



Australian Government
**Australian Customs and
Border Protection Service**

**AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE PRACTICE
STATEMENT**

FILE NO: 2008/011956

PRACTICE STATEMENT NO:
PUBLISHED DATE: 4 MARCH 2009
AVAILABILITY: Internal and External

SUBJECT: Free Trade Agreement Rules of Origin
PURPOSE: This practice statement sets out Customs policy in relation to preferential rules of origin for Australia's Free Trade Agreements.
APPROVING OFFICER: National Director Trade
CATEGORY: Operational Procedures
CONTACT: Valuation and Origin - (02) 6275 6556

SUMMARY OF MAIN POINTS

Customs Practice Statements are endorsed Customs policy and must be followed by all Customs employees. This Practice Statement outlines:

- Free Trade Agreement Rules of Origin
- Origin Advice Rulings

The electronic version published on the intranet is the current Practice Statement.

STATEMENT

INTRODUCTION

Australia has entered into a number of Free Trade Agreements (FTAs) with other countries. These agreements provide for preferential rates of duty (often free) for goods traded between these countries and Australia.

Every trade agreement or preference scheme sets out particular rules that determine what goods are eligible for free or preferential entry. The Department of Foreign Affairs and Trade; the Department of Innovation, Industry, Science and Research; and the Department of Agriculture, Fisheries and Forestry have the responsibility to formulate policies in relation to these provisions in the FTAs.

This Practice Statement, together with the relevant Instructions and Guidelines, explains the rules for each of Australia's FTAs, how they are satisfied, and how Customs assists traders through the provision of Origin Advice Rulings and informal advice.

Context and Scope

Free Trade Agreement Rules of Origin

This practice statement covers rules of origin as provided by free trade agreements and other Trade Agreements that Australia has entered into.

Origin Advice Rulings

This practice statement also covers Origin Advice Rulings including procedures for application, issue and review.

Policy Statement

The requirements to meet the rules of origin for each Trade Agreement have been implemented into Australian law via the relevant Rules of Origin sections of Part VIII of the *Customs Act 1901*, Regulations made under that Act, and the *Customs Tariff Act 1995*.

The following link to the Customs internet website will take you to a page where you can select the specific Trade Agreement of interest. Access to all legislative provisions giving effect to that Agreement can be accessed via this link:

<http://www.customs.gov.au/site/page.cfm?u=6010>

Procedural Statement

Free Trade Agreement Rules of Origin

The Rules of Origin (ROO) determine what goods are eligible for free or preferential entry under Australia's FTAs and other preference schemes. Rules of origin exist for all FTAs and preference schemes in order to distinguish eligible 'originating goods' of preference countries from the ineligible produce of that country and goods from other countries.

There are various types of ROO used in different agreements and within a single agreement for different types of goods. The most common rules are described briefly below:

- **Wholly Obtained**

This basic ROO is common to all agreements. If a product is a naturally occurring product of the country, or is made entirely in that country out of materials from that country, the good is considered originating in that country.

- **Change in Tariff Classification (CTC)**

This kind of ROO refers to the Harmonized Commodity Coding and Classification System (HS) used in the Customs Tariff Act. The HS system categorises all goods and assigns them a code so that goods can be consistently identified internationally. This ROO requires that the HS classification of the final good imported from the preference country is different from the HS classifications of the materials, imported into that country, that were used to make the good. The ROO may require a small CTC shift from a different Tariff Subheading or Heading, to a large CTC shift from a different Tariff Chapter. If the necessary CTC shift is met, then the goods meet the ROO.

- **Regional Value Content (RVC)**

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This rule requires that a threshold amount of the final value of the good is attributable to production costs within the country. RVC rules can be calculated in various ways and these are specified in each agreement that uses them. RVC is a form of Value-Added rule and is sometimes known by that term.

- **Process Rule**

This type of ROO requires the final good to have undertaken a particular manufacturing or processing operation in the preference country. For example, many chemical goods are required to undergo a chemical reaction process.

Other common rules include:

- **Final process of manufacture** – This rule requires goods to have undergone their final process of manufacture in the preference country prior to importation into Australia.
- **Consignment** – These provisions allow for the transport, and certain minimal procedures, of final goods through other countries on their way to Australia so that the final process of manufacture rule is not breached.
- **De minimis** – This rule allows for a specific amount of foreign/non-originating material to not meet the relevant ROO. The relevant amount is set out in the relevant legislative provisions for each Agreement.

The objective of all the different types of ROO is to properly limit preferential rates of duty to goods which either wholly originate from the preference country, or which have undergone substantially transformation in that country.

Finding the Rules of Origin

Customs publishes extensive information on all the FTAs that Customs administers. This information is presented on the Customs internet website:

<http://www.customs.gov.au/site/page.cfm?u=6010>

This link will take you to a page where you can select the specific Trade Agreement of interest. Topics covered include: relevant Australian Customs Notices, Instructions and Guidelines, Legislation, and Origin Rulings.

The Rules of Origin for the different agreements are thoroughly explained in the relevant Instructions and Guidelines that are listed at the end of this document.

The product specific rule schedules for each agreement are attached to the relevant Instructions and Guidelines documents for easy reference. The rules for each agreement, while similar, may contain subtle but important differences. It is important that you closely examine the particular ROO for your product.

Occasionally when elements of an FTA are renegotiated or altered, the changes will be publicised on the Customs website and the relevant Instructions and Guidelines updated to reflect the changes.

Origin Advice Rulings

Customs, on request, provides formal written rulings on origin matters in the form of an Origin Advice Ruling. The rulings exist to advise importers on specific issues relating to the origin of a good and whether an importer is eligible to claim a preferential rate of customs duty under a

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particular trade agreement or preference arrangement. The origin rulings are made and checked by Customs officers in Canberra. For more information see the *Instructions and Guidelines – Origin Advice Rulings*.

Customs also answers informal origin enquiries about FTA matters through a special Origin phone number and email address:

Email enquiries: origin@customs.gov.au
Phone enquiries: (02) 6275 6556.

RELATED INSTRUCTIONS AND GUIDELINES

- Instructions and Guidelines – Australia-New Zealand Closer Economic Relations Trade Agreement
- Instructions and Guidelines – Australia-United States Free Trade Agreement
- Instructions and Guidelines – Singapore-Australia Free Trade Agreement
- Instructions and Guidelines – Thailand-Australia Free Trade Agreement
- Instructions and Guidelines - Origin
- Instructions and Guidelines - Origin Advice Rulings

RELATED POLICIES AND REFERENCES

- Practice Statement: Customs Valuation
- *Customs Act 1901*
- *Customs Tariff Act 1995*
- *Customs (Australia-US Free Trade Agreement) Regulations 2004*
- *Customs (Thailand-Australia Free Trade Agreement) Regulations 2004*
- *Customs Tariff Amendment (Thailand-Australia Free Trade Agreement Implementation) Act 2004*

KEY ROLES AND RESPONSIBILITIES

The policy owner of this practice statement is:
Director Valuation and Origin Section
Trade Services Branch
Australian Customs Service

CONSULTATION

Industry Consultation

Not required.

Internal Consultation

Customs Legal Unit

APPROVAL

Approved on 26 February 2009 by:

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ENDORSED

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