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Breaking Tax News

New generalized system of preferences affecting customs to be launched

In contrast to our monthly Tax News+, in our Breaking Tax news you will be informed immediately of regulatory changes affecting your business but without commentary by our experts.

The European Council recently adopted a regulation amending the Generalized System of Preferences (GSP), which shall be applied as of 1 January 2014. The aim of GSP is that goods originating in certain countries (i.e. GSP beneficiary countries) enjoy a lower customs duty rate upon import into the European Union. As the day of entry into force approaches, we would like to draw the attention of our Clients to the main changes.

The most important changes of the new GSP can be divided into five main areas:

- **Country coverage:** Previously a significant number of (developing) countries were entitled to the beneficiary (preferred) status under GSP. According to the amendment, the list of beneficiary countries will be substantially shortened.

- **Preference margins and product coverage:** Products covered by preference schemes and margins for some of these products are to be changed.

- **Product graduation:** Preferential EU market access may be revoked for certain products (mostly products of industries that are significantly more developed than the average) from a given country if the import of such products from that particular country exceeds a percentage of the total imports of the same products from all beneficiary countries. Changes are made in said thresholds and concerning products and countries.

  Although the percentage threshold is increased from 15% to 17.5% (from 12.5% to 14.5% in the case of textile industry), the absolute quantity of import will decrease, as the number of beneficiary countries – meaning the base of the calculation – will also decrease.

- **GSP+:** GSP+ countries benefit from further reduced duty rates, the procedure for countries to apply for GSP+ and the criteria to be eligible for this scheme are changed.

- **Special safeguard measures:** Special safeguard measures are introduced for the textile industry, agriculture and fishery.

Regarding the country coverage, the main modification is the fact that – although currently more than 170 countries and overseas territories are included – the list of beneficiary countries is substantially shortened, approximately to the half of the current level. Under the new GSP, countries are not eligible for the GSP anymore if, according to the World Bank, they have more than a certain minimum income per head of the population or if they are already entitled to preferential EU market access on the basis of a free trade agreement or otherwise. Based on the new GSP rules, 89 countries will be entitled to the preferential status.

Countries to be excluded from the GSP without alternative preferential EU market access (e.g. free trade agreement)

Argentína	**Gabon**	**Líbia**
Aruba	**Grönland**	**Malajzia**
Bahrein	**Holland Antillák**	**Norfolk-szigetek**
Brazília	**Kajmán-szigetek**	**Omán**
Brunei	**Kazahsztán**	**Oroszország**
Egyesült Arab Emirátusok	**Katar**	**Szaúd-Arábia**
Falkland-szigetek	**Kuba**	**Uruguay**
Fehéroroszország	**Kuvait**	**Venezuela**

Countries to be excluded from GSP with alternative preferential EU market access

For countries that will be excluded from the GSP and currently do benefit from alternative preferential EU market access (e.g. a free trade agreement), the impact should be assessed on a case-by-case basis.

Import from these countries, in the case of which the alternative preferential EU market access of the concerning free trade agreement is already applied, will not be affected by the new GSP.

However, imports from these countries, which are currently imported claiming a GSP duty rate will be affected. The impact may be twofold.

On the one hand, an EU importer may want to benefit from alternative EU market access as from 1 January 2014, certificate proving the fulfillment of the required criteria is to be submitted. A EUR 1 certificate may need to be used instead of Form A, which is currently used for GSP.

On the other hand, the preferential duty rate under the alternative EU market access may be different from the preferential duty rate.

These changes are to be considered upon import to EU from the countries listed below:

Euromed	Economic Partnership Agreement Market Access Regulation	Eastern and Southern Africa	Pacific	Other	Americas
Algeria	Botswana	Mauritius	Papua New Guinea	Mexico	Antigua and Barbuda
Egypt	Cameroun	Seychelles		South Africa	Bahamas
Jordan	Côte d'Ivoire	Zimbabwe			Barbados
Lebanon	Fiji				Belize
Morocco	Ghana				Dominica
Tunisia	Kenya				Dominican Republic
	Namibia				Grenada
	Swaziland				Guyana
					Jamaica
					Saint Lucia
					Saint-Vincent and the Grenadines
					St. Kitts and Nevis
					Surinam
					Trinidad and Tobago

Finally, we draw the attention of our Clients to the fact that once the new GSP enters into force, the status of countries might be continuously revised, which could lead to more countries to be excluded from the GSP beneficiary list. Should such changed be made, we will inform our Clients accordingly.

If you have any questions or comments concerning the above, please contact one of our tax experts:

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