

PREFERENTIAL TARIFF DUTY RATES AND AN EXPLANATION ABOUT THE RULES OF ORIGIN

This fact sheet provides general information on the requirements that must be fulfilled for goods imported into New Zealand to qualify for the preferential tariff duty rates that are applicable to goods that are the produce or manufacture of specified countries and groups of countries.

This fact sheet should only be used as a general guide. It does not set out every requirement applicable. Accordingly, it is strongly recommended that this fact sheet be read in conjunction with the Customs and Excise Act 2018, Customs and Excise Regulations 1996, and the Tariff of New Zealand as set out in the Working Tariff Document.

Further information about specific countries and country groups is available in separate fact sheets, a list of which can be found at the end of this fact sheet.

WHAT IS A PREFERENTIAL TARIFF DUTY RATE?

A preferential tariff duty rate is a rate of duty that is lower than the normal tariff duty rate in the Tariff of New Zealand.

A preferential duty rate can be applied to certain goods from certain specified countries and groups of countries. This is done to accord with trade agreements that New Zealand has entered into.

Also, in accordance with the Generalised System of Preferences, a preferential duty rate is available to certain goods produced or manufactured in developing countries.

Applying a preferential tariff duty rate to goods is referred to as giving those goods 'preferential tariff treatment' or 'preference'.

The requirements that determine whether particular goods are eligible for preferential tariff treatment upon

entry into New Zealand depend on the terms of the relevant trade agreement or preference scheme. Of particular importance are the rules of origin which are included in each trade agreement.

COUNTRIES ELIGIBLE FOR PREFERENTIAL TARIFF TREATMENT

The countries whose goods are eligible for preferential tariff treatment when imported into New Zealand (referred to as 'preferential countries') are identified in the introductory pages to The Working Tariff Document of New Zealand, available on the New Zealand Customs Service website www.customs.govt.nz

DETERMINING THE PREFERENTIAL TARIFF DUTY RATE APPLICABLE TO PARTICULAR GOODS

Not all goods originating in a preferential country are eligible for preferential tariff treatment when imported into New Zealand. Whether or not particular goods qualify for preferential tariff treatment, and the preferential rate of duty that applies to them if they do, is dependent on where those goods are classified in the Tariff of New Zealand. In the Tariff, the preferential tariff duty rates for goods are set out in the preferential tariff duty column (and relevant footnote) against the tariff classification. Note that in some instances a preferential rate of duty does not apply immediately on entry into force of a trade agreement, or the final preferential duty rate may be phased-in over a period of time.



Importers need to note that some preferential countries may benefit from more than one trade agreement. For example, goods which are the produce or manufacture of Australia could access preferential tariff treatment under either of the following agreements:

- » Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA)
- » ASEAN-Australia-New Zealand Free Trade Area Agreement (AANZFTA).

In addition, some countries with which New Zealand has a trade agreement are recognised as a Less Developed Country (LDC) or a Least Developed Country (LLDC), and could also access the preferential tariff duty rates under the Generalised System of Preferences scheme. For example, New Zealand has a bilateral trade agreement with China — the New Zealand-China Free Trade Agreement (NZCFTA) — and China is also recognised as an LDC country. Similarly, New Zealand has a trade agreement with Laos under the ASEAN-Australia-New Zealand Free Trade Area Agreement (AANZFTA), and Laos is also recognised as an LLDC country.

In such cases, importers have the option to choose the particular trade agreement or preference scheme that is most suitable for their specific circumstances. However it is important to note that each trade agreement or preference scheme has its own separate rules of origin provisions which are specific to that particular trade arrangement and are not transferable to another trade arrangement. So for goods to be eligible for the preferential duty rate provided for in an agreement they must qualify under the rules of origin in that agreement. For example, Thailand is an LDC country, and also benefits from two separate trade agreements with New Zealand — the New Zealand–Thailand Closer Economic Partnership Agreement (NZTCEPA) and the AANZFTA.

If the AAN preferential duty rate is being claimed for goods imported into New Zealand from Thailand, it must be shown that the goods meet the AANZFTA rules of origin. It is not sufficient to show that the goods qualify for origin under the NZTCEPA or LDC rules of origin in order to obtain the AAN preferential duty rate.

It is the importer's responsibility to accurately claim the applicable preferential tariff rate of duty, and ensure that their goods satisfy all applicable requirements that are specific to the particular trade agreement, when submitting the import entry to the New Zealand Customs Service.

Note:

Some goods are free of tariff duty when imported into New Zealand irrespective of their origin, or are covered by a duty concession. Since there is no tariff duty payable on such goods when they are imported into New Zealand, it is not necessary to claim preferential tariff treatment for them.

QUALIFYING FOR PREFERENTIAL TARIFF TREATMENT

To qualify for preferential tariff treatment, imported goods must satisfy all the specific requirements that are applicable to the preferential country or country group in which the goods were produced or manufactured.

As a general rule, the goods must:

- (a) satisfy the rules of origin applicable to the particular preferential country or country group; and
- (b) comply with all other relevant requirements applicable to the particular preferential country or country group (eg, direct shipment).

The rules of origin set out the criteria for determining whether imported goods are to be treated as being the produce or manufacture of a particular preferential country or country group.

The rules of origin and other relevant requirements in respect of the Generalised System of Preferences and older trade agreements are set out in Part 6 of the Customs and Excise Regulations 1996 — Determination of Country of Produce or Manufacture. Those in more recent trade agreements are incorporated into New Zealand legislation by reference.

RULES OF ORIGIN - CRITERIA FOR DETERMINING ORIGIN

When a good is wholly obtained or produced in a single preferential country without incorporating any imported materials, it is relatively straightforward to determine its origin. However, when a good is produced or manufactured in more than one country, and/or is produced or manufactured from materials that originate from more than one country, it needs to be determined whether or not the good has undergone the necessary changes or transformation in the preferential country to confer origin.

Different methods or origin categories are provided under each trade agreement or preference scheme for determining whether particular goods can be treated as being the produce or manufacture (ie, origin) of the particular preferential country or country group which the trade agreement or preference scheme relates to.

For goods to qualify as the origin of a particular country or country group, the goods must fall into one of the origin categories provided for under the particular trade agreement or preference scheme.

Further information in relation to the origin categories and requirements applicable under a particular trade agreement or preference scheme are detailed in the appendix to this fact sheet and in separate fact sheets. A list of the pertinent fact sheets can be found at the end of this fact sheet. However, as guidance, below is a general explanation of the usual origin categories that are applied in determining whether particular goods qualify as the produce or manufacture of a particular country or country group.

Goods wholly obtained or produced in the preferential country

This origin category is common to all of New Zealand's trade agreements. Goods are treated as being the produce or manufacture of a preferential country or country group if the goods were wholly obtained or produced in the preferential country and have no imported content. Typically, these goods are natural resource based goods obtained in the preferential country, and final products made from them without incorporating any other material. This origin category also includes waste and scrap and used goods, provided that such goods are fit only for the recovery of raw materials.

Examples of goods qualifying under this origin category are animals and animal products, plant products, and minerals and other naturally occurring substances extracted from the country's soil or from its sea bed.

Note:

In the context of the wholly obtained or produced origin category, the term 'obtained' does not mean 'purchased'. The term is used simply to acknowledge that origin can be conferred on goods that are naturally occurring as well as on goods that are produced by human endeavour.

Goods entirely produced (exclusively from materials that would themselves qualify as originating goods) in the preferential country

This origin category is used to confer origin on goods which were produced in the preferential country (or in the territory of one or more countries in the case of a regional trade agreement) entirely from materials that would themselves qualify as originating goods. Under this origin category, the materials used (including additives) in the production of the final goods must themselves all be originating goods.

For materials to qualify as originating goods, the materials must be produced in the preferential country, and satisfy the relevant rules of origin requirements under the particular trade agreement.

Note:

This origin category is not applicable for preferential tariff claims made under the Generalised System of Preferences ANZSCEP, NZTCEPA, and for goods imported from Canada, United Kingdom and Forum Island Countries.

Goods partly manufactured in the preferential country

The term 'partly' relates to goods not manufactured wholly in one country i.e. where two or more countries have taken part in the manufacture of the goods. This occurs where materials are imported into the preferential country and are used (along with other materials) in the manufacture of the imported goods

This origin category uses a value-added approach (sometimes referred to as the 50 percent rule) expressed in monetary terms, and is used to confer origin for partly manufactured goods from Canada, United Kingdom, Forum Island Countries, LDC, and LLDC countries, and Singapore (under the ANZSCEP).

The 50 percent rule requires that:

- » The last process in the manufacture of the goods must be performed in the preference country.

In this context 'manufacture' must involve a significant change in the form or function of the thing said to be manufactured when compared with its unmanufactured or previously manufactured state. In essence, manufacture involves the making of something different from the materials or component parts out of which it was made. Only in situations where such change has been brought about can manufacture be said to have taken place.

Certain 'minimal operations or processes' will generally not, by themselves, be considered to constitute manufacture. Examples of 'minimal operations or processes' include affixing of marks and labels, dilution with water or another substance that does not materially alter the characteristics of the goods, packaging or presenting goods for sale, and simple processes such as cleaning, washing, crushing, husking and other similar operations.

- » The expenditure incurred on certain elements of the process of manufacturing the goods must be a certain minimum percentage of the factory or works cost of the goods in their finished state (For all countries noted above, except Singapore, the required minimum is 50 percent, though for some goods from Forum Island countries the required minimum is 45 percent. For Singapore the required minimum is usually 40 percent although there are some variations for particular goods).

The formula for calculating the expenditure requirement can be expressed as:

$$\frac{\text{Qualifying expenditure}}{\text{Factory or works cost}} \times 100\%$$

Where:

Qualifying expenditure = qualifying expenditure on materials + qualifying labour and factory overheads + qualifying overheads (including inner containers/inside packages)

Factory or works cost = Total expenditure on materials + qualifying labour and factory overheads + qualifying overheads (including inner containers/packaging).

Importers should refer to the specific regulations relating to the preferential country or country group to identify what costs are to be included or excluded from the relevant qualifying expenditure and factory or works cost.

Note:

The 50 percent rule in the ANZCERTA trade agreement with Australia expired on 1 January 2012 and from that date importers are no longer able to claim ANZCERTA tariff preference under the 50 percent rule.

Goods that meet the requirements of a product specific rule

More recent trade agreements which New Zealand has entered into contain lists of what are called ‘product specific rules’. A separate rule is specified for each heading or subheading within the internationally recognized Harmonized System nomenclature (‘HS’). Use of a product specific rule can allow goods containing non-originating materials to qualify for preferential tariff treatment.

To identify the product specific rule for a good from a preferential country or country group, importers must first determine the HS classification of the final product imported into New Zealand, and then look up the rule specific to products of that classification (the product specific rule) for goods from that preferential country or country group in the relevant schedule to the Customs and Excise Regulations

1996 or in the product specific rule annex to the relevant trade agreement.

A product specific rule may take the form of one or more of the following approaches:

- » Change in tariff classification (CTC)
- » Regional value content (RVC)
- » Specified process rule.

Most goods have only a single rule whether it be a CTC rule, an RVC rule, or a specified process rule. However, some goods — notably those classified in chapters 61 and 62 of the HS — may be required to meet tests drawn from two or more of these rules in order to qualify as originating goods. Sometimes alternative rules are provided and then the importer may choose which one to use.

Under the CTC approach, a good produced in a preferential country will qualify as originating if the final good has a different HS classification from the HS classification of any non-originating materials used in its production. A CTC rule can be set at chapter level (first two digits of the HS), heading level (first four digits of the HS), or subheading level (first six digits of the HS).

Example of using CTC approach:

Warp knit fabric of HS 60.05 is produced in the Philippines using non-originating cotton yarn and is exported to New Zealand. Like New Zealand, the Philippines is a party to the AANZFTA agreement. The rule for warp knit fabric of HS 60.05, set out in the product specific rules of the AANZFTA agreement is change in chapter (CC). The non-originating cotton yarn is classified in HS 52.06. The result of this rule is that the warp knit fabric imported into New Zealand is treated as originating in the Philippines in accordance with the AANZFTA agreement. This is because the warp knit fabric is classified within a different HS chapter (chapter 60) from the non-originating cotton yarn (chapter 52). Consequently the warp knit fabric imported into New Zealand gains the benefit of the preferential tariff treatment for AANZFTA goods.

Under the RVC approach, a good produced in a preferential country will qualify as an originating good if the final product contains a certain level of value (eg, 40 percent of FOB) added in that preferential country or in the country group to which it belongs. Sometimes, in addition to this, there is an added requirement that a specific process has taken place in the relevant preferential country or country group. Multilateral trade agreements (those agreed between a number of different countries) usually provide that content originating within the territories of any of the countries which are parties to the agreement can be taken into account cumulatively.

A specified process rule (such as a chemical reaction rule or a textile finishing process rule) is often applied to goods such as oils, chemicals and textiles and requires that the goods have undergone a particular process (as specified in the rule) in the preferential country. The specified process rule can be an alternative to a CTC or RVC rule. In such instances, compliance with the requirements of the specified process rule is sufficient to confer originating status.

Note:

This origin category is not applicable for preferential tariff claims made under the Generalised System of Preferences, ANZSCEP, and for goods imported from Canada, United Kingdom and Forum Island Countries.

**The De Minimis Provision
— an exception to the CTC rule**

Under most trade agreements using CTC rules, a finished good which meets all the origin requirements except for an applicable CTC rule, may nonetheless qualify as an originating good if the quantity of all non-originating materials (and materials of undetermined origin) which are incorporated into the finished good and which themselves did not comply with the CTC rule does not exceed a certain amount. Generally, the requirement is based on value (and is that the value of all of the non-originating materials must be less than 10 percent of the FOB value of the goods) although the AANZFTA agreement contains some requirements based on weight.

DIRECT SHIPMENT

With some exceptions, notably goods from Forum Island Countries, goods must be transported to New Zealand from the preferential country or country group* without entering the commerce of another country to be able to qualify for preferential tariff treatment upon entry into New Zealand. It is permissible for transport to New Zealand to involve physical transit

through a third-party country so long as the goods do not enter the trade or commerce of that country or undergo any process while there (other than simple logistical processes such as unloading and reloading, repacking, or any operation required to keep them in good condition). If goods have cleared Customs in a third-party country they will usually be taken to have entered the commerce of that country.

The Chief Executive of the New Zealand Customs Service is empowered to waive this requirement in respect of goods for which a claim is made for Canadian preference, United Kingdom preference, or LDC or LLDC preference, and for goods for which preference is claimed under the bilateral trade agreement with Thailand or the Trans-Pacific trade agreement with Brunei, Chile, and Singapore.

* For example, under the ASEAN-Australian-New Zealand Free Trade Area Agreement (AANZFTA), goods from one AANZFTA party can be transported to New Zealand via another AANZFTA party without affecting their eligibility for preferential tariff treatment under the AANZFTA agreement.

Note:

For the purposes of their respective trade agreements with New Zealand, Hong Kong and the People's Republic of China are each treated as being separate preferential countries. Therefore, finished goods from one of them which enter the commerce of the other of them will lose eligibility for preferential tariff treatment.

DOCUMENTARY EVIDENCE OF ORIGIN

A New Zealand importer may make a claim for preferential tariff treatment on the basis of a certificate of origin, a declaration of origin, or other evidence sufficient to prove that the goods satisfy the relevant rules of origin provisions.

Nevertheless, it should be noted that the New Zealand Customs Service does

not consider a certificate of origin or declaration of origin to be conclusive proof that imported goods satisfy the relevant rules of origin. Therefore, if requested by the New Zealand Customs Service, an importer who makes a claim for preferential tariff treatment for goods imported into New Zealand must be able to provide sufficient evidence to substantiate the claim. A claim for preferential tariff treatment should not be made if the importer does not possess the necessary documentation and other evidence to substantiate the claim (see sections 105 and 106 of the Customs and Excise Act 2018).

New Zealand importers are required to retain origin documents for a period of seven years.

Note:

It is mandatory for goods that are imported into New Zealand from Hong Kong which fall in HS chapters 61 or 62 (Articles of apparel and clothing accessories) to be supported by a certificate of origin issued by the Trade and Industry Department of Hong Kong, China or by a Government Approved Certification Organisation of Hong Kong, China (GACO) in order to claim preferential tariff treatment.

CUSTOMS RULINGS ON ORIGIN

The New Zealand Customs Service issues Customs Rulings on origin matters relating to New Zealand's preferential rules of origin.

There are two types of origin rulings which a person can apply to the New Zealand Customs Service for:

- » Whether or not a particular good is the produce or manufacture of a preferential country or preferential country group.
- » The correct application (interpretation) of any rules of origin provision as set out in Part 6 of the Customs and Excise Regulations 1996.

An application for a Customs ruling must be made on either Form C7A (Country of Produce or Manufacture) or Form C7B (Correct Application of Regulations). These are available on the New Zealand Customs Service website. The forms contain 'General notes' about each particular ruling. A fee per good per ruling is payable.

OTHER TAXES, LEVIES, OR CHARGES

Relevant taxes and levies applicable in New Zealand will remain payable irrespective of preferential tariff treatment. For example:

- » goods and services tax (GST)
- » excise equivalent duties
- » anti-dumping or countervailing duties
- » ALAC and HERA levies
- » import entry transaction fees or other cost recoveries.

FOR FURTHER INFORMATION

Contact your nearest office of the New Zealand Customs Service, visit the Customs website www.customs.govt.nz or call Customs on 0800 428 786

FURTHER INFORMATION AND RELATED FACT SHEETS

Further information about the requirements for goods to be eligible for preferential tariff treatment under the Generalised System of Preferences scheme and the trade arrangements with the Forum Island Countries, Canada, and the United Kingdom is outlined in the appendix to this fact sheet.

Further information about the requirements for goods to be eligible for preferential tariff treatment under other trade agreements can be found in the following fact sheets, published on the New Zealand Customs Service website:

Fact sheet 19	Agreement Between New Zealand And Singapore on a Closer Economic Partnership (ANZSCEP): Information about the Rules Of Origin - Imports
Fact sheet 20	Australia–New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) - Information About Rules Of Origin
Fact sheet 22	ANZCERTA - Rules of Origin For Determined Manufactured Raw Materials (DMRM)
Fact sheet 30	New Zealand-Thailand Closer Economic Partnership Agreement (NZTCEPA): Information About The Rules of Origin - Imports
Fact sheet 31	Trans-Pacific Strategic Economic Partnership Agreement (TPA): Information About The Rules Of Origin - Imports
Fact sheet 37	New Zealand-China Free Trade Agreement (NZCFTA): Information About Rules Of Origin - Imports
Fact sheet 42	ASEAN-Australia-New Zealand Free Trade Area (AANZFTA): Information About The Rules Of Origin - Imports
Fact sheet 44	Malaysia-New Zealand Free Trade Agreement (MNZFTA): Information For Importers And Exporters About Rules Of Origin
Fact sheet 45	New Zealand-Hong Kong, China Closer Economic Partnership Agreement (NZ–HKC CEP): Information About The Rules Of Origin

The following information on the certification of origin of New Zealand exports to an FTA partner country can also be found on the New Zealand Customs Service website:

Fact sheet 38	Exports To China - Certification And Trade Facilitation
Fact sheet 43	Exports To Member Countries Of The Association Of Southeast Asian Nations (ASEAN) And Australia - Certification And Trade Facilitation

For further information about New Zealand's international trade agreements please refer to the New Zealand Ministry of Foreign Affairs & Trade website (www.mfat.govt.nz).

For any queries about rules of origin, please contact:

Valuation, Origin and Classification
 New Zealand Customs Service
 PO Box 29
 Shortland Street
 Auckland 1140
 Telephone: + 64 9 927 8000
 Email: voc@customs.govt.nz

APPENDIX A

Generalised System of Preferences (LDC and LLDC countries)

The Generalized System of Preferences (GSP) is an international system of tariff preference designed to promote economic growth of developing countries. In accordance with the Generalised System of Preferences, New Zealand grants special treatment to certain goods that are the produce or manufacture of countries recognised as a Less Developed Country (LDC) or as a Least Developed Country (LLDC).

The countries entitled to preferential tariff treatment under the Generalised System of Preferences are set out in Schedules 1 and 2 to the Tariff (Less Developed Countries and Least Developed Countries) Order 2023. As a quick reference, the 'New Zealand Alphabetical Country List and Codes' in the Working Tariff Document of New Zealand can be referred to.

The LDC and LLDC tariff duty rates are identified under the abbreviations 'LDC' and 'LLDC' respectively in the Tariff of New Zealand. An LDC duty rate is not available for all goods, but where it is available, it is generally 80 percent of the Normal rate of tariff duty. In contrast, the LLDC duty rate of 'free' applies to all goods of LLDC origin.

Note:

LDC and LLDC countries are distinct and separate groups of countries. The rules of origin applicable to LDC countries cannot be applied to LLDC countries and vice versa.

The detailed provisions relating to LDC preference and LLDC preference are set out in regulations 43 and 43A respectively of the Customs and Excise Regulations 1996.

Briefly, goods must satisfy one of the following origin categories to be treated as the produce or manufacture of an LDC country or of an LLDC country:

Goods wholly obtained — These are generally the natural products of an LDC or LLDC country, and goods made entirely in an LDC or LLDC country (as the case may be) from those natural products.

Goods partly manufactured — This origin category covers goods that are partly manufactured in an LDC or LLDC country (as the case may be). For goods to qualify under this origin category, both of the following requirements must be satisfied:

- (a) the process last performed in the manufacture of the goods was performed in an LDC country (to be eligible for LDC preference) or in an LLDC country (to be eligible for LLDC preference); and
- (b) the qualifying expenditure in respect of the goods is not less than half (ie, 50 percent) of the factory or works cost of the goods in their finished state.

The 'goods partly manufactured' origin category has a two-tier requirement. If the first requirement is not met (ie, the process last performed in the manufacture of the goods was not performed in an LDC/LLDC), then the goods will not qualify as the produce or manufacture of an LDC/LLDC (as the case may be) irrespective of whether or not the 50 percent qualifying expenditure requirement is met.

Qualifying expenditure includes relevant expenditure incurred in another LDC/LLDC (as the case may be) and in New Zealand. It should be noted that where a producer in an LDC/LLDC claims materials from another country or countries within their respective country group as 'qualifying materials', those materials must themselves satisfy the relevant rules of origin and qualify as the origin of that LDC/LLDC group. A qualifying material of an LDC imported into an LLDC cannot form as part of the qualifying expenditure for LLDC purposes and vice versa.

Goods that satisfy the origin requirements relating to LDC/LLDC must be exported directly to New Zealand without entering the commerce of a country outside the country group (either LDC or LLDC as the case may be). In other words, goods from one LDC may enter the commerce of another LDC on their way to New Zealand, and likewise goods from one LLDC may enter the commerce of another LLDC on their way to New Zealand, without losing their entitlement to the relevant preferential duty rate.

An application can be made to the Chief Executive of the New Zealand Customs Service to permit an exemption to this direct shipment requirement. Permission is generally given only where a special or exceptional circumstance of some kind exists (eg, difficulty of transport from a remote LDC or LLDC country).

Forum Island Countries

The South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA) is a non-reciprocal trade agreement in which New Zealand (together with Australia) offers preferential tariff treatment for specified products that are the produce or manufacture of the developing island member countries of the Pacific Islands Forum (known as the 'Forum Island Countries'). The Forum Island Countries are the Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

Forum Island Countries duty rates are identified under the abbreviation 'Pac' (not FIC) in the Tariff of New Zealand.

Goods must satisfy one of the following origin categories to be treated as the produce or manufacture of Forum Island Countries:

Goods wholly obtained — These are generally natural products of Forum Island Countries, and goods made entirely in Forum Island Countries from those natural products.

Goods partly manufactured — For goods to qualify under this origin category, both of the following requirements must be satisfied:

- (a) the last process in the manufacture of the goods was performed in a Forum Island country; and

- (b) the qualifying expenditure incurred by the manufacturer in respect of the goods is not less than 50 percent of the factory or works cost of the goods in their finished state.

The detailed provisions relating to Forum Island Countries preference are set out in regulations 44 to 51 of the Customs and Excise Regulations 1996.

Note:

The Forum Island Countries may treat qualifying materials of any country within the group and of New Zealand as qualifying expenditure.

In certain situations, Australian qualifying materials can be used. In such cases, there is a requirement that there must be at least 25 percent Forum Island Countries' content in those materials.

There is a 45 percent rule for specified items of clothing. This requirement applies only to specific tariff headings, tariff sub-headings and tariff items.

A 2 percent tolerance may, in certain unforeseen circumstances, be applied to the 50 percent rule resulting in a 48 percent requirement, but this provision is not automatic and requires specific approval from the Chief Executive of the New Zealand Customs Service.

There is no direct shipment requirement under the SPARTECA, but goods which are not transported direct to New Zealand from a Forum Island country must not be subject to further processes in another country (other than in another Forum Island country).

Canada

Canadian preference is premised on the Agreement on Trade and Economic Cooperation between New Zealand and Canada dated 14 August 1981.

Canadian preferential tariff duty rates are identified under the abbreviation 'CA' in the Tariff of New Zealand.

Goods must satisfy one of the following origin categories to be treated as the produce or manufacture of Canada.

Goods wholly the produce of Canada — These are generally natural products of Canada, and goods made entirely in Canada from those natural products.

Goods manufactured in Canada, subject to the following conditions:

- (a) the process last performed in the manufacture of the goods was performed in Canada; and
- (b) the qualifying expenditure in respect of the goods is not less than half (ie, 50 percent) of the factory or works cost of the goods in their finished state.

The detailed provisions relating to Canadian preference are set out in regulation 40 of the Customs and Excise Regulations 1996.

Note:

Qualifying expenditure includes any New Zealand qualifying expenditure.

The 50 percent minimum threshold can be varied by the Chief Executive of the New Zealand Customs Service. However, no recent variations have been made.

Goods that satisfy the origin requirements relating to Canada must be exported directly to New Zealand without entering the commerce of another country. Nevertheless, goods that transit through another country as part of their voyage to New Zealand are not regarded as entering the commerce of a country, and would not lose their entitlement to the CA preferential duty rate.

An application can be made to the Chief Executive of the New Zealand Customs Service to permit an exemption to this direct shipment requirement. Permission is generally given only where a special or exceptional circumstance of some kind exists.

United Kingdom of Great Britain and Northern Ireland, the Isle of Man, and the Channel Islands

Preferential tariff treatment is currently only applicable to a very limited range of motor vehicle parts in respect of goods imported into New Zealand from the United Kingdom of Great Britain and Northern Ireland, the Isle of Man, and the Channel Islands (or referred to by the expression ‘Group 1’ in the Customs and Excise Regulations).

The preferential duty rates are identified under the abbreviation ‘GB’ in the Tariff of New Zealand.

Goods must satisfy one of the following origin categories to be treated as the produce or manufacture of a Group 1 country.

- » Goods wholly the produce of one or more of the countries included in Group 1.
- » Goods wholly manufactured in one or more of the countries included in Group 1 from unmanufactured raw materials.
- » Goods partly manufactured in one or more of the countries included in Group 1, subject to the following conditions:
 - (a) the process last performed in the manufacture of the goods was performed in a country included in Group 1; and
 - (b) the qualifying expenditure in respect of the goods is not less than half (ie, 50 percent) of the factory or works cost of the goods in their finished state.

The detailed provisions relating to the United Kingdom of Great Britain and Northern Ireland, the Isle of Man, and the Channel Islands preference are set out in regulation 42 of the Customs and Excise Regulations 1996.