

# Serbian Parliament ratified Additional Protocol 5 to the CEFTA Agreement

## Tax Alert

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Serbia is a member of the CEFTA agreement (Central European Free Trade Agreement), together with six other parties (Albania, Bosnia and Herzegovina, Macedonia, Moldova, Montenegro and UNMIC/Kosovo as customs territory in accordance with the UN SC Resolution 1244), the first single multilateral free trade agreement in the South East Europe.

The most important achievements of the CEFTA agreement which are of special interest to business are: possibility to apply diagonal accumulation of the goods origin, introduction of gradual liberalization of trade in services, obligation to equalize investment conditions by applying the WTO rules and by providing for equal status of domestic and foreign investors from the Region, opening of public procurements market and equal status of domestic and foreign suppliers from the countries in the Region, ensuring protection of intellectual property rights in accordance with the international standards, improvement of mechanisms for solving the disputes arising from the Agreement implementation, obligation to respect the WTO rules no matter whether a party is a member of this organization or not.

At the same time, all CEFTA Parties who are the participants in the Stabilization and Association Process have been included in the pan-Euro-Mediterranean zone of cumulation of origin through the Convention on pan-Euro-Mediterranean preferential rules of origin. The Contracting Parties of the Convention are not constrained by the Convention to enter into bilateral derogation agreements. Annex 4 to CEFTA agreement, Protocol on rules of origin, make reference to the Convention.

Recently, Serbian Parliament ratified Additional Protocol 5 to the Agreement concerning trade facilitation, as well as Amending Decision of the CEFTA Joint Committee on the Protocol Concerning the Definition of the Concept of "Originating Products" and Methods of Administrative Cooperation.

In accordance with Additional Protocol 5 and its Annexes, the CEFTA Parties shall simplify inspections related to all clearance procedures and reduce formalities to the possible maximum extent. The status of "Authorised Economic Operator" (AEO) shall be granted by each CEFTA Party in accordance with the National Authorised Economic Operators' Programmes and shall be recognised by other CEFTA Parties.

Amending Decision of the CEFTA Joint Committee concerning application of full cumulation stipulates that working and processing carried out in one of the CEFTA Parties shall be considered as having been carried out in any other CEFTA Party when the products obtained undergo subsequent working or processing in the party concerned. Where, pursuant to relevant provision, the originating products obtain origin in two or more of the parties concerned, they shall be considered as originating in CEFTA only if the working and processing goes beyond the operations referred to in Article 6 of Appendix I to the aforesaid Convention.



The prohibition of duty drawback defined in paragraph 1 of Article 14 of Appendix I to the Convention shall not apply in bilateral trade between CEFTA Parties. The CEFTA Parties, the EU, the Faroe Islands, Iceland, Norway, Switzerland (including Liechtenstein) or Turkey may also apply arrangements for drawback of, or exemption from, customs duties or charges having an equivalent effect, applicable to non-originating materials used in the manufacture of originating products, provided that preferential trade agreement is applicable between the parties concerned and that materials and products have acquired originating status by the application of rules of origin identical to those given in the Protocol of origin.

Derogation from the said Convention shall be laid down in the Annexes to the Appendix II of the Convention.

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