

TRANS-PACIFIC PARTNERSHIP AGREEMENT

SHORT GUIDE TO THE TRANS-PACIFIC PARTNERSHIP AGREEMENT (TPP) TARIFF AND PRODUCT SPECIFIC RULES (PSR) SCHEDULES

This guide is intended to provide importers, exporters and interested organisations with assistance to determine the tariff arrangements that may apply to their products under the TPP, the rule of origin applicable to the good, and certification procedures. This document is intended as a guide only and not a replacement for legal advice. Further guidance documents will be developed prior to entry into force (EIF) of the TPP.

STEP 1 – DETERMINE THE TARIFF RATE CODE APPLICABLE TO THE GOOD INTENDED FOR EXPORT OR IMPORT

In the TPP, as in Australia's other free trade agreements, products are identified by a system known as the Harmonized Commodity Description and Coding System. This is more commonly known as the Harmonized System (HS). The HS consists of around 5000 six-digit product categories. Typically, countries sub-divide these categories further to eight digits or more.

If you are aware of the tariff rate code applicable to your product in the country of interest, then this is all you need. If you are unaware, then several sources may be available to assist, including the tariff website of the importing country of interest – e.g. <http://usitc.gov> for the United States; <http://www.customs.go.jp/english/tariff/> for Japan. New arrangements established under the TPP mean you will also be able to seek an advance ruling on the classification of your goods from any TPP Party. This is formal advice from the partner country's customs service on the tariff classification of the goods intended for export, which provides greater certainty.

Note that the TPP tariff schedules and Schedule of Product Specific Rules of Origin have been published under HS 2007 classifications – the system under which the TPP was negotiated. It is anticipated the TPP will be signed with schedules in the current version of the HS, HS2012.

STEP 2 – LOOK UP YOUR TARIFF CODE IN THE TPP SCHEDULES

Once you have identified your tariff code, your first reference is to the tariff schedule of the TPP export market you are interested in – listed as annexes to Chapter 2 (National Treatment and Market Access).

Each tariff line in a TPP Party's schedule will have a description, a base rate (which is the tariff rate from which tariff cuts will be made) and a category. Each category refers to the treatment the tariff receives – or when and how the tariff will be reduced or eliminated, and what quota or other arrangements may apply.



STEP 3 – IDENTIFY THE TREATMENT THAT APPLIES FOR THAT CATEGORY

There is a multitude of tariff treatment categories used by TPP Parties, but they generally fall into the following groupings:

Common tariff treatment categories

- **EIF**: the tariff is eliminated upon entry into force
- **B(x)**: the tariff is eliminated by linear reductions, with “x” referring to the number of cuts until the tariff is eliminated. The first tariff cuts in the TPP will begin on the first day the agreement enters into force and subsequent cuts will be made on the “anniversary date” for each Party (1 April for Japan and 1 January for all other TPP Parties).

Country Specific Tariff Treatment Categories

- **AU(x); US(x); CA(x)** etc.: if the category refers to the country code of the TPP Party’s schedule – e.g. AU for Australia, US for the United States, CA for Canada, the treatment category is particular to that Party and reference must be made to that Party’s country-specific notes to the tariff schedule for an explanation of the treatment.
- **TRQ(x); CSQ(x)** etc.: are references to Tariff Rate Quotas and Country Specific Quotas. Details on the arrangements for these quotas can be found in that country’s tariff rate quota appendix.
- **SG(x)**: refers to the potential application of additional duties (or safeguards) if imports of a specified product into a TPP Party exceed a certain level. This applies only to a limited number of products imported by Japan or the United States. Details can be found in those Parties’ safeguard annexes.

STEP 4 – IDENTIFY THE RULE OF ORIGIN APPLICABLE TO YOUR PRODUCT

If the good you are intending to trade is made entirely of materials wholly obtained in TPP Parties then it will be eligible for preferential treatment. For example, horticultural products grown on Australian farms or a chocolate bar made from Mexican cocoa powder and Australian sugar and dairy products would be eligible for TPP tariff preferences.

When a good is made in a TPP Party using materials sourced outside of the TPP it will still be eligible to receive preferential tariffs provided it meets the relevant product specific rule of origin (PSR).

The TPP uses a single schedule of PSRs. This means that a trader can look up the one PSR schedule and know that rule will apply for trade into all TPP Parties.

If you have identified your tariff code under step 1, then you are able to look up the rule of origin in the PSR schedule. Note that you only need to have the first six digits of your tariff code; the PSRs are mostly written at the six-digit level – although some are aggregated at the HS four-digit level. There is a special PSR for Textile and Apparel Goods.

A flow chart with guidance on determining the originating status of your good is provided online: <http://dfat.gov.au/trade/agreements/tpp/summaries/Documents/how-to-determine-if-a-good-originates-in-the-tpp.PDF>

STEP 5 – FOR CERTAIN PRODUCTS EXPORTED INTO THE UNITED STATES, JAPAN AND MEXICO ONLY – CONFIRM WHETHER AN ADDITIONAL “TARIFF DIFFERENTIAL” RULE APPLIES TO TRADE IN THAT PRODUCT

A number of TPP Parties have additional rules used to help them identify the tariff that will apply to a product where that TPP Party has offered different tariff outcomes to different TPP Parties. This only occurs in a limited number of tariff lines and in most cases will be transitional until differences in the tariffs offered between TPP Parties are eliminated.

These additional rules are maintained in the country specific annex of the TPP Party applying them. If you are trading in the following products you may need to refer to these additional annexes.

US: sugar products, some dairy, footwear, glassware and porcelain, tyres, automotives and parts.

Japan: some seafood and forestry products.

Mexico: large vehicles and trucks.

STEP 6 – CERTIFICATION AND DOCUMENTATION REQUIREMENTS

The TPP will adopt a self-certification process, meaning an importer, exporter or producer can self-certify that the good meets the applicable rule of origin for the good.

These certificates will be acceptable for use when claiming a tariff preference into any TPP Party.

If requested, the importer, exporter or producer will need to produce evidence that a good meets the applicable rule of origin. Such records will need to be maintained for at least five years.