



Australian
BORDER FORCE

Origin

What is an FTA?

Free trade agreements (FTAs) are international treaties created to reduce barriers to trade, and facilitate stronger trade and commercial ties.

FTAs:

- May be bilateral, multilateral or plurilateral
- May be non-reciprocal
- Are governed by World Trade Organization (WTO) Regional Trade Agreement rules
- Cover:
 - ❖ investment
 - ❖ services
 - ❖ intellectual property rights
 - ❖ competition policies
 - ❖ goods



Features of FTAs



- More favourable conditions for trade
- Improves access to markets
- Substantial commercial and wider economic benefits
- Build upon, and are consistent with, WTO agreements
- Maintain a nation's competitive edge.
- Enhance broader economic, foreign policy and strategic interests
- Reflect the nation's strategy of promoting trade and investment liberalisation
- Deliver proven benefits to all the countries involved

Rules of Origin

- Rules of Origin (ROO) determine which goods are eligible to claim preferential treatment
- Each FTA must be considered separately to see how its Rules of Origin are defined
- The most common Rules are:
 - **Wholly obtained (WO)**
 - **Wholly Produced/Produced Entirely (WP/PE)**
 - **Last place of manufacture**
 - **Product Specific Rule (PSR)**
 - **Consignment/Transshipment**



Wholly Obtained (WO)

- Generally, refers to natural or primary products that have not been further manufactured.

Examples include:

- I. Live animals
- II. Hides and furs
- III. Plants
- IV. Minerals and ores in their natural state



- **Goods that are subject to any industrial processes are excluded**

Wholly Produced / Produced entirely

- Refers to products that have been further manufactured and can no longer be considered as 'raw' materials.

Can be produced from

- I. Unmanufactured raw products
- II. Materials wholly manufactured by a party that is a signatory to the FTA.



Example

PNG
Copper
Mine



Copper
Ore



Smelting



Extrusion



Exported
Product



Last place of manufacture/Partly manufactured goods

Must satisfy two requirements

- *(a) the last process of manufacture was performed in that country; and*
 - *(b) having regard to their qualifying area, the allowable factory cost is at least 50% of the total factory cost.*
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- To determine whether goods are Partly Manufactured Goods, the calculation is:

$$\text{Percentage of total factory cost} = \frac{\text{Allowable Factory Cost}}{\text{Total Factory Cost}}$$

Example

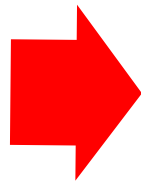


Product Specific Rule (PSR) Change in Classification

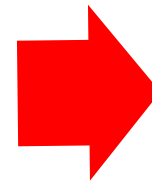
- Refers to products that have been manufactured entirely in the territories of the party: e.g. PNG and/or Australia from non-originating materials (only) or from a mixture of originating and non-originating materials.
- To meet the ROO they must satisfy change of classifications requirements applicable to those goods



Classification to
1001



Classification
to 1101



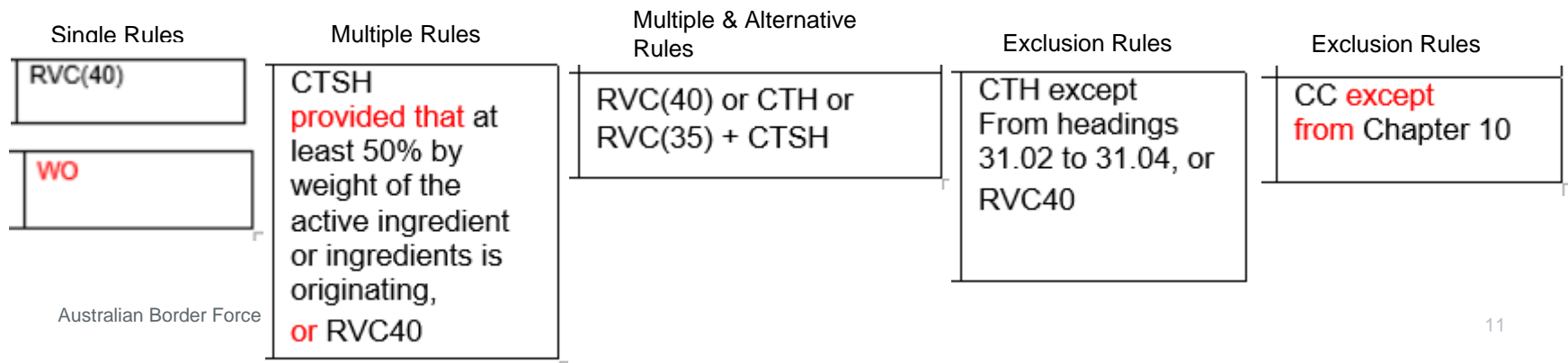
Classification to
1905

Product Specific Rules (PSR)

- To claim PSR, the good must satisfy the applicable requirements set out in Annex 3A.
- **CC** means that all non-originating materials used in the production of the good have undergone a CTC at the two-digit level of the HS.
- **CTH** means that all non-originating materials used in the production of the good have undergone a CTC at the four-digit level of the HS
- **CTSH** means that all non-originating materials used in the production of the good have undergone a CTC at the six-digit level of the HS.

Multiple and Alternative Rules:

- Some FTA contain multiple requirements which must be met, for example:



Example



Tree is grown in
Vietnam



Tree is cut down



Transported to
China



Shipped to
Australia



Made into parts
of a table



Turned into
timber



Claiming
Chinese origin
in Australia



Product Specific Rule (PSR) Regional Value Content (RVC)

A specific proportion of the final value of the good must come from the FTA party or parties. This will be specific to each FTA



Product Specific Rule (PSR) Processing Operations

- Some FTAs include specific manufacturing or production processes that are considered substantial transformations
- Varies between FTAs
- Specific processing rules require that the non-originating materials undergo a certain manufacturing or production process in an FTA Party nation, in order to be considered originating goods



Consignment Rules

All FTAs have their own version of the consignment/transshipment rule which covers.

- the transportation of goods the admissible procedures a good may undergo in non-Parties prior to its arrival

These rules ensure:

- that goods cannot claim preferential rates of duty simply by being transported through a Party
- they do not undergo inadmissible manufacturing or other processes in a non-Party.



Proof of Origin



- A proof of origin is required in most FTAs. In order to demonstrate to the importing party that goods meet the ROO, the FTA text must contain provision on the form of documentary proof of evidence. This can be done in two methods:
 1. A Certificate of Origin (COO) – this is a statement by an Authorised Body officially attesting that the goods meet the ROO and are eligible for preferential tariff treatment.
 2. A Declaration of Origin (DOO) – this is a statement by the manufacturer or exporter attesting that the goods meet the ROO and are eligible for preferential tariff treatment.

Summary of the COO

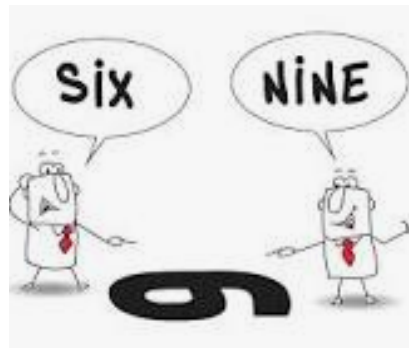
- It is a specific form
- It contains an express certification made by a government or designated authority in the exporting Party that the identified goods meet the ROO requirements and that they are considered an originating good.
- The form is issued based on information provided by the manufacturer/producer or exporter or their authorised representative.

Summary of the DOO

- There is no requirement for a specific form (it can be a specific DOO Form or it could be a declaration on the invoice for sale of the goods);
- It contains an express declaration made by the producer/manufacturer or exporter or their authorised representative in the exporting Party that the identified goods meet the ROO requirements and that they are considered an originating good.

Minor Discrepancies in COOs

- All FTAs allow for minor discrepancies across COOs. The general accepted rule is that if the origin of the goods are not in doubt, then minor discrepancies can be accepted.
- The ABF has published ACN 2023/43 on HS Codes, Origin Criteria and Other Information on Certificates of Origin under Australia's FTAs provides guidance on the treatment of discrepancies on certificates of origin for goods imported into Australia.
- If essential data is missing, the COO must be considered invalid.



Questions?

