



Shining a light on RCEP

24 December 2020

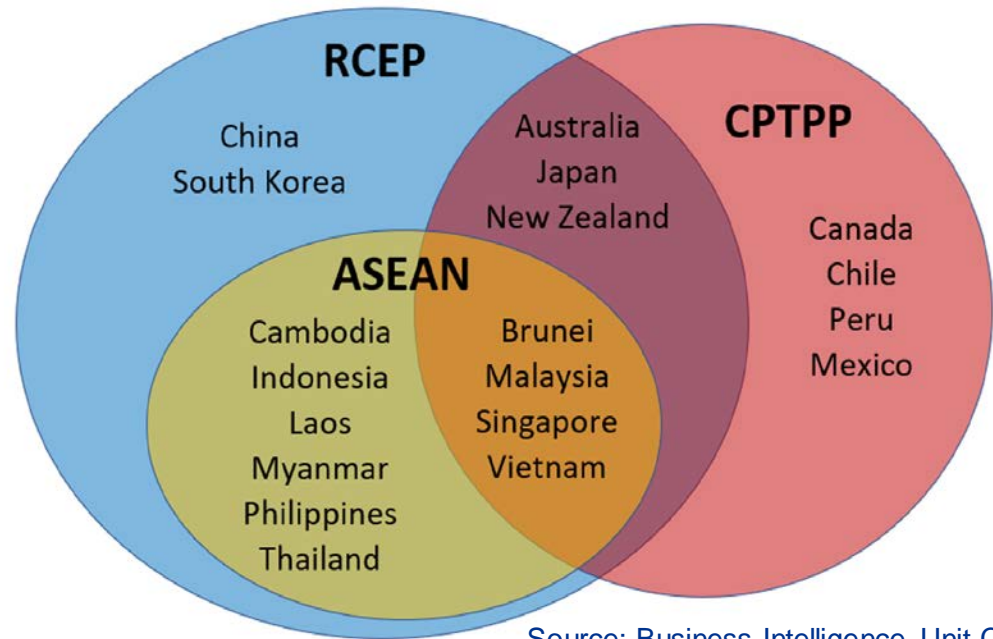
KPMG in Thailand



RCEP - Overview



Trade groupings involving Asia Pacific nations



Source: Business Intelligence Unit CNBC

RCEP

15 Member Countries (ASEAN +5)

GDP: USD 24.2 trillion, 28% of global GDP

Population: 2.3 billion, 30% of the world's population

Combined trade: US\$9.5 trillion, 28% of global trade in goods

RCEP - Implications to Thailand

A key practical breakthrough with RCEP is the establishment of free trade for the first time between China and Japan, Japan and South Korea. However, the pact provides both direct and indirect benefits for Thailand.

Product local content in Thailand

- Food
- Agriculture
- Plastics
- Paper
- Electrical components
- Petrochemicals
- Automotive parts
- Clothes
- Motorcycle



Products involved values chain from plus 5 countries

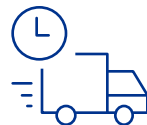
- ICs
- Automotive parts
- Petrochemicals
- Bags and clothes



Thailand should boost investments in the following:



Strength industry
e.g. automotive parts, plastics



Logistic and infrastructure
(transportation facilities)



Technology and automation

Main Issues in RCEP

○ *Trade in Goods*

○ *Trade in Services*

○ *Investment*

○ *Economic and Technical Cooperation*

○ *Intellectual Property*

○ *Competition*

○ *Dispute Settlement*

○ *E-Commerce*

○ *Small and Medium Enterprises*

Goals

- Facilitate trade and investment
- Enhance transparency in trade and investment relations between member countries
- Facilitate countries' engagement in global and regional supply chains.
- Create a liberal, facilitative, and competitive investment environment in the region.



Key discussions for today

RCEP: Trade in Goods

Principles

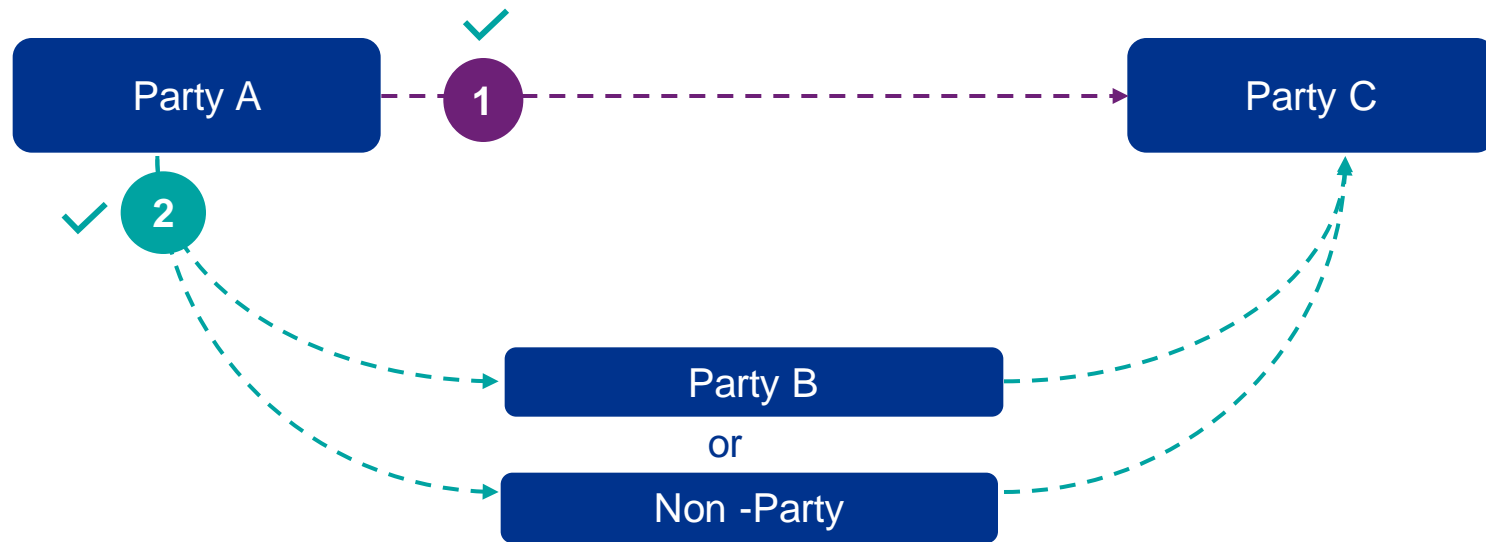
- Single set of rules and procedures for accessing preferential tariffs
- A common Rule of Origin (RoO)
 - Requires one certificate of origin for trading in the region and
 - Bypass processes of checking and adjusting to the product specific rules criteria in each country.
- **National Treatment on Internal Taxation and Regulation:** Each country shall accord national treatment to the goods of the other countries.
- Provide additional avenue for tackling non-tariff barriers
- Reduction or Elimination of Customs Duties on Originating Goods

Product %	Timeline
65%	0% Rate – Immediately
92%	0% Rate – 20 Years
8%	No changes

AEC VS. RCEP: Rules of Origin

AEC	RCEP
1. Wholly produced or obtained in exporting Party	1. Wholly obtained or produced in a Party
2. Products not wholly produced or obtained <ul style="list-style-type: none"> (a) <u>Product Specific Rule</u> (b) <u>General Rules:</u> <ul style="list-style-type: none"> • RVC of at least 40% is applied; or • CTC at 4-digit level of Harmonized System 	2. Produced in a Party using <i>originating materials</i> of one or more Parties; or 3. Produced in a Party using <i>non-originating materials</i> and the goods must satisfy Product-Specific Rules: <ul style="list-style-type: none"> • RVC40; • CC (2-digit level) • CTH (4-digit level) • CTSH (6-digit level) • WO • CR (Chemical Reaction) • Combination of the above rule e.g. <i>CC or RVC40</i>
Based on HS 2017	Based on HS 2012

RCEP: Direct Consignment



2 can be done provide the goods:

- has not undergone any further processing in the intermediate Parties or the non-Parties, except for logistics activities such as unloading, reloading, storing, or any other operations necessary to preserve it in good condition or to transport it to the importing Party; and
- remains under the control of the customs authorities in the intermediate Parties or the non-Parties.



RCEP: Proof of Origin

Proof of Origin

- (a) Certificate of Origin issued by issuing body
- (b) Declaration of Origin issued by an approved exporter
- (c) Declaration of Origin issued by an exporter or producer

All members must **implement (c) within 10 years** except Cambodia, Lao PDR, and Myanmar, 20 years.

Validation

- Proof of Origin remains valid for 1 year from the date on which it is issued or completed.
- CoO may be issued retrospectively but no later than 1 year after the date of shipment



Format

- be in writing, or any other medium, including electronic format notified by an importing Party;
- be in a format to be determined by the Parties;
- be in the English; and
- bear an authorized signature and official seal of the issuing body for CoO / bear the name and signature of the certifying person for DoO
- Contains minimum required information

Record Keeping Requirement

All necessary records must be kept for at least a period of **3 years** from the date of issuance of the Proof of Origin (for exporter)/ date of import (for importer), or a longer period in accordance with its relevant laws and regulation

OCP: Back-to-back Proof of Origin



Back-to-back Proof of Origin

- ✓ Re-export of whole shipments/ partial shipment is allowed;
- ✓ The consignment **must not undergo any further processing** in the intermediate Party, except for repacking or logistics activities.
- ✓ Back-to-back Proof of Origin could be issued provided that
 - a valid original Proof of Origin or its certified copy is presented;
 - the period of validity does not exceed the original Proof of Origin;
 - the back-to-back Proof of Origin contains relevant information from the original Proof of Origin in accordance Minimum Information Requirements including the date of issuance and reference number of the original Proof of Origin.

— → Flow of payment/ invoice
— → Flow of goods

OCP: Third-Party Invoicing



- → Flow of payment/ invoice
- → Flow of goods

Third-Party Invoicing

An importing Party shall not deny a claim for preferential tariff treatment for the sole reason that an invoice was not issued by the exporter or producer of a good provided that the good meets the requirements under RCEP RoO.

Supply Chain – RCEP PSR



PSR for HS 8512.10

Lighting or visual signaling equipment of a kind used on bicycles

In case the main materials of HS8512.90 with highest value is originated from China and Japan, it may only be qualified under Origin Criteria of RCEP.

FTA	PSR	
ATIGA	RVC40	✗
ASEAN-China	RVC 40 or CTH (4-digit)	✗
RCEP	RVC 40 or CTSH (6-digit)	✓

Description	COO	HS Code	Value
Material A	CN	8512.90	\$10
Material B	JP	8512.90	\$65
Material C	TH	8512.90	\$10
Overhead cost	-	-	\$15
Total			\$100



HS 8512.10

Supply Chain - Cumulation



Cumulation

Some RCEP countries have no bilateral FTA in place e.g. China-Japan, Japan-South Korea, etc.

RCEP allows cumulative of regional content from those countries.

RCEP: Trade in Services

Principles

RCEP aims to open avenues for greater services trade among the Parties through substantial removal of restrictive and discriminatory measures affecting trade in services.

The RCEP members shall **schedule their services commitments using the negative list approach**, either on the date of entry into force of the RCEP Agreement, or **within 3 years or 12 years** (for Cambodia, Lao PDR, and Myanmar) after the date of entry into force of the RCEP Agreement.

Positive List

- Only services and investment sectors listed in the schedules are opened for RCEP participation
- Countries with positive list: Cambodia, China, Lao PDR, Myanmar, New Zealand, Philippines, Thailand, and Vietnam

Negative list

- All services and investment will be opened for RCEP members except those listed in the schedules.
- Countries with negative list: Australia, Brunei Darussalam, Indonesia, Japan, South Korea, Malaysia, Singapore

RCEP: Trade in Services

Thailand raise shareholding limit for RCEP at least 50 sub-service sectors

After implementation and
Ratify into domestic laws

Professional Services (e.g., Legal Advisory, Bookkeeping, Veterinary)	70%
Telecommunication Services (e.g., Telex, Telegraph, Facsimile, Electronic Mail)	70%
Financial Services* * Internal legal provision and condition applied.	49%
Computer Services (e.g., Consultancy, Software Implementation, Data Processing)	70%
Distribution and Logistics Services (e.g., Retailing, Sales of Medical Goods)	70%

*Those entities with more than 49% foreign shares are still required to obtain FBL/ FBC but with more simplified process under RCEP privilege.

E-Commerce: Principles

Paperless & e-Signature

- To implement the use of paperless trading including acceptance of e-signature.

Consumer protection against spam

- To adopt or maintain laws to protect consumers against fraudulent and misleading practices as well as online personal information and unsolicited commercial electronic messages.

No duty on e-transmission

- Not impose customs duties on electronic transmissions.

Cross-border information transfer

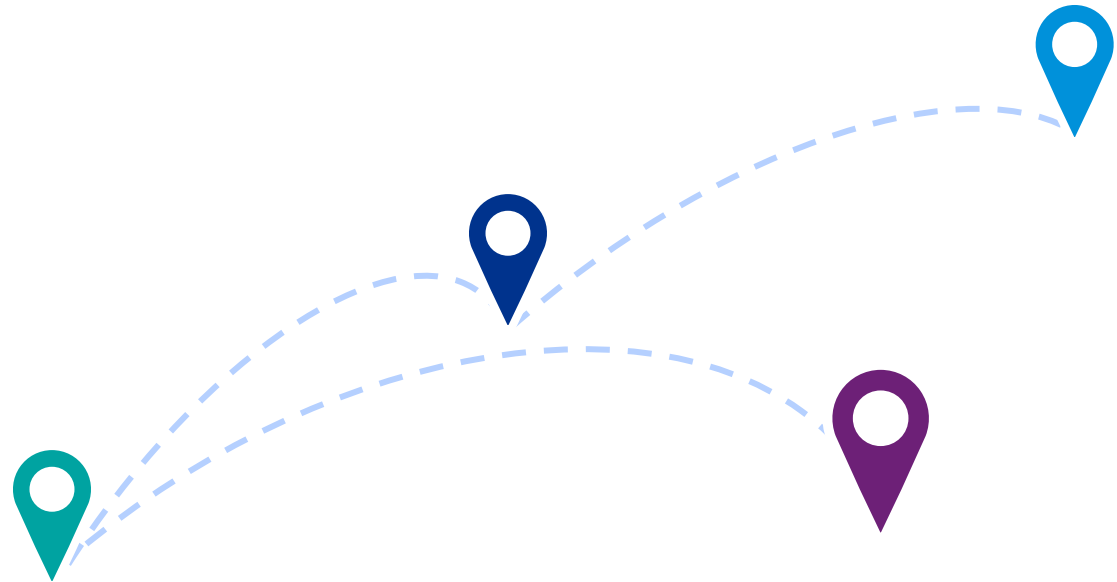
- not prevent cross-border transfer of information by electronic means.

Dispute

- In the event of disputes, the concerned parties shall first consult in good faith to reach mutual solution.

SMEs: Principles

- **Sharing Point:** Promote sharing of RCEP-related information relevant to SMEs by establishing and maintaining a publicly accessible information platform that will contain the full text of the RCEP Agreement, trade and investment-related laws and regulations pertinent to SMEs, and other business-related information that would be useful for SMEs to benefit from the RCEP Agreement.
- Strengthen cooperation in the areas of e-commerce, intellectual property rights, access to markets, and innovation.



Q&A





Contact us



Malika Bhumivarn

Partner

Trade & Customs Services
KPMG Phoomchai Tax Ltd.

T: +662 677 2146

E: malika@kpmg.co.th



Twitter: @KPMG_TH

LinkedIn: [linkedin.com/company/kpmg-Thailand](https://www.linkedin.com/company/kpmg-Thailand)

Facebook: [facebook.com/KPMGinThailand](https://www.facebook.com/KPMGinThailand)

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