

GUIDELINES FOR TRANSPOSING TARIFF REDUCTION SCHEDULES (TRSs) UNDER THE ASEAN-AUSTRALIA-NEW ZEALAND FTA (AANZFTA)

The AANZFTA Committee on Trade in Goods (CTG) adopted these guidelines for the transposition of TRSs from HS2012 into HS2017 and will review them for subsequent transpositions.

General Principle

Each Party shall ensure that the transposition of its schedule of tariff commitments, undertaken in order to implement Annex 1 (Schedules of Tariff Commitment) of the AANZFTA Agreement in the nomenclature of the revised HS Code following periodic amendments to the HS Code, is carried out without impairing existing tariff concessions.

Methodological Issues and Technical Procedures for the Transposition

1. For ASEAN Member States, transposition of tariff reductions schedules will be based on the ASEAN Harmonized Tariff Nomenclature (AHTN), which is also revised periodically following amendments to the HS.
2. All tariff lines affected by the amendments to the HS Code should be clearly flagged in the revised tariff elimination or reduction schedule to facilitate a review process.
3. Each new tariff line in the new HS will be derived from one or more tariff lines in the old HS or part of those tariff lines:

Option 1: Splitting one tariff line into several tariff lines.

If one tariff line under the old HS is split into several tariff lines in the new HS, the tariff concessions for each of the tariff line in the new HS should follow the tariff concession as in the tariff line under the old HS.

Option 2: Merging old tariff lines with the same tariff concessions.

If two or more tariff lines, with the same levels of tariff concession, in the old HS are merged into one tariff line under the new HS, the existing tariff concessions should be merged into one new concession in the new HS.

Option 3: Merging old tariff lines with different tariff concessions/tariff categories.

In principle, if two or more tariff lines, with different levels of tariff concession, in the old HS are merged into one tariff line in the new HS, Parties should first consider the following options:

- 3.1. Apply the lowest (or the most preferential) rate of the tariff lines in the old HS to the new tariff line in the new HS; or

3.2. Break down the tariff line in the new HS to a more detailed level to reflect the same level of tariff concession for that tariff line in the old HS.

3.3. If neither of the two options above is doable for an appropriate reason, a Party could consider the following options as used in the WTO:

OPTION 3.3a: Apply tariff concession of that tariff line in the old HS with the majority of trade;

OPTION 3.3b: Apply trade weighted average duty of the tariff concessions in the old HS;

OPTION 3.3c: Apply arithmetic average of the previous tariff concessions in the old HS where no basis exists for establishing reasonably accurate trade allocation.

4. In case it is impossible to apply those aforementioned options, the Party concerned and the FTA partner(s) can consider any other appropriate options.

5. Consultations and negotiations should be conducted among the Parties concerned following the “Procedures for Reviewing Transposition” as below.

Procedures for Reviewing Transposition

6. In principle, transposition work for each Party’s domestic implementation needs to be undertaken with due diligence under the Party’s own responsibility without impairing concessions based on the Party’s original tariff reduction and elimination commitments pursuant to the AANZFTA Agreement.

7. However, with a view to ensuring transparency of its domestic implementation, the Party should provide its draft transposed tariff reduction and/or elimination schedule in the nomenclature of the revised HS Code to the other Parties accompanied by a two-way correlation (transposition) table at the national tariff line level and including any additional splits in the tariff lines.

8. Parties should provide detailed and sufficient information on their circulated draft TRSs to enable this review including:

- a. identification of all lines affected by the transposition and the method of transposition used in each case;
- b. where options 3.3a, 3.3b, 3.3c or any other proposed options are chosen the explanation for the proposed approach and any necessary information including the reason that this option has been chosen;
- c. In case Option 3.3a or 3.3b is selected, that Party should provide the most recent three years of import data available at the time the transposition is prepared.

9. This should be done with sufficient time for parties to review changes and provide feedback before the new schedule enters into force. The other Parties may review these drafts and provide comments in line with Article 13.2.b of Trade in Goods Chapter as amended by the First Protocol. The Parties should consult as necessary with a view to resolving any concerns raised.

10. Outcomes of the transpositions should be subject to agreement by all Parties.

11. The schedules of tariff commitments in the nomenclature of the revised HS Code shall be made publicly available in a timely manner, following completion of the above processes.

Templates for documents to be circulated

Template No.1: Draft tariff reduction schedule

Country: ...

HS2017	Description	Year							Comments and explanations (including methodology)
		2017	2018	2019	2020	2021	2022	20xx	

Template No.2: Two-way correlation (transposition) tables

Table 1 – Correlating HS 2017 to HS 2012

Affected (Y)	ex	HS 2017 Tariff Code	ex	HS 2012 Tariff Code

Table 2 – Correlating HS 2012 to HS 2017

Affected (Y)	ex	HS 2012 Tariff Code	ex	HS 2017 Tariff Code

Note: Place “Y” in the “Affected” column if there are any changes compared to the HS 2012 Schedule. If only affected lines are included, delete Column 1 (Affected) from both tables.

Ensuring Timely Completion of the Transposition Process

12. The Parties should ensure timely completion of transposition process and implementation of the TRS in revised HS by:

- a. Each Party submitting the country work plan for implementing the revised HS to the CTG at least 12 months before the date of entry into force of the revised HS.
- b. The CTG drawing up a work plan for the implementation of this guidelines drawing on the country work plan and advice from the SCROO on planning for implementing the PSR in the revised HS;
- c. Each Party beginning work on the transposition of its TRS as soon as draft correlation tables are available from its national authorities or as part of the revision of the AHTN.
- d. Parties circulating draft TRS and draft two-ways concordance tables through the ASEAN Secretariat as soon as the internal technical work is concluded, recognizing that these are only draft and not final version.
- e. Maximizing the use of email to ensure timely exchanges of technical comments and explanations, including technical exchanges between country experts.