



KMLZ VAT NEWSLETTER

The EU is reducing duties for information and entertainment technology and electro technology

1. Background to the reduction of the duties

In July 2015 the leading members of the World Trade Organization (WTO) agreed to expand the so-called Information Technology Agreement (ITA). The ITA is an international agreement, which is aimed at expanding the trade in information technology goods. Fifty-four WTO members, amongst others, the EU, USA, Canada and China, agreed to adapt the list of affected goods to technical development and to simplify trade with further products (see KMLZ newsletter 1/2016). According to the WTO, the ITA's expansion applies to products with a volume of annual trade in the amount of more than one trillion euros. The contracting states agreed to reduce the duties for more than 200 different product groups. The tariff-rates on the affected products are going to gradually be reduced to zero by 2019.

With Council Decision (EU) 2016/971 of 17.06.2016, the EU agreed to the international agreement and to the time schedule for implementation. By means of Regulation (EU)

Extensive reduction and ultimately elimination of import duties

With effect from 01.07.2016, the EU has reduced and partly eliminated import duties for a large number of information and entertainment electronics and electro technology goods (Regulation (EU) 2016/1047 of 28.06.2016). The cost of importation of these goods has therefore reduced significantly. Our newsletter aims to provide you with information on which products are affected by the reduction, within what timeframe further reductions of import duties are to be expected and how you can benefit of these reductions.

2016/1051, the EU has now implemented the first step in the reduction of customs duties.

2. To which categories of products does the reduction of customs duty apply?

The reduction of the customs duty applies to a large number of different information and entertainment electronics and electro technology products. This includes:

- medical instruments and apparatuses (e.g. ultrasonic scanning apparatuses, magnetic resonance imaging apparatuses and other instruments and apparatuses for medical, surgical or veterinary use)
- entertainment and/or consumer electronics (e.g. video consoles and games, video recorders, DVD players, e-readers, microphones, headphones, GPS navigation systems)
- data carriers (e.g. cards with magnetic strips, smart-cards, DVDs)



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- testing, measuring and precision instruments (e.g. balances, microscopes, telescopes, lasers, multi-meters, gas or smoke analyzers)
- machines and apparatus used in the semiconductor industry
- duplicating machines (e.g. printers, photocopiers and ink cartridges)
- certain other goods (e.g. telecommunication satellites, amplifiers, antennas)

3. Implementation of the reduction of the rates of duty

The ITA contracting parties agreed on reducing the duty rate to zero by 01.07.2019, at the latest. The current rates of duty should also be reduced in equal installments. The first reduction of customs duties entered into force on 01.07.2016. The second is due to enter into force on 01.07.2017, at the latest and the third on 01.07.2018. As of 01.07.2019, all products falling within the scope of this agreement are to be imported free of import duty. The contracting parties are encouraged to reduce the rates of duty even faster.

4. How to benefit from the suspension of duty?

The EU has already amended the list of products of the Combined Nomenclature. The EU reduced the rates of duty for tariff positions where the reductions apply to all products within one tariff position.

However, in many cases, the favorable tariff treatment applies only to certain products within one tariff position. In these cases, the EU has further subdivided the tariff posi-

tions at the subheading level TARIC. The products affected by the reduction of duty are summarized in individual subheadings TARIC.

In order to benefit from the reduction in duties, you should first check whether you import goods falling under the scope of the ITA expansion. Please see the lists in the attachments A and B to the “Declaration on the Expansion of Trade in Information Technology Products” printed in the Official Journal of the European Community (OJ L 161 of 18.06.2016, page 4 – 17.)

If you import products, which could benefit from the ITA expansion, you will first need to check how the reduction of the rates of duty was implemented. Where the reduction applies to the whole tariff position, you can continue to declare your products for importation under the same tariff position. The reduced rates of duty will be applied automatically. Where the favorable tariff treatment only applies to certain products in a tariff position, you will have to declare the goods under the newly created subheading TARIC. You also need to check whether existing binding tariff information still complies with the amended customs tariff.

Note: Irrespective of the reduction of the duties in the context of the ITA, the EU periodically suspends customs duties. This concerns goods, which cannot be produced or not sufficiently produced, in the EU. The EU has just decided upon a further tariff suspension for a large number of goods (Regulation (EU) 2016/1051 of 01.07.2016). It is recommendable to keep track of the amendments to the customs tariff in order to benefit from newly implemented reductions.