

# TradeWatch



## EY Global Trade

Issue 3 2023





# Harmonized System review cycle extended to 2028

The Harmonized Commodity Description and Coding System (Harmonized System or HS) is the international product classification nomenclature developed by the World Customs Organization (WCO) and used in over 200 jurisdictions as the basis for customs duties and the compilation of trade statistics. The HS is managed by the Harmonized System Committee (HSC), which meets regularly to provide guidance and resolve interpretive disputes. Typically, the HSC adopts updates to the HS every five years, with the most recent HS effective in 2022. However, in September 2023, the HSC approved the extension of the current review cycle from five years to six years – there will be no HS 2027 edition, and instead, the next HS edition will be issued in 2028.

The decision to extend the review cycle is largely due to a pause in activity during the COVID-19 pandemic. During the height of the pandemic, most in-person meetings for the HSC and HS Review Subcommittee (RSC), which analyzes potential changes required in the HS, were canceled. The HSC and RSC held virtual meetings, but the virtual meeting environment proved difficult for discussions needed to reach agreement on the content changes for the HS 2027 edition. The current extension appears to be a unique exception to the standard review cycle, and

it is not expected to create a precedent for routinely extending the review cycle timeline.

While 2027 is still more than three years away, many countries need significant lead time to implement changes to the HS. Having a new HS ready to implement worldwide in 2027 effectively requires the HSC to agree on content in early 2024. In fact, at the time the HSC decided to extend the review cycle, the RSC had not yet finalized major amendment recommendations for the HS 2027 edition. Absent the extension, the HS 2027 edition may have had only a limited number of amendments that were agreeable to all HSC members, or there may have been amendments based on rushed discussions without the normal time for consideration.

This extension also provides some additional time to align the current WCO strategic review of the overall health and effectiveness of the HS, which began in 2022, with the next HS edition. The HS is over 30 years old, and many changes have occurred in the global trade system in that time. Topics to be addressed in the WCO review include the overall complexity of HS classification, the effectiveness of HS supporting tools (e.g., explanatory notes), the HS's ability to adjust to changing policy needs in the international trade community and other similar long-term considerations. With the extended review



Insights

cycle for the next HS edition, it is possible that some of the recommendations resulting from the review could be implemented in the 2028 HS.

## Considerations for businesses

Though HSC members are governments, in many instances recommendations for changes to the HS are initiated by, or influenced by, a business request to a government. While the lead time is long, a business facing inconsistent classification interpretations that would be benefitted by a change in HS nomenclature should consider opportunities to make changes effective in 2028. ■

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# How disruption is shaping opportunities for global trade

In the face of continued geopolitical uncertainty, indirect tax and trade functions have an opportunity to show their real value.

[Read the article on ey.com.](#) ■





# How trade functions are transforming the 'new normal'

A new perspective on recalibrating, refocusing and re-establishing companies' interest in their global trade function.

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**Articles and features on a range of trade issues published on EY.com**

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**UK: Understanding the true impact of the EU's Carbon Border Adjustment Mechanism (CBAM) for non-EU headquartered groups**

5 October 2023

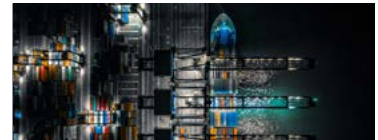
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**Europe West: EU Carbon Border Adjustment Mechanism (CBAM): What effective compliance looks like**

4 October 2023

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13 September 2023

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**Reform of the Union Customs Code**

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**CESA: EU Carbon Border Adjustment Mechanism goes live in October: Are you prepared for the reporting obligations?**

6 September 2023

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**Switzerland: EY Sustainability Tax webcast on CBAM**

5 September 2023

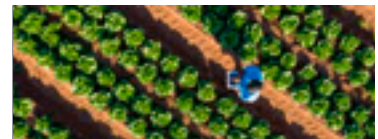
Find the recording [here](#)



**How to prioritize governance in your organization's ESG strategy**

29 July 2023

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**Sustainability and the Tax impact on business: Africa focus**

12 July 2023

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# Tax alerts

A dark grey world map outline is centered in the background of the slide. The map shows the continents of North America, South America, Europe, Africa, Asia, and Australia. The title 'Tax alerts' is overlaid on the left side of the map.

Tax alerts

Tax alerts



# Americas

## Argentina

- ▶ Argentina applies tax on purchases of foreign currency in new transactions, provides preferential foreign-exchange rate to certain exported goods (26 July 2023)

## Aruba

- ▶ Aruba Fiscal Plan 2023 – Part II Tax changes (02 August 2023)

## Brazil

- ▶ Brazil's Complimentary Law number 199 simplifies tax obligations (16 August 2023)
- ▶ Brazil Senate considers VAT reform plan (10 August 2023)

## Canada

- ▶ Canada publishes trade compliance verification list update, July 2023 (03 August 2023)

## Costa Rica

- ▶ Costa Rica's Tax Authority issues resolution on services related to exports exempt from VAT (08 August 2023)

## Dominican Republic

- ▶ Dominican Republic establishes special transitional treatment for audit, management and recovery of tax debt (18 August 2023)

## El Salvador

- ▶ Salvadoran Congress approves brief tax amnesty program (10 November 2023)
- ▶ El Salvador's Congress approves bills to reform International Services Law and Free Trade Zones Law (22 August 2023)
- ▶ El Salvador's Congress receives bills to amend International Services Law and the Law for Industrial and Commercial Free Zones (04 August 2023)

## Global

- ▶ OECD releases tax report to G20 Finance Ministers and seventh annual progress report of the Inclusive Framework (07 November 2023)
- ▶ EY Global Tax Controversy Flash Newsletter (Issue 63) – Free trade agreements provide opportunities for global businesses – but may increase controversy risk (10 October 2023)
- ▶ Global Tax Policy and Controversy Watch (20 July 2023)

## Mexico

- ▶ Mexico offers tax incentives to taxpayers in key sectors of the export industry (13 October 2023)

## Uruguay

- ▶ Uruguay's Government enacts law for accountability for 2022, making some changes to tax regulations (15 November 2023)



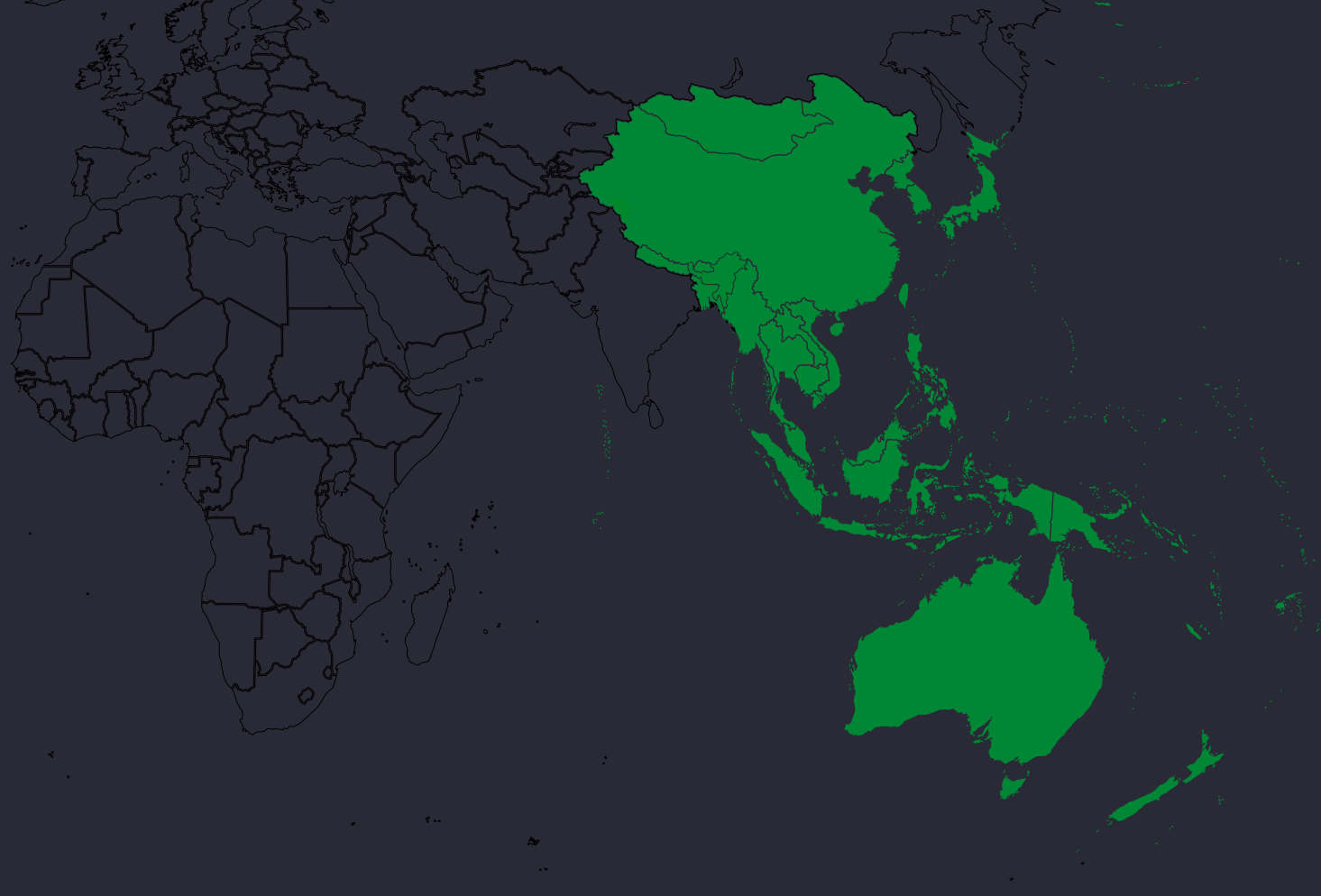
# Asia-Pacific

## Australia

- ▶ Australia considers CBAM to address carbon leakage  
(21 August 2023)

## Global

- ▶ OECD releases tax report to G20 Finance Ministers and seventh annual progress report of the Inclusive Framework  
(07 November 2023)
- ▶ EY Global Tax Controversy Flash Newsletter (Issue 63)  
– Free trade agreements provide opportunities for global businesses – but may increase controversy risk  
(10 October 2023)
- ▶ Global Tax Policy and Controversy Watch  
(20 July 2023)



# Europe, Middle East, India and Africa

## Bulgaria

- ▶ New energy contribution for transfers of natural gas of Russian origin (31 October 2023)

## East African Community

- ▶ East African Community implements tariff changes for the Financial Year 2023/24 (26 July 2023)

## European Union

- ▶ EU Council adopts new renewable energy rules and rules for promotion of sustainable aviation fuels under Fit for 55 (01 November 2023)
- ▶ EU – Compliance obligations for EU CBAM (16 October 2023)
- ▶ European Commission adopts final Implementing Regulation for transitional phase of CBAM (18 August 2023)
- ▶ EU Commission and Council take steps as part of the circular economy action plan – new rules on textiles and batteries (21 July 2023)

## France

- ▶ France submits new e-invoicing timetable to Parliament (25 October 2023)
- ▶ France postpones electronic invoicing initially scheduled for 1 July 2024 (02 August 2023)

## Germany

- ▶ Germany to lower reporting thresholds for energy and electricity tax subsidies (27 October 2023)

## Ghana

- ▶ Ghana issues Budget Statement and Economic Policy for the 2024 Financial Year (27 November 2023)

## Global

- ▶ OECD releases tax report to G20 Finance Ministers and seventh annual progress report of the Inclusive Framework (07 November 2023)
- ▶ EY Global Tax Controversy Flash Newsletter (Issue 63) – Free trade agreements provide opportunities for global businesses – but may increase controversy risk (10 October 2023)
- ▶ Global Tax Policy and Controversy Watch (20 July 2023)

## Italy

- ▶ Italy's new Enabling Law for Tax Reform foreshadows positive changes to cooperative compliance program (28 September 2023)
- ▶ Italy approves framework for major tax reform, including BEPS Pillar Two principles (25 August 2023)

## Ireland

- ▶ Budget 2024 – The EY Perspective (06 October 2023)

## Kenya

- ▶ Kenya Revenue Authority unveils guidelines for customs clearance at port of entry for passengers (22 November 2023)
- ▶ Kenya High Court ruling provides clarity on what constitutes manufactured tobacco (10 November 2023)
- ▶ Kenya enacts tax changes under Finance Act, 2023 (20 July 2023)

## Poland

- ▶ Polish Government seeks annulment of CBAM regulation in European Court of Justice (15 August 2023)

## Saudi Arabia

- ▶ Saudi Arabia announces ninth wave of Phase 2 e-invoicing integration (21 November 2023)
- ▶ Saudi Arabia approves new operating procedures of the General Secretariat of Zakat, Tax and Customs Committees (20 November 2023)
- ▶ Saudi Arabia further extends tax amnesty initiative until 31 December 2023 (31 July 2023)

## South Africa

- ▶ South Africa's 2023 draft Tax proposals (02 August 2023)

## Turkey

- ▶ Turkiye removes right to deduct import VAT calculated due to certain trade policy measures (01 December 2023)
- ▶ Turkiye increases additional customs duty rates on textile industry (26 October 2023)

## United Kingdom

- ▶ UK announces tax measures for growth in Autumn Statement 2023 (22 November 2023)

# Additional resources

Additional resources



## Global trade on ey.com

While indirect tax is a part of everyday life in most countries, the rise of new technologies and expanding global trade adds additional layers of complexity. Learn what EY can do for you, connect with us or read our latest thinking.

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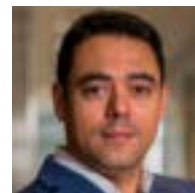
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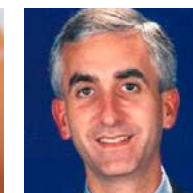
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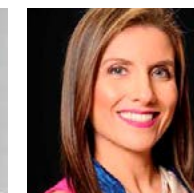
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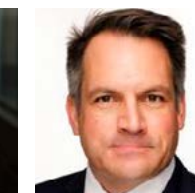
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