

TRANS-PACIFIC PARTNERSHIP AGREEMENT

CHAPTER SUMMARY: RULES OF ORIGIN AND ORIGIN PROCEDURES

The Rules of Origin and Origin Procedures Chapter will underpin the preferential tariff arrangements available to Australian producers, importers and exporters, and will encourage the further involvement by Australia in already important production and consumption Global Value Chains. For more information on the benefits of Global Value Chains, refer to: [Background paper: Global Value Chains and the Trans-Pacific Partnership Agreement](#).

The Chapter incorporates criteria for determining whether a good imported from a Party is eligible for preferential tariff treatment under the TPP.

The Chapter also provides Australian businesses with clear, simple and flexible procedures for claiming tariff preferences on a good and outlines the procedures that TPP Parties' customs authorities will use to verify these claims.

MORE INFORMATION ON THE CHAPTER

Rules of Origin

The Chapter specifies the ways in which a good imported from a TPP Party is eligible for preferential tariff treatment under the TPP. In general terms, a good is eligible if it:

- is wholly-obtained or produced entirely in one or more TPP Parties. This would include, for example, iron ore imported from a TPP Party or an imported manufactured good from a TPP Party that is made from components produced in that Party or a number of TPP Parties; and
- meets Product Specific Rules of Origin (or PSRs) specified in an annex to the Agreement. PSRs determine the circumstances in which a good imported from a TPP Party and containing components or inputs from a non-TPP country is eligible for preferential tariff treatment under the TPP. The underlying principle of PSRs is that the imported good must have been substantially transformed in the exporting TPP Party in order for it to be eligible for preferential treatment.

The three common PSR methodologies used in the TPP are:

- change of tariff classification: An imported good is considered to be originating from a TPP Party and therefore eligible for preferential tariff treatment under the TPP if it has undergone a production process that changes the nature of the imported good. This process must be significant enough to change the tariff classification of the good, such as manufacturing imported timber into a table;



- regional value content: An imported good is considered to be originating from a TPP Party and therefore eligible for preferential tariff treatment under the TPP if a particular percentage of the value of the good originates from TPP Parties. In other words, a good qualifies for preferential access if a certain, minimum level of value-adding has taken place within the TPP. This could include adding a particular expensive component to a medical device; and
- production process: An imported good is considered to be originating from a TPP Party and therefore eligible for preferential tariff treatment under the TPP if it has undergone a production process that fundamentally changes the nature of that good. An example is where a chemical undergoes a chemical reaction that transforms the good but does not change the tariff classification.

The Rules of Origin and Origin Procedures Chapter includes a '*de minimis*' provision of 10 per cent. Except for certain circumstances, this provision allows for up to 10 per cent of the value of the good to be sourced outside the TPP. This allows producers additional flexibility in meeting the product-specific rules of origin based on the change of tariff classification methodology.

Origin Procedures

The Chapter incorporates origin procedures that a business from a TPP Party is required to follow to claim preferential tariff treatment for a good imported from another TPP Party.

The Chapter specifies that the exporter, producer or importer of a good can complete and submit the documentation needed to claim preferential tariff treatment. By including importers, the procedures provide important flexibility and an additional way to facilitate trade in goods between TPP Parties.

The origin procedures in this Chapter also outline documentation and record keeping requirements. Businesses will not be required to provide the relevant documentation if the value of the good imported is below a certain value or in other circumstances specified by the importing TPP Party. Provided certain conditions are met, businesses will also be able to claim preferential tariff treatment after importation of the good.

The origin procedures of this Chapter also specify the:

- verification processes that TPP Parties will follow to determine whether a good imported from a TPP Party should be eligible for preferential treatment, after a business has made a claim for preferential treatment;
- circumstances under which goods imported from a TPP may be denied preferential treatment; and
- steps the importing Party must follow if it decides not to grant preferential tariff treatment for a good imported from another TPP Party.