

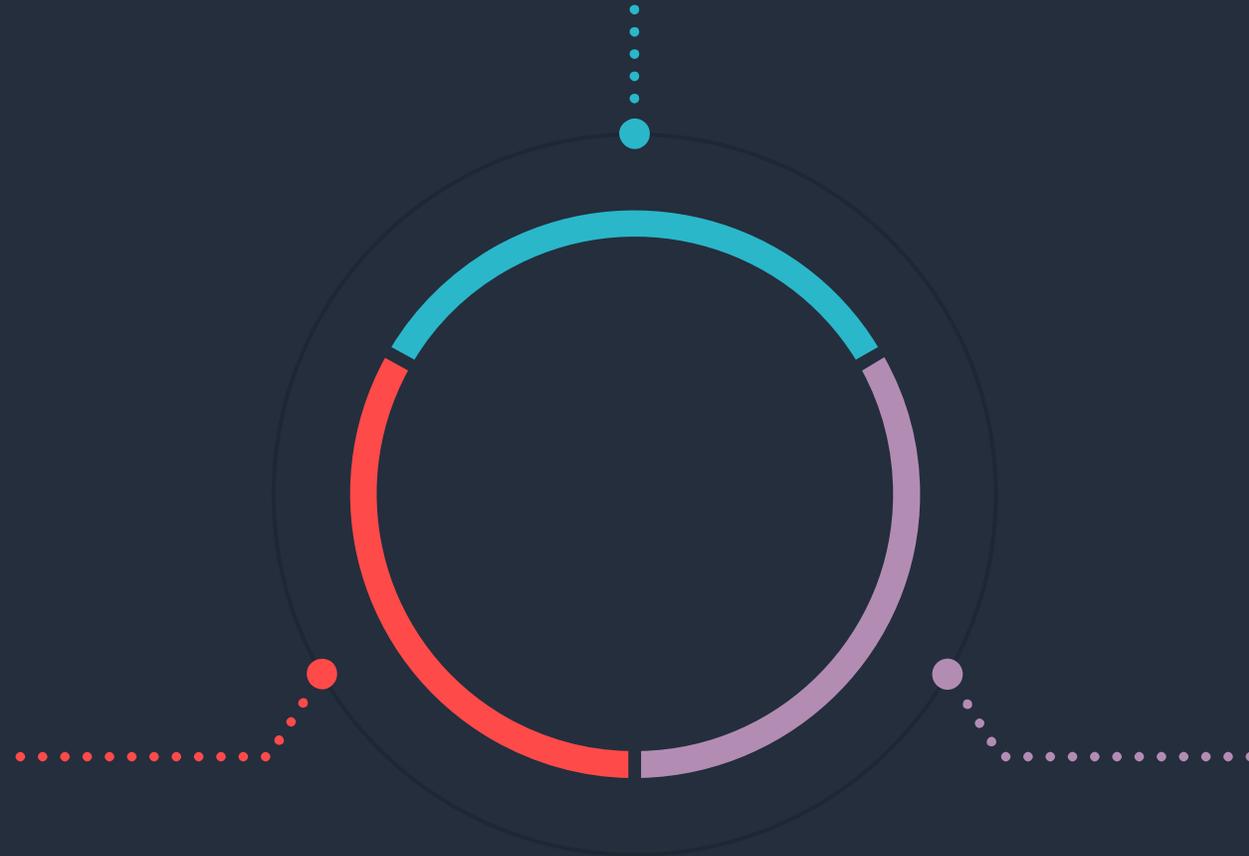


**Administration of Rules of Origin under Trade
Agreements,
Rules, 2020**

**National Academy of Customs, Indirect Taxes & Narcotics
CHENNAI**

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ORIGIN



Origin is the link connecting goods to a country from which they are deemed to have originated.

Origin of goods is their economic nationality..

What is the country of origin of the TV which has been exported from South Korea?



Country of Export different from
Country of Origin.

It depends a lot of where its
components were produced and its
relative importance.

As we are not aware of the Rules of
origin in force, nor the relative
importance of the various components,
it is not possible to determine the
origin of the product.



01 **PREFERENTIAL** Provide preferential treatment upon importation of a product.

02 **NON- PREFERENTIAL** Determining anti-dumping duties, safeguard measures and origin marking etc.

Preferential Trade Agreement



Importing country can grant trade preferences unilaterally, without reciprocity, to products. This is called Generalized System of Preferences (GSP).



The other form is contracts where parties grant each other preferences on reciprocal basis.

Goods

Wholly obtained Goods

All goods that have been collected or produced in a SINGLE country



Manufactured Goods

May involve manufacture, production and transformation. Includes any kind of working, processing, assembly or transformation to obtain Goods

Materials

Any ingredients, parts components, sub-assemblies and goods that are physically incorporated into another product or are subject to a process in the production of another product.

Originating materials- whose country of origin, as determined under the rules, is the same as the country in which the material is used in production.



Non-Originating Materials- whose country of origin, as Determined under the rules, is not the same as the country in which the material is used in production.

Other Concepts



EX – WORKS PRICE

Value of all the materials needed for the manufacture of a given product



VALUE ADDITION

The increase in value that takes place in the country of production of the final good.



ACQUISITION OF ORIGIN

Products shall be assigned preferential origin in a country if they have been wholly obtained or have undergone substantial or sufficient transformation in that country.

Wholly obtained goods



1

Mineral products extracted from the country's soil or sea-bed and products extracted from marine soil or sub-soil outside the country's territorial waters, provided they have the sole rights.



2

Vegetable products harvested in a country



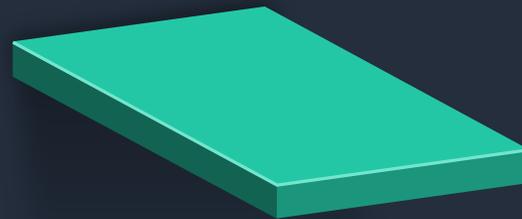
3

Live animals born and raised in a country along with the products obtained from these animals like Milk, Eggs, Wool etc. Hunting too is included.

Change of Tariff Heading

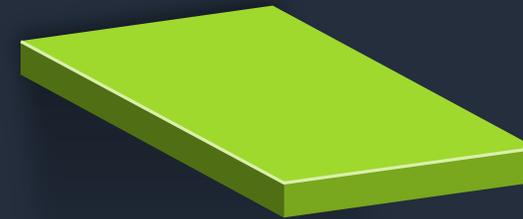
01

Exported Goods should move to Tariff Heading different from that of all non-originating materials used.



02

Tariff Headings taken into account are 4 Digit or more depending upon the agreement.



Value Addition



Substantial Value
Addition



Value of the
Product is
increased up to a
specified level
expressed by an ad
valorem percentage



Maximum
allowance of non-
originating
materials.
Minimum Domestic
Content



COUNTRY A

Plastics- Rs.500/-

COUNTRY B

Electric Controls- Rs.500/-

COUNTRY C

Motors- Rs.1000/-

COUNTRY D

Wires- Rs.500/-

COUNTRY A

Assembly & Margin- Rs.5,500/-

EX-WORKS PRICE

Rs.10,000/-

Non-
Originating
Materials
should not
exceed 40% of
the ex-Works
Price

Specific Manufacturing Operations



STEP
01

Spinning the Yarn



STEP
02

**Weaving or Knitting the
Fabric**



STEP
03

Sewing the Garment

Change of Tariff Heading



COUNTRY 'A'

4107



COUNTRY 'B'

4202

Minimal Operations

01

Operations which do not constitute substantial transformation

02

Not regarded as sufficient to confer originating status even if it involves change of Heading

03

Simple assembly of originating parts only, does not apply to the originating materials and the product is regarded wholly obtained



04

If the product is manufactured simply by assembling non-originating parts, it does not acquire origin

05

If the product is manufactured by assembling non-originating parts and their carrying out a sufficient operation, origin is acquired

MINIMAL OPERATION S



Preserving operations like ventilation, drying, chilling etc.



Slaughter of animals



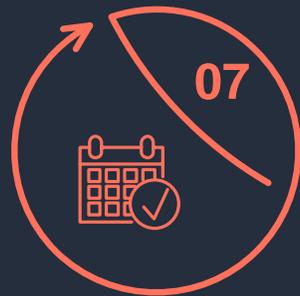
Simple assembly of parts to products



Simple operations like removal of dirt, sifting, screening, painting etc.



Simple mixing methods where components of non-origin are mixed



Change of packaging such as breaking bulk into smaller items, grouping etc.

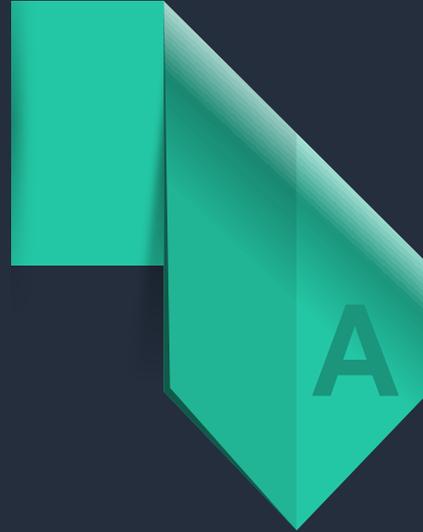


Simple packaging operations like placing in bottles, cans etc. cards.



Affixing or printing of labels

Direct Transport Rule



Originating Products may be transported through other territories. Products must not undergo operations other than unloading, re-loading or activity designed to preserve. Customs Supervision.



Originating products must be transported directly.

Rules & Requirements

Intermediate Materials



Sets



Accessories, spare parts & tools



Packaging



Split Consignments



Exhibition



Neutral Elements



Principles of Territoriality



Tolerance



Cumulation

Absorption or Roll-Up Principle

01

INTERMEDIATE MATERIALS

Product after being manufactured using non-originating materials has acquired origin in a country can be used.

02

Sets

01

Originating when all their components are originating

02

Originating when value of non-originating components does not exceed a certain threshold



Accessories, Spare Parts & Tools and Packaging 22

01

If supplied with goods, follows the same rules of origin as the goods



02

Cases and containers if they are specifically shaped or fitted to contain that article



03

Suitable for long term use



04

Are presented and normally sold with that product



Split Consignments & Exhibitions

01

Where dismantled or non-assembled products within specific categories are imported in installments, they are treated as single consignment.



02

An originating product sent to a third country for an exhibition may be re-exported to a partner country while continuing to benefit from preferential treatment

Principles of Territoriality

Mix with alcohol
Concentrate 2%-
\$1000
Alcohol 98%- \$100

Concentrate

**Exported as eau
de toilette for
\$2000**



Tolerances

01

Exceptions to the rule is called de minimis rule

02

Allows the use of insignificant quantity of inputs or materials which do not satisfy the criteria of the relevant origin rule

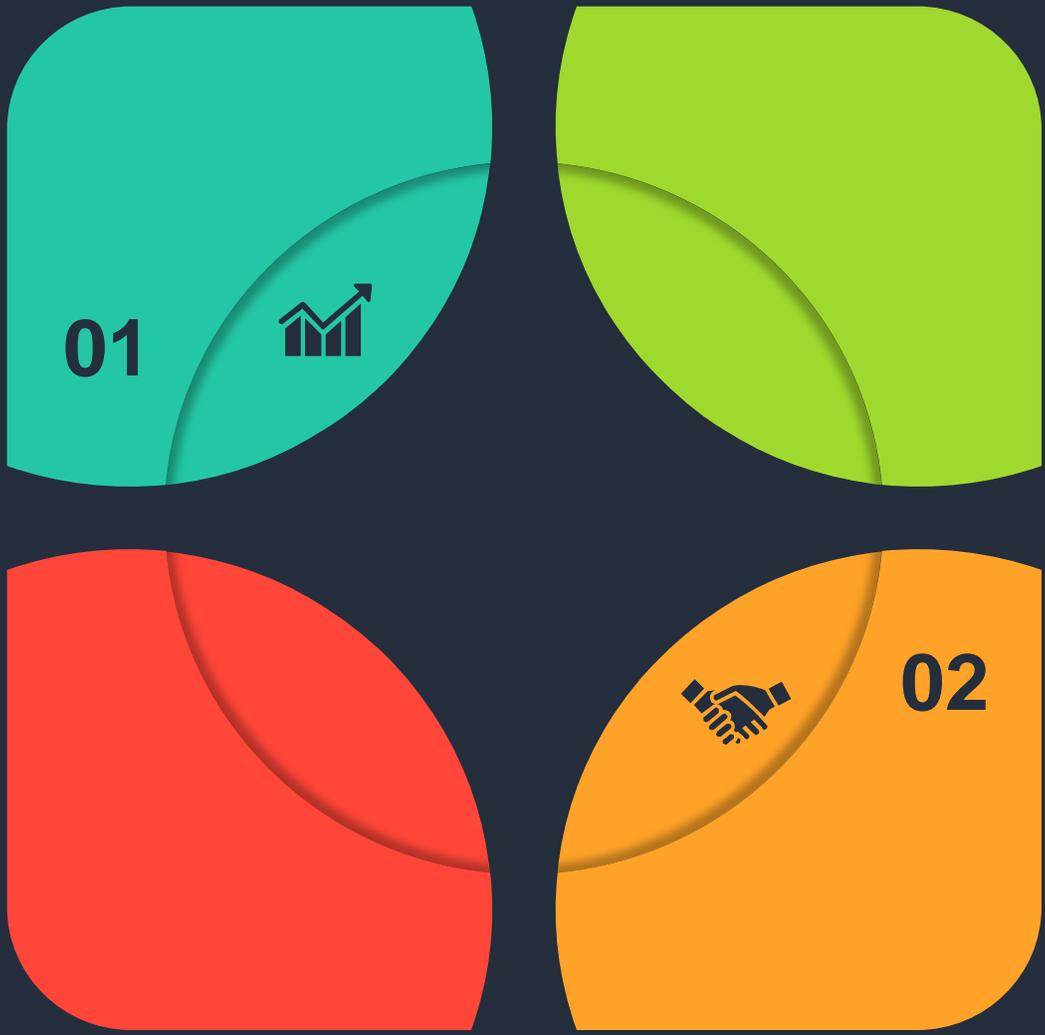
03

The maximum quantity of such products or materials that can be used is defined by weight, by volume or by value



Cumulation

Acquisition of an origin which is recognized by a partner country without the wholly obtained or substantial transformation condition being met



Also known as accumulation of Origin

Cumulation



BILATERAL

Originating materials of one of the party to FTA are treated as originating in the other party where the final goods are produced

REGIONAL

Shirts are manufactured in country B from fabric originating in C

FULL

Goods made in country B from yarn made in country C which in turn was made from non-originating textile fibers imported from country D.

Neutral Elements

03

ENERGY

PLANT & MACHINERY

02

01

MACHINES & TOOLS

Amendments in Customs Act, 1962



Incorporation of
new Chapter –
VAA



Introduction of a
new section – 28
DA

Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020.



Notification No.81/2020
NT dated 21.08.2020
effective from 21.09.2020



Shall apply to import of
goods where
preferential rate of duty
is claimed.

Preferential Tariff Claim

Produce Certificate of origin for each item

Declare that the goods qualify as originating goods as per the agreement

04

Enter details of certificate of origin

03

Indicate respective tariff notification against each item

02

01

Details of Certificate of Origin to be entered



Certificate
of Origin
reference
number

Date of
issuance

Originating
criteria

Indicate if
accumulation
/ cumulation
is applied

Indicate if
certificate is
issued by the
third country

Indicate if the
goods have
been
transported
directly

Denial of claim of Preferential Duty

Has any alteration not authenticated by the issuing authority.



Is produced after the validity period.

Certificate is incomplete and not in accordance with the format prescribed.



Is issued for an item which is not eligible for preferential tariff treatment under the agreement.

Information to be possessed by the Importer

01

Information to demonstrate the manner in which country of origin criteria are satisfied

02

Keep all supporting documents for related to form I for at least 5 years from the date of BE and submit the same on request

03

Exercise reasonable care to ensure the accuracy and truthfulness of the aforesaid information and documents.



Requisition of information from the Importer

During the clearance or later, proper officer may seek information & supporting documents.

Importer shall provide the same within 10 working days



If the officer is satisfied, he shall accept the claim and inform importer within 15 working days



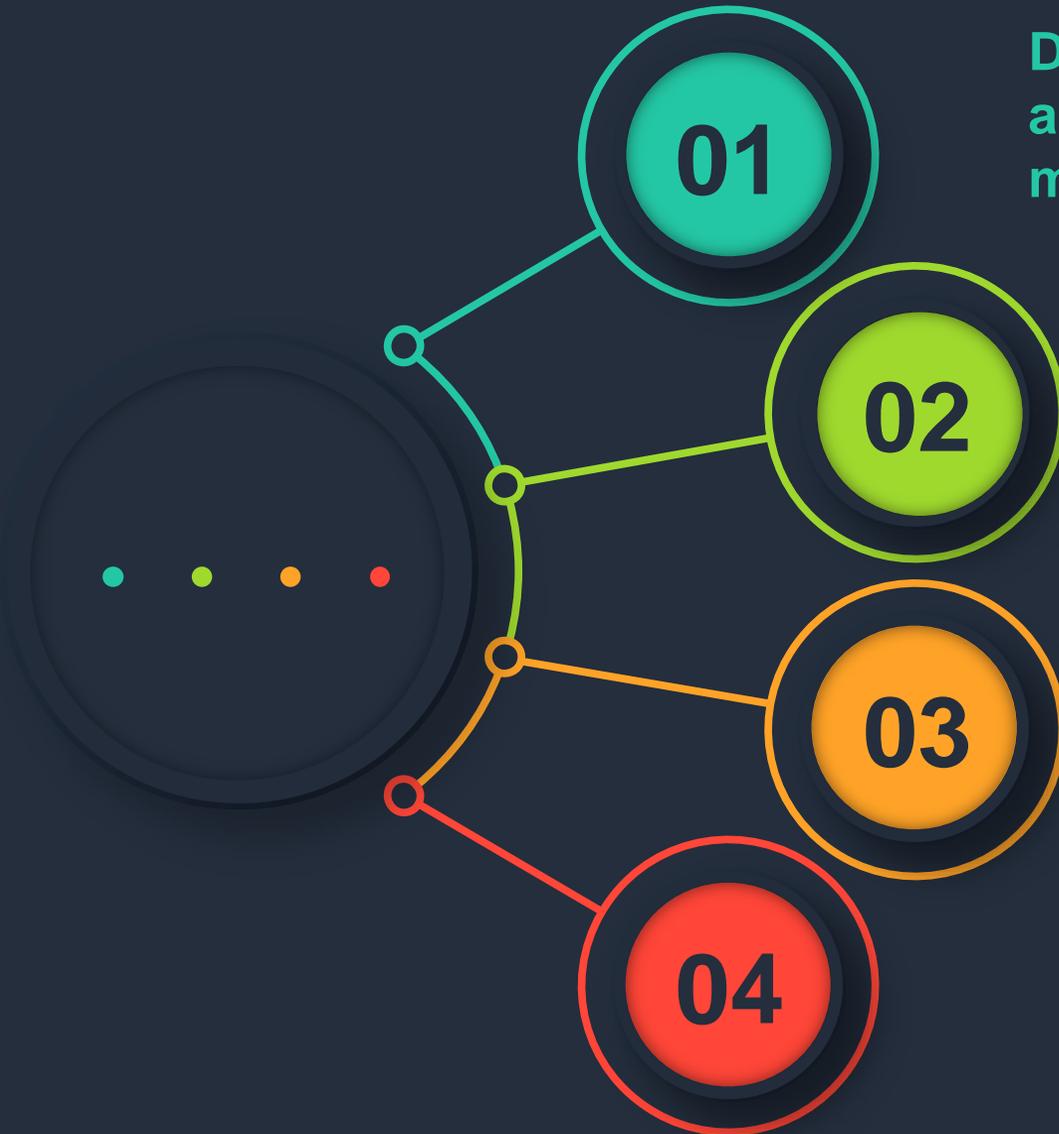
Where information is insufficient or is not produced within prescribed period, officer shall forward to Nodal Officer



Commissioner may disallow where the importer relinquishes claim or on the basis of information provided and records



Verification request to VA



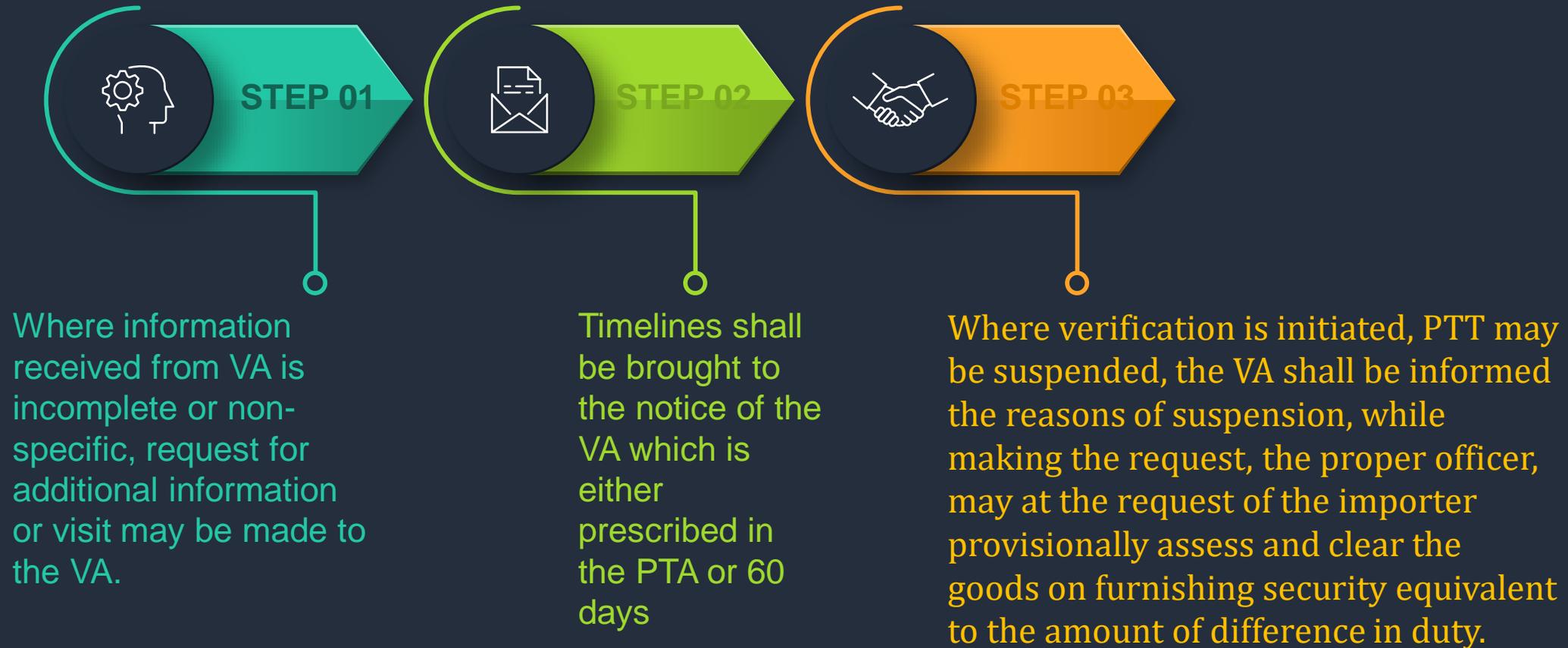
Doubt regarding genuineness or authenticity of the certificate like mismatch of signature, seal etc.,

Reason to believe that the COO criterion stated in the certificate has not been met or the claim is invalid

Verification undertaken on random basis

Verification as per (b) only if the imported fails to produce information or it is insufficient

Verification



Response from Verification Authority

Information is received within the prescribed timeline, verification shall be concluded within 45 days of receipt or such extended time.

Where VA fails to respond within timelines the preferential treatment claim may be denied.

Where VA does not provide information in the manner as per rule read with Rules of Origin the preferential treatment claim may be denied..

STEP
01

STEP
02

STEP
03

Thank You for your
participation &
attention.

**NATIONAL ACADEMY OF
CUSTOMS, INDIRECT
TAXES & NARCOTICS
CHENNAI**

**Venugopalan Nair
Assistant Director**

