

SINGAPORE-AUSTRALIA FREE TRADE AGREEMENT (SAFTA)

SAFTA was signed on February 17, 2003 and entered into force on July 28, 2003. The second ministerial review of SAFTA was concluded on July 27, 2009. Amendments arising from this review are expected to come into effect in early 2010.

A. Tariff Reduction and Elimination Modality

Singapore and Australia eliminated all tariffs upon entry into force of the Agreement. There are no exemptions.

B. Rules of Origin

General Rules

SAFTA follows a general value-added approach to rules of origin. For products from Australia or Singapore to be eligible for duty-free access into the other market, they must be wholly obtained or fulfill a general rule of a specified threshold of local value content of either 30% or 50%. Generally, the rules of origin require the value-added of 50% of the ex-factory cost.¹ For selected products of importance to Singapore, listed in Annex 2d² to the SAFTA, the threshold of content is lower, at 30% of the ex-factory cost. This provision reflects the nature of Singapore's industrial structures as a small island nation, where materials are imported, partially processed and then sent to neighboring countries for further processing before being returned to Singapore for final processing, assembly and export. A summary of the rules of origin under SAFTA is as follows:

Method of Determining Origin	Unique Origin Criteria
<ol style="list-style-type: none">Wholly obtained or producedCalculation of local content <u>Most products</u> – Allowable cost to manufacture (cumulative Singapore and Australia) is not less than 50% ex-factory cost of the good. <u>Electrical, mechanical and optical products</u> – Allowable cost to manufacture (cumulative Singapore and Australia) is not less than 30% ex-factory cost of the good.	<p>Determined Manufactured Raw Material (DMRM)</p> <p>Outward processing is applicable for all goods, except for plastic, rubber, electrical and mechanical, automotive, and medical equipment products, as well as textiles, clothing and footwear.</p>

The formula to be used to determine whether a good meets required local content:

$$VA (\%) = \frac{\text{Qualifying Area Content}^3}{\text{Ex-Factory Cost}} \times 100$$

Product Specific Rules of Origin

There are no product specific rules of origin applicable under SAFTA.

¹ Ex-Factory Cost = Total Expenditure on Materials + Allowable on Labor + Allowable Expenditure on Overheads + Total Expenditure on Overseas Processing Costs (where applicable).

² Annex 2d includes 114 tariff subheadings in HS Chapters 84, 85 and 90.

³ Allowable Expenditure on Materials + Allowable Expenditure on Labor + Allowable Expenditure on Overheads

Rules on DMRM

SAFTA rules of origin also allow for “Determined Manufactured Raw Materials” to be considered as wholly manufactured in a Party if the raw material is used in the manufacture of goods in the Party, even if these goods originate from a non-Party.⁴

Outward Processing Costs (Accumulation)

SAFTA rules of origin factor in outward processing (accumulation) when determining the value-added content. The rules permit all production costs incurred in Australia or Singapore at all stages of the manufacturing process to be taken into account when calculating value-added, even where the manufacturing process is interrupted by offshore processing, provided that the control or ownership of the material in question does not change before and/or after offshore processing. The outward processing provisions under SAFTA apply to most goods with several exceptions including a range of textiles, clothing and footwear, passenger motor vehicle items and jewelry. Goods to which these provisions do not apply are listed in Annex 2c of SAFTA.

Rules on Accumulation of Inputs

When a material is qualified as an originating material, its total value may be included for the purpose of the value-added calculation. Inputs from the other Party may be included in the value-added calculation.

De Minimis

Not applicable under SAFTA.

C. Certification Rules

General Description

SAFTA has a two-tiered certification system, which incorporates advantageous aspects of both government certification and the approved exporter systems.⁵ It follows that for each shipment, the goods must be accompanied by a valid certificate of origin (CO) and a self declaration by either the exporter or manufacturer stating that the products are the produce or manufacture of one of the FTA parties. The CO is valid for multiple consignments of goods to be exported within a period of two years from the date of issue. The importer must produce the authorized CO for the first shipment, which must occur within the first year of its issuance. Subsequent shipments should be accompanied by a photocopy of the CO although this is not required. At the time of individual import, the importer must submit an exporter declaration (EDN), quoting the related authorized CO number.

Back-to-Back Certificate of Origin

Not applicable to SAFTA.

Third-party Invoicing

Not applicable to SAFTA.

⁴ The DMRM provisions are found in the *Australian Customs Service Manual Volume 8B: Origin*, Section 4.8.1, pg. 115. A full listing of the approved DMRMs as of 2005 is in Appendix 3.8 of the said Manual.

⁵ Relevant provisions can be found in Chapter 3, Section C: Documentary Evidence of the SAFTA legal text.

Advance Rulings

Not applicable to SAFTA.

Authorized Bodies

In the case of Australia, the bodies authorized to issue COs are the Australian Chamber of Commerce and Industry (ACCI) and the Australian Industry Group (AiG). In the case of Singapore, Customs is the authorized agency responsible for certifying the origin status of a locally manufactured product and the issuance of the preferential certificate of origin.

Post-Export Examination

The importing Party may take steps to verify the eligibility of goods for preferential treatment in the following ways: (i) issuing written questionnaires to the manufacturer or the exporter of the goods in the exporting partner; (ii) requesting for records relating to the production, manufacture or export of the goods in the exporting partner; and (iii) visit the factory or premises of the manufacturer or exporter of the goods with the consent of the exporting Party. These procedures must be completed in 90 days.

Document Retention Requirements

Article 11 of Part 3 of SAFTA (Certification of Origin) imposes responsibilities on producers, manufacturers and exporters in both Australia and Singapore in regard to record keeping when goods are exported from one country to the other and claim preferential tariff for at least five years from the date of the CO issuance. Importers are required to maintain relevant documents for five years from the date of importation. Under SAFTA, the producer or exporter must maintain records, including electronic records, associated with:

- the purchase of, cost of, value of, and payment for, the exported goods;
- the purchase of, cost of, value of, and payment for, all materials used or consumed in the manufacture or production of the exported goods;
- the manufacture or production of the goods in the form in which the goods were exported; and
- the certificate of origin, exporter declaration, and manufacturer confirmation.

D. Relevant FTA Provisions

- Legal Text:
<http://www.dfat.gov.au/trade/negotiations/safta/>
- Rules of Origin, Chapter 3:
http://www.dfat.gov.au/trade/negotiations/safta/chapter_3.pdf
- Rules of Origin, Annex 2a, 2b, 2c, 2d and revisions on CO issuance from first SAFTA review that took effect on March 19, 2009:
http://www.dfat.gov.au/trade/negotiations/safta/annex_2_a.pdf
<http://www.fta.gov.sg/safta/safta%20section%20c%20articles%2011%20and%2012.pdf>