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Free Trade Agreement with China

Are you joining us?



The bilateral Free Trade Agreement concluded in 2013 between China and Switzerland comes into force on 1 July 2014. Switzerland will abolish all customs duties on imports of Chinese industrial goods. China is abolishing or reducing the large majority of its customs duties on imported Swiss industrial goods, in whole or in part, either when the treaty comes into force or after a transitional period (usually 5 or 10 years, but, in some cases 12 or 15 years). On agricultural products both sides will make concessions.

Are you familiar with the provisions in the Switzerland-China Free Trade Agreement so that you can benefit from its advantages from the date it comes into force? Below we set out the most important points.

Rules of origin (list rules)

The system used for the rules of origin is based on the principles applied in earlier agreements concluded by Switzerland. The specific rules for individual products or product groups are described in the so-called 'list rules'. These rules may vary compared with earlier free trade agreements.

Switzerland–China (export)

Products for export to China should be reviewed based on the rules of origin to determine whether they qualify as originating in Switzerland under this Free Trade Agreement and therefore can benefit from the new Chinese custom duties on Swiss imports. If the rules of origin according to the Free Trade Agreement are not fulfilled, the corresponding customs relief cannot be claimed.

China–Switzerland (import)

For Chinese exporters, the rules of origin proposed by the Free Trade Agreement are less familiar. Chinese firms will need to make the change from the unilateral customs relief under the Generalized System of Preferences to the new provisions of the Switzerland-China Free Trade Agreement.

How PwC can support you

- ✓ Reviewing the origin of the products
- ✓ Consulting on customs and rules of origin
- ✓ Company-specific training in origin matters



Movement certificate

The originating status of goods from Switzerland is evidenced by the EUR.1 movement certificate. For goods originating in China, a similar form (Certificate of Origin - China) is used for deliveries to Switzerland. The origin criteria - 'WO' if the product is wholly obtained, 'WP' for full processing and 'PSR' for product specific rules - must be entered in Box 8 (EUR.1) or Box 9 (Certificate of Origin-China).

Switzerland–China (export)

Form EUR.1 is to be completed in the same way as under other free trade agreements (i.e. reference to the originating status entered in Box 8). Swiss exporters can thus evidence the preferential origin of their goods in order to claim the corresponding customs relief on imports into China.

China–Switzerland (import)

Up to now, Chinese exporters have completed the Certificate of Origin 'Form A' for deliveries to Switzerland. From the date the Free Trade Agreement comes into force, they must use the appropriate movement certificates, provided they ensure the preferential origin of their goods according to the new Free Trade Agreement. Any missing documents may be submitted to the Swiss Customs Administration within 60 days. We will be pleased to support you.

How PwC can support you

- ✓ Reviewing the origin of products
- ✓ Consulting on customs and rules of origin
- ✓ Company-specific training in origin matters



Form A from China

Form A, with which unilateral customs relief on goods from China could be claimed in Switzerland under the Generalized System of Preferences, will no longer be valid with the entry into force of the Free Trade Agreement. From the date, the required information concerning the origin of the goods in China must be reported earlier and the appropriate documents (a movement certificate or an origin declaration) must be produced at the moment the goods are imported into Switzerland.

Switzerland–China (export)

For exports from Switzerland to China, there is no change in this respect. (See the above regarding the movement certificate and the below regarding the invoice declaration.)

China–Switzerland (import)

Chinese exporters need to be aware of the changes required in this respect (i.e. determining the origin, new forms). It is recommended that Swiss importers advise their Chinese suppliers in good time to avoid any financial disadvantages arising from non-compliance.

How PwC can support you

- ✓ Providing China-specific information and services
- ✓ Supporting the determination of origin



Origin declaration (approved exporters)

Approved exporters in Switzerland can print their own origin declaration on an invoice or another commercial document which describes the goods in such a way that they can be identified. It is important that the text of the origin declaration differs from the one usually applied in Europe and it must be given a serial number. China will develop its own 'approved exporter' status.

Switzerland–China (export)

Approved exporters in Switzerland should convert their electronic data processing systems in good time to be able to print the revised invoice declaration and serial numbers on the appropriate documents. In addition, companies that export regularly and are not approved exporters should apply for this status.

China–Switzerland (import)

Chinese exporters can register as approved exporters under their local rules. The relevant requirements and the registration process may vary somewhat depending on the local authorities. In general, the application must evidence that the firm has a system for managing the origin declaration and ensuring the audit trail of the proof of origin. In addition, the persons involved must have attended a course.

How PwC can support you

- ✓ Supporting IT implementation
- ✓ Clarifying opportunities to accelerate the customs process and support with the applications
- ✓ Supporting applications for approved exporter status (in Switzerland or in China)

Origin declarations: exchange of information

It is anticipated that the commercial document containing the origin declaration shall be uploaded as a PDF in a secure electronic system in order that the customs authorities can check the authenticity of the declarations of origin at the time of import. The file name will be the same as the serial number.

Switzerland–China (export/import)

It is recommended to introduce a process to upload the required documents to the respective systems. Depending on the actual requirements, it may be possible to automate parts of this process.

How PwC can support you

- ✓ Assistance in generating the information
- ✓ Providing information on filing information



Customs and origin management

When the Switzerland-China Free Trade Agreement comes into force, it will supersede the previous rules. In order to benefit from the customs preferences, the required changes must be made. If adjustments to the technical system are necessary, it is recommended that they be introduced in good time before making or receiving any deliveries covered by the new rules and tested accordingly.



Switzerland–China (export/import)

From the time the agreement comes into force, the appropriate movement certificates must be ready in order to benefit from the customs duty advantages of the Switzerland-China Free Trade Agreement. It is also possible that organisational measures need to be taken and procedures revised in order to exploit the advantages. Frequently, this demands cooperation between specific internal functions and with external partners (e.g. customers, suppliers and logistic partners).

How PwC can support you

- ✓ Supporting and advising in the transitional phase
- ✓ Providing information about ongoing developments
- ✓ Assisting in customs and origin management matters



Origin verification

The local customs authorities can request a check be made of the origin of the imported products in the country of export. This verification can occur up to three years after the completion or issue of the certificate of origin. For this purpose, the customs authorities can demand documents from the exporter and inspect the business premises or take other measures.

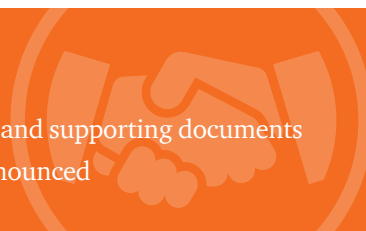


Switzerland–China (Export/Import)

As far as possible, origin determination should be undertaken systematically and the relevant supporting documents (e.g. domestic suppliers' declarations or import documents) should always be available. This should minimise the risk of incorrect treatment and ensure that the origin of the individual deliveries can be proven. If an origin verification audit is announced, it should be prepared for and the relevant documentation should be drawn up.

How PwC can support you

- ✓ Performing sporadic controls and random sampling of origin determination and supporting documents
- ✓ Preparing and accompanying origin verification audits if such an audit is announced



The Generalized System of Preferences (GSP) and the Certificate of Origin Form A

Under the Generalized System of Preferences a number of states grant unilateral customs relief to developing countries.

- Distinction between GSP states (e.g. India, People's Republic of China) and the least developed countries (LDC)
- Validity limited or excluded depending on the country and customs tariff number (type of goods)
- Customs relief in Switzerland for developing countries is generally claimed with the Certificate of Origin Form A; for deliveries of low-value an origin declaration may appear on the invoice.
- Claimed by exporters resident in the developing country
- Pre-printed form in English or French



Movement Certificate EUR.1/ Certificate of Origin China

Use of the movement certificate according to the relevant free trade agreement. Use of the EUR.1 movement certificate is foreseen in various free trade agreements, for example in trade between Switzerland and the EU and under the Switzerland-China Free Trade Agreement for deliveries from Switzerland.

- Goods are entitled to the preference only if they fulfil the origin criteria under the relevant agreement
- The determination of preference for goods from a firm's own production must be clarified (on the reverse of EUR.1 or in a separate document)
- The correct classification of the goods in the customs tariff is crucial for the determination of origin
- To be completed in the language of the agreement (an official EU language or the language of the country of destination). Under the agreement with China EUR.1 must be completed in English

Origin declaration on invoice

The wording of the origin declaration printed on the invoice differs from that usually applied in Europe and is as follows:

“Serial-no.

The exporter of the products covered by this document (registration No ...) declares that, except where otherwise clearly indicated, these products are of [CN/Chinese or CH/Swiss] preferential origin according to the China-Switzerland FTA.

This exporter is legally responsible for the truthfulness and authenticity of what is declared above.”

.....
(Place and date)

A serial number is to be indicated on the origin declaration, which is an innovation for Swiss free trade agreements. This 23 digit serial number consists of the AE registration number (5 digits, without year), the date of issue (8 digits; YYYYMMDD) and the number of the commercial document (free choice: 10 digits; letters and numbers, upper and lower case).

Example:

AE number: 123
Date: 01.07.2014
Invoice no.:Inv42

} Serial no.: 001232014070100000Inv42

You can find further information at:

 www.pwc.ch/customs

 www.custom-ised.com

 www.pwc.ch/newsletter

Please contact us personally.

Are you
prepared for
an origin
verification
audit?

Have you discussed
the procedure with
your suppliers from
China?

Are you familiar
with the origin rules
for the products
relevant for you?

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