

**Submission to the Productivity Commission  
Study of Rules of Origin under the Australia-New Zealand  
Closer Economic Relations Trade Agreement**

**Australian Customs Service  
November 2003**

**1. Introduction**

The Australian Customs Service (Customs) is responsible for the administration of the rules of origin (ROO) for the Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA).

This submission focuses on administrative aspects, rather than on policy aspects, of the ROO for ANZCERTA.

Overall, Customs considers that the ROO for ANZCERTA do not pose any significant administrative issues.

**2. Background**

A preferential (duty-free) rate of customs duty applies to goods that are the produce or manufacture of New Zealand.

Goods are the produce or manufacture of New Zealand if they meet the ROO under ANZCERTA.

Customs administers the ROO for ANZCERTA. It is required to:

- prepare necessary customs legislation;
- prepare information for clients on ROO;
- provide day-to-day advice to clients on ROO; and
- conduct compliance activities to ensure goods claiming to originate in New Zealand satisfy the ROO.

**3. Legislation**

The customs legislation on ROO is contained in Division 1A of Part VIII of the *Customs Act 1901* (Customs Act) and in Regulations 107A and 107B of the *Customs Regulations 1926*.

Division 1A outlines ROO for three classes of goods:

- unmanufactured goods, i.e. the unmanufactured raw products of New Zealand,
- goods wholly manufactured in New Zealand, and
- goods partly manufactured in New Zealand.

Goods are considered to be partly manufactured in New Zealand if:

- (a) the last process in the manufacture of the goods was performed in New Zealand; and
- (b) at least 50% of the total factory cost of the goods was represented by the sum of allowable expenditure on materials, labour, and factory overheads.

Regulations 107A and 107B prescribe the costs of factory labour and the costs of factory overheads.

The Customs Act defines “factory”, in the case of New Zealand, to be the place in the country where the last process of manufacture was performed.

#### **4. Client advice**

The following booklets have been produced to explain the application and administration of the preference arrangements under ANZCERTA:

*ANZCERTA Rules Governing Entitlement to Preferential Rates of Duty for Trans-Tasman Trade*

*ANZCERTA Protocol on Customs Procedures  
(Booklet by the Customs Services of Australia and New Zealand, the Textile, Clothing and Footwear Council of Australia Ltd and the Apparel and Textile Federation of New Zealand Inc)*

*ANZCERTA Rules of Origin  
Determined Manufactured Raw Materials (DMRM)*

The booklets are available in hard copy and on the internet at [www.customs.gov.au](http://www.customs.gov.au)

Customs regularly receives requests for advice on the application of the ROO.

Customs will issue a binding ruling to an importer where the importer makes such a request and supports the request with sufficient reliable information.

#### **5. Claims for Preference**

Customs employs a self-assessment regime whereby importers are responsible for ensuring that goods originate in New Zealand before claiming duty-free entry.

At the time of entry of goods, an importer should claim New Zealand origin and, therefore, duty-free entry only if it has:

- a declaration from the New Zealand manufacturer that states that the ROO in Division 1A of the Customs Act have been met; or
- evidence of the relevant factory costs of the New Zealand manufacturer that indicates that the goods were eligible for preference.

#### **6. Compliance Monitoring**

Customs' monitoring of those goods claiming to qualify for duty-free entry under ANZCERTA normally occurs after the goods leave Customs' control.

Customs may conduct an audit at the importer's premises. It may, in certain situations, need to conduct an audit at the manufacturer's premises in New Zealand.

During an audit of an importer, Customs will require the importer to produce the evidence it possessed at the time of entry of the goods that demonstrated that the goods qualified for duty-free entry.

In relation to goods claimed to be partly manufactured in New Zealand, Customs may determine that full details of eligibility (i.e. details of the manufacture and factory/works costs) are required. In such a case, Customs will request evidence from both the importer and the New Zealand manufacturer. Attachment A contains an example of the letter sent to the importer and to the manufacturer.

This request will result in the manufacturer providing detailed information in regard to its manufacturing costs for the goods. Copies of manufacturing records, employee records and company costs will be required as corroborating evidence.

The provision of, and verification of, costing information can be a time-consuming process.

The timeframes for the conduct of enquiries by Customs, normally following a complaint by an Australian manufacturer, are set out in the ANZCERTA Protocol on Customs Procedures.

These time frames (in working days) are:

- Customs will acknowledge receipt of a complaint within 5 days;
- Customs will undertake a preliminary assessment of a complaint and will notify the complainant within 15 days;
- Customs will notify importers in writing of its information requirements within 10 days of accepting a complaint for investigation;
- importers will have 30 days to request, and to compile, information from the manufacturer;
- on receipt of all the information requested, Customs will evaluate the information and will advise of any further information or clarification required within 15 days;
- where further information is required, the affected parties will have 15 days to respond;
- Customs will give 15 days prior notice of an on-site verification; and
- once all relevant information has been received, verified and, where relevant, commented on by the manufacturer, Customs will complete its evaluation within 15 days.

NB: Where insufficient information is supplied or where there is a delay in an on-site audit, the 'clock' starts again.

## **7. Cost of Compliance Monitoring**

Compliance activity by Customs is directed at the total activities of a client, not just at imports from a particular country. Customs is, therefore, unable to provide a figure on the cost of compliance monitoring in regard to imports from New Zealand under ANZCERTA.

## **8. General Comments**

### **8.1 Sub-contractors**

Where a New Zealand manufacturer sub-contracts the last process of manufacture to another New Zealand business, the factory cost is determined on the basis of the sub-contractor's labour costs, material costs and overhead costs. Quite often, the sub-contractor will not incur any material costs, as the manufacturer will supply the materials free of charge.

Where the last process of manufacture is sub-contracted, the Customs Act does not allow for the factory cost of the goods to include the labour costs, material costs and overhead costs of the manufacturer.

Australia and New Zealand intend to amend their respective legislation to address the issue of sub-contracting.

The ROO under the Singapore-Australia Free Trade Agreement (SAFTA) do not employ the concept of 'factory'. Rather, they employ the concept of 'principal manufacturer', i.e. the person who performs, or has had performed on its behalf, the last process of manufacture of the goods.

The ROO under SAFTA for goods claimed to be partly manufactured in Singapore require the last process of manufacture to be performed by, or on behalf of, the principal manufacturer. The ROO determine the cost to manufacture the goods on the basis of the expenditure by the principal manufacturer.

Unlike ANZCERTA, SAFTA does not discriminate between those manufacturers that have fully integrated manufacturing operations and those manufacturers that sub-contract certain manufacturing operations.

### **8.2 Value-added ROO**

As the ROO under ANZCERTA require a certain level of local content to be achieved, New Zealand manufacturers that are supplying goods to Australia need to monitor their manufacturing costs to ensure that their goods qualify for duty-free entry into Australia. This is particularly important for those manufacturers that are supplying goods with a local content around 50%.

A value-added approach means that the ongoing ability of a particular product to qualify for duty-free entry can be affected by factors such as movements in exchange rates, changes in the price of imported materials and changes in the sourcing of materials.

### 8.3 Change in tariff classification ROO

ROO based on a change in tariff classification (CTC), as employed in the North American Free Trade Agreement (NAFTA), mean that goods qualify for preferential tariff treatment as long as a particular process of manufacture is performed, as evidenced by the tariff classification of the manufactured good being different from the tariff classification of the material inputs.

Compared to ANZCERTA, the NAFTA approach has a number of advantages, including:

- entitlement to preference is more transparent and certain
  - entitlement to preference is unaffected by variations in costs, brought about by fluctuations in exchange rates, increases in the cost of imported materials, etc, and
  - manufacturers do not need to monitor regularly their manufacturing costs and the local content of individual goods; and
- compliance with the ROO is easier and quicker to establish
  - Customs administrations need to establish only the tariff classification of the finished product and the tariff classification of each imported material to check whether the necessary changes in tariff classification have occurred, and
  - the manufacturers and Customs administrations do not need to be involved in detailed, time-consuming audits of manufacturing costs to ensure that goods claiming preference have the necessary local content.

ROO based on CTC can include, for some products, a minimum regional value content, meaning that a certain percentage of the value of the product must be contributed from the region.

The regional value content formula used in the United States - Singapore Free Trade Agreement is calculated in terms of the free-on-board (FOB) selling price of the product. From the FOB selling price, the cost of non-originating materials is subtracted. This is known as the 'build-down method'.

$$\text{Build-down method: } \text{RVC} = \frac{\text{AV} - \text{VNM}}{\text{AV}} \times 100$$

Where -

RVC is the regional value content, expressed as a percentage;  
VNM is the value of non-originating materials used by the manufacturer in the manufacture of the good;

AV is the adjusted value. The value so determined under Articles 1 through 8, Article 15, and the corresponding interpretative notes of the World Trade Organization's Valuation Agreement, as adjusted to exclude any costs, charges, or expenses incurred for transportation, insurance, and related services incident to the international shipment of the merchandise from the country of exportation to the place of importation.

This build-down method of determining the regional value content is considered to be simple for both industry and Customs to use as it does not involve the calculation of the cost to manufacture the goods; it uses only the selling price of the manufactured goods and the purchase price of non-originating materials.

Dear Sir/Madam

**PREFERENTIAL RATES OF AUSTRALIAN CUSTOMS DUTY ON  
GOODS FROM NEW ZEALAND**

The Australia New Zealand Closer Economic Relations - Trade Agreement (ANZCERTA) allows for the majority of goods which are the manufacture of New Zealand to be imported into Australia free of Customs duty.

Generally for goods to be considered the manufacture of New Zealand, and thus qualify for duty free importation, they must comply with Division 1A of Part VIII of the Customs Act and Customs Regulations 107A and 107B.

The relevant provisions are summarised as follows:

- (a) the last process in the manufacture of the goods must be performed in New Zealand, and
- (b) at least 50% of the total factory cost of the goods must be represented by the sum of allowable expenditure on materials, labour, and factory overhead expenses.

These provisions are set out in more detail in the attached Schedules I to V.

Ministers responsible for Customs in Australia and in New Zealand have endorsed a Protocol on Customs Procedures in relation to Trans-Tasman Rules of Origin Enquires. This Protocol advises that importers have an obligation to request manufacturers in the country of export to submit factory costings in relation to the goods under enquiry and shall have a period of 30 working days to compile and submit that information.

No action will be taken by Customs to deny Preference claims during this period, unless clear evidence exists that the goods do not qualify for Preference. This evidence may be an acknowledgment by the importer that the Preference claim was made in error. In the event of no reply or a refusal to supply the requested information, the goods will be treated as non-qualifying for Preference.

Australian Customs Service (Customs) records show that your company has imported to Australia, with preference being claimed on their importation, [description of goods] manufactured by [name of manufacturer].

Where goods have been imported into Australia and preferential rates of duty have been claimed the Customs may conduct enquires to determine whether the goods meet the requirements. These enquires are initially conducted by correspondence but may be followed by a visit to a manufacturer's premises by Customs officers.

To substantiate the preference eligibility of these goods I ask you to provide the information requested in the document Preferential Rates of Duty - "Origin Information Requirements" and complete the enclosed Schedule IV - Summary of Factory of Cost for your most recent accounting period.

These documents are designed to assist Customs to verify the origin of goods and, hence, that preference is correctly claimed.

If you have any doubt as to whether a particular cost or expense is relevant to the summary it should be included with a suitable annotation.

Failure on your part to substantiate claims to preference on these goods may result in preferential rates of duty being denied on shipments of these goods. To minimise the possibility of General rates of duty being imposed I ask that you respond to this enquiry by xxxx (30 working days from when letter sent).

If you have any queries or wish to discuss this matter please contact xxxx on xxxx.

Yours faithfully

The Manager  
XXXX Pty Ltd

XXXXXX,  
New Zealand

Dear Sir

**PREFERENTIAL RATES OF AUSTRALIAN CUSTOMS DUTY ON  
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Australian Customs Service (Customs) records show that your company has exported [description of goods] to Australia, with preference being claimed on their importation.

Where goods have been imported into Australia and preferential rates of duty have been claimed the Customs may conduct enquires to determine whether the goods meet the requirements. These enquires are initially conducted by correspondence but may be followed by a visit to a manufacturer's premises by Customs officers.

To substantiate the preference eligibility of these products I have asked your Australian importers to provide the information requested in the document Preferential Rates of Duty - "Origin Information Requirements" and to complete the enclosed Schedule IV - Summary of Total Factory Cost for your most recent accounting period.

These documents are designed to assist Customs to verify the origin of goods and, hence, that preference is correctly claimed.

If you have any doubt as to whether a particular cost or expense is relevant to the summary it should be included with a suitable annotation.

Failure on your part to substantiate claims to preference on these goods may result in preferential rates of duty being denied on shipments of these goods. To minimise the possibility of General rates of duty being imposed I ask that you respond to this enquiry by xxxx (30 working days from when letter sent).

If you have any queries or wish to discuss this matter please contact xxxx on xxxx.

Yours faithfully

**AUSTRALIAN CUSTOMS SERVICE**  
**PREFERENTIAL RATES OF DUTY**  
**ORIGIN INFORMATION REQUIREMENTS**

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**A. FOREWORD**

1. The purpose of this document is to gather relevant data to enable the Australian Customs Service (Customs) to ascertain whether particular goods are the produce or manufacture of a country and thus are entitled to entry at preferential rates of duty (preference). Customs may, at its option, wish to visit manufacturers and verify any data provided.
2. Entitlement to preference is determined in accordance with Division 1A of Part VIII of the Customs Act and Customs Regulations 107A and 107B.
3. This document captures the essence of these requirements but should not be seen as a definitive statement of these requirements.
4. Generally, goods qualify for preference if a specified percentage (generally 50%) of the total factory cost in producing those goods constitutes allowable expenditure in relation to the particular 'qualifying area'.
5. Qualifying areas for the different preference countries are as follows:

<b>Preference Country</b>	<b>Qualifying Area</b>
Canada	Canada and Australia
Developing Countries	All developing countries, Papua New Guinea, Forum Island countries and Australia
Forum Island country	Forum Island countries, Papua New Guinea, New Zealand and Australia
New Zealand	New Zealand and Australia
Papua New Guinea	Papua New Guinea, Forum Island countries, New Zealand and Australia

**B. CONFIDENTIALITY OF DATA PROVIDED**

1. Please mark confidential documents appropriately.
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## **C. GENERAL INFORMATION REQUIRED**

### **1. Company Profile**

- (a). What is the full name, address, telephone number and facsimile number of your business?
- (b). Is this business associated with the Australian importer or any supplier of materials?
- (c). If so, what are the associations and what effect do they have on dealings between the parties, particularly price?
- (d). Who is the company officer Customs should communicate with?

### **2. Details of Manufacture**

- (a). Describe the goods including model/type specifications.
- (b). Describe the materials used in manufacture.
- (c). Describe the manufacturing processes for goods on which preferential duties are claimed.

## **D. FINANCIAL INFORMATION REQUIRED**

### **1. Form of Presentation**

- (a). Allowable factory cost must be equal to or greater than a specified percentage of total factory cost for preference entitlement to be established.
- (b). The form at Schedule IV has been designed to summarise all relevant data and show the allowable proportion for each unit/model produced.

### **2. Period for Data Required**

- (a) Costs should be provided based on the most recently completed accounting period of the manufacturer. The relevant period should be indicated on each completed copy of Schedule IV.
  - (b) Where any of these costs have changed, please show separately which costs have changed and provide reasons for any changes.
  - (c) Actual costs are required in all instances.
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### 3. Materials

(a) The cost of materials at any level in the manufacturing cycle will always include all directly attributable costs of acquisition into the purchaser's store. All material costs chargeable to finished goods on which preference is claimed will form part of total factory cost.

(b). The cost of materials and whether an allowable factory cost is set out in Schedule I.

(c) Please provide the following information concerning the purchase of material;

(i). Who are the suppliers and what is the country of last process of manufacture for those materials? Please list the goods, names, addresses, telephone numbers and facsimile number of suppliers.

Information should be grouped under the following headings;

(A). Materials manufactured in the qualifying area from materials which are also manufactured in that area;

(B). Materials manufactured outside the qualifying area; and

(C). Materials manufactured within the qualifying area which incorporate materials manufactured outside the qualifying area.

(ii). Is the supply of any of the above materials restricted (e.g., are they subject to royalties, patents, is there a sole supplier, etc.)?

(iii). If royalties are payable, what is the basis for the royalty, to whom is it payable and when is it payable?

(iv). What is the cost of into store acquisition of materials and what are components of this cost?

(v) Representative invoices or documentation showing the cost of each of these components.

(d). If the materials are manufactured in the qualifying area from 'contributing' materials where the last process of manufacture was performed outside the qualifying area, please advise;

(i). Total cost to you of materials manufactured in the qualifying area, and

(ii). Cost of materials brought in from outside the qualifying area.

(e). If these costs cannot be made available to you from the supplier, please arrange for the supplier to advise Customs direct.

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#### **4. Labour and Factory Overheads**

(a). These costs are not allowable expenditure unless they are prescribed in the Regulations. Costs so prescribed are set out in Schedule II (Labour), and Schedule III (Overheads).

(b). Allowable expenditure in terms of the Regulations forms part of both allowable factory cost and total factory cost.

(c). Prescribed costs set out in Schedule II and Schedule III are subject to three main criteria before the sum of the part of each such cost may form part of allowable expenditure viz.,

1. they must be incurred by the manufacturer of the goods;
2. they must relate, directly or indirectly, and wholly or partly, to the manufacture of the goods; and
3. they must be able to be reasonably allocated to the manufacture of the goods.

(d). With respect to factory overheads in Schedule III, Regulation 107B(2) and Regulation 107B(3) serve to further narrow down the scope of such costs which are prescribed in Regulation 107B(1).

#### **E. SUPPORTING MATERIAL**

1. Copies of supporting documents used to calculate the factory and works cost should be submitted with this document, such as;

(a). Company Organisation Chart showing;

- (i). all work areas within company;
- (ii). persons names working within those areas;
- (iii). the position held in company and title.

(b). Copy of company wages and salary by persons name;

(c). Internal management manufacturing profit and loss statement;

(d). Depreciation schedule,

(e). Invoices of materials purchased;

(f). Explanation of any formulae used, in particular;

- (i). How salaries and wages were allocated to production, and
- (ii). How overheads were allocated to production by the company.

2. Actual costs during the accounting period are required.

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# SCHEDULE 1

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## ALLOWABLE EXPENDITURE ON MATERIALS

**1. Materials means:**

- (a) if the goods are unmanufactured raw products - those products; and
- (b) if the goods are manufactured goods - all matter or substances used or consumed in the manufacture of the goods (other than that matter or those substances that are treated as overheads); and
- (c) in either case - the inner containers in which the goods are packed.

**2.** Cost of materials includes all into store costs of the factory but does not include certain Customs duties or taxes such as sales tax or GST which are levied in the qualifying area.

**3.** Allowable expenditure on materials is that part of the total into store cost of materials worked out as follows;

- (a) If the materials are the raw products of the qualifying area;  
The cost of those materials.
- (b) If the materials and any materials incorporated therein are wholly manufactured in the qualifying area;  
The cost of those materials.
- (c) If the last process of manufacture of imported materials is performed outside the qualifying area;  
None of the cost of those materials.

**4.** If the materials (Materials of Mixed Origin) are manufactured in the qualifying area from imported materials on which the last process of manufacture was performed outside the qualifying area, and

- (a) In the case of all preference countries;  
the cost of the materials less the into store cost of the imported materials.
- (b) (i) such materials will be incorporated into goods on which New Zealand preference is claimed; and  
(ii) the cost of the imported materials is less than 50% of the cost of the materials that are manufactured;  
the cost of the materials.

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## SCHEDULE II

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## **ALLOWABLE EXPENDITURE OF FACTORY ON LABOUR**

1. The allowable expenditure of a factory on labour means the sum of the part of each cost that is prescribed and that;

- (a) is incurred by the manufacturer of the goods; and
- (b) relates, directly or indirectly, and wholly or partly, to the manufacture of the goods; and
- (c) can reasonably be allocated to the manufacture of the goods.

2. The following are costs to the extent that they relate to labour and have been prescribed;

- (i). Cost of wages and employee benefits;
- (ii). Cost of supervision and training;
- (iii). Cost of management of the process of manufacture;
- (iv). Cost of receipt and storage of materials;
- (v). Cost of quality control;
- (vi). Cost of packing of goods into inner containers;
- (vii). Cost of handling and storage of goods within the factory;

When submitting the cost of labour please provide the following for each of the prescribed costs listed in 2 above;

- (i) Costs of labour to make all goods manufactured by factory; and
  - (ii) Costs of labour to manufacture the goods subject to inquiry.
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## **SCHEDULE III**

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### **ALLOWABLE EXPENDITURE OF FACTORY ON OVERHEADS**

1. The allowable expenditure of a factory on overheads means the sum of the part of each cost that is prescribed that;

- (a) is incurred by the manufacturer of the goods; and
- (b) relates, directly or indirectly, and wholly or partly, to the manufacture of the goods; and
- (c) can reasonably be allocated to the manufacture of the goods.

2. Overhead costs are prescribed as follows;

Allowable expenditure of a factory on overheads means the sum of the part of each of the following costs;

- (a) the cost of inspection and testing of materials and goods;
  - (b) the cost of insurance of the following kinds:
    - (i) insurance of plant, equipment and materials used in production of the goods;
    - (ii) insurance of work in progress and finished goods;
    - (iii) liability insurance;
    - (iv) accident compensation insurance;
    - (v) insurance against consequential loss from accident to plant and equipment;
  - (c) the cost of:
    - (i) dies, moulds and tooling;
    - (ii) depreciation of plant and equipment;
    - (iii) maintenance and repair of plant and equipment;
  - (d) the cost of interest payments for plant and equipment;
  - (e) the cost of:
    - (i) research, development and design;
    - (ii) engineering;
  - (f) the cost of the following items in respect of real property used in production of the goods:
    - (i) insurance;
    - (ii) rent and leasing;
    - (iii) mortgage interest;
    - (iv) depreciation on buildings;
    - (v) maintenance and repair;
    - (vii) rates and taxes;
  - (g) the cost of leasing of plant and equipment;
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## SCHEDULE III

### 2

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- (h) the cost of energy, fuel, water, lighting, lubricants, rags and other materials and supplies not directly incorporated in manufactured goods;
  - (i) the cost of storage of the finished goods on which preference is claimed at the factory;
  - (j) the cost of royalties or licences in respect of;
    - (i) patented machines or processes used in the manufacture of the goods; or
    - (ii) in respect of the right to manufacture the goods;
  - (k) the cost of subscriptions to standards institutions and industry and research associations;
  - (l) The cost of provision of medical care, cleaning services, cleaning materials and equipment, training materials and safety and protective clothing and equipment;
  - (m) the cost of the disposal of non-recyclable waste;
  - (n) the cost of subsidisation of a factory cafeteria to the extent not recovered by returns;
  - (o) the cost of factory security;
  - (p) the cost of computer facilities allocated to the process of manufacture of the goods;
  - (q) the cost of contracting out part of the manufacturing process within Australia or New Zealand;
  - (r) the cost of employee transport;
  - (s) the cost of vehicle expenses;
  - (t) the cost of any tax in the nature of a fringe benefits tax.
3. For the purposes of 2 (c) and (f), the cost of depreciation of plant, equipment or buildings must be worked out in accordance with generally accepted accountancy principles, as applied by the manufacturer.
4. In working out the allowable cost of overheads in (2) above, the following costs are not to be included;
- (a) any cost or expense relating to the general expense of doing business (including, but not limited to, any cost or expense relating to insurance or to executive, financial, sales, advertising, marketing, accounting or legal services);
  - (b) the cost of telephone, mail and other means of communication;
  - (c) the cost of international travel expenses, including fares and accommodation;
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## **SCHEDULE III**

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- (d) the cost of the following items in respect of real property used by persons carrying out administrative functions;
    - (i) insurance;
    - (ii) rent and leasing;
    - (iii) mortgage interest;
    - (iv) depreciation on buildings;
    - (v) maintenance and repair;
    - (vi) rates and taxes;
  - (e) the cost of conveying, insuring or shipping the goods after manufacture;
  - (f) the cost of shipping containers or packing the goods into shipping containers;
  - (g) the cost of any royalty payment relating to a licensing agreement to distribute or sell the goods;
  - (h) the manufacturer's profit and the profit and remuneration of any trader, agent, broker or other person dealing in the goods after manufacture;
  - (i) any other cost incurred after the completion of manufacture of the goods.
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# SCHEDULE IV

## SUMMARY OF FACTORY COST

NAME OF MANUFACTURER of goods exported to Australia

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GOODS exported (include model No., type, etc)

.....

UNIT to which costs apply (one, dozen, kg, etc).....

ACCOUNTING PERIOD to which costs apply.....

1	2	3	4	
List <u>all</u> materials or components including inside containers	Name, Address and Facsimile Number of Supplier of materials or components	Country of manufacture of material or component	COST OF MATERIAL OR COMPONENT	
				Qualifying \ Non Qualify
<u>Materials of Mixed Origin</u>				
<b>TOTAL COSTS OF MATERIALS/COMPONENTS</b>			A	E
<b>FACTORY LABOUR COST (per unit)</b>			B	
<b>FACTORY OVERHEAD COSTS (per unit)</b>			C	
<b>TOTAL ALLOWABLE EXPENDITURE (A+B+C)</b>			D	
<b>TOTAL FACTORY &amp; WORKS COST (D+E)</b>			F	

<b>CALCULATION OF SPECIFIED PERCENTAGE OF TOTAL FACTORY COST</b>				
$\frac{D}{F}$	X	$\frac{100}{1}$	=	%

# SCHEDULE V

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## DEFINITIONS

(Division 1A of Part VIII of the Customs Act 1901)

**'allowable factory cost'**, in relation to preference claim goods and to the factory at which the last process of their manufacture was performed, means the sum of:

- (a) the allowable expenditure of the factory on materials in respect of the goods worked out under section 153D; and
- (b) the allowable expenditure of the factory on labour in respect of the goods worked out under section 153F; and
- (c) the allowable expenditure of the factory on overheads in respect of the goods worked out under section 153G;

**'factory'**, in relation to preference claim goods, means:

- (a) if the goods are claimed to be the manufacture of a particular preference country-the place in that country where the last process in the manufacture of the goods was performed; and
- (b) if the goods are claimed to be the manufacture of a preference country that is a Developing Country but not a particular Developing Country-the place in Papua New Guinea or in a Forum Island country where the last process in the manufacture of the goods was performed;

**'inner container'** includes any container into which preference claim goods are packed, other than a shipping or airline container, pallet or other similar article;

**'manufacturer'**, in relation to preference claim goods, means the person undertaking the last process in their manufacture;

**'materials'**, in relation to preference claim goods, means:

- (a) if the goods are unmanufactured raw products-those products; and
- (b) if the goods are manufactured goods-all matter or substances used or consumed in the manufacture of the goods other than that matter or those substances that are treated as overheads); and
- (c) in either case-the inner containers in which the goods are packed;

**'preference claim goods'** means goods that are claimed, when they are entered for home consumption, to be the produce or manufacture of a preference country;

**'total factory cost'**, in relation to preference claim goods, means the sum of:

- (a) the total expenditure of the factory on materials in respect of the goods, worked out under section 153C; and
- (b) the allowable expenditure of the factory on labour in respect of the goods, worked out under section 153F; and
- (c) the allowable expenditure of the factory on overheads in respect of the goods, worked out under section 153G.