

Rules of Origin

December 29, 2022

In news— With the India-Australia interim trade deal set to kick off in December 2022, the Central Board of Indirect Taxes and Customs has notified the Rules of Origin.

Key updates-

- The notification, which relates to the eligibility requirement to claim the preferential customs duty on trade in goods, under the economic cooperation and trade agreement (ECTA), will come into effect from December 29, 2022.
- RoAs specify the threshold for value addition in the country concerned to qualify for the tax concessions under the FTA, so that the benefits are not misused by firms based in other countries.
- Called the **Customs Tariff (Determination of Origin of Goods under the India-Australia Economic Cooperation and Trade Agreement) Rules, 2022**, the notification by the CBIC lays out the origin criteria based on which the product would be eligible for the preferential customs duty.
- India and Australia had in April this year signed the ECTA, which is expected to cover 90% of the bilateral trade between the two. India will benefit from preferential market access provided by Australia on 100% of its tariff lines. India will be offering preferential access to Australia on over 70% of its tariff lines, including lines of export interest to Australia which are primarily raw materials and intermediaries such as coal, mineral ores and wines.
- **Australia is the 17th largest trading partner of India and India is Australia's 9th largest trading partner.** India-Australia bilateral trade for both merchandise and services is valued at \$ 27.5 billion in 2021.

What are the rules of Origin?

- According to WTO, rules of origin are the **criteria needed to determine the national source of a product.**
- Their importance is derived from the fact that duties and restrictions in several cases depend upon the source of imports.
- There is wide variation in the practice of governments with regard to the rules of origin.
- The most comprehensive definition for rules of origin is found in the International Convention on the Simplification and Harmonization of Customs procedures (Kyoto Convention), which entered into force in 1974 and was revised in 1999.
- According to Kyoto Convention, rules of origin means the specific provisions, developed from principles established by national legislation or international agreements (“origin criteria”), applied by a country to determine the origin of goods.