



Customs Flash Belgium

Anticipating CETA: benefiting from tariff reductions

Introduction

As of 21 September 2017, the Comprehensive Economic and Trade Agreement (CETA) between the European Union (EU) and Canada provisionally enters into force. This means that almost all provisions under CETA, comprising 95% of its benefits, will be available to companies and consumers.

One of the main benefits of CETA is that EU and Canadian origin goods can be traded between the two signatories at a reduced or zero import duty rate, subject to origin conditions. As CETA is a 'Mixed Agreement', ratification by all EU member state parliaments and the Canadian parliament will be required for the full entry into force. Some provisions, related to the Investment Court System and financial services, will only become applicable once CETA fully enters into force.

Comprehensive and ambitious

CETA exemplifies the new form of trade agreements, going beyond tariff liberalisation through far-reaching collaboration on matters often referred to as "behind the border" issues, and addressing non-tariff barriers.

Hence, apart from cheaper imports and exports consequent to the abolition of customs tariffs, CETA offers complementary benefits such as the reduction of "behind the border" issues through IP or standards cooperation, or allow transfers of

employees through services commitments. More information on the wider benefits of CETA can be found in the [30 November 2017 customs flash](#).

What does this mean for you?

Looking at CETA from a sector perspective, the benefits of tariff elimination are substantial and possibly CETA's most significant effect on eligible goods, subject to conditions.

With CETA, approximately 98% of all import duties in trade between the EU and Canada will be eliminated. Another 1% of import duties will be phased out over a period of up to seven years. For a small number of products, no elimination is foreseen or Tariff Rate Quotas will apply, especially in the agricultural sector.

When importing into Canada, goods originating from the EU can benefit from CETA's preferential tariff treatment if conditions on rules of origin are met, as stipulated in the Origin Protocol. A so-called origin declaration is required. The same applies for goods originating from Canada imported into the EU. Origin declarations must be stated in specific wording on invoices or any other commercial documents, describing the originating product in enough detail to enable identification.

Exporters should keep the below two points in mind.

REX system registration

Firstly, to benefit from the preferential tariff treatment under CETA and obtain a valid origin declaration, registration in the Registered Exporter System (REX system) is required for exporters dealing with a value above a EUR 6,000 threshold. For importers, this brings a greater responsibility to validate the information provided. For consignments that do not exceed the EUR 6,000 threshold, a so-called invoice declaration will suffice when exporting to the EU.

Once a REX number has been assigned, the exporter must refer to it when providing an origin declaration to benefit from the CETA preferential tariff treatment.

For transitional purposes, until the exporter is registered in the REX system and doing so before 31 December 2017, the exporter can continue to use their approved exporter number on documents on origin, without the need for a signature, for free trade agreements with third countries where the exporter would otherwise need to be registered.

Binding Origin Information (BOI)

Secondly, under CETA, Binding Origin Informations (BOI) can be applied for. To obtain a BOI, which is normally valid for 3 years in the EU, a business should apply to the competent authorities in the country where the BOI will be used (or in the EU country where said business is established). Under the terms of the Union Customs Code, a BOI will be binding on the authorities as well as on the holder of the BOI.

Next steps

In the short term, the following steps are recommended for anticipating the preferential tariff reductions created by CETA:

- Assessing whether the goods a company is dealing with could benefit from CETA's preferential tariff treatment
- Assessing whether the goods that a company is dealing with have EU preferential origin (if imported into Canada) or Canadian preferential origin (if imported into the EU) and all origin requirements are met
- Assessing whether a valid proof of origin is available
- When exporting from the EU to Canada and when the prescribed threshold is exceeded, ensuring that a company is registered in the REX system so that a valid origin declaration can be made
- When appropriate, making sure that the REX number is included in the origin declaration

In the medium to long term, FTA optimisation for CETA (and other FTA's) requires an in-depth understanding of a global supply chain. Data and the analysis thereof provide valuable input to reassess sourcing strategies, identify new export opportunities, or ensure that customs and trade compliance processes are 'FTA proof and optimised'.

The following actions are recommended to optimise global FTA usage:

- Conducting a global supply chain FTA-review, to assess possible risks and opportunities
- Using a data collection tool for FTA risk and opportunity analysis, such as the [Deloitte Global Trade Radar](#), which provides insight into the import profile, identifies Free Trade Agreement cost-saving opportunities and tariff classification risks

Deloitte's Global Trade Advisory team is readily available to assist companies with CETA matters.

Contacts

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