

Tax insights

China Australia Free Trade Agreement signed



Snapshot

The [China-Australia Free Trade Agreement \(ChAFTA\)](#) was signed on 17 June 2015.

The Agreement was subsequently tabled in Parliament, providing the precise detail of the customs duty impact for Australian businesses importing Chinese goods or exporting goods to China.

Imported goods

The vast majority of qualifying goods imported from China will be duty free on implementation of ChAFTA. In other cases, duty will continue to be payable in the short term, to allow affected industries to adjust – this will be the case for certain goods produced in the automotive, steel, aluminium, plastics, canned fruit, carpets, clothing and footwear sectors, with the 5% duty being phased-out within two or four years of implementation.

Exported goods

Many agricultural, fishery and processed food exports will benefit from elimination of some very high Chinese tariffs, albeit over a longer time frame in some cases. For example, Australian producers will benefit as follows:

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- Beef (12 – 25% tariffs) – elimination within 9 years
- Dairy products (up to 20% tariffs) – elimination within 4 to 11 years
- Pork (20% tariffs) – elimination within 4 years
- Wine (up to 20% tariffs) and spirits (up to 65% tariffs) – elimination within 4 years
- Fruit, vegetables and nuts (up to 30% tariffs) - most eliminated within 4 years.

Similarly, a substantial proportion of Australian resources and energy products and manufactured goods exported to China will be duty free upon implementation, with the balance subject to tariff reductions generally occurring over two or four years. This will include removal of Chinese duty on significant exports such as coking and thermal coal (3% and 6% duty); refined copper and alloys (1% and 2% duty); alumina (8% duty); pharmaceuticals (up to 10% duty); car parts and engines (up to 20% duty); plastic products (up to 14% duty) and aluminium plates and sheets (up to 10% duty).

Next steps for business

With a likely late-2015 start date in prospect (see below), Australian businesses trading with China should now be reviewing the Agreement to identify what benefits ChAFTA offers for the goods they import or export.

These benefits will not be automatic – those wanting to claim the tariff reductions under

ChAFTA will need to make a claim for preferential treatment on all affected consignments.

Businesses looking to take advantage of preferential duty rates will need to consider the particular rules of origin (once amended customs legislation is released), and consider whether certificates of origin will need to be obtained from a relevant issuing authority, or advance origin rulings will need to be obtained from the Australian or Chinese customs authorities if declarations of origin will be relied on instead. In some cases, it may also be appropriate to seek an advance ruling concerning the tariff classification of particular goods.

Preparation for implementation may also involve the re-negotiation of contracts with Chinese counterparts, to address relevant matters such as those relating to origin, and related obligations and entitlements if the origin of the goods is challenged by the authorities.

ChAFTA start date

The implementation date for ChAFTA is not yet fixed.

Australia and China must begin their respective domestic processes in order to bring ChAFTA into force. On Australia's side, these processes include two parliamentary committee inquiries into the Agreement, followed by amendments to

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customs and other relevant legislation.

Once domestic processes are completed, an exchange of diplomatic notes will occur with ChAFTA entering into force 30 days later or on a date otherwise agreed.

It is likely that the Australian Government will likely be working towards ChAFTA entering into force before the end of 2015, in order to allow a duty rate reduction on the date of implementation and another on 1 January 2016.

Contacts

For more information, please contact



Jon Graham
Partner
+61 2 9322 7421
jongraham@deloitte.com.au



David Ware
Account Director
+61 3 9671 7518
dware@deloitte.com.au

For further information, visit our website at www.deloitte.com

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