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## Tax Alert

The UK officially joins the Comprehensive and Progressive Agreement for Trans-Pacific Partnership

July 2023





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## Overview of the UK's accession to the CPTPP

Following the substantial conclusion of negotiations earlier this year, on 16 July 2023, the UK signed an agreement to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (“CPTPP”) in Auckland, New Zealand, formalizing its accession as the first European member and first new member since CPTPP was created.

By having the UK as a member, the CPTPP will go from being an Asia-Pacific-focused regional framework to one that is global in nature. The inclusion of the UK means the trading bloc will now worth \$15.7 trillion in GDP, covering more than 500 million people and more than 15% of global trade.

## Benefits for the UK

Joining the CPTPP allows the UK to strengthen its economic ties with Asia. Although the UK already has bilateral free trade agreements (FTAs) with nine of the eleven current CPTPP members, in many instances CPTPP provisions go further than existing agreements. According to the UK Government's assessment, the trade benefits include:

- Renewing of the trade terms with 11 trading partners in just one negotiation;
- A first-time trade deal with Malaysia and Brunei;
- New markets for service providers;
- Increase flexibility in terms of “rules of origin” allowing new opportunities to diversify supply chains;
- Cutting tariffs on goods exports;
- More access to high-quality imported goods;
- Encouraging investment and strengthening economic security.

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### Benefits for Vietnam

Although the immediate impact of the UK's accession to the CPTPP is not expected to be significant for Vietnam, due to the existing UK – Vietnam Free Trade Agreement (“UKVFTA”), there will be several long-term benefits such as tariff reductions, increased market access, and diversified supply chain for Vietnam over and above the UKVFTA. These include:

- **Increased duty-free tariff quotas for products exported to the UK;**
- **Lower tariff for products imported into Vietnam;**
- **Cross-shared resources of materials;**

The **accumulation rule of origin** under CPTPP will **also** allow originating materials, of any CPTPP members (including the UK), to count towards originating status of the finished products manufactured in Vietnam, enabling those products to enjoy preferential tariff rates, when traded between the CPTPP members.

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## What is next?

The UK's Government will now seek to ratify the agreement, which will include parliamentary scrutiny; whilst other CPTPP countries will also complete their own legislative processes to admit the UK into the trading bloc, which is expected to be next year. In the meantime, Vietnam enterprises, who have/ or are planning to have trading activities with the UK, are recommended to:

- Keep updated and understand the advantages that the CPTPP will bring their business;
- Strategically analyze whether the CPTPP will offer any opportunities in terms of new preferential market, tariff reduction, cost saving or optimization of the supply chain; and
- Carefully plan and adopt steps to take advantage of such opportunities.

For more information on how CPTPP could impact your business, please contact our Tax specialists.

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