

## 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 1,732 Mainland 2012 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](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. 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?**

Currently, 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 under the CEPA ROO. With the signing of the CEPA Supplement VIII, the scope of raw materials and component parts will be expanded to include those originated from the Mainland to accumulate in the calculation of the value-added content up to a maximum of 15% of the FOB value starting 1 April 2012. Details of the new requirements will be promulgated nearer the time.

**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 can be found from TID's CEPA website.

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