

Frequently Asked Questions

Trade in Goods

Rules of Origin (ROO) and Certificate of Hong Kong Origin - CEPA (CO(CEPA))

1. What is CEPA ROO?

ROO is a set of rules setting out the criteria and standards for a product to claim itself of a particular country of origin. Hong Kong has a set of non-preferential (that is, no tariff preference) ROO applicable to products exported to all markets. For the purpose of claiming zero tariff preference under CEPA, Hong Kong and the Mainland have agreed on a set of preferential CEPA ROOs. A product must comply with the CEPA ROO in order to be claimed as Hong Kong origin to enjoy zero tariff treatment when exported to the Mainland under CEPA.

2. What are the products that can enjoy zero tariff under CEPA? What are their ROOs?

Since the implementation of CEPA, Hong Kong and the Mainland have reached agreement on the ROOs for goods covered by a total of 1,585 Mainland 2010 tariff codes. Details of the products and their respective ROOs can be downloaded from our CEPA website <http://www.tid.gov.hk/english/cepa/tradegoods/trade_goods.html>.

3. What are the procedures for applying for CO(CEPA)?

To claim for zero tariff under CEPA, the products must be supported by a CO(CEPA) issued by the Trade and Industry Department (TID) or one of the five Government Approved Certification Organizations when importing into the Mainland. Before applying for CO(CEPA), manufacturers/operators are required to apply for Factory Registration (FR) with TID to demonstrate that their factories/establishments possess sufficient capacity to produce the goods concerned. Products under value-added content origin rule and watches of Hong Kong brand names are subject to additional requirements. Details of the application procedures and conditions of issuing CO(CEPA) have been set out in Certificate of Origin Circulars which can be downloaded from TID's CEPA website.

4. Is outward processing allowed under CEPA?

Yes. Manufacturers may continue to make use of the Outward Processing Arrangement (OPA) to subcontract outside Hong Kong the subsidiary or minor finishing processes. After outward processing, the finished goods must be returned to Hong Kong before applying for a CO(CEPA). Semi-finished goods would not be able to enjoy zero tariff under CEPA.

5. Can the labour, material and product development costs incurred in the Mainland be included in calculating the value-added content under the CEPA ROO?

No. Under the CEPA ROO, only raw materials and component parts originated in Hong Kong, costs of local labour and product development costs incurred in Hong Kong can be counted towards the value-added content.

6. What are the requirements for including product development costs in the value-added content formula?

To include product development costs in the value-added content formula, manufacturers should note the following.

First, the product development should fulfill three requirements:

- i. it must be carried out in Hong Kong;
- ii. the expenses should be related to the exporting goods under CEPA; and
- iii. the calculation of expenses should be consistent with generally accepted accounting principles and the relevant WTO requirements.

Second, the product development costs may include :

- i. fees payable for the development of designs, patents, patented technologies, trademarks or copyrights carried out by the manufacturer himself;
- ii. fees payable to a natural or legal person in Hong Kong for undertaking development of those rights; and
- iii. fees payable for purchasing those rights owned by a natural or legal person in Hong Kong.

Details of the conditions for including product development costs in CO(CEPA) applications are set out in Certificate of Origin Circular No. 24/2003 issued on 14 November 2003, which can be downloaded from TID's CEPA website.

7. Under the existing CEPA ROOs for watches, manufacturers are required to fulfill either the process of assembly plus the value-added content requirement or the process of assembly plus the “Hong Kong brand” requirement. How can the “Hong Kong Brand” requirement be met?

There are three criteria for meeting the “Hong Kong brand” requirement for watches:

- (1) owner of the brand must be a registered company in Hong Kong with a valid business registration (BR) and a valid factory registration (FR). Both registrations must have been valid for at least one year;
- (2) the company must have completed the trademark registration of their brand names under the Trade Marks Ordinance (Cap 559), and be the registered owner of the brands; and
- (3) the registered brands may include brands originating in Hong Kong (OBM) or foreign brands wholly acquired by a registered company in Hong Kong.

For Hong Kong brand name watches to claim zero tariff preference under CEPA, manufacturers are required to file application with TID for the brands. For brands originating in Hong Kong (OBM), manufacturers are required to support their applications with certificate of registration issued by the Registrar of Trade Marks and notice of the registration published in the Hong Kong Intellectual Property Journal. For foreign brands that have been wholly acquired, documentary proof on the acquisition is required.