CHAMBER OF COMMERCE AND INDUSTRY OF SERBIA

CEFTA

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CEFTA 2006

Guide to Rules of Origin

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Authors
CHAMBER OF COMMERCE AND INDUSTRY OF SERBIA
Board of Economic System
Gordana Adamović

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INTRODUCTION

There are numerous agreements, conventions and contracts in the world signed for the purpose of regulating the international trade, i.e. for the purpose of making it more simple, prevent appearance of disloyal trade practices, but also the practice of customs facilities either in the form of full or partial exemption from customs duties, i.e. provision of preferential treatment. In the circumstances of increasing liberalization of the world trade, many agreements on free trade are contributing to spreading of the free trade zone and each of them can have different rules of origin.

Today, rules of origin often dictate the mode of production, procedures of products processing and exporting–they stipulate how much and what kind of material shall be used for the production of certain product in order to obtain appropriate certificate of origin.

All actors in the production and trade chain, importers, exporters, producers and traders within the rules of origin are obliged to provide appropriate documents on the movement of goods, starting from the raw material and until the finished product.

Rules of origin are decisive factor in defining and proving the origin of goods, and the certificate of origin could be compared to a valuable document which conditions whether a product shall have nonpreferential of preferential treatment in international trade.

Nonpreferential or so called "general" origin does not carry any preferential status, and it primarily determines the geographical origin of goods ("made in"), i.e. it indicates the country in which the goods is produced.

When we speak of free trade agreements, and in this respect the CEFTA 2006, it concerns the preferential origin of goods which enables the application of facilities approved by the signatories of the agreement, i.e. a reduced tariff rates and full exemption from customs duties, and the facilities are also applied in trade with goods within the envisa-

ged quotas which are used in accordance with the principle "First come, first served".

Preferential rules of origin are not uniformed and they are the subject of direct negotiations between the signatories of the agreements concerning the ways and forms of their application.

CEFTA 2006 is the first multilateral free trade agreement in the South East Europe which encompasses Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia, and UNMIC/Kosovo, and in the Guide they will be referred to as the "Contracting Parties" or "Signatories to the Agreement".

CEFTA 2006 is the agreement based on Pan–European rules of origin. One of the most important novelties of this agreement, compared to the previous free trade agreements which are of particular interests for business, is the possibility to apply so called diagonal cumulation of origin.

Annex 4 of CEFTA 2006 regulates, among others, the issues of origin and proofs, i.e. documents proving the origin of goods.

DEFINITION OF "ORIGINATING PRODUCT"

A product can have the origin of a CEFTA contracting party if:

- it is wholly obtained in any of the CEFTA contracting party–fully obtained product
- it is sufficiently worked or processed in any of the CEFTA contracting party
- a diagonal cumulation of origin of goods is applied

Wholly obtained products in any of the contracting parties are mostly primary products, such as:

- mineral products extracted from soil or seabed
- vegetable products cultivated and harvested in any of CEFTA contracted party
- live animals born and raised there
- products obtained from such animals
- products obtained by hunting or fishing
- products of sea fishing and other products taken from the sea outside the territorial waters of a CEFTA contracting party by its vessels
- collected used articles only for recovery of raw materials, including used tyres that could be used only for retreating or as waste
- wastes and scrapes resulting from manufacturing operations conducted in any of CEFTA contracting party

Sufficiently worked or processed products are considered to be those that have fulfilled the conditions from a "List of working and processing required to be carried out on non–originating materials in order that the product manufactured can obtain originating status" which is a constituent part of Annex 4 of the CEFTA Agreement (hereinafter "List of working or processing").

Structure of the List:

First column: HS heading or chapter

Second column: description of product

Third and fourth column contain rules that have to be fulfilled:

- the rule of changing of HS heading (four digits)
- percentage rule (relation between the customs value of material without origin and the value of exporting product ex works of the producer)
- the rule of production (type of material and production process)
- combination of mentioned rules

If before HS heading there is mark "ex" this means that the rule from columns 3 or 4 are applied only to one part of the HS heading, as it is indicated in column 2.

There is a possibility that the main rule for changing the HS heading is not always applied. There are specifically defined rules for certain headings and there is a possibility to choose between two offered rules.

If for some products the rules are indicated both in column 3 and 4, the exporter can choose which rule to apply, i.e. he will apply the rule which is more appropriate for him.

The conditions from the List for all products included in this Agreement are defining working or processing that has to be done on material without origin used for the production of a product and they are applied only for such materials.

Therefore, if a product which has obtained the origin by fulfilling the conditions indicated in the List is used for production of some other product, then the conditions applicable for a product in which it is included does not refer to it, and the materials without origin which are possibly used for its production shall not be taken into account.

Although the materials without origin which should not be used according to the requirements from the List, they can be used under certain conditions:

(a) their total value does not exceed 10% of the products price ex works (this is so called "tolerance rule"). "Ex works" price means the price paid to a producer for

a product in the CEFTA contracting party's enterprise in which the final working or processing is carried out, under the condition that this price includes the value of all materials used, with reduction of all taxes to be refunded or that could be refunded after the obtained product is exported

(b) by applying this there should be no exceeding of any percentage indicated in the List as maximum value of the material without origin

Tolerance rule shall not be applied to products included in Chapters 50 to 63 of the Harmonized System–textiles and textile products.

INSUFFICIENT WORKING OR PROCESSING

It is not deemed that the original properties of goods have been essentially changed, that is, that the goods were "subjected to sufficient working or processing" in order to obtain the status of originating product, in case when the following operations or so called "minimum operations" were performed:

- preserving operations to ensure that the products remain in good condition during transport and storage
- breaking–up and assembly of packages
- washing, cleaning, removal of dust, oxide, oil, paint or other coverings
- ironing or pressing of textiles
- simple painting and polishing operations
- husking, partial or total bleaching, polishing, and glazing of cereals and rice
- operations to colour sugar or form sugar lumps
- peeling, stoning and shelling, of fruits, nuts and vegetables
- sharpening, simple grinding or simple cutting
- sifting, screening, sorting, classifying, grading, matching (including the making–up of sets of articles)

- simple placing in bottles, cans, flasks, bags, cases, boxes, fixing on cards or boards and all other simple packaging operations
- affixing or printing marks, labels, logos and other like distinguishing signs on products or their packaging
- simple mixing of products, whether or not of different kinds
- simple assembly of parts of articles to constitute a complete article or disassembly of products into parts
- a combination of two or more operations specified in (a) to (n)
- slaughter of animals

Number of minimum operations carried out on a product does not effect the requirements for obtaining the origin of the product.

When it concerns the minimum operations, there is a difference between operations envisaged by the rules of origin with certain free trade agreements; for example the difference between the Interim Trade Agreement between Serbia and EU and CEFTA Agreement, the difference is related to only one stipulation, i.e. CEFTA does not contain the stipulation "mixing of sugar with any other material" as minimum operation.

Elements which are neutral, that is they do not effect the origin of goods, although they were used in the production of such goods, are as follows: energy and fuels, plants and equipment, machines and tools, as well as all others that are not to be included in the final contents of the product. Their value, if they are imported, is not taken into account when calculating the percentage criteria, however it is taken into account when calculating the price of the product.

The obtained product can gain origin from any contracting party only in case:

a) when minimum working operations are exceeded and the raw materials are originating good, or

b) when minimum working operations are not exceeded, but the value added is bigger from all used materials with the origin of contracting parties.

CUMULATION OF ORIGIN, TYPES, SIGNIFICANCE

Rules of origin are not only the most important but also the most complex part of the rules of origin. The starting point of all rules of cumulation is the origin of raw material.

Cumulation of origin actually means that the product which has gained the status of originating product in some of countries or territories of a partner, can be used with products originating from another country or territory of a partner without having the negative effects to the preferential status of that product (partners are countries with which it is possible to have cumulation of origin).

In other words, when considering whether some final product has fulfilled the requirements for originating product, the partner's components are viewed as any other material of domestic origin.

However, there is a difference between bilateral and diagonal cumulation of origin of goods.

Bilateral cumulation means that the origin between two partners has to be "added", for instance, Serbia is importing semi–product or raw material from Macedonia (with Macedonian origin), it carries out process of finalization which can be a minimum and exports such product to Macedonia duty free.

Or, in other words, bilateral cumulation provides for adding of Macedonian origin of imported raw material and domestic processing in Serbia and thus fulfilling the condition for acquiring the preferential origin, and in this way, the preferential status in mutual trade. This also refers to other countries with which Serbia has signed Agreements, but only for trade between two countries.

Diagonal cumulation means the participation of at least 3 contracting parties and use of raw materials and semi–products from different partner countries, while these raw materials are treated as domestic components, i.e. components with domestic origin. For example, in any CEFTA contracting party you can carry out certain production process and accumulate the origin.

Diagonal cumulation also encompasses final products and not only materials, i.e. components; thus for instance if Macedonia import a final product from Bosnia and Herzegovina, Macedonia proves the origin by a certificate of origin and the product can be exported freely to other countries for which the diagonal cumulation is valid.

Advantages of diagonal cumulation of origin:

- facilities for investors who can start a production in any country with which it is possible to have cumulation of origin and they can enjoy the advantages of preferential trade with all partner countries
- placement of products and provision of reproduction material on wider market and under decreased prices or duty free
- broader assortment of products for trade, as well as possibilities for bigger trade in volume
- better competitiveness of business entities due to smaller operational cost
- possibility for specialization, as well as bigger possibilities for regional linking into clusters, i.e. reproduction cells

All these afore mentioned influences the interest growth for cooperation with companies in partner countries, enhances the business security, provides for better rentability and modernization of production, and by all these increases the interest for new investments.

According to CEFTA Agreement, participants in the cumulation of origin are the EU, EFTA, Turkey and CEFTA. Application of the cumulation of origin envisaged by the Agreement depends on the fact whether the signatories

of the mentioned agreements have mutually signed agreements on free trade, and in case they have, the condition is that the rules of origin are identical in each individual of the agreement.

Besides, it is necessary that appropriate information concerning the fulfilment of requirements for the application of the cumulation of origin are published in the official bulletins of the signatories to the agreement.

In case these conditions are fulfilled:

- products which acquired the originating status in any of the contracting parties can be used in the production of originating products of a contracting party–exporter without having any negative effects on preferential status of final product
- working or processing carried out on an "originating product" needs not to be a "sufficient working or processing" from a List...,however, it has to be beyond the minimum working or processing operations
- working or processing which is below the insufficient– the product gains the origin of the party whose originating material used in the production of a contracting party participates with the greatest value added
- a product which is not a subject of any working or processing retains its origin if it is exported in any of the contracting parties

The condition for precise determining of the origin of goods is of great importance, as well as the appropriate classification of certain product according to Customs Tariff.

TABLES FOR THE APPLICATION OF CUMULATION OF ORIGIN

Institute of diagonal cumulation of origin contains: CEFTA 2006, Interim Trade Agreement between Serbia and the EU, Agreement with Turkey and Agreement with the EFTA countries.

Cumulation of the origin of good and/or retaining the origin of a "partner" can be realised by products movement through the cumulation zone created around the European Community by the Stabilization and Accession Process (SAP zone), as well as within the CEFTA-EFTA Agreement.

Table 1 **Cumulation of origin within the Process of Stabilization and Accession to the EU**

	RS	CR	MK	BA	ME	UK	MD	AL	EU	TR
RS	•	•	•	•	•	•	•	•	•	•
CR	•		•	•	•	•	•	•	•	
MK	•	•		•	•	•	•	•	•	•
BA	•	•	•		•	•	•	•	•	•
ME	•	•	•	•		•	•	•	•	•
UK	•	•	•	•	•		•	•		
MD	•	•	•	•	•	•		•		
AL	•	•	•	•	•	•	•		•	•
EU	•	•	•	•	•			•		*
TR	•		•	•	•			•	*	

Table 2 **Cumulation within the framework of EFTA and CEFTA**

	RS	CR	ME	MK	AL	EFTA
RS		•	•	•	•	•
CR	•		•	•	•	•
ME	•	•		•	•	
MK	•	•	•		•	•
AL	•	•	•	•		•
EFTA	•	•		•	•	

Acronyms and notes:

– **Al**–Albania, **BA**–Bosnia and Herzegovina, **ME**–Montenegro, **RS**–Serbia, **CR**–Croatia, **MK**–Macedonia, **MD**–Moldova, **UK**–UNMIK/Kosovo, **EU**–European Union, **EFTA** (Norway, Switzerland, Island, Liechtenstein) and **TR**–Turkey

***** The Customs Union EU – Turkey, dated 27 July 2006. Cumulation is limited to the products other than agricultural (HS Chapters 1-24, and industrial products considered as agricultural according to WTO) and products other than coal and steel.

– Marked fields (•) denote Free Trade Agreements that provide for diagonal cumulation of origin

– Fields are empty where free trade agreements have not been signed or where the signed free trade agreements provide for bilateral cumulation of origin. For example: FTA of Croatia with Turkey provide for bilateral cumulation of origin.

  This means, for example, when the goods are exported from Serbia to Turkey, it is not possible to verify the preferential origin of the goods from Croatia, or the materials of preferential origin from Croatia which have been incorporated in the final products obtained in Serbia, will be considered as non-originating materials if the final products are exported to Turkey.

  But according to the agreement reached between the Customs Administrations of Serbia and Croatia, dated 14 December 2010, it is possible to apply cumulation of origin on Turkish materials in mutual preferential trade.

– FTA Montenegro-EFTA was signed in November 2011, byt has not yet entered in to force.

– Bosnia and Herzegovina, Moldova and UNMIK/Kosovo have not concluded FTAs with EFTA countries.

– Stabilization and Association Agreements with the European Union, which have been implemented by the Western Balkan countries (Serbia, Croatia, Bosnia and

Herzegovina, Macedonia, Montenegro and Albania) do not include the EFTA countries as the potential ''partners'' in cumulation of origin, to the effect of Articles 3 and 4 of the SAA Protocol of Origin, so that the diagonal cumulation of origin of EC, Turkey – Western Balkan countries - EFTA countries is not applicable due to the absence of identical rules of origin.

MD Moldova is not included in the Stabilization and Association Process.

UNMIK/Kosovo has not signed the SAA with the EU, in the period of implementation of the 1244 Resolution.

TERRITORIAL REQUIREMENTS

When the originating products, exported from one of the Parties to a third country, i.e. a country that is not a Party, return, they are considered as non–originating, unless it can be demonstrated to the satisfaction of the customs authorities that the returning products are identical to those exported, and that they have not undergone any operation beyond that necessary to preserve them in good condition.

Working or processing performed in a third country on the materials exported from one of the Parties, and subsequently re–imported to the Party, will not be significant for acquisition of the originating status, provided that these materials have been wholly obtained in one of the Parties, or have undergone working or processing beyond the minimum operation prior to being exported.

In addition, it has to be demonstrated to the satisfaction of the customs authorities that the re–imported goods have been obtained by working or processing the exported material, and that the total added value generated outside the Parties does not exceed 10% of the ex–works price of the products for which originating status is claimed.

However, when the list of working and processing specifies

the percentage rule for the incorporated non–originating material, as a condition for obtaining the originating status of the product, the total value of the non–originating materials incorporated in the Party, taken together with the total added value acquired outside the Parties may not exceed the stated percentage.

Total added value includes all costs arising in a third country, including the value of the materials incorporated there. This does not apply to textile products (Chapters 50–63 of the Harmonized System).

Any working or processing done outside the Parties shall be done under the outward processing arrangements or similar arrangements.

Along with the established fact on origin of the goods, for issue, i.e. acceptance of the proof of origin with the aim to implement the preferential treatment, it is necessary to fulfil the condition of direct transport.

Preferential treatment provided for under the Agreement applies only to products transported directly between the Parties, or through the territories of the countries with which diagonal cumulation of origin is applicable.

This prevents that the goods qualifying for the preferential status undergo any unauthorised changes that may affect their origin on their way to the recipient country.

However, products constituting one single consignment, may be transported through the territories of other countries with, should the occasion arise, trans–shipment or temporary warehousing in such territories, provided that the goods remain under the surveillance of the customs authorities in the country of transit or warehousing, and do not undergo operations other than unloading, reloading or any operation designed to preserve them in good condition.

Evidence that these conditions have been fulfilled shall be supplied to the customs authorities of the importing Party, e.g. a relevant transport document or certificate issued by the customs authorities of the country of transit, stating

an exact description of the product and the dates of unloading, reloading of the products and similar documents that may prove the movement of the goods.

Products originating in a Party, which are sent for display in fairs and exhibitions to other countries, i.e. countries with which cumulation of origin is applicable, and after that are sold for import in another Party, have the preferential status.

Preferential status is granted provided it is shown to the satisfaction of the customs authorities that:

– the products have not changed, undergone any working or they are not different from the goods that left the territory of a Party

– the products have not been used for any purpose other than exhibition and that they have been sent to one of the Parties during the exhibition or thereafter

A proof of origin shall be issued and submitted to the customs authorities of the importing Party in the normal manner. The name and address of the exhibition have to be indicated on it. Where necessary, additional documentary evidence of the conditions under which they have been exhibited may be required.

This applies to any trade, industrial, agricultural or craft exhibition, fair or similar public show or display, which is not organized for private purposes in shops or business premises with the purpose of sale of foreign products.

During fairs or exhibitions the products shall remain in customs custody.

PROHIBITION OF DRAWBACK OR EXEMPTION FROM CUSTOMS DUTIES

The institute of prohibition of drawback or exemption from customs duties ("no drawback rule") is aimed at preventing drawback or exemption from customs duties for any non–originating material used in the manufacture of the final originating product.

If a proof of origin has been issued for the final product, the non–originating materials incorporated in "a partner" shall not be subject to drawback of, or exemption from, customs duties of whatever kind, i.e. their eventual drawback request shall not be approved.

Upon request from the customs authorities, the exporter shall prove with appropriate documents that all customs duties or charges with equivalent effect have been paid on the non–originating material used in manufacture.

This is aimed at prevention of economic profitability and use of the non–originating materials in the manufacture of products for preferential export.

Typical cases are when non–originating materials are used in inward processing with a suspension system or a drawback system.

Prohibition of drawback of or exemption from customs duties shall also apply in respect of packaging (when it is classified together with the product), accessories, spare parts and tools (which are supplied together with the product, e.g. machine, equipment, etc. and if they are regarded as an integral part of the final product) when such items are non–originating.

PROOF OF ORIGIN

The cases of exemption from proving origin are when products are sent as small packages from private persons to private persons, or if they form a part of travellers'

personal luggage, and they are admitted as originating products without requiring the submission of a proof of origin; also with individual import of products for the personal use of the recipient or traveller or their families, and if it is evident from the nature and quantity of the products that they are not intended for commercial use.

Total value of such products shall not exceed 500 euro for small parcels or 1,200 euro for products that are a part of the traveller's personal luggage.

In all other cases, to obtain preferential status for the originating product at importation, it is necessary to submit Movement Certificate EUR.1 or "invoice declaration" or any other commercial document that can identify the products in question.

(Templates of the documents of origin are the integral part of the CEFTA Agreement and they appear in Annex 4, Appendix III–EUR.1 and in Appendix IV–Text of Invoice Declaration).

Movement certificate EUR.1 is issued by the customs authorities of the exporting country on the written application of the exporter or his authorized representative, under the exporter's responsibility.

The exporter applying for issue of the movement certificate EUR.1 shall submit to the customs authorities all the appropriate documents proving the originating status of the products concerned and fulfilment of the requirements from the rules of origin.

Customs authorities shall have the right to require additional evidence and to carry out any inspection and check of the submitted documents.

The forms shall be filled out in one of the languages of the Parties or in English. If completed by hand, they shall be filled out in ink and in printed characters.

Box 7 of EUR.1 form shall contain the statement "cumulation applied with..." (if origin has been obtained through cumulation of origin with the material originating in anot-

her Party, with which cumulation is applicable); or the statement "no cumulation applied" (if origin has been obtained without the application of cumulation with materials originating in a Party with which cumulation is applicable). These statements have to be inserted.

If box 7 has not been completed properly, customs authorities will act in the following ways:

a) they will refuse to verify the Certificate at export, or

b) they will refuse to accept the Certificate at import, and consequently no benefits will be applied.

Thereby, the Certificate form will be endorsed with the following statement: "CERTIFICATE HAS NOT BEEN ACCEPTED FOR TECHNICAL REASONS", and it will be verified by the signature of the authorised customs officer and sealed.

Exceptionally, the movement certificate EUR. 1 may be issued retrospectively, after the export of goods to which it relates, if:

– it has not been issued at the time of export, due to errors or involuntary omissions or special circumstances, or

– if it is demonstrated to the satisfaction of the customs authorities that a movement certificate EUR.1 was issued but was not accepted at importation for technical reasons.

In his application for retrospective issue of EUR.1, the exporter must state the reasons for his request, and after checking the information supplied in the application and verifying that they comply with the facts in the documents, the customs authorities may issue the required document.

Movement certificate EUR. 1 issued retrospectively has to be endorsed with the following phrase in English: "ISSUED RETROSPECTIVELY".

The duplicate of the movement certificate EUR.1 is issued in the event of theft, loss or destruction of the certificate, at the request of the exporter.

The duplicate issued in such a way shall be endorsed with the following word in English: "DUPLICATE", (in the box "Notes')

The duplicate shall bear the date of issue of the original movement certificate EUR. 1, and shall take effect as from that date.

The so called **replacement** movement certificate EUR. 1 may be issued when originating products are placed under the control of a customs office in a Party, and it replaces the original proof of origin, when all or some of the products are sent elsewhere within the Party.

In view of this, the customs office under whose control the products are placed may issue one or more replacement movement certificates EUR. 1

Customs authorities of the Parties **shall verify** the movement certificate EUR. 1 only when all the following requirements have been fulfilled:

1) the products have a preferential domestic origin or origin of another Party in conformity with the rules of origin
2) the condition of direct transport has been met
3) customs duties and other import taxes have been paid on the non–originating material used in production of the final product
4) the set of the forms of movement certificate EUR. 1 has been duly completed (obvious formal errors, such as typing errors, shall not be the reason for non–acceptance of documents, but deletions and crossings out are not allowed)
5) all documents necessary to prove the preferential origin are enclosed to the application for the movement certificate EUR. 1

INVOICE DECLARATION

An invoice declaration may be made out by an approved exporter or any exporter, with the proviso that the approved exporter may make out the invoice declaration on the invoice, delivery note, or any other commercial document, irrespective of the consignment value, whereas any exporter for any consignment of originating products, whose total value does not exceed 6,000 Euros.

Invoice declaration shall fully comply with the wording specified in Appendix IV to Annex 4 of the CEFTA Agreement.

Invoice declaration shall contain the following statements: "cumulation applied with ..." or "no cumulation applied", just like EUR.1

The statement on cumulation of origin shall be in English, irrespective of the linguistic version used for making out the invoice declaration.

An invoice declaration shall be made out by the exporter by typing, stamping or printing on the invoice or other commercial document.

If the invoice declaration is hand–written, it shall ne in ink in printed characters. Invoice declarations shall bear the original signature of the exporter in manuscript.

However, the **approved exporter** shall not be required to sign such declarations, provided that he gives the customs authorities of the exporting Party a written undertaking that he accepts full responsibility for any invoice declaration which identifies him as if it was signed in manuscript by him, i.e. if he gives a written undertaking to the competent customs point that he accepts responsibility for any invoice declaration made out in his name.

Customs authorities shall grant to the approved exporter a customs authorization number which shall appear on the invoice declaration. The authorisation may be revoked at any time when the authorised exporter stops fulfilling the required conditions, when he uses the authorisation incorrectly, etc.

Submission of invoice declaration does not free the exporter from the obligation to prove origin. Invoice declaration shall be made out by the exporter when the products to which it relates are exported, or after exportation, on condition that it is presented in the importing Party no longer than two years after the importation of products to which it relates.

Proofs of origin shall be valid 4 months from the date of issue in the exporting Party and shall be submitted within the said period to the customs authorities of the importing Party, or after that date when this was caused by extraordinary circumstances.

In other cases of belated presentation of documents, importing Parties may accept proofs of origin when the products are delivered before the final date.

Authorities of the importing Party may require translation of the proofs of origin, and may also require the import declaration to be accompanied by a statement from the importer that the products meet the required conditions for implementation of the Agreement.

The exporters who submit their applications for issue of a movement certificate EUR.1, as well as those presenting the invoice declaration shall keep their documents for at least three years.

The period for the obligation to keep these documents for the customs authorities, of both exporting and importing Parties, is the same.

If the amounts on the invoice are not expressed in Euros but in the national currency of a Party, the amounts to be used are the equivalents in the national currency converted in euro as at the first working day of October and shall apply from 1 January the following year. The Parties shall be notified of the relevant amounts.

The amount resulting from the conversion of an amount expressed in euro into the national currency may be rounded up or down. The rounded–off amount may not differ from the amount resulting from the conversion by more than 5%.

A Party may retain unchanged its national currency equivalent of an amount expressed in euro if, at the time of annual adjustment, the converted equivalent of that amount prior to any rounding–off, results in an increase of less than 15% in the national currency equivalent.

The national currency equivalent may be retained unchanged if the conversion would result in a decrease in the national currency equivalent value.

ADMINISTRATIVE COOPERATION

Customs authorities of the Parties shall provide each other with specimen impressions of stamps used in their customs offices for the issue of movement certificates EUR. 1 and with the addresses of the customs authorities responsible for verifying those certificates and invoice declarations.

Customs authorities of the Parties shall assist each other in checking the authenticity of the movement certificates EUR.1 or invoice declarations and the correctness of the information given in these documents.

Subsequent verifications of proofs of origin shall be carried out at random or whenever reasonable doubts arise as to authenticity of such documents or the originating status of the products concerned.

Customs authorities of the importing Party have the right to return for verification the movement certificate EUR.1 and the invoice, if it has been presented, invoice declaration, or a copy of these documents, to the customs authorities of the exporting Party, giving the reasons for verification, where appropriate. The request for verification will be supported with any documents and information suggesting that the information given on the proof of origin is incorrect.

For the purpose of verifying the proofs of origin, customs authorities of the exporting Party shall have the right to

require any evidence and carry out inspection of the exporter's documents or any other checks considered appropriate.

The customs authorities requesting the verification shall be informed of the results of this verification as soon as possible. These results shall indicate clearly whether the documents are authentic and whether the products concerned can be considered as originating products.

If in cases of reasonable doubt there is no reply within ten months from the date of the verification request, or if the request does not contain sufficient information to establish the authenticity of the document in question, or the real origin of the products, the requesting customs authorities shall, except in exceptional circumstances, refuse entitlement to the preferential treatment.

Where disputes arise in relation to the verification of origin of goods, which cannot be settled between the customs authorities requesting the verification and the customs authorities responsible for carrying out the verification, or where they raise a question as to the interpretation of this Protocol, such disputes shall be submitted to the Joint Committee, i.e. the Subcommittee on Customs Issues.

In cases of the settlement of disputes between the importer and the customs authorities of the importing Party, the legislation of the said party shall apply.

EXAMPLES OF ESTABLISHING THE ORIGIN

Example 1

Cotton thread (HS heading 5204) originating in Serbia is delivered to Macedonia for production of cotton fabric (HS 5208), and this cotton fabric is delivered to Albania.

The criterion from the List of working for the cotton fabric provides for production from "natural fibres" and here we have the worked thread. Since the thread originates in the CEFTA Partner, the rule of cumulation is applied.

The fabric is a product originating in Macedonia, where the thread was processed into fabric, which is an operation exceeding minimum working. The fabric is exported to Albania duty free because the product is originating in the CEFTA Partner.

Example 2

Trousers (HS heading 6203) originating in Serbia are delivered to Bosnia and Herzegovina, where they are packed in bags (made of plastic). The packed trousers are delivered to Croatia.

Packing into plastic bags is the minimum operation, and thus the goods do not acquire the new origin (of Bosnia and Herzegovina).

However, originating status can be acquired (Article 3, paragraph 3 of the Protocol) only if the value added in the exporting Party exceeds the value of the raw materials originating in a Party with which cumulation of origin is applicable. If this is not the case, origin will be acquired by the exporting Party whose materials have the biggest value.

Value of the trousers from Serbia	20.0 EUR
Costs of packing into plastic bags in B&H	2.0 EUR
Bags originating in Montenegro	0.5 EUR
Other costs in B&H	2.5 EUR
Ex–works price in B&H	25.0 EUR

The value added in B&H is 5 euro and the value of the raw materials originating in Serbia (trousers) is 20 euro, and therefore the packed trousers do not acquire the origin of B&H but they retain the origin of Serbia.

The origin of “Serbia” should be inserted in the box 4 of EUR.1

Example 3

Cotton thread (HS 5204) originating in the EU and Croatia

is delivered to Serbia for manufacturing of coarse cotton fabric (HS 5208). The fabric is then delivered to Albania for dying. The dyed fabric is exported to B&H where cotton trousers (HS 6203) are manufactured and then exported to Macedonia.

Although certain production stages do not meet the criteria from the List of working or processing, all individual production stages exceed minimum operations, i.e. the fabric acquires Serbian origin, dyed fabric acquires Albanian origin and trousers acquire origin of Bosnia and Herzegovina. Macedonia will recognize the preferential status of the trousers originating in B&H.

Example 4

Assembly of a ballpoint pen (HS Code 9608) in Montenegro. The finished product is exported to Serbia. All assembled parts fall under 9608. The ballpoint pen components originate in the EU, Albania and Macedonia.

According to the requirements from the List of working or processing, the requirement for acquiring origin for the ballpoint pen is that it is produced from the materials from any heading, other than the heading under which the final product is classified. Since this is not the case, the principle of the share in the value of material in the final product is applied, i.e:

Refill originating in the EU	value 2 EUR
Plastic parts originating in Macedonia	value 1 EUR
Clip originating in Albania	value 1 EUR
Costs in Montenegro	value 1 EUR
Ex–works price in Montenegro	value 5 EUR

Assembly of the ballpoint pen is a minimum operation according to the rules of origin, and therefore the ballpoint pen cannot acquire the origin of Montenegro but of the European Union, because the refill, originating in the EU, has the largest share in the price of the final product. At exportation of the ballpoint pen from Montenegro to Ser-

bia, EUR.1 is issued and the EU origin is inserted in box 4.

Example 5

Production of chocolate milk (HS 2202) in Serbia, and its export to Croatia.

Finished product ingredients:

Cocoa originating in Brazil (HS 1801)	value 0.1 EUR
Sugar originating in Serbia (HS 1701)	value 0.1 EUR
Milk originating in Serbia (HS 0401)	value 0.5 EUR
Packaging originating in Serbia (HS 4811)	value 0.1 EUR
Chocolate milk	value 1.0 EUR

The requirement for acquiring origin for a finished product from the List of working or processing is that it is produced from the materials from any tariff code other than the code under which the finished product is classified, and with which the value of materials from Chapter 17 (sugar and products thereof) does not exceed 30% of the product's ex–works price.

The product has Serbian preferential origin because both requirements have been fulfilled cumulatively, but since the non–originating goods (cocoa from Brazil) were subdued to inward processing regime–suspension system, without payment of import duties, when Certificate of Origin is issued at the exportation of the finished product to Croatia, customs duties and fees having equivalent effect have to be charged on cocoa.

CONTACTS

Foreign Trade Chamber of Bosnia and Herzegovina

Branislava Đurđeva 10, 71000 Sarajevo
Mr Duljko Hasić, Ms Adela Terek
Phone: +387 33 566 221, 214 299; Fax: +387 33 663 632, 214 292
e–mail: duljkoh@komorabih.ba
www.komorabih.ba

Chamber of Economy of Montenegro

Novaka Miloševa 29/II, 81000 Podgorica
Mr Miljan Šestović
Phone: +382 20 230 422
mob. +382 68 624 037, +382 67 246 248
e–mail: msestovic@pkcg.org
www.pkcg.org

Croatian Chamber of Economy

Ms Lidija Švaljek, Centre for business information
Heinzelova 69, 10 000 Zagreb
Phone: +385 1 4606 708; Fax: +385 1 4606 782
e–mail: poslovne–informacije@hgk.hr
Ms Danijela Pečevski
Roosveltov trg 2, 10 000 Zagreb
Phone: +385 1 4561 652, 45 61 795; Fax: +385 1 4828380
e–mail: dpecevski@hgk.hr
www.hgk.hr

Union of Chambers of Commerce & Industry, Albania

Ms. Delina Nano
Blv. Zhan D'Ark, 23 1010, Tirana
Phone: +355 4 22 47 105 Ext. 47
e–mail: info@uccial.al e–mail: delina.nano@uccial.al
www.uccial.al

Economic Chamber of Macedonia

Dimitrije Čupovski 13, Skopje
Ms Ljubica Nuri
Phone: +389 2 3244 034; Fax: +389 2 3244 088
e–mail: nuri@mchamber.mk
www.mchamber.mk

Chamber of Commerce and Industry of the Republic of Moldova

151, Stefan cel Mare str. MD 2004, Chisinau
Mr Vasile Nicolai
Phone: +373 22 23 88 19; Fax: +373 22 23 84 32
e–mail: expertiza@chamber.md
Ms Victoria Cotici
Phone/Fax: +373 22 23 88 60
e–mail: certificate@chamber.md
www.chamber.md

Serbian Chamber of Commerce and Industry

Resavska 13–15, 11000 Beograd
Board of Economic System
Ms Gordana Adamović
Phone: +381 11 3304 517; Fax: +381 11 3235 526
e–mail: gordana.adamovic@pks.rs
www.pks.rs

UNMIK/KOSOVO
Kosovo* Chamber of Commerce

*This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and ICJ Advisory opinion on the Kosovo declaration on independence

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CHAMBER OF
COMMERCE AND
INDUSTRY OF SERBIA

Resavska 13-15, 11000 Belgrade, Serbia
www.pks.rs

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