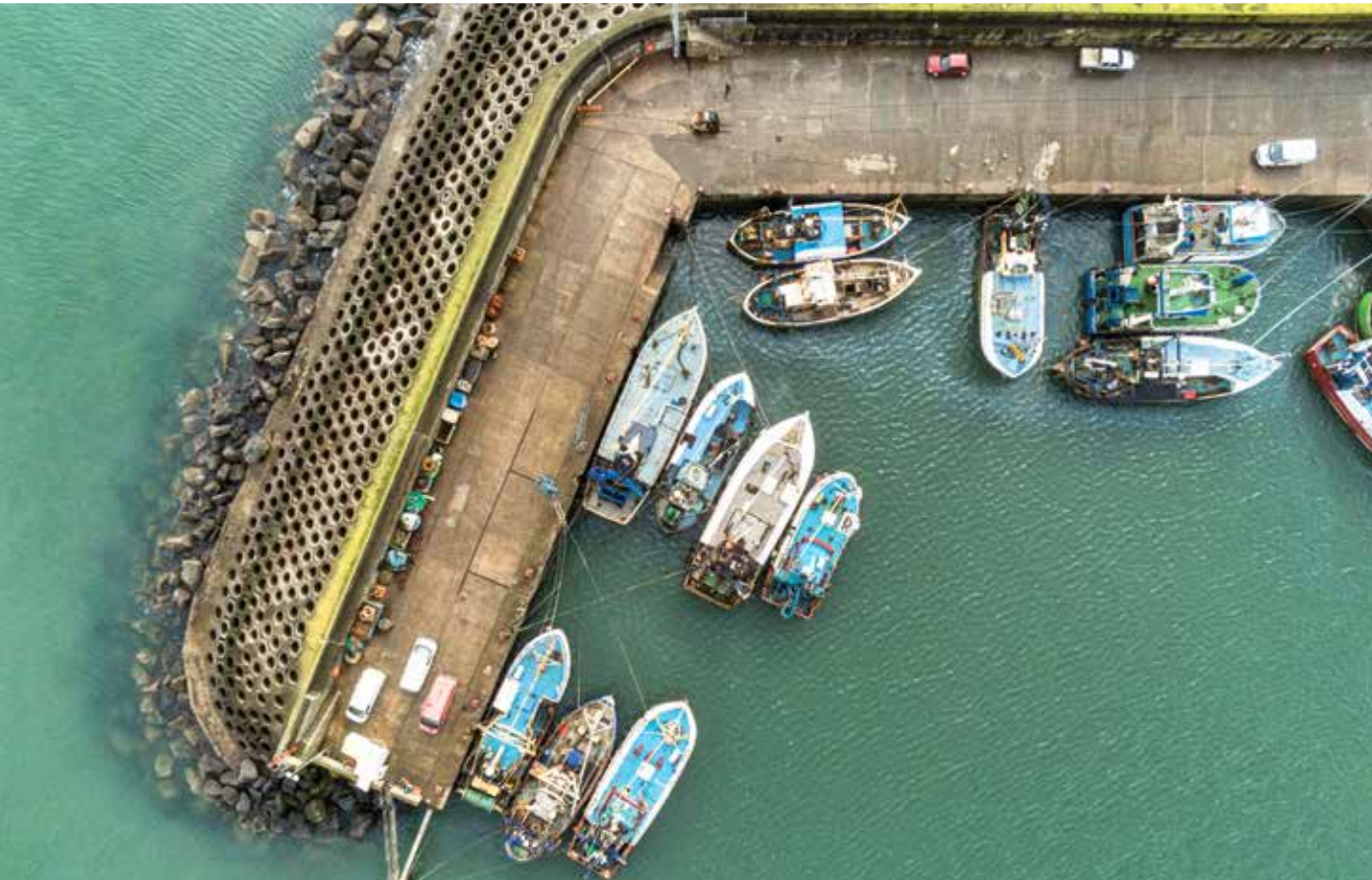


Shazam or CBAM?

There is no magic shortcut to managing new international supply chain rules

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Trade Intelligence Asia Pacific seeks to capture the essence of selected issues that are of particular interest to clients of PwC. Our regional network of customs and international trade consultants routinely gather, analyse and disseminate information and knowledge to our clients. Based on studies as well as meetings and discussions that take place across the region with various trade and customs officials, we consolidate our findings into Trade Intelligence Asia Pacific.

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Shazam or CBAM?

There is no magic shortcut to managing new international supply chain rules

Imagine there was an app that could scan a product presented for import into the EU and instantly identify its carbon footprint (or perhaps even the labour used to produce it). Alas, the EU's Carbon Border Adjustment Mechanism (CBAM) is no Shazam, so, for now at least, other solutions are going to be necessary.

Many if not all trade and customs specialists are not ESG experts. It may not be immediately obvious to them that they even have a role to play in their organisation's ESG management. Nevertheless, despite all the talk about globalisation going in reverse, in at least the short term companies are going to have to become much better at managing the regulatory aspects of their international supply chains. As is often the case, the rubber meets the road at Customs. Meaning to say that the policing of environmental, social and governmental aspects of international supply chains will often be the job of customs officials, even if they are not necessarily the instigators of the relevant regulations, nor well-informed or well-trained to evaluate compliance.

We see this already in the relatively well-trodden space of Free Trade Agreements. Despite the best efforts of Ministry of Trade negotiators to create FTAs that are clear and transparent, commercial reality means that there are many aspects of international trade that are not well catered for in such FTAs. Consequently, customs officials are left to decide for themselves how to deal with such ambiguous aspects, leading to unexpected and / or inconsistent experiences for exporters and importers alike. Indonesia's change from referring to "non-party invoicing" rather than "third party invoicing" (see the Indonesia territory report) is a simple but illustrative example of this.

Extrapolating from FTA experience, it seems to us that the average trade and customs professional would do well to take the proverbial bull by the horns and proactively start a discussion, if not implement a strategy, to deal with newer regulatory aspects of international supply chains in their organisation.

CBAM would be an obvious start. Although clearly most trade and customs professionals will need support from someone else in order to determine embedded carbon emissions (be they tier 1, tier 2 or tier 3), whether or not a product is covered by the CBAM regulations in the first place is determined by its HS code. Hence it should be the responsibility of the trade and customs manager to determine which, if any, of their company's products are captured. They should also monitor the list of covered HS codes, which is constantly subject to change. While doing so, it may not be a bad idea to perhaps review their company's tariff classification codes in their entirety?

The actual implementation of full additional import charges under CBAM is a long way away (currently slated for 2034 - see [this](#) for further details). But reporting requirements start as early as this year. It is our experience that few exporters in Asia are ready for what is to come. To avoid an inevitable scramble towards the end of the year, now is a good time to act. Align all relevant personnel (dare we say form a task force?!); determine affected products; establish a data capture process; start communications with EU based customers on their expectations and requirements; implement a robust reporting structure. At a minimum.

From there, it would be a small step to start thinking about other ESG aspects of international supply chains that trade and customs professionals would be well placed to help manage. As part of either FTA or US First Sale management, they may already be actively involved in reviewing suppliers' (and their suppliers', and so on) compliance with the relevant rules. This can be achieved through physical factory visits and inspections, but may also rely on joint supply chain management systems or virtual supply chain reviews. Expanding these processes to manage for example the new Supply Chain Transparency Law in Germany or the US's Forced Labor Act would be a natural next step.

Many organisations may still view such new and additional international supply chain management regulations as a hassle. However, the regulatory landscape as well as public opinion appear irrevocably moving in this direction. In the immediate future, proactive and next-in-class management of such regulations may create significant competitive advantage. In the longer run, not doing so will likely undermine the viability of any business. Not unlike FTAs, in fact. The call to action for the trade and customs professional of the future should be clear. App or no app.



Headline	New development
Brunei ratifies CPTPP	Brunei Darussalam's Ministry of Finance and Economy (MoFE) has ratified the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and notified New Zealand, the depository of the CPTPP, accordingly on 13 May 2023. The trade deal entered into force on 12 July 2023, becoming Brunei's tenth FTA.
RCEP enters into force in the Philippines	The Regional Comprehensive Economic Partnership (RCEP) entered into force in the Philippines on 2 June 2023. The Philippines was the last territory to ratify the agreement, which is therefore now in force in all 15 signatories.
Cambodia and Vietnam sign trade agreement	<p>Cambodia and Vietnam have signed a trade agreement on 3 June 2023 to promote bilateral trade between both countries for the years 2023 to 2024. Both governments hope that this agreement will boost trade between the two territories.</p> <p>Cambodia and Vietnam already have numerous ASEAN-led FTAs to which they are both parties. Hence it may not be so obvious what additional benefit this bilateral deal confers on traders without a detailed review of the agreement.</p>
Cambodia and the UAE sign off on economic partnership	Cambodia and the United Arab Emirates (UAE) have signed a bilateral Comprehensive Economic Partnership Agreement on 11 June 2023, aimed at strengthening trade and investment between the two nations. Along with the signing, Cambodia has proposed that the UAE consider the establishment of rice mills, warehouses and cashew processing facilities as well as a double tax agreement to encourage investments.
China signs trade deal with Ecuador	On 10 May 2023, China signed a trade agreement with Ecuador. This comes after ten months of negotiations and after China signed FTAs with other Latin American states such as Chile, Peru and Costa Rica already. The agreement is limited to trade in goods only and does not contemplate investments or services.
India and Israel to finalise FTA	<p>On 9 May 2023, Israel's Foreign Minister Eli Cohen announced that Israel is keen to finalise an FTA with India, as it sees huge potential and scope of increased trade between the two territories.</p> <p>He also expressed the hope that an agreement would further strengthen bilateral economic ties between the two territories. Beyond trade in goods, opportunities are being explored in academic cooperation and merchandise trade (i.e. trade excluding defence articles) amongst others.</p>
Indonesia and Iran conclude negotiations on bilateral trade agreement	<p>The Ministry of Trade of Indonesia has announced on 20 May 2023 that Indonesia and Iran have successfully completed the final stage of negotiations on a bilateral trade agreement and are set to sign the agreement during an upcoming visit to Jakarta by Iranian President Ebrahim Raisi.</p> <p>It is to be noted that the Indonesian government has been actively pursuing similar agreements with other Persian Gulf states, including Saudi Arabia.</p>
Malaysia and UAE to launch negotiations on Comprehensive Trade Pact	<p>Malaysia and the United Arab Emirates (UAE) agreed to launch negotiations to establish a Comprehensive Economic Partnership Agreement (CEPA) on 23 May 2023. This agreement would not only give new momentum for both territories to enhance their existing partnership through more strategic collaborations; it would also boost and drive new bilateral economic and trade opportunities.</p> <p>Malaysia and the UAE are already both members of the Gulf Cooperation Council ("GCC") - Malaysia FTA. It is not uncommon for territories to have multiple FTAs between them. A smaller FTA will typically give them more room to negotiate and also address their concerns. In some cases, duty savings can actually be much more attractive in a smaller FTA than a larger multilateral FTA.</p>

<p>Philippines-South Korea FTA signing feasible this year</p>	<p>Philippine Trade Secretary Alfredo Pascual announced on 12 June 2023 that the signing of an FTA between the Philippines and South Korea would be feasible this year. Negotiations for the Philippines-South Korea FTA started in June 2019 and concluded in October 2021.</p> <p>Trade in goods, trade remedies, rules of origin, customs procedures, trade facilitation, economic and technical cooperation, competition, and legal and institutional issues were covered during the negotiations. Although the Philippines and Korea are already both parties to various other agreements, this bilateral deal goes deeper in many areas than those agreements, and is therefore worth analysing to evaluate what additional opportunities it offers to traders.</p>
<p>Philippines looks to resume FTA talks with European Union (EU)</p>	<p>The Philippine Trade Secretary, Alfredo Pascual, announced on 22 May 2023 that the Philippines would be pursuing the resumption of FTA talks with the EU.</p> <p>An FTA with the EU would help the Philippines secure additional duty-free market access, and provide a conducive framework for attracting more significant investments from the EU. However, these discussions tend to be a topic of contention due to the potential impact on local companies in the Philippines. Hence these talks can be expected to take a significant amount of time until an agreement can be reached, if ever.</p>
<p>Thailand eyes 3 deals by 2024</p>	<p>Thailand announced on 8 May 2023 that it is looking to conclude FTA talks with the European Free Trade Association (EFTA), Sri Lanka and the United Arab Emirates (UAE) by the middle of 2024 to improve trade and investment.</p> <p>These are ambitious plans for Thailand to pursue. FTA discussions are not as straightforward as they may seem. Numerous factors influence the outcome of FTA discussions, including impact on local businesses and structural reform requirements. Therefore, delays in these deals are unfortunately to be expected as the negotiators iron out details.</p>
<p>Vietnam and Bangladesh eye FTA to boost economic relations</p>	<p>On 14 May 2023, Vietnam and Bangladesh agreed to explore possibilities of concluding a bilateral FTA. This would further add substance to the steadily increasing bilateral trade and economic relations between the two territories. Topics of discussion include direct air links for facilitating trade, commerce and investment and for accelerating tourism and people-to-people contact.</p>



Australia

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Controls, charges, deferrals and reform in Australia's 2023-24 Federal Budget

On 9 May 2023, the Australian Government released the 2022-23 Federal Budget which includes the following key trade measures:

- Controls on import of vaping products, including a prohibition on import of non-prescription and all single use, disposable vapes, and mandating vapes to be purchased via a prescription only, thereby terminating the retail sales of vaping products. For vaping products sold on the basis of prescriptions, the minimum quality standards are stricter and they must be packed in pharmaceutical-like packaging;
- Controls on import of tobacco products, including reducing the permissible nicotine content in these products. The Government has also increased tax on tobacco products by 5% for 3 years (in addition to normal indexation increases);
- Deferral of start date of streamlining excise duties on fuel and alcohol under the 2022-23 March Budget to 1 July 2024;
- Increase in import charges (e.g., charges for import of low-value cargo) to fund enhancement of Australia's biosecurity processes and border controls; and
- Initiative to modernise existing international trade system, including reforming the simplified trade system (STS) but continuing with the Trade Information Service. Regarding the former, the Government has released the [STS consultation paper](#) and is seeking feedback in response to the STA consultation paper. Consultation will close soon on 24 July 2023.

“Substitutable goods” test for grant of TCO

Tariff Concession Orders (TCOs) permit the removal of customs duties on imported goods where the importer can demonstrate that there is no local industry producing “substitutable goods” in Australia.

In a recent case ([Syngenta Australia Pty Ltd and Comptroller-General of Customs \[2023\] AATA 1475](#)), the Administrative Appeals Tribunal (AAT) reaffirmed that if Australian-produced goods are put to or capable of being put to a use that corresponds with the use of the imported goods in question, the latter is deemed “substitutable goods” and this is sufficient basis to reject a TCO. AAT further clarified that the essential character, composition and primary intended function of the goods are relevant in considering whether the Australian-produced goods correspond with imported goods in question.

Our take: Judicial clarification on the scope of “substitutable goods” creates more certainty for importers currently leveraging or intending to apply for TCOs to reap duty saving opportunities. Moreover, the continued focus on and scrutiny of TCOs by the Australian Bureau Force (ABF) is a reminder to importers who leverage previously approved TCOs to conduct regular reviews of their imported goods against the TCOs to ensure they precisely meet the wording of the TCO.



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Changes to warehouse management rules and customs inspections

On 15 May 2023, the General Administration of Customs (GAC) [amended rules under Order No. 263 relating to \(1\) the operation of bonded and export supervised warehouses and \(2\) customs inspection of export and import commodities](#).

- **Operation of bonded and export supervised warehouses:** The updated rules seek to promote efficiency by simplifying warehouse operators' regulatory obligations. Specifically, these obligations pertain to the management of stored goods (e.g. simplifying the process of bringing goods into and imposing a time limit for the pick-up of goods from these warehouses) and overall warehouse management (e.g. simplifying approval process to change warehouse operator details and removing the need for warehouse operators and managers to undergo Customs training).
- **Customs inspection of imported and exported commodities:** The updated rules seek to enhance the inspection process of import and export commodities by replacing annual inspections with random inspections or inspections as needed, as well as establishing Customs' limited role in preparing companies for such inspections.

The updated rules became effective on 1 July 2023.

Our take: Any reduction in administrative burden for the operation of bonded and export supervised warehouses is to be welcomed. Hence these measures seem to be travelling in the right direction. What is yet to be seen is whether the regulatory changes will translate into greater efficiency in practice.

The change in regulation for customs inspections is likely to benefit the authorities more than it will importers and exporters. The GAC is constantly improving its technology led approach. Hence although there may be fewer futile inspections in future, inspections that do happen, can be expected to be more targeted and intrusive. Therefore, instead of taking this as a sign to lower the guard, it is rather a sign to step up compliance levels during customs clearance and self-assessments afterwards.

Introduction of RCEP preferential tariff rates on Philippines-originating imports

Following the Regional Comprehensive Economic Partnership (RCEP)'s entry into force in the Philippines on 2 June 2023, China [introduced preferential tariff rates on a range of Philippine-originating imports](#). For more details from a Philippines' perspective, please refer to our Philippines section.

Our take: Importers should perform an impact assessment of the newly released tariff schedule to take full advantage of any new trade benefits. Although Philippines originating products may already be entitled to benefits under the ASEAN-China FTA (ACFTA), some products that do not qualify under the ACFTA may qualify under the RCEP, for example if they include Japanese originating content that can be cumulated.

Import and export prohibition of persistent organic pollutants

On 6 June 2023, the Ministry of Commerce (MOFCOM), General Administration of Customs (GAC), and Ministry of Environment and Ecology (MEE) issued the [Eighth Catalogue of Goods Prohibited from Import and Seventh Catalogue of Goods Prohibited from Export](#). These catalogues prohibit the import and export of persistent organic pollutants (POPs) into and out of China, respectively. The Chinese government is also looking at improving product safety and sustainability, to comply with the Stockholm Convention on Persistent Organic Pollutants.

The catalogues include substances that are specific to the supplement industry (e.g., sibutramine). It also includes more general substances used across industries that are detrimental to consumer and/or environmental health.



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Introduction of customs clearance process under the ESRO pilot initiative

Electronic Repairs Services Outsourcing (“ESRO”) is an initiative that seeks to make India the repair capital of the world by allowing designated repair service entities in India to import and repair defective or damaged electronic goods before they are re-exported, prolonging the lifespan of these goods.

A pilot to test electronics repair outsourcing is currently held at the Air Cargo Complex, Bengaluru and will run for three months. Aspects of related import and re-export procedure via the customs station at Bengaluru are addressed in the [Circular No. 14/2023-Customs dated 03 June 2023](#). Notable procedures addressed in the circular include examination of goods during import and the repaired goods during export clearance, and usage of bonds in lieu of duty payment under the ESRO scheme.

Ruling on technical know-how fee paid for post-importation use of capital goods

In Commissioner of Customs (Imports), Chennai vs M/s. Diabu Diamond Tools (I) Pvt. Ltd, the Customs Excise & Service Tax Appellate Tribunal (“CESTAT”) ruled on whether technical know-how and licence fees paid by importers are a condition of sale and should be included in the declared customs value.

It was held that there is no need for fees paid for technical knowhow to be included in the transaction value of imported goods where such payment is not a condition of sale for imported goods. The judgement emphasised that the basic principle of levy of customs duty is that the value of goods has to be determined at the time and place of importation. If any payment is to be paid after completion of import by way of transfer of licence or technical know-how for the purpose of setting up or running of a plant from the imported machinery, the same would not be included in the assessable value of such capital goods.

Our take: This ruling supports the position that any amount paid for post-importation service or activity should not be included into the declared customs value for levying of duties and taxes. It is important to note that you may be able to use this ruling to support your argument for non-dutiability. However, these cases will need to be dealt with based on the actual facts of the case and cannot be generalised into one conclusion.

Supreme Court ruling on pre-import condition under AA scheme

The Supreme Court (“SC”) gave its ruling in Union of India & Ors. vs Cosmo Films Limited on whether the pre-import condition for claiming exemption of Integrated Goods and Services Tax (“IGST”) and compensation cess on import of goods under the Advance Authorisation (“AA”) scheme is arbitrary and unreasonable. This arose as there is no formal definition of pre-import condition and exporters face practical difficulties in fulfilling the pre-import condition. The condition was subsequently removed in January 2019 and its validity during the period of 13 October 2017 to 9 January 2019 was more recently challenged.

In its recent ruling, the SC held that inconvenience caused to exporters by paying IGST and claiming refund thereafter cannot be grounds to hold that the pre-import condition is arbitrary. Importers would therefore need to comply with the pre-import condition during the prescribed period (i.e. 13 October 2017 - 9 January 2019).

Our take: The decision finally settles the issue of the ‘pre-import’ condition vis-à-vis IGST exemption and compensation cess under AA scheme and allows relief in terms of credit or refund as may be applicable on merits. The importers who failed to fulfil pre-import conditions will now be required to pay IGST along with interest. Further, traders would be required to follow the instructions and the guidelines that have been issued by the authorities to seek credit and/or refund of the IGST and compensation cess paid.

Ruling on validity of third party technical expert report

In M/s Veekay Connectors Private Limited vs Commissioner of Customs, New Delhi, the CESTAT ruled on the validity of a third party technical expert report. In this case, the taxpayer claimed exemption from customs duty on import of ‘PLC Splitter Module’ (not having lenses). The imported goods were examined on a first check basis and a sample was sent to a third-party technical expert by the Revenue authorities and importer, separately. Due to contradictory results from two different third-party technical experts, the Revenue authorities questioned its authenticity and veracity and denied the exemption benefit to the importer.

It was held that the authenticity of a test report by an expert cannot be questioned because it is provided by experts in that field of trade. It was also clarified that if there are two contrary expert opinions, the matter should be referred to a third technical expert.

Clarifications on amnesty scheme under AA and EPCG

Recently, a one-time settlement scheme was introduced as a relief measure for exporters unable to meet their export obligation under the AA and Export Promotion Capital Goods (“EPCG”) schemes. The latter two schemes are available to exporters exporting their final products.

Clarifications on the scope the amnesty settlement scheme are as follows:

- Cases under any investigation involving fraud, mis-declaration or unauthorised diversion of material and/or capital goods are not covered under this scheme. Cases of calculation mistakes will be dealt with on a merit basis;
- No change on interest payable; and
- Authorisation holders are not eligible to claim credit or refund of any amount on duties paid under any provisions of law.

Refer to [Circular No. 11/2023-Customs dated 17 May 2023](#) for further details.

Implementation of duty remissions/exemption schemes under FTP 2023

The new Foreign Trade Policy (“FTP”) and Handbook of Procedures became effective on 1 April 2023. FTP 2023 is a paradigm shift from an incentive to a remission-based framework, focusing on export promotion through collaboration, ease of doing business through automation and solutions and emerging areas including e-commerce and export hubs.

Certain aspects concerning the implementation of duty remissions/exemption schemes were clarified:

- All items with a basic customs duty of more than 30% are considered ineligible self-declared import categories under AA scheme.
- Goods that are “project imports” are excluded from the EPCG scheme.
- Duty/tax benefits shall not be available for Export Oriented Units (“EOUs”) for the setting up of operations or maintenance of wind captive power plant and solar captive power plant.

Refer to [Circular No. 12/2023-Customs dated 24 May 2023](#) for further details.



Alignment of RoDTEP with the Customs Tariff Schedule

The Remission of Duties or Taxes on Export Products Scheme (“RoDTEP”) scheme aims to refund embedded central, state and local duties and taxes paid on inputs that have not been refunded or rebated to exporters. Appendix 4R within the RoDTEP Schedule contains eligible RoDTEP export items, rates and per unit value caps, etc. This scheme is available to exports made from 1 January 2021.

Effective from 1 May 2023, a revised Appendix 4R stating the RoDTEP rates and caps has been issued to align with recent 2022 changes in the Customs Tariff Schedule. Key amendments in the revised Appendix 4R are:

- 149 tariff lines at 8-digit level were added and
- 52 tariff lines at 8-digit level were removed.

Refer [Notification No. 04/2023](#) dated 01 May 2023 for further details.

Introduction of cough syrup export restriction

The Department of Commerce announced [Notification No. 06/2023](#) dated 22 May 2023 that introduces restrictions on the export of cough syrup products under HS heading 3004. These products must now be tested by accredited labs (refer to notification for details) and a Certificate of Analysis for export declaration must be obtained.

Import restrictions on battery and equipment containing batteries due to environment and health concerns

The Battery Waste Management (BWM) Rules, 2022 introduce import restrictions which are applicable for importers who import all types of batteries regardless of chemistry, shape, volume, weight, material composition and use. These rules have been introduced to reduce the adverse effect of waste batteries (which includes used and expired batteries) on the environment and human health.

The BWM Rules, 2022 require importers of batteries and equipment containing batteries to register with the Central Pollution Control Board (‘CPCB’) through an online portal. Accordingly, online generated EPR registration certificates would be verified at the time of clearing the import consignment of batteries as well as equipment containing batteries.

Refer to [Instruction No. 17/2023-Customs](#) dated 18 May 2023 for further details.

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Changes to procedural provisions under the IJEPA

The Indonesian Ministry of Finance issued regulation [#47 of 2023](#) amending the procedural rules under the Procedure for the Imposition of Import Duty Tariff on claiming preferential treatment under the Indonesian-Japan Economic Partnership Agreement (“IJEPA”). The amendment aligns with the new certificate of origin (“COO”) and/or origin declaration submission procedure under regulation #35 of 2023, as summarised in our [Trade Intelligence issue for March and April 2023](#). Specifically, this new regulation adopts provisions on submission of scanned COO under regulation number #35 of 2023 and introduces the following new amendments:

- Third-party invoice requirement is replaced with non-party invoice requirement. Non-party invoicing requirement means that the invoicing party is not required to be a member of IJEPA (i.e. outside of Indonesia or Japan) provided that the transaction flow meets all the consignment criteria requirements. All invoices issued in a member state as if it was under the now-replaced third party invoice requirement, regardless of whether the exporter and invoice issuer are the same, are considered as normal direct invoicing arrangement;
- In the event that an issued e-form IJEPA requires correction, a new e-form IJEPA can be issued to replace the previous e-form;
- Date of exportation for air/land freight and sea freight is based on the date of vessel departure and date of goods loading, respectively, if the date of bill of lading is different from the date of departure/loading.

The regulation became effective on 1 May 2023.

Our take: The non-party invoicing update is an interesting deviation from typical FTA arrangements in Asia Pacific, where all parties are required to be located in a member state. We have experienced some transactions that could not utilise FTA privileges due to such a requirement so to see this relaxation might be a good sign of things to come. Of course, this would take some time to implement, especially in larger multilateral FTAs.

Operational guidance on the clearance of imported goods for use in Indonesia

The Directorate General of Customs and Excise (“DGCE”) issued regulation number [PER-02/BC/2023](#) providing detailed guidance on MoF regulation number 190/PMK.04/2022 regarding the clearance of imported goods for use, as summarised in our [Trade Intelligence Issue for November and December 2022](#).

Key highlights in this detailed guidance are as follows:

- Introduction of a three-day deadline to respond to Notification of Prohibited and/or Restricted Goods;
- Operational details on applying to obtain import periodical payment for Authorised Economic Operator and/or customs main partner;
- New step in clearance process, i.e., Customs to examine the existence of goods through confirmation with the temporary stockpiling area operator;
- Detailed procedure to submit manual import declaration (“PIB”) in the event that customs online system has technical issues, rendering it unusable;
- Changes to procedure for importing intangible goods, which includes the following:
 - a. PIB for intangible goods cannot contain tangible goods; and
 - b. Intangible goods must be classified under heading 9901
- New instructions on rounding adjustments for Import Duty, Import Taxes (Value Added Tax (“VAT”) and Income Tax Article 22 (“PPh 22”):
 - a. Total import duty in a single PIB is rounded up to the nearest thousand;
 - b. VAT for each item in a single PIB is rounded down to the nearest whole number; and
 - c. Import value for each item in a single PIB is rounded down to the nearest thousand to arrive at PPh 22

The regulation became effective on 14 January 2023 but was made available to the public only in June 2023.



New safeguard import duty on certain furnishings and yarn products

The Indonesian Minister of Finance (“MoF”) issued regulations [#45 of 2023](#) and [#46 of 2023](#) which imposes safeguard import duty on certain furnishings and yarn products that are similar to that of local manufacturers. The item description, HS codes and safeguard import duty of these products are set out in a table below:

Regulation	Item description	HS codes	Safeguard import duty (from the effective date of the regulation)
No. 45 of 2023	Curtains, deep blinds, bed valance and other furniture	<ol style="list-style-type: none"> 1. 6303.12.00 2. 6303.19.90 3. 6303.91.00 4. 6303.92.00 5. 6303.99.00 6. 6304.19.90 7. 6304.91.90 8. 6304.92.00 	<p>1st year: IDR 22,717 / Kg</p> <p>2nd year: IDR 16,595 / Kg</p> <p>3rd year: IDR 10,473 / Kg</p>
No. 46 of 2023	Yarn (other than sewing thread) products of synthetic and artificial staple fibres	<ol style="list-style-type: none"> 1. 5509.22.00 2. 5509.32.00 3. 5509.51.00 4. 5509.53.00 5. 5510.12.00 6. 5510.90.00 	<p>1st year (from the effective date of the regulation): IDR 766 / Kg</p> <p>2nd year (1 year from the end of the 1st year): IDR 553 / Kg</p> <p>3rd year (1 year from the end of the 2nd year): IDR 340 / Kg</p>

The regulation became effective on 6 May 2023.





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New export controls on 23 categories of high-performance semiconductor manufacturing equipment

On 23 May 2023, METI announced that the [new Ministerial order of the Cabinet Order on Export Trade Control for semiconductors](#) and the [amended Basic Circular which provides for the corresponding procedure to obtain an export licence](#), subject to public comments earlier this year (see our [Trade Intelligence Issue for March and April 2023](#) for more details), will come into effect on 23 July 2023.

The effect is that an additional 23 types of semiconductor equipment are subject to Japan's export control. Examples of targeted products are set out below:

Item category	No. of item types	Example of targeted product
Cleaning	3	Equipment designed to remove surface oxide as a pre-treatment and remove impurities
Deposition (Film formation)	11	Equipment designed to deposit layers containing the specific silicon and carbon
Annealing (Heat treatment)	1	Equipment that operates in the specific vacuum condition
Lithography (Exposure)	4	Equipment to manufacture the specific pellicle
Etching (Chemical removal)	3	Equipment designed for the specific dry etching
Testing	1	Equipment designed to test the specific mask blank to be used in semiconductor production process using extreme ultra-violet

Our take: The impact of the update on the export control regulations and Basic Circular will vary depending on the end destination of affected products. Exporters of semiconductor manufacturing equipment should confirm if any of the goods they export may be subject to this updated export control. In cases where the exporters wish to export the target products to controlled territories, they will likely have to request individual export licenses for the items from METI headquarters.

Upcoming additional declaration requirements for e-Commerce imports

To address the rapid increase in e-Commerce transactions (see our [Trade Intelligence Issue for November and December 2022](#) for more details), the Ministry of Finance ("MOF") has issued an amended [Enforcement Order](#) and [Enforcement Regulation](#) of the Japan Customs Act.

The amendments include requiring importers of e-commerce goods to include additional information in their import declarations, as follows:

1. Delivery address and the name of the recipient, where the freight contract pertaining to the imported goods stipulates the address to which such goods will be transported after the completion of the import declaration process;
2. Indication of whether goods purchased through an e-Commerce platform are shipped from a foreign territory to Japan by the seller or the vendor commissioned by the seller. This may impact the valuation of the goods through a selling commission under the transaction value method;
3. E-commerce platform information or other equivalent information (if applicable).

These amendments will come into effect on 12 October 2025.

Our take: The above information would allow customs to control and investigate e-Commerce imports more actively. While there is still time before these updates to come into effect, it would be prudent for importers who deal with e-commerce to start taking necessary actions, such as setting up a plan and internal system to accommodate the new requirements and creating SOPs to ensure compliance with these new customs regulations, especially from a customs valuations perspective.



Digitalisation of CO issued in Japan

The Government of Japan has been working on the digitalisation of Certificates of Origin (“CO”) to facilitate trade for businesses, and has successfully implemented the Portable Document Format (“PDF”)-CO and electronic-CO data since last year.

This June, the Ministry of Economy, Trade and Industry (“METI”) has made the following two announcements on this topic:

(1) [Digitalisation of CO issued for Japan’s exports to Vietnam](#)

- From 19 September 2023, COs for Vietnam-bound exports from Japan under the Japan-Vietnam Economic Partnership Agreement (“JVEPA”) and the ASEAN-Japan EPA (“AJCEP”) will be issued in PDF files (PDF-CO) in Japan.
- This means that importers in Vietnam are only required to submit the CO number and issue date - not the entire CO - to Vietnam Customs at the time of import, as the new CO arrangement allows Vietnam Customs to view the necessary CO information once an importer submits these two information.

(2) [Full-scale implementation of e-CO data exchange for Japan-Indonesia EPA \(“JIEPA”\)](#)

- Following the success of the pilot project (see our [Trade Intelligence Issue for January and February 2023](#) for more details), e-CO data exchange with Indonesia for Japan-Indonesia EPA has been officially fully implemented from 26 June 2023 as originally planned.

As of 5 July 2023, METI has announced the digitalisation of COs in Japan under the following Economic Partnership Agreement (EPA)/ Free Trade Agreement (FTA):

EPA/FTA	Territory of import	Format	Starting date
AJCEP	Malaysia	PDF	18 July 2023
	Vietnam		19 September 2023
Japan-Malaysia EPA	Malaysia		18 July 2023
Japan-Vietnam EPA	Vietnam		19 September 2023
Japan-India EPA	India		18 July 2023
Japan-Thai EPA	Thailand		4 January 2022
RCEP	All RCEP countries		4 January 2022
Japan-Indonesia EPA	Indonesia	Electronic data	26 June 2023

Our take: While METI announced that Vietnam Customs would be able to confirm its PDF-CO data on the Vietnam Customs’ system, it is highly recommended that importers in Vietnam double check the local procedures with their local Customs authorities with respect to digitalised CO to enjoy EPA benefits. At the time of writing, we are not aware of any official guidance from Vietnam Customs. Please look out for such updates in our future issues in the Vietnam section.



Historic declaration data no longer accessible through Dagang Net

On 6 April 2023 Dagang Net, the trade facilitation service provider appointed by the Royal Malaysian Customs Department (RMCD) announced the termination of the myStat Service, in order to comply with the department's Data Protection Policy. While there is no official announcement from the RMCD on this matter, this change may impact many traders in Malaysia.

Companies are no longer able to access their import and export declaration data and interactions with RMCD. Dagang Net has advised companies to apply directly to the RMCD if they wish to obtain pre-existing data within the myStat system.

This termination became effective on 1 May 2023 and will apply to all subscribers of the myStat service. Although this has not been made known to the public, we envisage that an announcement may be made after the Ministry of Finance ("MoF") or RMCD decides on alternative channels through which companies can obtain their myStat data.

Note that the RMCD expects companies to retain documents and information under the Malaysia Customs Act 1967.

Our take: Termination of the myStat service may impact companies who use the available data to analyse their import and export transactions in Malaysia and keep track of any interactions with RMCD (e.g. filling of voluntary disclosure applications or refund applications to RMCD).

With the uncertainty whether declaration data will be obtainable in the future, we suggest that companies in Malaysia communicate with their customs brokers to check if historic declaration data is in order. Also, it is important to remember that RMCD has regulated that importers and exporters need to maintain documentation of import/export transactions and any interactions with RMCD. Hence such companies should maintain all records of declarations.

New VDP introduced but does not include duty and tax liabilities upon importation

Following the MOF's announcement made on 2 June 2023, the RMCD issued [guidelines and a list of Frequently Asked Questions](#) pertaining to the new Voluntary Disclosure Programme (VDP).

A VDP application can be made to RMCD from 6 June 2023 to 31 May 2024 for outstanding tax liabilities owed to RMCD that arose on or before 28 February 2023. Applicable tax liabilities are sales tax, service tax, goods and services tax and tourism tax. Participants of the VDP are eligible for incentives such as a 100% remission on penalty.

Unlike the previous Special Voluntary Disclosure Programme (SVDP) introduced in 2022, this VDP programme does not include duty/tax liabilities relating to importation. Nevertheless, normal "VDP" applications on customs duty can still be made to RMCD by way of manual submission directly with the local customs office. However, it is important to note that treatment may differ between customs offices so any disclosures should be analysed for potential risks involved.

Our take: Companies should take this opportunity and assess the compliance level of historical imports. This is especially so given that the statute of limitations for customs offences has increased from three to six years with effect from 1 January 2020.

Postponement of the measure to levy sales tax on low value goods

On 16 May 2023, the Ministry of Finance announced the postponement of the levying of sales tax on Low Value Goods (LVG), i.e. goods whose value does not exceed RM500, through an [Order](#). It was previously postponed on various occasions and no new date has been set as of the time of writing in June 2023.



Guidelines to apply for import duty and sales tax exemption on studio equipment and filming production

On 1 April 2023, the Ministry of Finance (MoF) released [Guidelines to apply for studio equipment and filming production import duty and sales tax exemption](#).

The Guidelines provide broad categories of equipment eligible for this exemption, other eligibility criteria and information on the application process. Note that the guidelines do not provide an exhaustive list of eligible equipment.

Companies operating in this industry must write in officially to MoF with the full information of the equipment (including equipment description and use) as part of their application to claim import duty and sales tax exemption prior to importation.

The exemption is effective from 1 April 2023 to 31 March 2026.

New online declaration requirements for goods produced from duty and tax exempted raw materials

Effective from 1 June 2023, companies exporting finished goods produced from duty/tax exempted raw materials or components under section 14(2) of Customs Act 1967, section 11(2) of Excise Act 1976 and/or section 35(3) of Sales Tax Act 2018 are [instructed](#) to use the code "XE - EXPORT FINISHED GOODS WITH EXEMPTION" when making online customs declaration of such goods via the Customs Information System

Imposition of provisional anti-dumping duties on steel products

On 31 May 2023, the Ministry of Finance ("MoF") gazetted an [Order](#) in relation to provisional anti-dumping duties imposed on steel products under the HS headings of 7209, 7211, 7225 and 7226, with specific rates imposed on such products for certain exporters from Japan. It came into effect on 1 June 2023 and will remain in force until 28 September 2023. The imported steel products were found to cause material injury to the domestic market in Malaysia as the export price is less than its normal value.



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RCEP implementation guidelines in the Philippines

The Regional Comprehensive Economic Partnership (“RCEP”) agreement entered into force in the Philippines on 2 June 2023, the last member to do so. The Bureau of Customs (“BOC”) released [Customs Memorandum Order \(CMO\) 12-2023](#) to serve as a guideline on the issuance and acceptance of origin documentation for outbound and inbound shipments.

For outbound shipments from the Philippines:

- Products will need to undergo the usual pre-shipment evaluation process to determine their origin qualification under RCEP origin rules. After the evaluation of the BOC, a “Product Evaluation Report” will be issued to exporters and will become the basis of origin documents thereafter.
- A manual Certificate of Origin (Form RCEP) can be obtained from the BOC. Alternatively, Approved Exporters (“AE”) can self-declare an Origin Declaration (DO). Note that becoming an AE is optional. Non-AE entities can export using RCEP as well.
- AEs must first process a separate company accreditation with the BOC to be granted with AE status and an Authorization Code (“AC”). The AC is the identification of the exporter on the RCEP database. Note products need to obtain a “Product Evaluation Report” regardless of whether they are exported using a Form RCEP or a DO.

For inbound shipments claiming preferential duty treatment:

- Importers must present to the BOC their Form RCEP or DO from their respective suppliers. The BOC will evaluate the authenticity and validity of the documents and grant preferential tariffs accordingly.
- In cases where the importer did not claim preferential tariff treatment at the time of importation, the importer may apply for a refund of any excess duties and taxes paid at a later stage. Based on experience, it is difficult to obtain such refunds retrospectively. Instead, importers can use a provisional declaration to claim lower duty rate at the point of clearance, which is more likely to be accepted by Customs.
- As needed, the BOC can request verification of origin documents from the issuing authority before granting preference for imported goods. In the same manner, the BOC may also carry out verifications in relation to the Form RCEP or DO that came from the Philippines upon the request of the authorities in an RCEP importing territory.

Our take: RCEP brings new opportunities for traders in the Philippines through expanded cumulation, allowing exporters and importers to source materials from 14 member states and use a single set of Rule of Origin for shipments to any of them. Some other FTAs allow for cumulation but are generally more limited in the number of eligible territories.

Many companies will determine which FTA to utilise by looking for the lowest duty rates. RCEP generally has higher preferential duty rates than other older FTAs such as the ASEAN and ASEAN+ FTAs. Hence it is often overlooked. However, in some cases, products may not qualify for any preference under such other agreements, whereas the additional cumulation possibility pushes them over the RCEP qualifying threshold. RCEP therefore provides more opportunities for accumulation to increase originating content.





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Introduction of e-SPS enquiry service on the NTP

Singapore Customs announced that traders and their authorised declaring agents (“DAs”) can use the [new electronic Sanitary and Phytosanitary certificate \(e-SPS\) enquiry service](#) on the Networked Trade Platform (“NTP”) to retrieve an e-SPS issued by overseas competent authorities since 12 May 2023. This new enquiry service was implemented by Singapore Customs together with the National Parks Board (“NParks”) and the Singapore Food Agency (“SFA”).

Traders and their authorised DAs who import relevant goods will be able to retrieve the Sanitary and Phytosanitary Certificates online with the introduction of this new e-SPS service.

This service will be rolled out progressively and will commence with imports from New Zealand for meat and meat products for human consumption (under SFA) and animal products not for human consumption, plant and plant products (under NParks).

Prohibition of exports, transshipments and goods in transit to Somalia through Singapore

On 12 May 2023, Singapore Customs announced [updates to Regulation 6\(1\)\(b\) of the Regulation of Imports and Exports Regulations \(“RIER”\)](#) to comply with the United Nations adoption of the UNSCR 2662 (2022) on Somalia. This resolution is an arms embargo on Somalia. As such, exportation from, transshipment in or transit through Singapore of any arms and military items that will contravene the decisions of the United Nations Security Council (UNSC) are prohibited.

The updated prohibitions have been published in the Regulation of Imports and Exports (Amendment No.2) Regulations 2023 and took effect on 26 May 2023.



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Taiwan and the US sign first part of 21st-Century trade initiative

On 1 June 2023, Taiwan and the US signed the [first agreement](#) under their 21st-Century Trade initiative. Although this initiative does not alter existing tariffs on goods, it seeks to strengthen US-Taiwan economic relations by encouraging customs and trade facilitation, supply chain resilience, clean energy and anti-corruption.

Importantly, the signed first agreement streamlines border procedures and reduces red tape to make it easier and less costly for US traders exporting goods to Taiwan. Specifically, it provides for electronic submission of customs forms and electronic payment of duties, taxes, and fees, which is meant to reduce the lead time of clearance in Taiwan of goods exported from the US.

Negotiations on the remaining chapters covering more complicated trade areas (e.g., digital trade and agriculture) are expected to conclude at the end of 2023.

Our take: This agreement will become effective once the national implementation process of both parties is complete. It is not indicated when this will be completed.

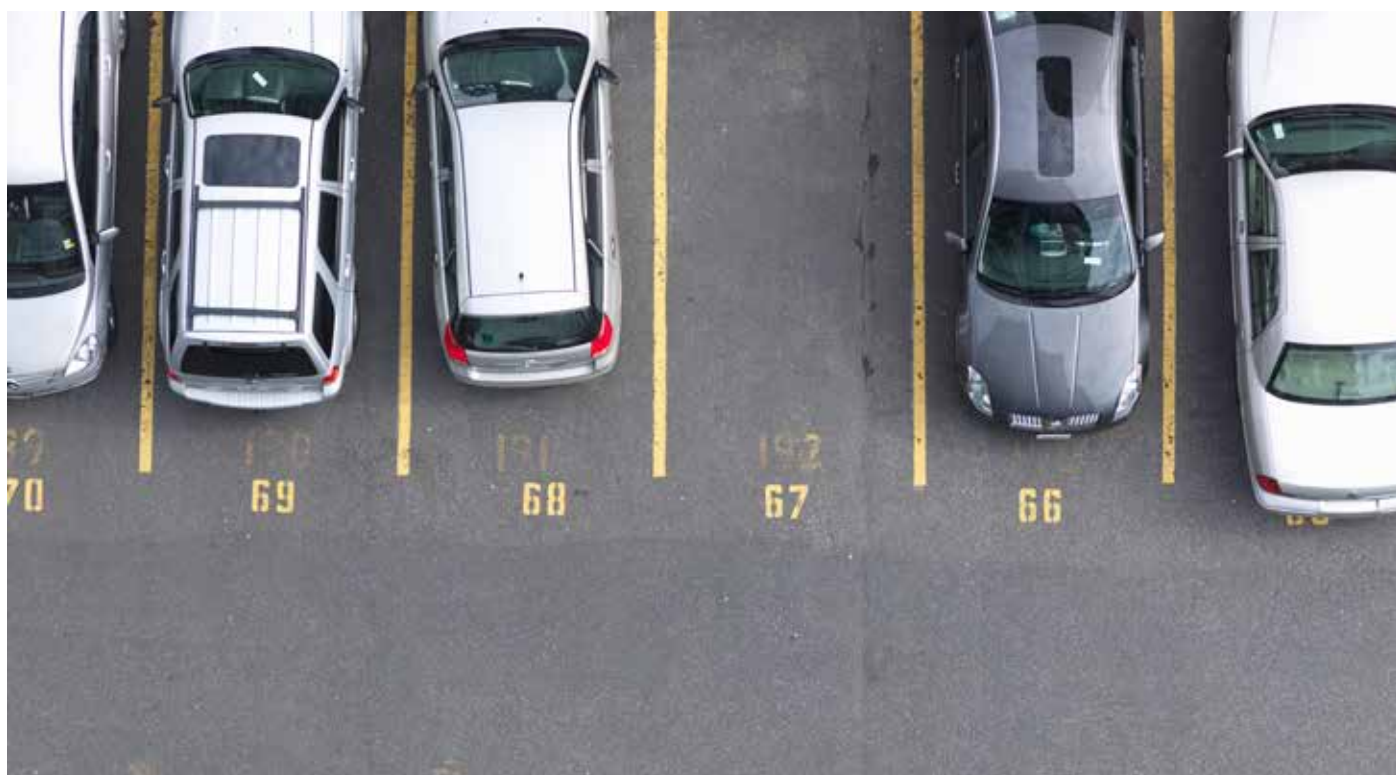
Whilst national implementation is underway, it is prudent for US companies looking to export goods to Taiwan to undertake an impact assessment of the customs reforms and start transitioning to electronic submission/payment processes to reap the benefits of streamlined clearance.

New anti-dumping duties on float glass panel imports produced in Malaysia, Indonesia or Thailand

The Customs Administration announced the [imposition of anti-dumping duties on float glass panels produced in Malaysia, Indonesia, and Thailand](#). Anti-dumping duty rates specific to each manufacturing territory are as follows:

Manufacturing territory	Manufacturer/Exporter	Anti-dumping duty rate
Malaysia	Xinyi Energy Smart (Malaysia) Sdn Bhd	20.89%
	Other manufacturers or exporters	129.32%
Indonesia	PT Asahimas Flat Glass Tbk	10.32%
	Other manufacturers or exporters	87.76%
Thailand	AGC Flat Glass (Thailand) PLC.	0%
	Other manufacturers or exporters	32.45%

These anti-dumping duties became effective on 22 May 2023 and will remain so for five years (i.e., until 21 May 2028).



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Successful case to waive VAT penalty under a self-disclosure with Thai Customs

VAT penalty treatment has been an unclear topic ever since the implementation of the new Thai Customs Act in 2017. In late 2022, the Thai Revenue Department issued Order 348/2565 on treatment of VAT penalty under a voluntary self-disclosure with the hope to clarify this issue. See our [Trade Intelligence \(TI\) issue for November/December 2022](#) for further details.

In principle, a VAT penalty is supposed to be waived under a self-disclosure provided that the trader can prove to Thai Customs there is no intention to defraud Thai Customs of duty payment. In practice, however, prior to Revenue Order 348/2565, the Thai Customs collected the VAT penalty in all cases of self-disclosures, and left it to the affected importer to seek a refund from the Revenue Department.

We have recently seen a case where the VAT penalty was waived under a One-Stop-Service (i.e. Thai Customs Headquarters' central self disclosure mechanism) under the following circumstances:

- The importers could prove no intention to defraud duties and taxes; and
- The self-disclosed shipments were within a five-year time frame from the date of importation to the case settlement date.

It is important to note that Thai Customs has not (yet) published an official position on this matter. Hence in practice treatment of the VAT penalty remains unclear, with customs officers at different customs ports as well as officials at headquarter level not necessarily being consistent on whether a VAT penalty should be waived when an importer performs a self-disclosure following the issuance of the Revenue Order 348/2565.

Our take: Importers who plan to perform a self-disclosure are advised to discuss the possibility of waiving the VAT penalty with case officers as part of the process. The existence of the recent case provides traders in Thailand with a better prospect of VAT penalty waivers applying in future.

However, there are still many factors to consider since the customs officials themselves may still not agree on the appropriate approach. The onus is on the importer to prove that there is no intention to defraud Thai Customs. In our experience, the mere fact that a company is self disclosing to Thai Customs alone is not enough to convince Thai Customs of no intention to defraud. Anyone looking to disclose must analyse all potential risks and also prepare for scenarios where the VAT penalty does apply.

Thailand and EFTA advance in FTA negotiations and plans to finalise by 2024

The fifth round of Free Trade Agreement (“FTA”) negotiations between Thailand and the European Free Trade Association (EFTA – Iceland, Liechtenstein, Norway and Switzerland) took place in Oslo, Norway on 13–16 June 2023. The representatives discussed a range of topics, including trade in goods, rules of origin, sanitary and phytosanitary measures, trade in services, investment, e-commerce, legal and horizontal issues, dispute settlement, government procurement, trade and sustainable development, cooperation and capacity building, and intellectual property rights.

There are four more rounds of negotiations planned in 2023 and 2024 to finalise the agreement. Both Thailand and EFTA states are committed to reaching a swift and successful conclusion by the middle of 2024.

Our take: These FTA negotiation plans tend to be ambitious in their timeline. The roadmap for the agreement to fully come into effect will likely be much longer than initially anticipated. Any interested parties should factor in the domestic ratification process after the FTA is signed, which will also take some time. It is interesting to note EFTA's interest in the Asia Pacific region. Indonesia, the Philippines and Singapore already have FTAs with EFTA in place, while Malaysia and Vietnam are currently negotiating.



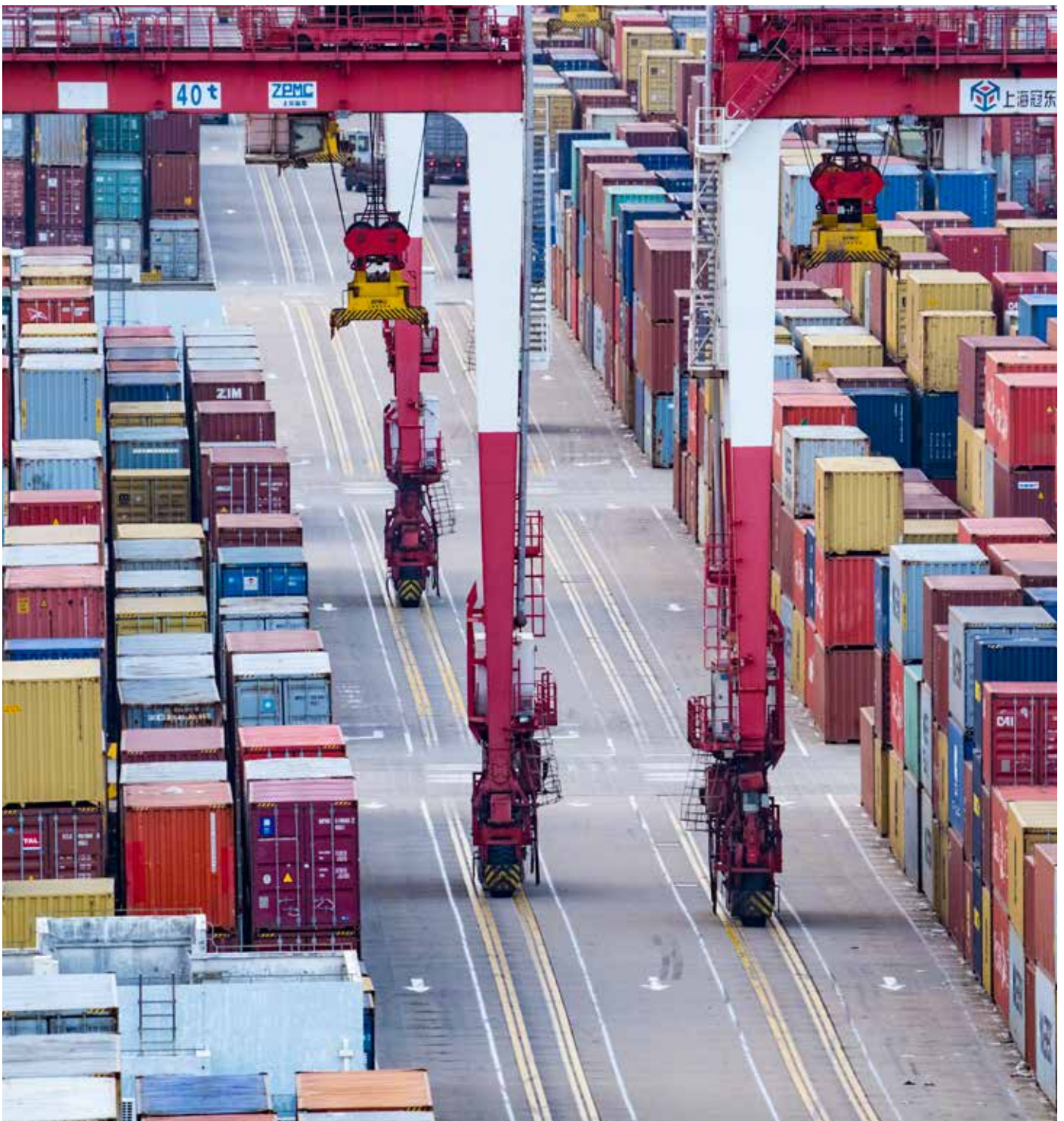
Duty exemption for parts imported for battery electric vehicles and battery powered boats

The Ministry of Finance issued a [notification](#) regarding customs duty exemption for parts of battery electric vehicles (“BEV”) and battery-powered boats (“BPB”) with effect from 26 May 2023 to the end of 2025.

To utilise this scheme, the import must comply with all rules and conditions, including registration requirements of the Thailand Automotive Institute, timeline to use the imported part in production and pre-import approval from Thai Customs. Non-compliance with such regulations will result in application of the normal duty rate, plus penalties and fines.

The exemption is granted for the following imported parts regardless of their tariff classification:

- batteries
- traction motors
- compressors for electric vehicles
- battery management systems (BMS)
- driving control systems
- on-board chargers
- DC/DC converters
- inverter/PCU inverters
- reduction gear.



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Announcements of tariff schedules

On 31 May 2023, the Prime Minister issued [Decision No. 15/2023/QĐ-TTg](#) to specify the updated normal tariffs on imported goods. The notable points are as shown below:

- The updated normal import tariff schedule includes
 - Goods description and the corresponding 8-digit HS code with a preferential import tax rate of 0% as specified in Section I, Section II, Appendix II of Decree 26/2023/ND-CP and
 - Normal tax rates for all other goods.
- The non-MFN import duty rates for goods that are not listed in the normal import tariff schedule of this Decision and which are not subject to preferential tax rates or special incentives will be equal to 150% of their MFN import duty rates.

On the same day, the Government issued [Decree No. 26/2023/ND-CP](#) to specify export tariffs and preferential import tariffs, the nomenclature of goods and its flat tax, compound tariff, and out-of-quota import tariff.

The information provided in Decree No. 26/2023/ND-CP includes:

- Export tariff schedule in Appendix I.
- Preferential import tariff schedule in Appendix II.
- Flat tax and compound tariffs for used cars with 15 seats or less in Appendix III.
- Out-of-quota import tariffs for goods that are subjected to tariff quota application in Appendix IV.

The Decision and Decree both took effect from 15 July 2023.

Proposed major changes to in-country import and export

On 29 May 2023, the General Department of Customs issued [Official Letter No. 2587/TCHQ-GSQL](#) proposing to remove its in-country import and export scheme for foreign traders through an amendment of Article 35 of Decree 08/2015/ND-CP dated 21 January 2015. The proposed amendments are summarised as follows:

- Revoke all regulations on in-country import and export in Article 35 of Decree No. 08/2015/ND-CP and other relevant laws.
- Replace in-country import and export with the following:
 - For cases where goods are produced for foreign traders and are sold to organisations or individuals in Vietnam, the processing party must conduct transactions between two domestic entities. The processing party must consequently pay import duty and other taxes.
 - For cases where goods are produced from duty-exempt materials in transactions where the goods involve a foreign trader and are delivered to another party in Vietnam, the transactions are considered as normal transactions between two domestic enterprises. The importer must pay the duties and taxes on the previously duty-exempt materials.
 - For direct contracting arrangements (i.e., non-toll or non-contract manufacturing arrangements), any foreign traders without a presence in Vietnam must sign an agency contract or use a value-added invoice which contains the tax code/name of the foreign trader and the tax code/name of the Vietnamese entity that will receive the goods.

Our take: The proposed changes are likely to significantly impact businesses in Vietnam, especially those involved in toll manufacturing or contract manufacturing activities for non-Vietnamese companies. Any companies that will be affected by such changes will need to review their current business model even before the changes become law, as there will be many aspects to consider, both from a customs and trade perspective, a broader tax perspective (e.g., VAT treatment of goods sold to foreign traders) and a legal perspective (e.g., appointing an agent in Vietnam).



Specification of goods requiring C/O for importation and treatment of discrepancies on C/O

On 31 May 2023, the Ministry of Finance issued [Circular No. 33/2023/TT-BTC](#) as guide to the origin determination process of imported and exported goods. The circular provides information on documents for origin determination, inspection process, declaration and submission of certificate of origin (“C/O”). Key points are summarised as follows:

- A C/O submission is required in the following cases:
 - Imported goods that are eligible and for which the importer is looking to claim preferential tariff rates under an FTA;
 - Specific goods where the submission of the C/O is required to prove that they are not imported from sanctioned countries under the United Nations Security Council resolution;
 - Goods specified in Appendix V of the Circular or as notified by relevant ministries that must have a C/O to prove that they will not cause harm to social safety, public health or environmental sanitation;
 - Goods that are at the time of applying for preferential treatment subject to anti-dumping tax, anti-subsidy tax, safeguard measures, tariff quota measures or trade remedies.
- The following discrepancies will not affect the validity of the C/O:
 - marking of boxes on the C/O,
 - between the signature on the C/O and the sample signature,
 - units of measurement on the C/O and other documents,
 - paper size,
 - ink colour,
 - HS code,
 - vessel and voyage due to change in transportation,
 - description of goods and,
 - spelling and typographical errors.

The Circular took effect from 15 July 2023.

Our take: One specific discrepancy to take note of is that in HS code. Clearly the correct rule of origin and preferential rate will need to be applied, but a discrepancy in listed HS code will not necessarily affect the validity of a C/O. For companies utilising FTAs, this will be a beneficial change as it reduce the risk of a C/O being refused or challenged. There have been many instances in the Asia Pacific region where there is a misalignment between the C/O issuing authority and the customs authority in the importing territory on the appropriate HS code to be used. These disagreements have led to companies foregoing their FTA utilisation.

Digitalisation of C/O for Japan’s exports to Vietnam

From 19 September 2023, C/Os for Vietnam-bound exports from Japan under the Japan-Vietnam Economic Partnership Agreement (“JVEPA”) and the ASEAN-Japan EPA (“AJCEP”) will be issued in PDF files (PDF-C/O) in Japan. Please see our [Japan section](#) for more details.

List of imported goods entitled to 2% VAT reduction from 1 July 2023

On 30 June 2023, the General Department of Vietnam Customs issued [Official Letter No. 3431/TCHQ-TXNK](#) for the implementation of Decree No. 44/2023/ND-CP. From 1 July 2023 onwards, certain imported goods will be entitled to a 2% VAT reduction from the standard 10% VAT rate (i.e., reduced to 8% VAT). The list of goods that are eligible for such a reduction can be found in the Official Letter.

The following documents are appended to the Letter:

- Appendix I: Goods not entitled to VAT reduction;
- Appendix II: Goods subjected to excise tax and not entitled to VAT reduction;
- Appendix III: Information technology related goods and services not entitled to VAT reduction.

Importers need to declare code VB205 for imported goods entitled to VAT reduction for the 8% VAT rate to apply.



Contact details

Worldtrade Management Services (WMS) is the global customs and international trade consulting practice of PwC. WMS has been in Asia since 1992 and is a regionally integrated team of full-time specialists operating in every location. Our team is a blend of Asian nationals and expatriates with a variety of backgrounds, including ex-senior government officials, customs officers, lawyers, accountants, and specialists from the private sector who have experience in logistics, customs and international trade.

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