TEPA: Customs and Trade

TEPA webinar series by **PwC & Co LLP, India** and **PwC Switzerland**
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Agenda

1 Customs and trade landscape

2 Trade facilitation and FTA compliance

3 Awareness of non-tariff measures (NTMs)

4 Q&A

Today's speakers

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Customs and trade landscape

EFTA/Switzerland: customs and trade landscape

Strong export trade

- Significant trade surplus. Swiss businesses are very export-oriented (machinery, pharma, chemicals, watches, precision instruments).
- TEPA is one of 37 FTAs of Switzerland (further agreements are already signed or being negotiated).

Swiss particularities

- Non-EU membership, but close economic ties with EU countries
- Transit country role due to Switzerland's geographical location

Customs and trade landscape

Increasing technology aspects

- Authorities are enhancing their digital capacity in processes as well as in conducting audits.
- Project for electronic certificate of origin (EUR.1)

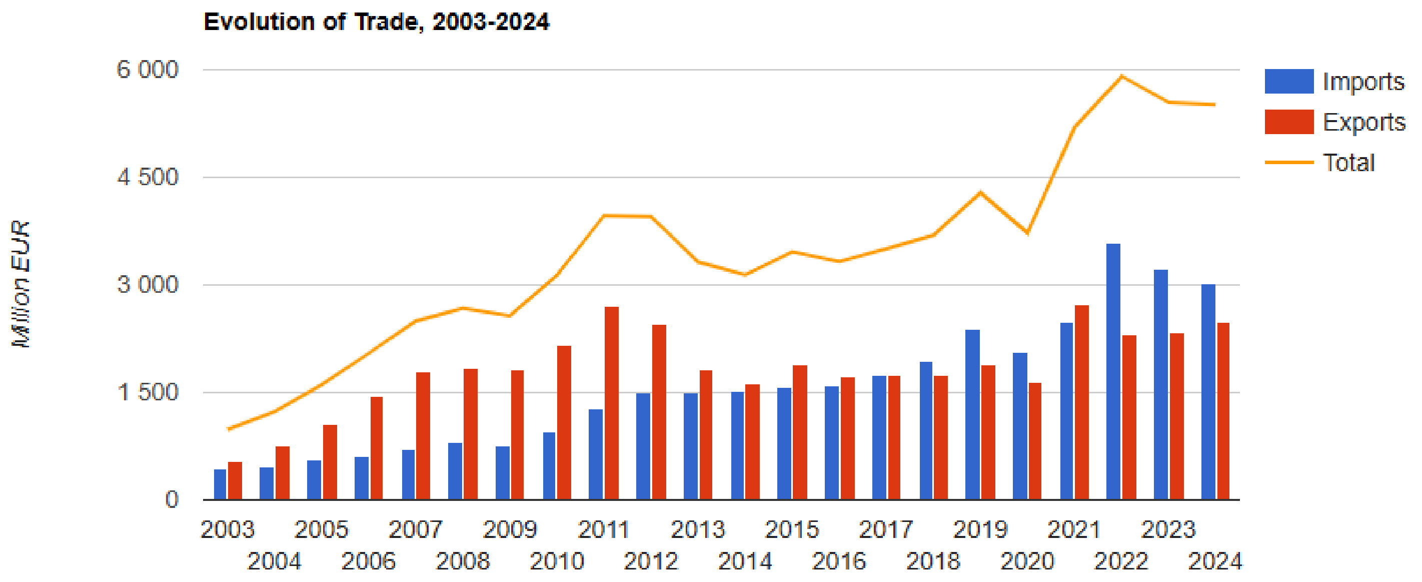
Financial stability for commerce

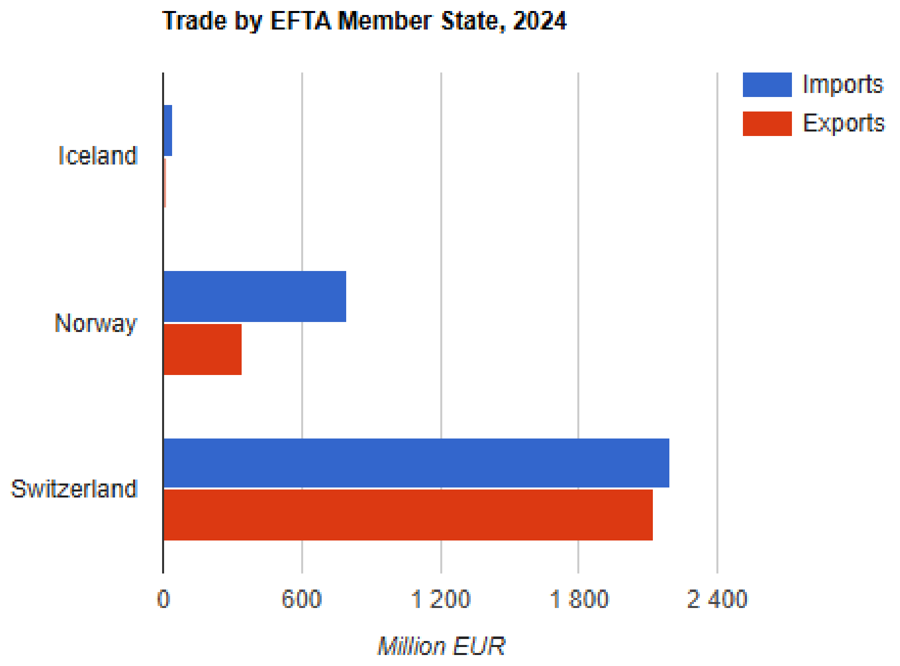
- Strong Swiss franc and low tariff barriers for industrial goods
- Major player in service sector (banking, finance, insurance, tourism)

TEPA trade in goods – EFTA/Swiss specifics

Trade relationship between Switzerland and India

Bilateral trade has been steadily increasing for the past 20 years, with an average growth rate in exports of 13% over the last five years (but still at a low percentage of Swiss exports).





Source: EFTA trade statistics

Key aspects for customs and trade – Swiss view

Advantages for the Swiss economy

- India has very high tariffs compared to the global average.
- Many of these tariffs will be eliminated or reduced over time (up to 10 years). However, most agricultural products are excluded.
- Benefiting industries include machinery, watches, chemicals, pharmaceuticals and medical devices.
- Improved protection of intellectual property rights (but still with potential), recognition of *Swissness* label and geographical indications.

Potential hurdles for EFTA businesses

- Regional differences in India. Companies need to be aware of specifics or consider local support.
- CAROTAR 2020 rules may potentially hinder the smooth application of the FTA and the preferential treatment of imports into India.

India: customs and trade landscape

Changing policy environment

- Move to trust-based assessment
- Customs tariff changes oriented towards domestic value addition in India
- Non-tariff-based restrictions are becoming more prominent

Technology revamp

- ICEGATE 2.0
  – 360° personalised user dashboard
  – Reduction in BoE processing time
- Other IT innovations
  – Digital bond/BG
  – Cross border facilitation through data exchange

Customs and trade landscape

Trade facilitation environment

- New schemes relaxations
  – Bonded warehouse/SEZ
  – Simplified rules
  – Fewer compliance requirements
- Faceless assessment – 2.0

Increased participation in GVCs

- Enhanced market access through 21 signed FTAs
- Boost in FTA utilisation with streamlined processes
- Implementation of paperless clearance through electronic certificates of origin

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Trade facilitation and FTA compliance

Trade facilitation offered by India

1 Authorised Economic Operator (AEO)

- Faster clearance for cargo, including for outbound destinations, with mutual recognition agreement
- Higher facilitation, dispute resolution, deferred customs duty payments

2 Customs Advance Rulings

- Allows for certainty for tax positions of the businesses – valid for 3 years.
- Reduces disputes through advance ruling on the classification, exemption, duty rate, origin and valuation for imports.

3 Digital & Paperless initiatives

- Single Window interface (central portal)
- Single electronic declaration
- Self-assessment and faceless clearance
- Self-rectification of import/ export documents – ease of correction

4 Free trade warehousing zones

- Free trade warehousing zones allow for duty deferment, streamlined logistics and just-in-time delivery.
- Set-up boosts cash flow optimisation for businesses.

5 Manufacturing in bonded facility

- Duty deferment benefit for manufacture in bonded facility
- Enables cash flow optimisation with no export obligation

CAROTAR: The key to claiming FTA benefits in India

CAROTAR Compliances

- CAROTAR is an India-specific requirement to prevent mis-use of FTA benefits
- Indian importers are required to maintain origin-related information in accordance with CAROTAR Form I.
- **Part A of Form I**: Details of product, production process undertaken in country of origin, originating criteria prescribed in the rules of origin & claimed
- **Part B of Form I**: To be completed if originating criteria is NOT wholly obtained, for each such good under import

The Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 ('CAROTAR, 2020') has been effective since 21 September 2020.

Legal responsibility

(for declarations being made in respect of COO)

Enhanced documentation requirements

(The importer mandatorily needs to possess value-addition related data in respect of the imported goods for a period of 5 year)

Power of verification

(Customs authorities can verify at the time of import or at a later stage.)

Consequences of non-compliance

(FTA-related non-compliance can attract penal provisions under Indian customs law.)

Tariff concessions for imports into India – EFTA TEPA (Switzerland)

Product	Current tariff	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Television set (CTH 8528)	BCD – 20	17.14	14.29	11.43	8.57	5.71	2.86	0			
	SWS – 2	1.71	1.43	1.14	0.86	0.57	0.29	0			
	Total duty – 22	18.86	15.71	12.57	9.43	6.29	3.14	0			
Jewellery (CTH 7113)	BCD – 25										
	SWS – 0					Not covered					
	Total duty – 25										
Leather goods (CTH 4202)	BCD – 15	12.86	10.71	8.57	6.43	4.29	2.14	0			
	SWS – 1.5	1.29	1.07	0.86	0.64	0.43	0.21	0			
	Total duty – 16.5	14.14	11.79	9.43	7.07	4.71	2.36	0			
Perfume (CTH 3303)	BCD – 20	17.14	14.29	11.43	8.57	5.71	2.86	0			
	SWS – 2	1.71	1.43	1.14	0.86	0.57	0.29	0			
	Total duty – 22	18.86	15.71	12.57	9.43	6.29	3.14	0			
Digital thermometer (CTH 9025)	BCD – 10	9.00	8.00	7.00	6.00	5.00	4.00	3.00	2.00	1.00	0
	SWS – 1	0.90	0.80	0.70	0.60	0.50	0.40	0.30	0.20	0.10	0
	Total duty – 11	9.90	8.80	7.70	6.60	5.50	4.40	3.30	2.20	1.10	0

CTH – Customs Tariff Heading
BCD – Basic Customs Duty
SWS – Social Welfare Surcharge

TEPA – Origin Rules

TRADE AND ECONOMIC PARTNERSHIP AGREEMENT

Common with other FTAs: From a customs and trade perspective, there are specified (preferential) **rules of origin** for the contracting parties and overall, the **elimination of tariffs and trade barriers**

List rules

Very detailed list rules (often at 6-digit HS level / CTSH)

Tolerance thresholds

General value tolerance of 10 % of the ex-works price/FOB price for list rules that require position/chapter shift (tariff shift)

Cumulation of origin

Limited to originating goods from EFTA countries and India

Direct shipment

Transshipments, divisions, and preservation measures in third countries are permitted, but under constant customs control

Proof of origin

Swiss exporters: declaration of origin or a EUR.1 movement certificate; Indian exporters: certificate of origin

Authorised Exporter

Issuance of the declaration of origin is reserved for authorised exporters of Switzerland/EFTA (with electronic signature)

Examination process

Foreseen observer status to import country, the exporter can refuse the presence of foreign customs authorities

Tariff elimination

Asymmetric tariff reduction: EFTA countries in one single step, India gradually over 10 years

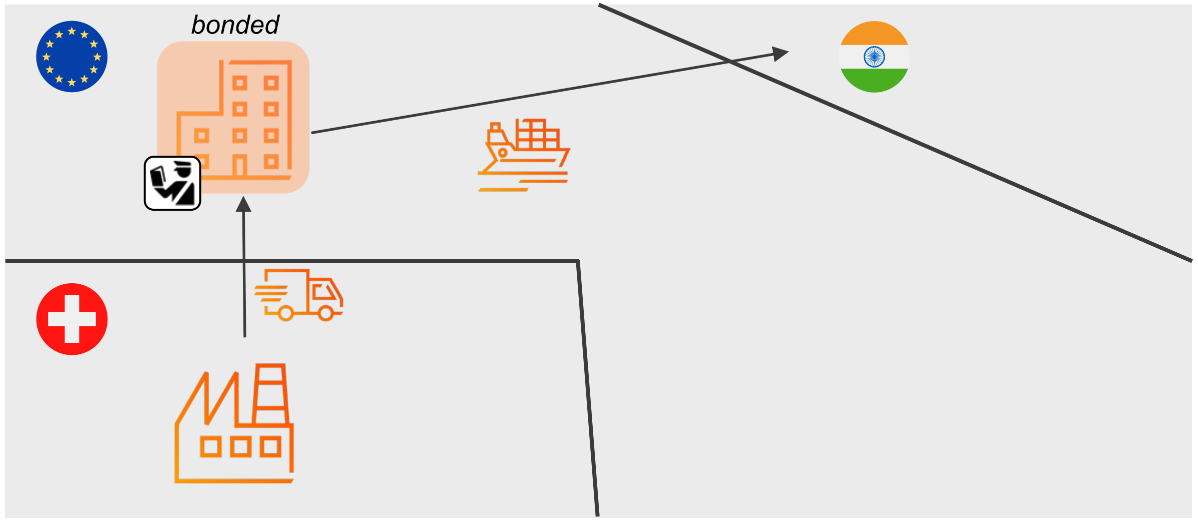
Direct Shipment Rule

On the import side, Switzerland has **eliminated industrial tariffs** (chapters 25-97) as of 1 January 2024.

Therefore, from Switzerland's perspective, the TEPA is particularly **significant in terms of exports**.

TEPA stipulates the **direct shipment rule**, meaning that originating goods must be directly shipped from one contracting party to the other.

Shipments may be **transhipped**, **divided**, and subjected to **measures for preserving** the goods in third countries; however, they must **not be otherwise altered or processed** in transit (need to remain under constant customs control).



Swiss businesses with **distribution hubs**, for instance, **in the EU**, should consider placing them within **bonded warehouses** to ensure compliance with the direct shipment rule.

3

Awareness of Non-Tariff Measures

Non-tariff regulations – decoding the Indian market

Non-automatic permits

- Can be used to regulate imports (driven by India's import policy).
- For instance – import authorisation for importing laptops, servers, tablet computers

Quotas/ tariff rate quotas (TRQ)

- Quantitative restriction on import volumes
- Can be paired with higher tariffs for out of quota imports.
- For instance – TRQ on maize imports into India

Technical barriers to trade (TBT)

- Product/sector-specific norms ensure the quality and safety of products.
- Enables consumer protection and maintains equilibrium.
- For instance – BIS certification for importing toys, footwear, machinery

Sanitary and phyto-sanitary (SPS) measures

- SPS measures also prescribe qualitative sanitary requirements and regulating market access.
- For instance – FSSAI permits for edible products

Indian standard (BIS) certification – deep dive!

BIS certification is compulsory for specified products to ensure they meet prescribed Indian standards.

Impact on supply chain

- Increased vendor reliability
- Efficient inventory planning
- Improved transparency
- Enhanced brand reputation
- Faster market acceptance

BIS compliance step-chart

Applicability of relevant IS	Reviewing product coverage against IS/QCO standards
Preparation of application	Drafting the application with product and process details
Factory inspection	BIS factory inspection for IS compliance verification
Testing of samples	BIS sample collection for lab testing
Review and granting certification	BIS reviews reports and grants certification based on findings.

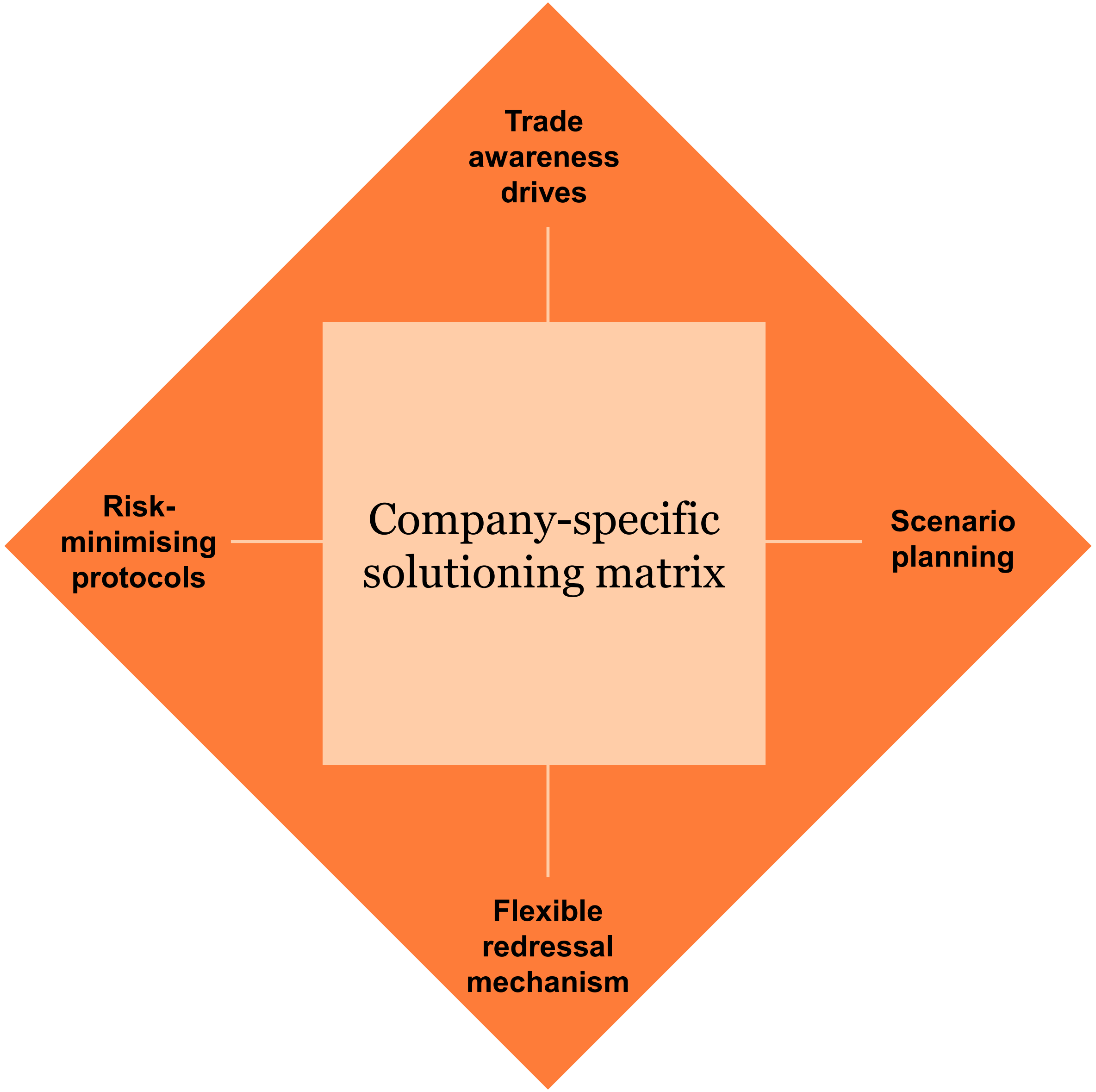
How do companies navigate non-tariff complexities?

Risk-minimising

- Revisiting SOPs at ground level
- Enabling certainty (e.g. advance ruling)

Trade awareness drives

- TrainingInvestment in technology
- and capacity-building



Flexible redressal mechanism

- Product adaptations to meet local standards
- Local partnerships and representations

Scenario planning

- Fail-safe mechanism (alternate sourcing)
- 'Compliant first' approach

Thank you

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