



Guideline for issuance of Certificate of Origin

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ACRONYMS

1. CoO : Certificate of Origin
2. RTIO : Regional Trade and Industry Office
3. FOB : Free on board
4. DVA : Domestic value addition
5. MFN : Most Favored Nation
6. GSP : Generalized System of Preferences
7. LDC : Least developed country
8. REX : Registered Exporters system
9. SAFTA: South Asia Free Trade Area
10. ISO: International Organization for Standardization
11. EU: European Union
12. EEZ: Exclusive Economic Zone
13. DOT: Department of Trade
14. FTA: Free Trade Area
15. TIN : Trade Identification Number
16. TPN: Tax Payer Number

1. INTRODUCTION

This document provides guidance relating to the concept, purpose and procedure for obtaining and using the CoO. This is required since the origin of goods is one of the crucial elements for international trade.

The Guideline is expected to facilitate exporters in fulfilling the requirements of the Rules of Origin applied by other trading countries.

2. KEY OBJECTIVE

This guideline has been prepared to provide guidance to the exporters in understanding the concept, purpose and procedures for obtaining and use of the CoO.

3. WHAT IS CERTIFICATE OF ORIGIN?

A Certificate of Origin (abbreviated as CoO) is an important international trade document certified by a recognized competent authority attesting that goods in a particular export shipment are wholly/partially obtained, produced, manufactured or processed in a particular country.

4. PURPOSE OF CoO

4.1 The Customs authorities in the importing country require the CoO to determine whether or not to apply certain trade measures at the border.

4.2 The exporters need the CoO to claim preferential tariff treatment eligible under the bilateral/regional or multilateral trade agreements of the exporting country.

5 TYPES OF CoO

There are two types of CoO which are the **Preferential CoO** and **Non-Preferential CoO**:

5.1 PREFERENTIAL CoO:

A preferential CoO is a document attesting that goods in a particular shipment are of a certain origin under the definitions of particular bilateral, regional or multilateral trading arrangements. This certificate is required by importing country's Customs authority in deciding whether the imports are eligible for any preferential treatment.

Currently, Bhutan receives preferential treatment under the SAFTA and GSP system.

5.1.1 SAFTA

The South Asian Free Trade Area (SAFTA) is an agreement which came into effect on January 1, 2006 to create a free trade area for Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. It provides reduced tariff for selected products, helps to eliminate barriers to trade, and facilitate the cross-border movement of goods between the member countries.

5.1.1 (a) BENEFITS OF SAFTA

- The Bhutanese exporters will benefit directly through reduced tariff or duty free access¹ for eligible Bhutanese products. Reduction or removal of import duty makes a Bhutanese product more competitive.
- This tariff preference helps exporters to gain better market access in the member states.

5.1.1 (b) ELIGIBILITY FOR PREFERENTIAL TREATMENT UNDER SAFTA

Products exported from Bhutan can be divided into two groups - **Products wholly produced or obtained** and **Products not wholly produced or obtained**

A. WHOLLY PRODUCED OR OBTAINED

Within the meaning of Rule 4(a)² of SAFTA Rules of Origin, the following shall be considered as wholly produced or obtained in the country:

- a) raw or mineral products extracted from the soil, its water extending up to its Exclusive Economic Zone (EEZ)
- b) agriculture, vegetable and forestry products harvested in the country
- c) animals born and raised in the country
- d) products obtained from animals referred to in clause (c) above
- e) products obtained by hunting or fishing in the country
- f) products processed and/or made on board its factory ships exclusively from
- g) products referred to in clause (f) above
- h) raw materials recovered from used articles collected there;
- i) waste and scrap resulting from manufacturing operations conducted there;

¹ Refer the member countries customs website to check the percentage of tariff for exports to SAFTA member countries as per the SAFTA agreement

² For further information on SAFTA and its corresponding Articles and Rules, refer <http://commerce.nic.in/trade/safta.pdf>

- j) goods produced there exclusively from the products referred to in clauses (a) to (j) above

Wholly produced or obtained products qualify for SAFTA benefits by virtue of total absence of any materials or components of imported / unknown origin in the process of production.

B. PRODUCTS NOT WHOLLY PRODUCED OR OBTAINED

Those Products which are not wholly produced or obtained in Bhutan shall be considered to be sufficiently worked or processed to be eligible for preferential access from SAFTA member countries if they fulfill the following conditions:

- a) The final product is classified in a heading at the four digit level of the Harmonized Commodity Description and Coding System differently from those in which all the non-originating materials used in its manufacture are classified.
- b) Products worked on or processed as a result of which the total value of the materials, parts or produce originating from other countries or of undetermined origin used does not exceed 60% of the FOB value of the products produced or obtained and the final process of manufacture is performed within Bhutan. The products originating in the Least Developed Contracting States shall be allowed a favorable 10 percentage points applied under Sl. No (b). Therefore, the Domestic value addition (DVA) for goods originating from Bhutan must not be less than 30%. The DVA is calculated as per the following formula:

$$DVA = \frac{FOB \text{ value of the export product} - \text{value of the product value of non originating materials}}{FOB \text{ value of export product}} \times 100$$

The following shall not be considered DVA to confer the status of originating products, whether or not there is a change of heading:

- a) Operations to ensure the preservation of products in good condition during transport and storage (ventilation, spreading out, drying, chilling, placing in salt, Sulphur dioxide or other aqueous solutions, removal of damaged parts, and like operations).
- b) Simple operations consisting of removal of dust, sifting or screening, sorting, classifying, matching (including the making-up of sets of articles), washing, painting, cutting up;
- c) (i) changes of packing and breaking up and assembly of consignments,
(ii) simple slicing, cutting and repacking or placing in bottles, flasks, bags, boxes, fixing on cards or boards, etc., and all other simple packing operations.
- d) the affixing of marks, labels or other like distinguishing signs on products of their packaging;

- e) simple mixing of products, whether or not of different kinds, where one or more components of the mixture do not meet the conditions laid down in these rules to enable them to be considered as originating products; and mere dilution with water or another substance that does not materially alter the characteristics of the product;
- f) simple assembly of parts of products to constitute a complete product;
- g) a combination of two or more operations specified in (a) to (f).

C. REGIONAL CUMULATION

Unless otherwise provided for, products worked on or processed in a Contracting State using the inputs originating in any Contracting States within the meaning of Rule 4 shall be eligible for preferential treatment provided that

- a) the aggregate content (value of such inputs plus domestic value addition in further manufacture) is not less than 50 percent of the FOB value;
- b) the domestic value content (value of inputs originating in the exporting Contracting State plus domestic value addition in further manufacture in the exporting Contracting State), is not less than 20 percent of the FOB value; and
- c) the final product satisfies the condition of
 - (i) change in classification at the four digit level (CTH) as provided under Rule 8 (a)(i); or
 - (ii) change in classification at the six digit level (CTSH) as agreed upon in the Product Specific Rules reflected in Rule 8 (b).

5.1.1 (c) ISSUANCE OF SAFTA CoO

- a) SAFTA CoO is issued by the RTIOs.
- b) The validity of the CoO shall be 12 months from the date of its issuance.
- c) The CoO shall be on ISO A4 size paper in conformity to the specimen shown in Annexure-1.
- d) The certificate must be in English.
- e) The CoO shall comprise of one original and one duplicate in the following colors:
 - Original - light orange
 - Duplicate - white
- f) Each CoO shall bear a reference number given separately by each office of issuance at different places.
- g) The original shall be forwarded by the exporter to the importer for submission to the Customs Authority at the port or place of importation. The duplicate shall be retained by the RTIOs

5.1.2 GENERALIZED SYSTEM OF PREFERENCES (GSP)

Generalized System of Preferences (GSP) is a preferential tariff system extended by developed countries (also known as preference giving countries or donor countries) to developing

countries (also known as preference receiving countries or beneficiary countries). It provides reduced Most Favored Nation (MFN) Tariffs or duty-free entry of eligible products exported by beneficiary countries to the markets of donor countries.

Under the GSP scheme, selected products originating in developing countries are granted reduced or zero tariff rates over the MFN rates by the preference giving countries. The least developed countries (LDCs) receive special and preferential treatment for a wider coverage of products and deeper tariff cuts. Bhutan as an LDC is one of the beneficiaries of the GSP scheme.

5.1.2 (a) BENEFITS OF GSP

- The Bhutanese Exporters will benefit directly through reduced tariff or duty free access for eligible Bhutanese products. Reduction or removal of import duty makes the Bhutanese product more competitive.
- This tariff preference helps to gain better market access for Bhutanese exporters in the preference giving countries.

5.1.2 (b) ISSUANCE OF GSP CoO

- a) RTIO shall issue GSP CoO in 3 copies.
- b) Each CoO shall bear a unique reference number given by the RTIOs.
- c) The original shall be issued to exporter for submission to the Customs Authority at the port or place of importation.
- d) The RTIO must retain Form B (An application form, found at the back of Copy 3) for future record.

5.1.2 (c) PRODUCT ELIGIBILITY UNDER GSP SCHEME

Only such products of a beneficiary country that fulfill the requirements of the rules of origin laid down by the importing countries are considered eligible for preferential tariff treatment on import into the markets of countries listed under *annexure III*.

In order to avail/compare the GSP rates, the exporters may visit the UNTAD³ website and follow the following steps:

- Step 1: Check the product coverage
- Step 2: Identify the correct GSP rate
- Step 3: Check the preferential margin
- Step 4: Check the origin criteria
- Step 5: Check the consignment conditions
- Step 6: Prepare documentary evidence

³ In order to make best use of each scheme, users are recommended to refer GSP handbook at <http://unctad.org/en/Pages/DITC/GSP/Handbooks-on-the-GSP-schemes.aspx> as of April 9,2018

5.1.2 (d) REX SYSTEM

The REX system is the new system of certification of origin of goods that the European Union, Switzerland and Norway have introduced for the beneficiary countries of GSP scheme. The REX system simplifies export formalities by allowing the registered exporters to certify the preferential origin himself/herself by including a specific declaration (so-called *statements on origin*) on the invoice or another commercial document identifying the exported products. An exporter registered with REX system will not be required to obtain a paper based GSP CoO.

The REX system will be applied with effect from July 1, 2018 for Bhutan. Any export not exceeding euro 6000 per transaction to EU, Norway and Switzerland is exempted from registering in the REX IT system. However, if the export exceeds Euro 6000 per transaction and has not been registered in the REX system, then the beneficiary country/exporter will not be eligible for the GSP preference and also the GSP Form A will not be valid. Therefore, if not registered in the REX system, the exporters will be subjected to the tariff as any other non eligible countries.

5.1 2 (e) PROCESS/STEPS FOR REGISTERING ON THE REX SYSTEM

- Step 1 : Ctrl+Click the following URL to access the online form for registration to the REX system: <https://customs.ec.europa.eu/rex-pa-ui/>
- Step 2: Fill/ complete the REX Application Form online. Make your TIN number using your Tax Payer number(TPN) issued by DRC as follows:
TIN = BT + TPN. For example, If TPN = 123456; then TIN = BT123456.
- Step 3: After filling all required data in the REX Application Form, Click “Proceed” to submit the REX Application Online.
- Step 4: Print completed REX application form and put Signatures/Seal in Boxes 5 & 6.
- Step 5: Submit the printed copy of the REX application form along with the copy of Tax Clearance Certificate of your Company/Business and copy of your Business License to the DoT.
- Step 6: Once the application is complete, DoT will register the company/Business in the REX system and issue a REX number to the exporter to confirm the registration.

5.2 NON- PREFERENTIAL CoO - THE GENERAL CoO

Non-preferential CoO is a document that can be used to certify that the products exported are originated in a specific country. While the non preferential CoO does not provide preferential

tariff treatment during the time of importation, the exporters are encouraged to use the certificate to fulfill the importing county's trading requirements.

6. COMPETENT AUTHORITY

The RTIOs are the competent authority designated to issue the CoO in Bhutan. For this guideline and for the purpose of issuing CoO, the competent authority shall mean the officials identified and authorized by the DoT and RTIOs to issue CoO.

7. DUTIES OF EXPORTERS FOR AVAILING CoO

- 7.1 The exporter would be required to furnish the following documents to the RTIOs to obtain CoO:
 - Letter of credit;
 - Commercial invoice;
 - Packing list; and
 - Any other document from the relevant agency where necessary.
- 7.2 Fulfill the minimum value addition requirements as applicable.
- 7.3 Does not misuse CoO.
- 7.4 Exporter shall pay applicable prescribed fee for the cost of CoO.

8. STAMPS/SEALS

There are two different stamps/seals that need to be used on the certificates. The main stamp is the RTIO's round stamp that must be put on the main body of the certificate. The other stamp is the official stamp of the issuing authority.

9. OFFENCE

Misuse of CoO shall be liable for fines and penalties as per the Rules in Vogue.

**SAMPLE CERTIFICATE OF ORIGIN
(SOUTH ASIAN FREE TRADE AREA)**

1. Goods consigned from (exporter's business name, address, country)			Reference No. SOUTH ASIAN FREE TRADE AREA (SAFTA) (combined declaration and certificate) Issued in (country) see notes overleaf			
2. Goods consigned to (Consignee's name, address, country)						
3. Means of Transport and route (as far as known)			4. For Official use			
5. HS Code	6. Marks and numbers of packages	7. Number and kind Of packages: description of goods	8. Origin Criterion (see Notes overleaf)	9. Gross weight or other quantity	10. Number And date of invoices	11. f.o.b. value in US \$
12. Declaration by the exporter: The undersigned declares that the above details and statements are correct: that all the goods were produced in (country) and that they comply with the origin requirements specified for those goods in SAFTA for goods exported to (importing country) Place and date, signature of authorized signatory			13. Certificate It is hereby certified on the basis of control carried out, that the declaration by the exporter is correct Place and date, signature and Stamp of Certifying authority			

COUNTRIES THAT EXTEND GSP BENEFITS

1. **Canada**
2. Australia
3. Portugal
4. Republic of Hungary
5. Republic of Bulgaria
6. New Zealand
7. Austria
8. Russian Federation
9. Switzerland
10. Italy
11. Denmark
12. France
13. Czech Republic
14. Netherlands
15. Spain
16. Republic of Poland
17. Japan
18. Norway Republic of Belarus
19. Belgium
20. Slovakia
21. United States of America
22. Luxembourg
23. Finland
24. Germany
25. Sweden
26. Greece
27. Ireland