the article they contain.
2. Are suitable for long term use, i.e., they are designed to have a durability comparable to that of the articles for which they are intended. These containers also

serve to protect the article when not in use (during transport or storage, for example). These criteria enable them to be distinguished from simple packings;

3. Are presented with the articles for which they are intended, whether or not the articles are packed separately for convenience of transport. Presented separately the containers are classified in their appropriate headings;

4. Are of a kind normally sold with such articles; and

5. Do not give the whole its essential character.

Conclusion

Mastering tariff classification is a strategic imperative for businesses operating in the global marketplace. It unlocks numerous benefits, from cost savings and supply chain optimization to improved compliance and data-driven decision-making. By understanding and effectively navigating the tariff landscape, companies can enhance their competitiveness and thrive in the dynamic world of international trade.

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