



## AUSTRALIAN CUSTOMS NOTICE NO. 2003/48

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### **Least-developed countries – rules of origin**

From 1 July 2003, goods that originate in Least Developed Countries (LDCs) and in East Timor will be eligible for duty-free entry. The Prime Minister announced the decision in Los Cabos, Mexico on 25 October 2002. The purpose of this Notice is to outline the rules for determining whether goods originate in a LDC or in East Timor.

#### **Legislation**

##### ***Duty-free entry***

The *Customs Tariff Act 1995* (the Tariff) allows the entry of goods manufactured or produced in LDCs and East Timor free of import duty from 1 July 2003. The countries eligible for duty-free entry are listed in Part 2 of Schedule 1 to the Tariff, which is reproduced at Attachment A to this notice.

##### ***Other duties and taxes***

While goods from LDCs and East Timor are free of import duty from 1 July 2003, excise-equivalent duties, goods and services tax, dumping duties and other taxes and levies, including cost recovery charges, if relevant, are still payable.

##### ***Rules of origin for duty-free entry***

Under Division 1A of Part VIII of the *Customs Act 1901* (Customs Act), two categories of goods will be considered to be manufactured or produced in an LDC or East Timor for the purposes of duty-free entry: unmanufactured raw products and manufactured goods.

###### ***(i) Unmanufactured raw products***

Under section 153H of the Customs Act, goods are the produce of an LDC or East Timor if they are its unmanufactured raw products, as defined in section 4 of that Act.

###### ***(ii) Manufactured goods***

Under section 153NA, goods are the manufacture of an LDC if:

- (a) the last process in the manufacture of the goods was performed in an LDC; and
- (b) the allowable factory cost of the goods is not less than 50 per cent of the total factory cost of the goods.

The above provisions, and the methods for calculating allowable factory costs and total factory costs, are similar to those for most other preference countries.

### *Allowable expenditure on materials*

Section 153D of the Customs Act sets out the method for calculating the allowable expenditure on materials sourced from within a qualifying area.

The allowable expenditure on materials is the value of materials originating within a qualifying area (less the value of any inputs to those materials that originate outside the qualifying area).

For LDCs, the qualifying area consists of the Developing Countries (DCs), the Forum Island Countries (FICs) and Australia. FICs and DCs are listed in Parts 1, 3 and 4 of Schedule 1 to the Tariff.

The total value of materials originating in DCs that are not LDCs that can be included in the allowable expenditure on materials is limited to 25 per cent of the total factory cost of the goods. This provision is aimed at ensuring that the benefits of the Government's decision flow primarily to LDCs, rather than to other DCs.

### *Other preferential arrangements for LDCs*

Where goods manufactured in an LDC do not meet the rules of origin for LDCs, the goods may still be eligible for a preferential rate of duty where they meet the rules of origin for other preference countries, as set out in Division 1A of Part VIII of the Customs Act.

For those goods manufactured in an LDC that do not meet the rules of origin for any relevant preference scheme, the general rate of duty will be payable.

## **Administration**

### *Evidence of origin*

Before claiming duty-free entry, importers need to obtain sufficient evidence that the goods meet the rules of origin for LDCs. For example, importers could obtain a declaration from the producer or manufacturer of the goods. Examples of such declarations are provided at Attachment B to this Notice.

A declaration from a supplier that is not the producer or manufacturer of the goods will **not** be sufficient evidence that the goods meet the rules of origin for LDCs.

### *Import entry requirements*

For each import entry, the appropriate country code for the LDC must be input in the origin field, even if the goods do not qualify for preference.

One of the following preference codes must then be input in the preference indicator field:

- "L" when claiming duty-free entry because the rules of origin for LDCs are met
- "F" when claiming duty-free entry because the rules of origin for FICs are met
- "A" when claiming the five percentage point margin of preference because the rules of origin for DCs are met or

- “X” when preference is not claimed because the relevant preferential rules of origin are not met.

***Incorrect claims for preference***

Importers should take reasonable care to ensure, before claiming preference, that their goods meet the relevant rules of origin.

Where preference is claimed and the Australian Customs Service finds that the imported goods do not meet the relevant rules of origin, Customs will demand the duty short-paid and may impose penalties. Additional action may be taken where fraud is indicated.

**Contacts**

Any inquiries in relation to this Notice should be directed by email to [origin@customs.gov.au](mailto:origin@customs.gov.au) or to the Manager Origin, Trade Branch on (02) 6275 6551.

John Arndell  
Acting National Manager  
Trade  
For Chief Executive Officer

July 2003

## ATTACHMENT A

### LEAST DEVELOPED COUNTRIES

Afghanistan	Madagascar
Angola	Malawi
Bangladesh	Maldives
Benin	Mali
Bhutan	Mauritania
Burkina Faso	Mozambique
Burundi	Myanmar, Union of
Cambodia	Nepal
Cape Verde	Niger
Central African Republic	Rwanda
Chad	Sao Tome and Principe
Comoros	Senegal
Congo, Democratic Republic of	Sierra Leone
Djibouti	Solomon Islands
Equatorial Guinea	Somalia
Eritrea	Sudan
Ethiopia	Tanzania, United Republic of
Gambia	Togo
Guinea	Tuvalu
Guinea-Bissau	Uganda
Haiti	Vanuatu
Kiribati	Western Samoa
Lao People's Democratic Republic	Yemen, Republic of
Lesotho	Zambia
Liberia	

### COUNTRIES TREATED AS LEAST DEVELOPED COUNTRIES

East Timor (Timor Leste)

## ATTACHMENT B

### EXAMPLES OF DECLARATIONS BY PRODUCERS AND MANUFACTURERS

#### UN-MANUFACTURED RAW PRODUCTS

"I declare that the goods described below\* are the un-manufactured raw products of ....., (*name of Least Developed Country*)."

\*Description of goods:

Item Nos	Marks and Numbers of packages	Quantity of goods	Description	Number and date of invoices
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Signature:

Name:

Position in production business:

Name of production business:

Date:

#### MANUFACTURED GOODS

"I declare that:

- (a) the last process in the manufacture of the goods described below\* was performed in ..... (*name of Least Developed Country*); and
- (b) not less than 50% of their total factory cost is represented by the sum of the allowable expenditure of the factory on materials, labour and overheads and the cost of inner containers of ..... (*names of relevant Least Developed Countries, Developing Countries, Forum Island Countries and/or Australia*); and

\*\* (c) expenditure of the factory on materials produced or manufactured in ..... (*names of all relevant Developing Countries that are not Least Developed Countries*) that has been included, in aggregate, in the allowable expenditure of the factory on materials does not exceed 25% of the total factory cost of the goods."

\*Description of goods:

Item Nos	Marks and Numbers of packages	Quantity of goods	Description	Number and date of invoices
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Signature:

Name:

Position in manufacturing business:

Name of manufacturing business:

Date:

\* If the declaration is on the invoice for the goods, a reference in the body of the declaration to the invoice lines covered by the declaration is an acceptable alternative to completing the "Description of goods" table.

\*\* Only include if a Developing Country that is not a Least Developed Country is cited in (b)