



Te Mana Arai o Aotearoa

NEW ZEALAND CUSTOMS SERVICE

Fact Sheet

19 Singapore—Preferential Rules of Origin

The Rules Governing Entitlement to Goods Exported from Singapore to New Zealand at Preferential Rates of Duty

IMPORTANT NOTE

These Provisions come into Force on 1 January 2001

The Agreement between New Zealand and Singapore on a Closer Economic Partnership (ANZSCEP), which comes into force on 1 January 2001, sets out the rules of origin which govern the entitlement of goods the 'produce or manufacture' of Singapore to enter New Zealand at the preferential tariff rate of Free.

This publication is designed to inform New Zealand importers and their Singaporean suppliers of the rules of origin requirements for preferential entry into New Zealand under this Closer Economic Partnership.

New Zealand's legislative provisions implementing the ANZSCEP Rules of Origin are contained in the following New Zealand statutory provisions. These provisions are based on, and give effect to, the rules of origin requirements of the ANZSCEP:

- Tariff Act 1988, section 7A
- Customs and Excise Act 1996, sections 65 to 67
- Customs and Excise Regulations 1996, regulations 51A to 51E (by way of the Customs and Excise Amendment Regulations 2000). These regulations contain the preferential rules of origin.

Every attempt has been made to provide readers with topical and accurate information. However, this publication is not designed to serve as a substitute for the relevant statutory provisions. Readers should therefore seek their own legal advice and note the above statutory provisions.

Key Preferential Rules of Origin Provisions

- a 40% content rule
- a 50% content rule where quality control checking and testing procedures have been performed in Singapore on imported goods which contain **no** previous qualifying area content (this rule is not applicable to any textile or textile articles, clothing, headwear or footwear—as defined)
- an 8% content rule where quality control checking and testing procedures have been performed in Singapore on goods which contain previous qualifying area content (this rule is not applicable to any textile or textile articles, clothing, headwear

or footwear). The 40% content requirement must also be met

- where Singapore and New Zealand qualifying materials are exported to a third country and are further processed then returned to Singapore, part of the cost of the material is able to be allocated as qualifying expenditure.

Definitions of Common Expressions used in this Publication

- Qualifying area content—the qualifying expenditure in Singapore and/or New Zealand on:
 - qualifying materials; and/or
 - qualifying labour; and
 - qualifying factory overheads.
- Materials of mixed origin—those materials that incorporate Singapore and/or New Zealand qualifying content and third country content where the last process of manufacture of the material occurred in Singapore or New Zealand
- Quality control checking and testing procedures (QCT) is an acceptable process of manufacture under this ANZSCEP. However, recognition of QCT as a last process of manufacture does not extend to any textile or textile articles, clothing, headwear or footwear, as defined under any of the following Tariff headings, Tariff subheadings, or Tariff items of the Tariff of New Zealand:
 - (i) 3926.20, 3926.90.01
 - (ii) 4015.11, 4015.19, 4015.90
 - (iii) 42.03
 - (iv) 43.03, 43.04
 - (v) 4818.50
 - (vi) 50.01 to 65.07
 - (vii) 70.19
 - (viii) 9404.21, 9404.29, 9404.30, 9404.90
 - (ix) 9606.21, 9606.22, 9606.29, 9606.30, 96.07.
- Third country—a country other than Singapore or New Zealand.

Preferential Rules of Origin—The Criteria for Preference Entitlement

For goods to be entitled to duty free entry into New Zealand, they must meet the preferential rules of origin

for Singapore as set-out in the above mentioned regulations.

For Singapore Rules of Origin purposes, goods, the 'produce or manufacture' of Singapore, are divided into two separate categories:

1. Goods wholly produced or obtained in Singapore
2. Goods partly manufactured in Singapore.

An explanation of each category is as follows.

Category 1—Goods wholly produced or obtained in Singapore

Essentially, this category covers goods being the 'produce' of Singapore, e.g., vegetables, fruit, fish, animals, minerals, etc, including certain waste, scrap and used articles, and goods produced in Singapore exclusively from these products.

Goods that are defined as being 'wholly produced or obtained in Singapore' are detailed in Appendix 1.

Any packing materials (including labels) and packing containers in which goods of this category are packed are disregarded in establishing whether or not the goods fall within this category.

The goods must be exported direct to New Zealand (see heading: **Direct Shipment Rule**).

Goods of this category are entitled to preferential rates of duty without further conditions.

Note that origin category 1 stands apart from the next origin category, viz., 'goods partly manufactured in Singapore'.

Category 2—Goods partly manufactured in Singapore

This category consists of materials and/or processing which is attributable to countries that are both within, and outside, the preference qualifying area (the 'preference qualifying area' is Singapore and New Zealand).

This category consists of three separate rules:

- **Rule 1—The 40% rule**
- **Rule 2—The 50% rule (Quality control checking and testing procedures)**
- **Rule 3—The 8% rule (within the 40% rule requirement)—Quality control checking and testing procedures.**

A brief explanation of each rule is detailed below while more detailed explanations follow elsewhere in this publication.

Rule 1—The 40% rule

This rule applies where goods have been manufactured in Singapore and the criteria governing preference entitlement is:

- (a) the last process of manufacture must be performed in Singapore; and
- (b) not less than 40% of the factory cost must be represented by the qualifying expenditure.

Rule 2—The 50% rule (Quality control checking and testing procedures [QCT])

This rule applies where goods are imported into Singapore **and where NO previous qualifying area content is present in the goods**, and the goods are then subjected to QCT in Singapore before export to New Zealand. The criteria governing preference entitlement under this rule are:

- (a) textile or textile articles, clothing, headwear or footwear (tariff coverage defined) are excluded;
- (b) that, when imported into Singapore, the goods cannot contain any previous qualifying area content;
- (c) that the QCT are performed in Singapore and they are the last process of manufacture; and
- (d) that not less than 50% of the factory cost must be represented by qualifying expenditure on the QCT that were incurred in Singapore calculated after completion of the process of manufacture.

Rule 3—The 8% rule (within the 40% rule requirement)—Quality control checking and testing procedures (QCT)

This rule applies where goods have **previous qualifying area content** and are then subjected to QCT as the last process in Singapore before export to New Zealand. The criteria governing preference entitlement is:

- (a) textile or textile articles, clothing, headwear or footwear (tariff coverage defined) are excluded;
- (b) that the goods must contain previous qualifying area content;
- (c) that the QCT are performed in Singapore and they are the last process of manufacture;
- (d) that not less than 8% of the factory cost must be represented by the qualifying expenditure on the QCT that were incurred in Singapore calculated after completion of the process of manufacture; and
- (e) that the total qualifying area content, including QCT, in the good being exported to New Zealand must achieve the minimum 40% requirement—as mentioned in Rule 1 above.

Note

For each of the three above rules, the goods must (with one exception) be exported direct to New Zealand (see next heading—**Direct Shipment Rule**).

Direct Shipment Rule

There is a direct shipment requirement under the ANZSCEP. This requires that for goods to qualify for preferential entry into New Zealand they must be shipped direct from Singapore. However, the goods may be shipped to New Zealand via a third country provided the goods do not enter the commerce of that country, e.g., simple transshipment is permitted.

The only exception is that the goods may enter Australia for the purposes of unloading and reloading only before shipping on to New Zealand. For instance, a full container

load (FCL) destined mainly for the Australian market may also contain a portion for the New Zealand market. The FCL is able to be shipped to Australia, clear Customs there and enter the importer's premises where the goods for New Zealand can be subsequently unloaded from the container and reloaded for shipment onto New Zealand. The goods must not be subject to any processes, other than unloading and reloading, otherwise they would lose their entitlement to duty free entry into New Zealand under the ANZSCEP.

Rule 1—The 40% Rule

There are three hierarchical steps to be met:

- A process of manufacture must occur in Singapore; and
- the last process of manufacture must occur in Singapore; and
- the achievement of the 40% content requirement.

Notes on each step are detailed below.

Process of Manufacture and the Last Process of Manufacture

For the purposes of the 40% rule, the Regulations provides an interpretation of 'process of manufacture', and the 'last process of manufacture'. With respect to 'last process of manufacture', **minimal processes including pressing, labelling, ticketing, packaging, and preparation for sale are excluded.**

Noting the above interpretation, for other goods and situations, manufacture involves making one thing out of another—the new article being essentially different in character, identity, form, function, description and commercial understanding from the other.

Manufacture must involve a significant change in the form or function of the thing said to be manufactured, compared with its un-manufactured or previously manufactured state.

The essence of making or of manufacture is that what is made shall be a different thing from that out of which it is made. Only where change has occurred, as noted above, can manufacture be said to have taken place. On the other hand, repairing, re-conditioning, overhauling, or re-furbishing does not constitute manufacture as these do not change the nature of the product and are restoration processes only.

Where manufacture has occurred in Singapore, it is necessary that the **last process in the manufacture of the goods must have been performed in Singapore.** The last process (which must be of a substantial nature) is the last activity undertaken in respect to an article that finally transforms it into an article different from its component parts or materials and a new article is therefore manufactured. The emphasis here, therefore, is both on the process and the end result.

Note that when the 'last process of manufacture' criteria has been met, the cost of 'minimal operations or processes' may, in some cases, be considered as qualifying expenditure.

AND —

the achievement of the 40% content requirement

What is the setting of the 40% rule?

The rule is built around 'the factory', which is defined as the place in Singapore where the last process of manufacture of the goods occurs. For the purposes of calculating the 40% rule, the 'factory cost' consists of the expenditure that is incurred by the 'manufacturer' in the production of the goods. It is important to understand that the 'manufacturer' is the person who undertakes the last process of manufacture of the goods before being exported to New Zealand.

Another important aspect of the 40% calculation is that no cost may be taken into account more than once.

How is the 40% rule calculated?

The 40% rule is a value added test expressed in monetary terms and is based on the formula:

$$\frac{\text{Qualifying expenditure (Q/E) [expressed as a \%]}}{\text{Factory cost (F/C)}}$$

$$Q/E = \text{Qualifying expenditure on materials (includes inner containers) + qualifying labour + qualifying factory overheads}$$

$$F/C = \text{Total expenditure on materials (includes inner containers) + qualifying labour + qualifying factory overheads.}$$

The elements of:

- factory cost, viz., materials (and inner containers), labour and factory overheads; and
- qualifying expenditure, viz., materials (and inner containers), labour and factory overheads

— are dealt with below.

It is important to note that the 40% calculation excludes, among certain other costs, the profit of the manufacturer who produces the goods on which preference is claimed—see '**Factory overheads**' and the '**Exclusions from the factory cost**'.

Factory cost

Materials

The definition of materials means all inputs into the manufacturing process (other than materials treated as overheads) used or consumed in the production of the finished goods in the form in which they are received at the factory. This definition also includes inner containers that are:

- (a) any container or containers into which or on which any goods are packed for export to New Zealand; but
- (b) **does not include** any shipping container, pallet or similar article carried by any ship or aircraft.

For the purposes of the 40% calculation, the total expenditure on materials (and inner containers) used in the manufacture of the goods includes all costs of acquisition into the manufacturer's factory.

This will include:

- the purchase price
- overseas freight and insurance
- port and clearance charges, and
- inward transport to factory—

but excludes:

- Customs duty
- anti-dumping or countervailing duty
- excise duty
- sales tax, and
- goods and services tax

— incurred by the manufacturer in Singapore.

No adjustment to the cost of materials is allowed for any waste or scrap left over after the production of the goods.

Where materials:

- (a) are provided free of charge or at a reduced cost, Customs has statutory authority to determine a value based on the provisions of the WTO Valuation Code (as applied via the Second Schedule to the Customs & Excise Act 1996); or
- (b) are added or attached to goods on which preferential rates of duty are claimed in order to artificially raise qualifying expenditure, Customs has statutory authority to exclude the expenditure on those materials; or
- (c) where the cost of materials is in excess of the normal market value, Customs has statutory authority to exclude the expenditure that is in excess.

Labour

The factory cost includes labour costs incurred in Singapore and/or New Zealand in connection with the manufacturing process, namely—

- (i) Salaries and wages;
- (ii) Benefits, including productivity bonuses, company vehicle, employers' Central Provident Fund contributions, accident insurance or compensation, and dental and medical benefits; and
- (iii) Other factory labour costs, including:
 - (A) Skills Development Fund contributions;
 - (B) Foreign Worker levies;
 - (C) Workmen's Compensation Scheme contributions;
 - (D) Management of the process of manufacture
 - (E) Receipt of materials;
 - (F) Handling and storage of materials and goods within the factory;
 - (G) Supervision;
 - (H) Training;
 - (I) Quality control;
 - (J) Packing of the goods into containers (including inner containers and shipping and airfreight containers) within the factory.

Factory overheads

The factory cost includes factory overheads, being any of the following costs incurred in connection with the manufacturing process:

- (i) Inspecting and testing materials and goods;
- (ii) Insuring real property, plant, equipment and materials used in the production of the goods, insuring work in progress and finished goods, liability insurance, accident compensation, insurance against consequential loss from accident to plant and equipment;
- (iii) Dies, moulds, tooling, and the depreciation, maintenance and repair of plant and equipment, whether or not these items originate in Singapore or New Zealand;
- (iv) Interest payments for plant and equipment;
- (v) Research, development, design and engineering;
- (vi) Rent, leasing, mortgage interest, depreciation on buildings, maintenance, repair, rates and taxes for real property used in the production of the goods;
- (vii) Leasing of plant and equipment, whether or not these items originate in Singapore or New Zealand;
- (viii) Materials and supplies not being directly incorporated into the manufactured goods, including energy, fuel, water, lighting, lubricants and rags, whether or not these items originate within Singapore or New Zealand;
- (ix) Storage of materials and goods at the factory;
- (x) Royalties or licences in respect of patented machines or processes used in the manufacture of the goods, or in respect of the right to manufacture the goods;
- (xi) Subscriptions to standards institutions and industry and research associations;
- (xii) Factory security, provision of medical care (including the provision of first aid kits and medical supplies), cleaning services, cleaning materials and equipment, training materials, disposal of waste, safety and protective clothing and equipment, and the subsidisation of a factory cafeteria to the extent not recovered by returns;
- (xiii) Computer facilities allocated to the process of manufacture of the goods;
- (xiv) Contracting out parts of the manufacturing process in Singapore or New Zealand;
- (xv) Employee transport, factory vehicle expenses and any tax in the nature of a fringe benefits tax payable on a cost specified under 'Labour' or 'Factory overheads'.

Notes

The cost of any depreciation must be worked out in accordance with generally accepted accounting principles applied by the manufacturer.

All labour and factory overhead costs must relate to the goods being manufactured.

Exclusions from the factory cost

The following costs are specifically excluded from the factory cost:

- (a) Costs relating to the general expense of doing business, including the cost of providing executive, financial, sales, advertising, marketing, accounting and legal services, and insurance;
- (b) Costs of telephone, mail, and other means of communication;
- (c) The costs of shipping and airfreight containers;
- (d) The cost of conveying, insuring, or shipping the goods after their manufacture is complete;
- (e) Royalty payments relating to a licensing agreement to distribute or sell the goods;
- (f) Rent, mortgage interest, depreciation on buildings, property insurance premiums, maintenance, repair, taxes, or rates for real property used by personnel charged with administration functions;
- (g) International travel expenses, including fares and accommodation;
- (h) Manufacturer's profits, or the profit or remuneration of any trader, agent, broker, or other person dealing in the goods after their manufacture;
- (i) Any other costs and expenses incurred after the completion of the manufacture of the goods.

Qualifying Expenditure

For the purposes of the 40% rule, qualifying expenditure is broken down into the following elements:

- qualifying expenditure on materials (including inner containers);
- qualifying expenditure on labour; and
- qualifying expenditure on factory overheads.

Qualifying expenditure on materials (includes inner containers)

Materials, which are classed as qualifying materials and their qualifying expenditure, are:

- (a) **materials which are 'wholly produced or obtained' in Singapore or New Zealand**—Appendix 1 details what are materials 'wholly produced or obtained' in Singapore (the same material categories also apply to materials being classed as 'wholly produced or obtained' in New Zealand), as well as any products produced entirely from the wholly produced or obtained materials—

Qualifying expenditure is 100%, i.e., the expenditure by the manufacturer in bringing the materials into the factory which are used to manufacture the goods for export to New Zealand is treated as being 100% qualifying expenditure.

Example—New Zealand grown wool is exported to Singapore for use in the manufacture of textile upholstery. The manufacturer of the textile can treat the cost of the New Zealand wool into the factory (excluding Customs charges, GST, etc. mentioned

above) that is used to produce the upholstery as being 100% qualifying expenditure.

- (b) **materials of mixed origin originating in Singapore or New Zealand**—these materials incorporate both third country content and qualifying area content of Singapore or New Zealand (or both):

40% or more qualifying area content → Qualifying expenditure is 100%—where the materials themselves achieve 40% or more qualifying area content and the last process of manufacture of the materials takes place in Singapore or New Zealand. In other words, the material is able to be exported from Singapore to New Zealand as meeting the 40% rule.

Example—a Singapore manufacturer of rubber strips achieves 48% qualifying area content in making this component. The strips are sold to another Singapore manufacturer who uses them in the manufacture of windows for export to New Zealand. As the Singapore content of the rubber strips exceeds 40%, the cost of the rubber strips to the window manufacturer can be treated as being 100% qualifying expenditure.

Less than 40% qualifying area content—the qualifying expenditure must be proportioned according to the actual qualifying area content in the material.

Example—in the above window example, should the rubber strip have only 30% qualifying area content, then only 30% of the cost can be treated as qualifying expenditure, while the balance of the cost (70%) is treated as non-qualifying area content.

- (c) **materials of mixed origin of (b) above further processed in third countries**—these materials are those where a process of manufacture has occurred in Singapore or New Zealand but where the materials are subsequently processed outside of Singapore or New Zealand and are then returned to Singapore for further manufacture there before the final goods are dispatched to New Zealand.

Qualifying expenditure is determined depending on the percentage of qualifying area content in the material.

The following example illustrates the provisions.

Example—Plastic granules are manufactured in Singapore from imported (third country) resin and are then exported to another third country for manufacture into plastic shapes. The shapes are subsequently re-imported into Singapore where they are used to manufacture an electronic appliance for export to New Zealand.

The qualifying expenditure that can be allocated to the electronic appliance (as part of the requirement as to whether or not the 40% is achieved), is as follows:

- **Where the material has 40% or more qualifying area content resulting from processing in either Singapore or New Zealand before the material leaves for manufacture overseas:**

Qualifying expenditure can only be the costs attributable to the earlier Singapore or New Zealand manufacture, viz., the above plastic granules example:

The cost of the granules at an FOB level when exported from Singapore or New Zealand to the third country, less the cost of the imported third country resin that is attributable to the granules, and less the cost of any other materials or processes not incurred in Singapore or New Zealand as well as the overseas transportation costs.

- **Where the material has less than 40% qualifying area content resulting from processing in either Singapore or New Zealand before the material leaves for manufacture overseas:**

Qualifying expenditure must be proportioned according to the actual qualifying area content in the original material.

If the qualifying area content of the plastic granules is 30%, then only 30% of the cost of the plastic shapes coming back to the final Singaporean manufacturer of the electronic appliance can be treated as qualifying expenditure, while the balance of the cost (70%) is treated as non-qualifying area content.

Note

For other materials not contained in (a), (b) or (c) above, no qualifying expenditure is allowed. The cost of these materials forms part of the factory cost, but cannot be allocated either in part or in whole, as qualifying expenditure.

Qualifying expenditure on labour and factory overheads

These are labour and factory overhead costs incurred in Singapore and/or New Zealand in connection with manufacturing the goods detailed under heading ‘Factory cost—labour and factory overheads’.

Rule 2—The 50% Rule (Quality Control Checking and Testing Procedures [Qct])

This rule applies where goods are imported into Singapore and where **NO** previous qualifying area content is present in the goods, and the goods are then subjected to QCT in Singapore before export to New Zealand.

The Rule excludes any textile or textile articles, clothing, headwear or footwear (see ‘Definitions’, viz., QCT).

The criteria governing preference entitlement is:

- (a) when imported into Singapore, the goods contain no previous qualifying area content, e.g., the goods contain no Singapore or New Zealand content such as materials;
- (b) that the QCT are performed in Singapore and these processes are the last process of manufacture; and

- (c) that not less than 50% of the factory cost must be represented by qualifying expenditure on the QCT that were incurred in Singapore calculated after completion of the process of manufacture.

The Rule can be summarised as:

$$\frac{\text{Qualifying QCT}}{\text{Factory cost}} \quad [\text{expressed as a \%}]$$

The qualifying QCT must be 50% or more of the factory cost of the goods. The factory cost includes the cost of the imported goods and the cost of performing the QCT. This calculation is applied after completion of the process of manufacture (QCT).

The following example illustrates the provisions.

Example—a computer monitor is imported into Singapore for QCT before export to New Zealand. The cost of the monitor into the factory is \$100 and the cost of performing QCT in the factory is \$110 (giving a final factory cost of \$210). As the cost of QCT exceed 50% ($\$110/\$210 = 52\%$), the monitor meets this rule.

Note

Costs incurred in Singapore in unpacking and preparing the goods for QCT may be treated as contributing towards the QCT. **However, any other process undertaken or performed may exclude the goods from this Rule.**

Rule 3—The 8% Rule (within the 40% Rule Requirement)—Quality Control Checking and Testing Procedures (QCT)

This rule applies where goods have previous qualifying area content and the goods are then subjected to QCT in Singapore before export to New Zealand.

The Rule excludes any textile or textile articles, clothing, headwear or footwear (see ‘Definitions’, viz., QCT).

The criteria governing preference entitlement is:

- (a) the goods must contain previous qualifying area content (e.g., Singapore or New Zealand qualifying materials)
- (b) that the QCT is performed in Singapore and is the last process of manufacture
- (c) that not less than 8% of the factory cost must be represented by the qualifying expenditure on the QCT that were incurred in Singapore calculated after completion of the process of manufacture
- (d) the total qualifying area content in the goods must then achieve the 40% requirement of Rule 1. The percentage achieved in (c) above—provided it is 8% or more—can contribute towards achieving the 40% requirement.

Notes

This rule contains two elements—an 8% **and** a 40% requirement.

This requires two separate calculations. First, the 8% calculation:

$$\frac{\text{Qualifying QCT}}{\text{Factory cost}} \quad [\text{expressed as a \%}]$$

The qualifying QCT must be 8% or more of the factory cost of the goods. This calculation is applied after completion of the process of manufacture (QCT). The factory cost includes the cost of the imported goods (inclusive of the previous area content) and the cost of performing the QCT.

Costs incurred in Singapore in unpacking and preparing the goods for quality control checking and testing may be treated as contributing towards the qualifying QCT. **However, any other process undertaken or performed may exclude the goods from this 8% Rule.**

When the 8% requirement is met, the 40% requirement must also be met:

$$\frac{\text{Qualifying QCT and earlier qualifying area content}}{\text{Factory cost}} \quad [\text{expressed as a \%}]$$

The qualifying QCT (as per 1 above) **and** the earlier qualifying area content must be 40% or more of the final factory cost. The factory cost consists of the cost of the goods before QCT and the cost of the QCT.

Preferential Rules of Origin Certification/Declaration—Conditions Precedent to Entry at Preferential Rates

New Zealand has no legal requirement for the production of a prescribed certificate of origin. However, the New Zealand importer must, on entering the goods for New Zealand Customs Service purposes, have sufficient information on which to base a claim for preferential entry. Effectively, this requires the Singapore manufacturer or exporter to provide the importer with clear information of those goods that meet the preferential rules of origin.

This information can be detail on the export documentation (e.g., the commercial documents or invoice) by way of a statement, declaration or certification that the identified goods meet the rules of origin.

Appendix 2 shows examples of preferential rules of origin certification/declaration by a Singapore manufacturer or exporter that may be used for exports to New Zealand where goods meet the preferential rules of origin.

Note

To merely state that the goods are the ‘country of origin of Singapore’ would not be regarded as being sufficient to certify that the preferential rules of origin are met.

Verification of a Preference Claim

Customs may require a preferential duty claim to be verified at the time the importer makes Customs’ entry for the goods, or any time after the goods have ceased to be subject to Customs control, i.e., at a time after the goods have been cleared through Customs.

Verification of a preference claim can take one or more of the following forms:

- a physical examination of the goods at the time of Customs’ entry

- require the importer to produce evidence in support of their claim that the goods meet the rules of origin—refer Section’s 66 and 67, Customs & Excise Act 1996. This may require the New Zealand importer to obtain the necessary evidence from the manufacturer/exporter. Should the required level of information be confidential to the manufacturer/exporter, it may be supplied direct to the New Zealand Customs Service
- contact the appropriate Singapore authorities and provide them with an opportunity to substantiate that the goods meet the rules of origin. Where that action is inconclusive, NZ Customs may then approach the Singaporean manufacturer or exporter concerned with the aim of substantiating the preference claim. Should this offshore examination proceed, Customs will notify the Singapore authorities and the importer concerned of the approach. If the manufacturer or exporter gives no consent, Customs will disallow preference.

Where verification substantiates the preference claim, entry under the Preferential Tariff will be allowed. *Should the goods have paid the non-preference rate at time of entry but satisfactory proof of entitlement is subsequently presented, a duty refund may be given.*

Unsubstantiated Preference Claims

Where there is an unsubstantiated preference claim (i.e., no evidence has been supplied that demonstrates the goods meet the preferential rules of origin, or it is inconclusive), Customs will disallow entry under the Preferential Tariff for Singapore and apply the Normal Tariff.

Verification requirements

Where NZ Customs requires verification of a preference claim, it will be necessary for the importer/declarant to provide evidence sufficient to establish that the goods meet the particular preferential origin rule. This verification may require, *inter alia*, requests for:

- the production and certification of the factory cost of the goods, identifying the qualifying expenditure of the goods and the percentage of qualifying content in the goods. This may need to be evidenced by sufficient documentation, viz.:
 - invoices detailing the cost of materials
 - evidence from suppliers providing qualifying materials to substantiate the amount of allowable qualifying content allocated for the materials
 - financial accounts detailing the necessary manufacturing costs, and sufficient breakdowns to substantiate the amount of labour and factory overhead costs allocated as factory cost.
- where quality control checking and testing procedures have been claimed (to meet the 50% and 8% rules), sufficient evidence of the nature of the procedures undertaken, the costs incurred and any other supporting evidence so as to substantiate

achievement of the particular rule. A factory cost breakdown would also be required.

Variation to the Rules of Origin

The ANZSCEP rules of origin contains a provision to vary the rules of origin requirements for ‘goods partly manufactured in Singapore’ (Origin Rule Category 2).

This provision applies to:

- 40% Rule—the determination of a suitable proportion of the factory cost to be different from that as exists; and
- 50% Rule—the determination of a suitable proportion of the quality control checking and testing procedures cost different from that as exists.

The provision requires consultation between the Governments of Singapore and New Zealand.

Manufacturers/exporters or importers wishing to make requests under this provision should approach their appropriate Government body.

Appeal Authority

A Customs Appeal Authority (CAA) exists in New Zealand. The CAA provides an appeal mechanism in respect of a range of decisions made by Customs, including decisions on preferential rules of origin, which impose a new duty liability (e.g., a decision to amend a duty assessment due to non-qualification to the preference entitlement). The Customs Appeal Authority is independent of Customs, is accessible at minimal cost and is empowered to review such decisions.

More information on the CAA can be obtained from the addresses listed under the heading ‘Further Information’. To access the CAA, Form 14 must be completed and filed in an office of the Tribunals Division of the Department for Courts. A filing fee of \$400 (inclusive of GST) is required to be paid.

Preferential Origin Rulings

New Zealand provides for Customs Rulings to be issued on matters specifically relating to New Zealand’s preferential rules of origin.

These rulings are of a binding nature and are given statutory authority under the Customs & Excise Act 1996. The objective of these rulings is to provide clients with commercial certainty on aspects of the rules of origin involved with the movement of goods from Singapore to New Zealand under the ANZSCEP.

There are two types of origin rulings:

1. **Country of produce or manufacture**—origin for preferential tariff purposes.

This ruling provision will determine whether or not the specified goods meet the rules of origin for Preferential Tariff entry into New Zealand. For example, under the origin provisions relating to goods exported from Singapore to New Zealand, a ruling could be given on whether or not the goods meet the 40% origin rule thereby clarifying the entitlement of the goods to be entered under tariff preference.

2. **Correct application of regulations**—interpretation of any matter of the preferential rules of origin.

This ruling allows for the correct application (interpretation) of any provision of the preferential rules of origin. For example, whether or not the factory manager’s motor vehicle under the manager’s employment contract is an allowable labour cost for the purposes of the 40% origin rule calculation.

Applications are processed by Trade Policy in Wellington and must be made on either Form C7A “Country of Produce or Manufacture” or Form C7B “Correct Application of Regulations” prescribed for that purpose. The two forms contain ‘General notes’ about each particular ruling. There is a fee of NZ \$40.00 (inclusive of GST) levied for each ruling at the time of application.

All enquiries relating to these rulings, and the supply of the prescribed forms together with information about the origin rulings can be obtained from Trade Policy—see ‘Further Information’.

It must be stressed that any rulings given under these provisions relates only to the circumstances identified in the application. Should those circumstances change (e.g., factory overheads alter), the ruling may no longer have relevance.

Additional Notes

Goods and Services Tax (GST) is payable by the New Zealand importer even though Singapore goods may comply with the preferential rules of origin and are entitled to tariff free entry into New Zealand.

Further Information

Manufacturers, exporters and importers may contact Customs at the following locations should there be any particular rules of origin query or question that arises and requires clarification or answer:

Auckland

New Zealand Customs Service
Box 29
Auckland
Attention: Valuation & Origin
Phone: 09-359 6655
Facsimile: 09-359 6733

Wellington

New Zealand Customs Service
Box 2218
Wellington
Attention: Valuation & Origin
Phone: 04-473 6099
Facsimile: 04-473 0017.

Christchurch

New Zealand Customs Service
Box 14-086
Christchurch Airport
Attention: Valuation & Origin
Phone: 03-358 0600
Facsimile: 03-358 0604.

For information on the Preferential Origin**Rulings, contact:**

New Zealand Customs Service
Box 2218
Wellington
Attention: Trade Policy
Phone: 04-473 6099
Facsimile: 04-472 3886.

**The New Zealand Customs Service
Internet Site**

A copy of this Fact Sheet is on the Customs web site under: 'Commercial Information'—'Singapore Preferential Rules of Origin'.

The web site also contains other commercial information relating to goods imported into New Zealand as well as the Customs' legislation.

The New Zealand Customs Service Internet web site address is: www.customs.govt.nz

The Customs Release

The *Customs Release* is a fortnightly New Zealand Customs Service publication. The *Customs Release* will be used to provide further explanations and information on the preferential rules of origin as they arise.

APPENDIX 1**Goods Wholly Produced or Obtained in Singapore**

Goods wholly produced or obtained within Singapore being:

- (i) Mineral products extracted from its soil, waters, seabed, or from beneath the seabed
- (ii) Vegetable products harvested or gathered there
- (iii) Live animals born and raised there
- (iv) Products obtained from live animals born and raised there
- (v) Products obtained by hunting, fishing or aquaculture conducted there
- (vi) Products of fishing and other marine products taken outside its waters by vessels registered or recorded there
- (vii) Products processed and/or made on board factory ships registered or recorded there exclusively from products referred to in subparagraph (vi) of this paragraph
- (viii) Products taken by Singapore, or by a citizen or resident, or a legal person, of Singapore, from the seabed or beneath the seabed outside its territorial waters if Singapore is lawfully entitled to exploit that seabed
- (ix) Waste and scrap resulting from production in Singapore and fit only for the recovery of raw materials
- (x) Waste and scrap fit only for the recovery of raw materials derived from used articles collected there
- (xi) Goods produced there exclusively from the products referred to in subparagraph (i) to (x) above.

APPENDIX 2

Preferential Rules of Origin Certification/Declaration—Conditions Precedent to Entry at Preferential Rates

Examples of certification/declaration that could support the importer claiming the preferential rates of duty are:

Origin Category 1

Goods “wholly produced or obtained” in Singapore:

“I hereby certify/declare that the
(specify the good/s on the invoices)
is/are wholly produced or obtained in Singapore.

Signature:

Name:

Title/Position:

Date:

Origin Category 2

Goods ‘partly manufactured in Singapore’ in terms of the 40% rule:

“I hereby certify/declare that the
(specify the good/s on the invoices)
are:

- (a) manufactured in, And have the last process of manufactured performed in, Singapore; and
- (b) not less than 40% of their factory cost is represented by allowable qualifying expenditure on materials (including inner containers), labour and factory overheads of Singapore and/or New Zealand.

Signature:

Name:

Title/Position:

Date:

Goods 'partly manufactured in Singapore' in terms of the 50% rule:

"I hereby certify/declare that the
(specify the good/s on the invoices)

have undertaken:

- (a) quality control checking and testing procedures performed in Singapore as the last process of manufactured; and
- (b) not less than 50% of their factory cost is represented by qualifying expenditure on quality control checking and testing procedures incurred in Singapore.

Signature:

Name:

Title/Position:

Date:

Goods 'partly manufactured in Singapore' in terms of the 8% rule (including the 40% requirement)

"I hereby certify/declare that the
(specify the good/s on the invoices)

have undertaken:

- (a) quality control checking and testing procedures performed in Singapore as the last process of manufactured; and
- (b) not less than 8% of their factory cost is represented by qualifying expenditure on quality control checking and testing procedures incurred in Singapore; and
- (c) not less than 40% of their factory cost is represented by earlier allowable qualifying expenditure on materials (including inner containers), labour and factory overheads of Singapore and/or New Zealand, including the qualifying %age of (b) above.

Signature:

Name:

Title/Position:

Date: