



Generalized System of Preferences
HANDBOOK ON THE SCHEME OF
AUSTRALIA





Generalized System of Preferences HANDBOOK ON THE SCHEME OF AUSTRALIA



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NOTES

This publication is a new version of the *Handbook on the Scheme of Australia* containing updated information. It was prepared by Taisuke Ito and Daeil King, under guidance of Liping Zhang, from the UNCTAD secretariat, based on the following information sources: Customs Act 1901; Customs Tariff Act 1995; Customs Tariff Regulations 2004; Instructions and Guidelines: Preferential Rules of Origin of the Department of Immigration and Border Protection of Australia (July 2009); Customs Regulations 2015; discussion paper on the Review of the Australian System of Tariff Preferences (ASTP) of the Department of Foreign Affairs and Trade of Australia (2016); and Notification of preferential rules of origin for least developed countries (World Trade Organization, 2017a).

The Handbook provides a general explanation of the scheme of Australia, aimed at enabling officials and users responsible for or involved in issues relating to the Generalized System of Preferences (GSP) to gain a better understanding of the scheme.

Products are described in terms of the Harmonized Commodity Description and Coding System, commonly known as the Harmonized System, upon which the Australian customs tariff acts are based. However, matters involving technical interpretation of the GSP will be determined in accordance with the provisions of the relevant Australia customs tariff act.

Unless otherwise specified, dollars (\$) refer to Australian dollars.

Although based on official texts, the Handbook cannot be regarded as a substitute for the aforementioned texts. For more detailed information, authentic and up-to-date legal texts should be consulted.

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GENERALIZED SYSTEM OF PREFERENCES SERIES

The GSP series, including the handbooks, promote greater awareness among exporters and government officials in developing countries on trading opportunities available under the GSP and other preferential trade arrangements and a better understanding of applicable rules and regulations with a view to facilitating their effective utilization. The series comprises the following publications:

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- Handbook on the Scheme of Canada (UNCTAD/ITCD/TSB/Misc.66/Rev.1)
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- Handbook on the Rules of Origin of the European Union (UNCTAD/ITCD/TSB/Misc.25/Rev.3/Add.1)

These publications are available at unctad.org/gsp.

For further information on preferential market access and the GSP, please contact:

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Checklist: How to benefit from the preferential tariff scheme of Australia



Step 1. Check the country coverage.

Determine the corresponding beneficiary country category.

Step 2. Establish product tariff classification.

Determine the correct tariff classification (Harmonized System item number) of the product intended for export to Australia.

Step 3. Verify product coverage.

Determine whether the product is eligible for preference under the preferential tariff scheme of Australia by examining the product lists of the preferential tariff scheme in relation to the specific tariff classification and product description.

Step 4. Assess the preferential margin.

If the product is eligible for preferential treatment under the preferential tariff scheme of Australia, assess the preferential margin to determine the price that may be offered to buyers and/or importers.

Step 5. Comply with origin criteria.

Ensure that the product complies with the origin criteria set by the Government of Australia.

Step 6. Verify consignment conditions.

Ensure that the specified consignment conditions specified are met.

Step 7. Prepare documentary evidence.

Prepare a combined declaration and certificate of origin, required as documentary evidence under the preferential tariff scheme of Australia. Additional certificates may be required as necessary.

Explanatory notes on the preferential tariff scheme of Australia



1. Background

In 1966, Australia became the first country to introduce tariff preferences for developing countries, known as the Australian System of Tariff Preferences. The scheme consisted of a non-reciprocal preferential arrangement under which specified manufactured and semi-manufactured goods could be imported from developing countries free of duty or at reduced rates of duty. The intent of the ASTP is to support the integration of developing countries into the global trading system as a means to promote their economic growth.

The ASTP includes a general principle of a margin of preference of a minimum of 5 percentage points, where the general tariff or most favoured nation rate is 5 per cent or higher, for goods from beneficiary countries. Where the general tariff or most favoured nation rate is less than 5 per cent, the ASTP rate is zero. In cases where a specific rate of duty applies, the ASTP rate is set at the general tariff or most favoured nation rate less 5 per cent of the value of the goods. As a result of subsequent unilateral tariff reductions, the general tariff or most favoured nation rate for all Australian tariffs has fallen to five per cent or less, with the exception of specific tariffs on some types of cheese and second-hand vehicles. This means that most developing country tariffs have fallen to zero.

In 1986, the Government of Australia introduced a new scheme designed to be simple, easy to understand and administer, and fair. Under this new scheme, preferences were applied to all dutiable imports.

In 1991, it was announced that from 1 July 1992, the preferential tariff arrangements for Hong Kong (China), the Republic of Korea, Singapore and Taiwan Province of China would be adjusted for tariff items that were phasing down. This announcement took into account the strength of these economies and the capacity of their exporters to compete in the Australian market without the assistance of a concessional tariff. Tariffs for those economies were to remain fixed at the 1 July 1992 rate (5 per cent below the general tariff rate at that date) until the general or most favoured nation rate was reduced to that level during the programme of phased reductions. This would ensure that there were no rate increases for those economies. For items that already had a duty rate of 5 per cent, the products originating in those economies were to retain their current duty-free status.

In February 1993, it was announced that developing country preferences would be phased out for canned food, fruit juice and dried fruit coming from all but the least developed countries and South Pacific island territories. The elimination of developing country preferences was implemented by fixing the developing country tariff rate at its pre-1 July 1993 level until the general or most favoured nation rate of duty was reduced to that level. After that time, the general rate of duty would apply. There were no increases in tariff rates.

Further changes to developing country preferences were announced in a white paper issued in May 1994 on employment and growth entitled "Working nation". The changes were implemented on 1 July 1994. Developing country preferences were to be phased out or removed for all goods not covered by the announcement of February 1993, except for those coming from the least developed countries and South Pacific island territories. There were no increases in developing country tariffs. Tariff rates applicable to imports affected by this change were to remain at levels applied before 1 July 1994 until the general tariff rate was reduced to the developing country tariff level. From this time on, the general rate was to be applied. As with the changes in 1991, this announcement took into account the strength of these economies and the capacity of their exporters to compete in the Australian market without the assistance of a concessional tariff.

The ASTP has undergone a number of changes since it was introduced. In 2002, Australia announced it would provide duty-free and quota-free access to all least developed countries and Timor-Leste starting in 2003. This arrangement became operational on 1 July 2003.

2. Beneficiaries

Australia gives preferences to 145 countries and 31 places (territories and other economies). The ASTP currently comprises five preference categories: least developed countries, Forum Island countries, developing countries, developing country status and developing country category T. There are two divisions for each category that distinguish between countries and places. Australia has not established eligibility requirements or definitions regarding the classification of countries within the different categories. The membership of the developing country and least developed country categories is almost the same.

Therefore, most of the least developed countries are also eligible to claim the developing country preference. Annex 1 includes a list of all countries and places eligible for each category in the ASTP. Schedule 1, which prescribes the countries for each preference, was integrated from the Customs Tariff Act 1995 into the Customs Tariff Regulation 2004 in July 2017, while maintaining its scope and format.

Average trade under the ASTP was valued at \$4.6 billion annually from 2013 to 2015; about \$124 million in duty were saved by beneficiaries each year. Table 1 shows that developing country status is the largest preference category in the scheme by trade value and duty foregone, followed by the least developed

country, Forum Island country and developing country categories.

3. Product coverage

The preferential tariff lines applied to each of the five preference categories vary. For example, Australia offers duty-and-quota-free access to all products originating in the least developed countries,¹ while granting preferential tariffs under the 802 products (Harmonized System 8-digit basis) to developing country status countries (table 2). The list of tariff lines and applicable rates of duty are provided in the Customs Tariff Act 1995, schedule 3. It is divided into 21 sections and 97 chapters (annex 2).

¹ G/RO/168/Rev.1.

Table 1. Average value of trade, duty paid and saved by preference category, 2013–2015

Categories	Trade	Duty paid	Estimated duty saved by beneficiaries	Eligible countries and places
Total	\$4 571 485 597	\$192 681 498	\$123 972 904	176
Developing country status	\$3 758 688 150	\$174 375 602	\$83 477 499	110
Least developed countries	\$671 866 667	\$15 267	\$33 559 197	50
Forum Island countries	\$122 640 151	-	\$6 127 757	13
Developing countries	\$18 290 629	\$18 290 629	\$808 451	56
Developing country category T	-	-	-	4

Source: Department of Foreign Affairs and Trade of Australia, 2016, Review of the ASTP: Discussion paper.

Note: The total of countries and places eligible is lower than the sum of countries and places listed in each category due to duplication across the preference categories.

Table 2. Number of products covered under the Australian System of Tariff Preferences, 2016

		All goods	Agricultural goods	Non-agricultural goods
Tariff schedule	Total number of tariff lines	6 184	838	5 346
	of which: number of most favoured nation duty-free lines	2 943	612	2 331
GSP scheme for developing countries (part 3)	Number of preferential tariff lines	3 142	226	2 916
	of which: number of duty-free lines	3 129	221	2 908
GSP scheme for developing countries (part 4)	Number of preferential tariff lines	802	126	676
GSP scheme for developing countries (part 5)	Number of preferential tariff lines	181	43	138
	of which: number of duty-free lines	164	27	137
Duties for least developed countries (part 2)	Number of preferential tariff lines	3 241	226	3 015
	of which: number of duty-free lines	3 241	226	3 015
Preferential duty rate for Forum Island countries (part 1)	Number of preferential tariff lines	3 241	226	3 015
	of which: number of duty-free lines	3 233	226	3 007

Source: World Trade Organization, 2017b, database on preferential trade arrangements.

Note: The table presents the number of national tariff lines covered by each duty regime. The most favoured nation (current) applied duties serve as the basis for calculation, followed by preferential regimes where only those national tariff lines with a preferential duty less than most favoured nation (current) applied duties are counted.

Australia provides an online version of the current tariff classification containing the lists of preferences countries and products, and applicable rates of duty (www.homeaffairs.gov.au/busi/cargo-support-trade-and-goods/importing-goods/tariff-classification-of-goods/current-tariff-classification, accessed 11 October 2018). The list of products and each preferential rate covered under the ASTP scheme are also available in the database on preferential trade arrangements of the World Trade Organization (<http://ptadb.wto.org/>, accessed 11 October 2018).

4. Depth of tariff cuts

The least developed country preference is the most generous of the ASTP categories, with complete duty-free access granted for all products. This is followed by the Forum Island countries preference, based on the South Pacific Regional Trade and Economic Cooperation Agreement, which provides for duty-free access for all tariff lines except the \$12,000 specific duty on second-hand motor vehicles. However, Australia removed this specific duty on imported used vehicles through the amendment of the Customs Tariff Act 1995; hence the preferential treatment for least developed countries and Forum Island countries have effectively become the same since January 2018. The developing country category is duty-free on 98.2 per cent of the tariff lines. A 5 per cent tariff has been maintained on 1.6 per cent of the tariffs (99 lines), which mostly related to wool, cotton and man-made fibres, as well as some types of cheese, and second-hand vehicles.

² See annex 3, Definitions and interpretations of the rules of origin of the Australian System of Tariff Preferences.

Table 3 shows the extent of preferential treatment for each of the five ASTP categories as a percentage of tariff lines with duty compared with the most favoured nation treatment.

5. Rules of origin

The ASTP rules of origin operate within preferential tariff schemes to ensure that a minimum level of content in imported products is from eligible countries and that goods are not simply trans-shipped from non-eligible countries with little or no value added in the least developed countries or developing countries. This helps ensure that the intended beneficiary countries benefit from the preferential programmes.

5.1. Origin criteria

Goods are considered to originate in a preference country if they are wholly obtained in that country. Goods are wholly obtained goods if they are unmanufactured raw products. For preference claim goods that have not been wholly produced goods to be eligible for preferences under the ASTP, the goods must comply with two rules-of-origin requirements:²

- (a) The last process in the manufacture of the goods must have been performed in the country claiming preference;
- (b) At least half (50 per cent) of the total factory or works costs of the goods must consist of the value of labour and/or materials of one or more developing countries within the least developed country, developing country or developing country status scheme, or Australia.

Table 3. Number of products covered under the Australian System of Tariff Preferences, 2016

Category	No duty	Duty	5 per cent	4 per cent	3 per cent	2.5 per cent	Other
Most favoured nations	47.6	52.4	52.0	0.2	0.0	0.0	0.3
Least developed countries	100.0	0.0	0.0	0.0	0.0	0.0	0.0
Developing countries	98.2	1.8	1.6	0.0	0.0	0.0	0.2
Developing country status	50.6	49.4	39.1	9.7	0.3	0.02	0.3
Forum Island countries	100.0	0.0	0.0	0.0	0.0	0.0	0.1
Developing country category T	50.2	49.8	49.2	0.0	0.3	0.02	0.3

Source: Department of Foreign Affairs and Trade of Australia, 2016, Review of the ASTP: Discussion paper.

For least developed country preferences, at least 25 per cent of the total factory or works cost of the goods must be from one or more least developed countries, with at least 25 per cent from other countries in the qualifying area.

There is no direct shipment requirement in the ASTP, so that goods can be shipped across countries within the qualifying area without losing their originating status.

5.2. Documentation requirements

Documentation requirements in the ASTP have been kept to a minimum. Australia accepts certificates of origin or declarations of origin made by the overseas manufacturer of goods imported into Australia to support a preference claim, under the following conditions:

- (a) The certificate of origin or declaration of origin clearly identifies the goods to which it applies;
- (b) The certificate of origin or declaration of origin specifies the two aforementioned rules-of-origin requirements;
- (c) There is no reason to doubt the veracity or reliability of the certificate of origin or declaration of origin.

There is no prescribed form for certificates or declarations of origin by the manufacturer. They should, however, describe the goods and refer to the particular provision of the Customs Act 1901, division 1A (rules of origin of preference claim goods), part VIII that relate to the goods. Further, the name and title of the person signing the certificate or declaration, together with the name of the company or entity represented, should be clearly stated. That is, the declaration may be part of the commercial documents or form a separate document.

Certificates of origin provided to support a claim of origin under the Australian Generalized System of Preferences arrangements must meet the requirements of Form A (Combined declaration and certificate of origin) as indicated in the Australian GSP manual, which can be found at http://unctad.org/Sections/gsp/docs/gsp_form_a_new_en.pdf (accessed 11 October 2018).

In summary, exporters in preference countries have the option of either completing a declaration of origin on the face of the normal commercial invoice for the goods or using the normal commercial invoice and a completed Form A.

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Annex 1

Australian System of Tariff Preference categories



Table 1 – Part 1: Forum Island countries

Forum Island countries
Cook Islands
Fiji
Kiribati
Marshall Islands
Micronesia (Federated States of)
Nauru
Niue
Papua New Guinea
Samoa
Solomon Islands
Tonga
Tuvalu
Vanuatu

Source: Customs Tariff Regulations 2004, schedule 1.

Note: Categories of countries or places used in this table are those designated in the Customs Tariff Regulations 2004 of Australia.

Table 2 – Part 2, division 1: Countries that are least developed countries

Least developed countries
Afghanistan
Angola
Bangladesh
Benin
Bhutan
Burkina Faso
Burundi
Cambodia
Cabo Verde
Central African Republic
Chad
Comoros
Democratic Republic of the Congo
Djibouti
Equatorial Guinea
Eritrea

Table 2 – Part 2, division 1: Countries that are least developed countries (Continued)

Least developed countries
Ethiopia
Gambia
Guinea
Guinea Bissau
Haiti
Kiribati
Lao People's Democratic Republic
Lesotho
Liberia
Madagascar
Malawi
Maldives
Mali
Mauritania
Mozambique
Myanmar
Nepal
Niger
Rwanda
Samoa
Sao Tome and Principe
Senegal
Sierra Leone
Solomon Islands
Somalia
Sudan
Togo
Tuvalu
Uganda
United Republic of Tanzania
Vanuatu
Yemen
Zambia

Source: Customs Tariff Regulations 2004, schedule 1.

Note: Categories of countries or places used in this table are those designated in the Customs Tariff Regulations 2004 of Australia.

Table 3 – Part 2, division 2: Other countries and places treated as least developed countries**Countries and places treated as least developed countries**

Timor-Leste

Source: Customs Tariff Regulations 2004, schedule 1.*Note:* Categories of countries or places used in this table are those designated in the Customs Tariff Regulations 2004 of Australia.**Table 4 – Part 3, division 1: Countries subject to developing country rates of duty****Least developed countries**

Afghanistan

Angola

Bangladesh

Benin

Bhutan

Botswana

Burkina Faso

Burundi

Cambodia

Cabo Verde

Central African Republic

Chad

Comoros

Democratic Republic of the Congo

Cook Islands

Djibouti

Timor Leste

Equatorial Guinea

Eritrea

Ethiopia

Fiji

Gambia

Guinea

Guinea-Bissau

Haiti

Kiribati

Lao People's Democratic Republic

Lesotho

Table 4 – Part 3, division 1: Countries subject to developing country rates of duty (Continued)

Least developed countries
Liberia
Madagascar
Malawi
Maldives
Mali
Marshall Islands
Mauritania
Micronesia (Federated States of)
Mozambique
Myanmar
Namibia
Nauru
Nepal
Niger
Niue
Palau
Papua New Guinea
Rwanda
Samoa
Sao Tome and Principe
Senegal
Sierra Leone
Solomon Islands
Somalia
Sudan
Togo
Tonga
Tuvalu
Uganda
United Republic of Tanzania
Vanuatu
Yemen
Zambia

Source: Customs Tariff Regulations 2004, schedule 1.

Note: Categories of countries or places used in this table are those designated in the Customs Tariff Regulations 2004 of Australia.

Table 5 – Part 3, division 2: Places subject to developing country rates of duty

Places subject to developing country rates of duty
American Samoa
French Polynesia
Guam
Mariana Islands
New Caledonia
Pitcairn Island
Tokelau Islands
Wallis and Futuna Islands

Source: Customs Tariff Regulations 2004, schedule 1.

Note: Categories of countries or places used in this table are those designated in the Customs Tariff Regulations 2004 of Australia.

Table 6 – Part 4, division 1: Countries subject to developing country status rates of duty

Countries subject to developing country status rates of duty
Albania
Algeria
Antigua and Barbuda
Argentina
Bahamas
Bahrain
Barbados
Belize
Bolivia (Plurinational State of)
Bosnia and Herzegovina
Brazil
Brunei Darussalam
Bulgaria
Cameroon
Chile
China
Colombia
Congo
Costa Rica
Côte d'Ivoire
Croatia
Cuba

Table 6 – Part 4, division 1: Countries subject to developing country status rates of duty (Continued)

Countries subject to developing country status rates of duty
Cyprus
Czechia
Dominica
Dominican Republic
Ecuador
Egypt
El Salvador
Eswatini
Gabon
Ghana
Grenada
Guatemala
Guyana
Honduras
Hungary
India
Indonesia
Iran (Islamic Republic of)
Iraq
Israel
Jamaica
Jordan
Kenya
Democratic People's Republic of Korea
Republic of Korea
Kuwait
Lebanon
Libya
Malaysia
Malta
Mauritius
Mexico
Mongolia
Morocco
Nicaragua
Nigeria

Table 6 – Part 4, division 1: Countries subject to developing country status rates of duty (Continued)

Countries subject to developing country status rates of duty
Oman
Pakistan
Panama
Paraguay
Peru
Philippines
Poland
Qatar
Romania
Saint Kitts and Nevisa
Saint Lucia
Saint Vincent and the Grenadines
Saudi Arabia
Serbia
Seychelles
Singapore
Slovakia
Slovenia
Sri Lanka
Suriname
Syrian Arab Republic
Thailand
Trinidad and Tobago
Tunisia
Turkey
United Arab Emirates
Uruguay
Venezuela (Bolivarian Republic of)
Viet Nam
Zimbabwe

Source: Customs Tariff Regulations 2004, schedule 1.

Note: Categories of countries or places used in this table are those designated in the Customs Tariff Regulations 2004 of Australia.

^a Also known as the Federation of Saint Christopher and Nevis.

Table 7 – Part 4, division 2: Places subject to developing country status rates of duty

Places subject to developing country status rates of duty
Anguilla
Bermuda
British Indian Ocean Territory
British Virgin Islands
Caribbean Antilles
Cayman Islands
Falkland Islands
Gibraltar
Hong Kong (China)
Johnston Island
Macao (China)
Midway Islands
Montserrat
Saint Helena
Saint Pierre and Miquelon
South Georgia and the South Sandwich Islands
Taiwan Province of China
The former Yugoslav Republic of Macedonia
State of Palestine
Turks and Caicos Islands
Virgin Islands of the United States
Wake Island

Source: Customs Tariff Regulations 2004, schedule 1.

Note: Categories of countries or places used in this table are those designated in the Customs Tariff Regulations 2004 of Australia.

Table 8 – Part 5, division 1: Countries subject to developing country category T rates of duty

Countries subject to developing country category T rates of duty
Republic of Korea
Singapore

Source: Customs Tariff Regulations 2004, schedule 1.

Note: Categories of countries or places used in this table are those designated in the Customs Tariff Regulations 2004 of Australia.

Table 9 – Part 5, division 2: Places subject to developing country category T rates of duty

Places subject to developing country category T rates of duty

Hong Kong (China)

Taiwan Province of China

Source: Customs Tariff Regulations 2004, schedule 1.

Note: Categories of countries or places used in this table are those designated in the Customs Tariff Regulations 2004 of Australia.

Annex 2

Classification of goods: Section and chapter titles, schedule 3



Section I. Live animals and animal products

- 1 Live animals
- 2 Meat and edible meat offal
- 3 Fish and crustaceans, molluscs and other aquatic invertebrates
- 4 Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included
- 5 Products of animal origin, not elsewhere specified or included

Section II. Vegetable products

- 6 Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage
- 7 Edible vegetables and certain roots and tubers
- 8 Edible fruit and nuts; peel of citrus fruit or melons
- 9 Coffee, tea, mate and spices
- 10 Cereals
- 11 Products of the milling industry; malt; starches; inulin; wheat gluten
- 12 Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder
- 13 Lac; gums, resins and other vegetable saps and extracts
- 14 Vegetable plaiting materials; vegetable products not elsewhere specified or included

Section III. Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes

- 15 Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes

Section IV. Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes

- 16 Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates
- 17 Sugars and sugar confectionery
- 18 Cocoa and cocoa preparations
- 19 Preparations of cereals, flour, starch or milk; pastrycooks' products
- 20 Preparations of vegetables, fruit, nuts or other parts of plants
- 21 Miscellaneous edible preparations
- 22 Beverages, spirits and vinegar
- 23 Residues and waste from the food industries; prepared animal fodder
- 24 Tobacco and manufactured tobacco substitutes

Section V. Mineral products

- 25 Salt; sulphur; earths and stone; plastering materials, lime and cement
- 26 Ores, slag and ash
- 27 Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes

Section VI. Products of the chemical or allied industries

- 28 Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes
- 29 Organic chemicals
- 30 Pharmaceutical products
- 31 Fertilisers
- 32 Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; putty and other mastics; inks
- 33 Essential oils and resinoids; perfumery, cosmetic or toilet preparations
- 34 Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles, modelling pastes, "dental waxes" and dental preparations with a basis of plaster
- 35 Albuminoidal substances; modified starches; glues; enzymes
- 36 Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations
- 37 Photographic or cinematographic goods
- 38 Miscellaneous chemical products

Section VII. Plastics and articles thereof; rubber and articles thereof

- 39 Plastics and articles thereof
- 40 Rubber and articles thereof

Section VIII. Raw hides and skins, leather, furskins and articles thereof; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)

- 41 Raw hides and skins (other than furskins) and leather
- 42 Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)
- 43 Furskins and artificial fur; manufactures thereof

Section IX. Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork

- 44 Wood and articles of wood; wood charcoal
- 45 Cork and articles of cork
- 46 Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork

Section X. Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard; paper and paperboard and articles thereof

- 47 Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard
- 48 Paper and paperboard; articles of paper pulp, of paper or of paperboard
- 49 Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans

Section XI. Textiles and textile articles

- 50 Silk
- 51 Wool, fine or coarse animal hair; horsehair yarn and woven fabric
- 52 Cotton
- 53 Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn
- 54 Man-made filaments; strip and the like of man-made textile materials
- 55 Man-made staple fibres
- 56 Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof
- 57 Carpets and other textile floor coverings
- 58 Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery
- 59 Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use
- 60 Knitted or crocheted fabrics
- 61 Articles of apparel and clothing accessories, knitted or crocheted
- 62 Articles of apparel and clothing accessories, not knitted or crocheted
- 63 Other made up textile articles; sets; worn clothing and worn textile articles; rags

Section XII. Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops, and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair

- 64 Footwear, gaiters and the like; parts of such articles
- 65 Headgear and parts thereof
- 66 Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops, and parts thereof
- 67 Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair

Section XIII. Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware

- 68 Articles of stone, plaster, cement, asbestos, mica or similar materials
- 69 Ceramic products
- 70 Glass and glassware

Section XIV. Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin

- 71 Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin

Section XV. Base metals and articles of base metal

- 72 Iron and steel
- 73 Articles of iron or steel
- 74 Copper and articles thereof
- 75 Nickel and articles thereof
- 76 Aluminium and articles thereof
- 78 Lead and articles thereof

- 79 Zinc and articles thereof
- 80 Tin and articles thereof
- 81 Other base metals; cermets; articles thereof
- 82 Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal
- 83 Miscellaneous articles of base metal

Section XVI. Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles

- 84 Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof
- 85 Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles

Section XVII. Vehicles, aircraft, vessels and associated transport equipment

- 86 Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electro-mechanical) traffic signalling equipment of all kinds
- 87 Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof
- 88 Aircraft, spacecraft, and parts thereof
- 89 Ships, boats and floating structures

Section XVIII. Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof

- 90 Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof
- 91 Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof
- 92 Clocks and watches and parts thereof; musical instruments; parts and accessories of such articles

Section XIX. Arms and ammunition; parts and accessories thereof

- 93 Arms and ammunition; parts and accessories thereof

Section XX. Miscellaneous manufactured articles

- 94 Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings
- 95 Toys, games and sports requisites; parts and accessories thereof
- 96 Miscellaneous manufactured articles

Section XXI. Works of art, collectors' pieces and antiques

- 97 Works of art, collectors' pieces and antiques

Annex 3

Definitions and interpretations of
the rules of origin of the Australian
System of Tariff Preferences



1. **Preference country** means a country to which Australia applies a preferential rate of import duty. Schedule 1 to the Customs Tariff Regulations 2004 specifies these countries (annex 1).
2. **Preference claim goods** means goods that are claimed, when they are entered for home consumption, to be the produce of manufacture of a preference country.
3. **Unmanufactured raw products** means natural or primary products that have not been subjected to an industrial process, other than an ordinary process of primary production, and, without limiting the generality of the foregoing, includes:
 - (a) Animals;
 - (b) Bones, hides, skins and other parts of animals obtained by killing, including such hides and skins that have been sun-dried;
 - (c) Greasy wool;
 - (d) Plants and parts of plants, including raw cotton, bark, fruit, nuts, grain, seeds in their natural state and unwrought logs;
 - (e) Minerals in their natural state and ores; and crude petroleum.

4. **Qualifying area** differs for each preferential arrangement and is defined in the section 153B of the Customs Act 1901 as follows:

Qualifying area, in relation to particular preference claim goods, means:

- (a) If the goods are claimed to be the manufacture of Papua New Guinea: Papua New Guinea, Forum Island countries, New Zealand and Australia;
- (b) If the goods are claimed to be the manufacture of a Forum Island country: Forum Island countries, Papua New Guinea, New Zealand and Australia;
- (c) If the goods are claimed to be the manufacture of a particular developing country: the developing country concerned, Papua New Guinea, Forum Island countries, other developing countries and Australia;
- (d) If the goods are claimed to be the manufacture of a developing country but not a particular developing country: Papua New Guinea, Forum Island countries, developing countries and Australia;
- (e) If goods are claimed to be the manufacture of a least developed country: developing countries, Forum Island countries and Australia;
- (f) If the goods are claimed to be the manufacture of a country that is not a preference country: the country concerned and Australia.

The qualifying area that applies to a preference country is an important consideration when calculating allowable expenditure on materials. The qualifying area may comprise a number of countries. Where materials used or consumed in the manufacture of goods within a preference country were themselves manufactured or produced in countries from within the qualifying area, those materials can be included in the allowable expenditure on materials for the goods, subject to the provisions contained in section 153D. The provisions of the relevant preferential trade arrangement determine the countries that are included within a qualifying area. Some countries are included in the qualifying areas for more than one preferential trade arrangement. Australia is included in the qualifying area for all preferential trade arrangements

5. **Factory** is the place within the preference country where the last process in the manufacture of the goods was performed.
6. **Manufacturer** means the person undertaking the last process in their manufacture.
7. **Expenditure** on items for factory or works cost shall be included once only in the calculation of the factory or works cost.

8. **Factory or works cost** covers the expenditure that is incurred directly by the manufacturer in the production of the goods, or that can be reasonably allocated to the production of the goods. It comprises materials, labour and overheads.
9. **Materials** in relation to preference claim goods means the following:
- (a) If the goods are unmanufactured raw products – those products;
 - (b) If the goods are manufactured goods – all matter or substances used or consumed in the manufacture of the goods (other than that matter or those substances that are treated as overheads);
 - (c) In either case – the inner containers in which the goods are packed.
- Subject to (a), (b) and (c) below, the expenditure of a factory on materials will be taken as the cost to the manufacturer of the materials in the form they are received at the factory, inclusive of any freight component, but excluding any customs or excise or other duties paid or payable in respect of those materials:
- (a) Where materials are supplied free of charge or at a reduced cost, the Australian Customs Service may require that an amount determined by it to be the difference between the cost paid by the manufacturer and the normal market value be treated as the amount, or a part of the amount, paid by the manufacturer;
 - (b) The Australian Customs Service may exclude the expenditure on any material (whether actual cost of normal market value) where it is satisfied that the material has been added to or attached to the goods solely for the purpose of artificially raising the level of qualifying content;
 - (c) If the Australian Customs Service determines that the expenditure on any material is in excess of the normal market value, it may require cost over normal market value to be disregarded.
10. **Materials of mixed origin** are those materials that include content from both the qualifying area and elsewhere. In calculating the expenditure of mixed origin incorporated in a final product for export to Australia, the cost of that material will be taken as:
- (a) Partly of qualifying area content, provided that the last process of manufacture occurred in the preference country. Qualifying area content will be in direct proportion to the actual preference area content, i.e. if material has 30 per cent area content, 30 per cent of the expenditure on that material will be included as qualifying content of the final good;
 - (b) Totally without area content if it does not meet the requirement with regard to the last process of manufacture for the preference country.
11. **Inner container** includes any container into which preference claim goods are packed, other than a shipping or airline container, pallet or other similar article.
12. **Waste or scrap**: Where that waste or scrap is fit only for the recovery of the same original raw material and is re-processed in the preference country to yield the same, the cost of the recovered raw material is to be treated as an unmanufactured raw product and as if it were materials of the country. This provision applies only to materials that may be re-processed into the same original raw material, e.g. plastic or metal but not, for instance, off-cuts of leather.
13. **Labour**: The expenditure incurred under this heading includes the following items:
- (a) Wages and employee benefits. Manufacturing wages and benefits will include the cost of labour that can be identified or associated directly or indirectly with goods produced, i.e. production line workers and other factory personnel. Examples are base pay, overtime pay, incentive pay, shift differentials and employee benefits such as vacation pay, public holidays, medical insurance and government-required social programme contributions;
 - (b) Other factory or works labour costs incurred in connection with the following factors:
 - (i) Supervision and training;

- (ii) Management of the process of manufacture;
- (iii) Receipt and storage of materials;
- (iv) Quality control;
- (v) Packing of goods into inner containers;
- (vi) Handling and storage of goods within the factory.

14. **Overheads**

- (1) The expenditure incurred under this heading includes costs of the following items:
- (a) Inspection and testing of materials and goods;
 - (b) The following types of insurance:
 - (i) Insurance of plants, equipment and materials used in the production of the goods;
 - (ii) Insurance of work in progress and finished goods;
 - (iii) Liability insurance;
 - (iv) Accident compensation insurance;
 - (v) Insurance against consequential loss from accident to plants and equipment;
 - (c) Dies, moulds, tooling and depreciation, maintenance and repair of plants and equipment;
 - (d) Interest payments for plants and equipment;
 - (e) Research, development, design and engineering;
 - (f) The following items in relation to real property used in the production of the goods:
 - (i) Insurance;
 - (ii) Rent and leasing;
 - (iii) Mortgage interest;
 - (iv) Depreciation on buildings;
 - (v) Maintenance and repair;
 - (vi) Rates and taxes;
 - (g) Leasing of plants and equipment;
 - (h) Energy, fuel, water, lighting, lubricants, rags and other materials and supplies not directly incorporated in manufactured goods;
 - (i) Storage of goods at the factory;
 - (ii) Royalties or licences in relation to patented machines or processes used in the manufacture of the goods or in relation to the right to manufacture the goods;
 - (i) Subscriptions to standards institutions and industry and research associations;
 - (j) Provision of medical care, cleaning services, cleaning materials and equipment, training materials and safety and protective clothing and equipment;
 - (k) Disposal of non-recyclable waste;
 - (l) Subsidization of a factory cafeteria to the extent not covered by returns;
 - (m) Factory security;
 - (n) Computer facilities allocated to the process of manufacture of the goods;
 - (o) Contracting out part of the manufacturing process within Australia or New Zealand;
 - (p) Employee transport;
 - (q) Vehicle expenses;
 - (r) Any tax in the nature of a fringe benefits tax.

- (2) In working out a cost for the purposes of paragraph (1), the following costs are not included:
- (a) Any cost or expense relating to the general expense of doing business, including any cost or expense relating to insurance or to executive, financial, sales, advertising, marketing, accounting or legal services;
 - (b) Cost of telephone, mail and other means of communication;
 - (c) Cost of international travel expenses, including fares and accommodation;
 - (d) Cost of the following items in relation to real property used by persons carrying out administrative functions:
 - (i) Insurance;
 - (ii) Rent and leasing;
 - (iii) Mortgage interest;
 - (iv) Depreciation on buildings;
 - (v) Maintenance and repair;
 - (vi) Rates and taxes;
 - (e) Cost of conveying, insuring or shipping the goods after manufacture;
 - (f) Cost of shipping containers or packing the goods into shipping containers;
 - (g) Cost of any royalty payment relating to a licensing agreement to distribute or sell the goods;
 - (h) Manufacturer's profit and the profit or remuneration of any trader, agent, broker or other person dealing in the goods after manufacture;
 - (i) Any other cost incurred after the completion of manufacture of the goods.
- (3) For the purposes of paragraph (1)(c) and (f), the cost of depreciation of plants, equipment or buildings must be worked out in accordance with generally accepted accounting principles, as applied by the manufacturer.
- (4) Despite paragraph (2), if preference claim goods are claimed to be the manufacture of Papua New Guinea or a Forum Island country, the following costs, in addition to the costs set out in paragraph (1) are included:
- (i) 25 per cent of telecommunications costs;
 - (ii) Cost of international travel expenses incurred for the travel of one person, during one year, to attend a trade fair or to purchase equipment;
 - (iii) Cost of contracting out part of the manufacturing process within Papua New Guinea or a Forum Island country.

