

ANNEX I
Referred to in Chapter 2 (Trade in Goods)

**SCHEDULES IN RELATION TO ARTICLE 2.4 (ELIMINATION OF
CUSTOMS DUTIES)**

PART 1
GENERAL NOTES

1. This Annex is based on the Harmonized System, as amended on 1 January 2012.
2. For the purposes of this Annex, the term “Base Rate”, as specified in Column 3 of each Party’s Schedule means the starting point of elimination of customs duties.
3. For the purposes of implementing equal annual instalments, the following shall apply:
 - (a) the reduction for the first year shall take place on the date of entry into force of this Agreement; and
 - (b) the subsequent annual reductions shall take place on 1 January of each following year.
4. For the purposes of this Annex, the term “year” means, with respect to the first year, the period from the date of entry into force of this Agreement until the following 1 January and, with respect to each subsequent year, the twelve-month period which starts on 1 January of that year.
5. If, as a result of the elimination or reduction of its customs duty applied on a particular good on a most-favoured-nation basis, the most-favoured-nation applied rate becomes lower than the rate of customs duty to be applied in accordance with Article 2.4.1 (Elimination of Customs Duties) of Chapter 2 (Trade in Goods) on the originating good which is classified under the same tariff line as that particular good, each Party shall apply the lower rate with respect to that originating good.

PART 2
SCHEDULE OF AUSTRALIA

Section A
Notes for Schedule of Australia

1. Relation to the Australian Customs Tariff Act 1995. The items set forth in Section B of Part 2 of this Annex are generally expressed in terms of the corresponding items in Schedule 3 to the Australian *Customs Tariff Act 1995* (Tariff Act) and the interpretation of the items in Section B of Part 2 of this Annex, including the product coverage of subheadings in Section B of Part 2 of this Annex, shall be governed by the Tariff Act. To the extent that the items set forth in Section B of Part 2 of this Annex are identical to the corresponding items in Schedule 3 of the Tariff Act, the items in Section B of Part 2 of this Annex shall have the same meaning as the corresponding items in the Tariff Act.
2. Base Rates of Customs Duty. The base rates of customs duty set out in this Schedule reflect the Australian most-favoured-nation (MFN) rates of duty in effect on 1 January 2013.
3. Staging. The following staging categories apply to the elimination of customs duties by Australia in accordance with Article 2.4.1 (Elimination of Customs Duties) of Chapter 2 (Trade in Goods):
 - (a) category “0” – the base rate of duty for originating goods in category “0” shall be eliminated and bound at zero for products of Chinese origin from entry into force of the Agreement;
 - (b) category “3” – the base rate of duty shall be reduced to and bound at zero for products of Chinese origin over three (3) equal annual stages beginning from entry into force of the Agreement; and
 - (c) category “5” – the base rate of duty shall be reduced to and bound at zero for products of Chinese origin over five (5) equal annual stages beginning from entry into force of the Agreement;
4. The base rate of customs duty and staging category for an item are indicated for the item in Section B (Schedule of Australia) of Part 2 of this Annex.

PART 3
SCHEDULE OF THE PEOPLE'S REPUBLIC OF CHINA

Section A
Notes for Schedule of the People's Republic of China

1. Base Rates of Customs Duty. The base rates of customs duty set out in this Schedule reflect the Chinese most-favoured-nation (MFN) rates of duty in effect on 1 January 2013.

2. Staging. The following staging categories apply to the elimination of customs duties by China in accordance with Article 2.4.1 (Elimination of Customs Duties) of Chapter 2 (Trade in Goods):
 - (a) category "A-0" – the base rate of duty for originating goods in category "A-0" shall be eliminated and bound at zero for products of Australian origin from entry into force of the Agreement;
 - (b) category "A-3" – the base rate of duty shall be reduced to and bound at zero for products of Australian origin over three (3) equal annual stages beginning from entry into force of the Agreement;
 - (c) category "A-5" – the base rate of duty shall be reduced to and bound at zero for products of Australian origin over five (5) equal annual stages beginning from entry into force of the Agreement;
 - (d) category "B-6" – the base rate of duty shall be reduced to and bound at zero for products of Australian origin over six (6) equal annual stages beginning from entry into force of the Agreement;
 - (e) category "B-8" – the base rate of duty shall be reduced to and bound at zero for products of Australian origin over eight (8) equal annual stages beginning from entry into force of the Agreement;
 - (f) category "B-9" – the base rate of duty shall be reduced to and bound at zero for products of Australian origin over nine (9) equal annual stages beginning from entry into force of the Agreement;
 - (g) category "B-10" – the base rate of duty shall be reduced to and bound at zero for products of Australian origin over ten (10) equal annual stages beginning from entry into force of the Agreement;
 - (h) category "B-12" – the base rate of duty shall be reduced to and bound at zero for products of Australian origin over twelve (12) equal annual stages beginning from entry into force of the Agreement;

- (i) category “B-15” – the base rate of duty shall be reduced to and bound at zero for products of Australian origin over fifteen (15) equal annual stages beginning from entry into force of the Agreement;
- (j) category “C-10*” – the base rate of duty shall be reduced to and bound at zero for products of Australian origin over ten (10) equal annual stages beginning from entry into force of the Agreement, and the special agricultural safeguard mechanism in Article 2.14 (Special Agricultural Safeguard Measures) of Chapter 2 (Trade in Goods) shall apply;
- (k) category “C-12*” – the base rate of duty shall be reduced to and bound at zero for products of Australian origin over twelve (12) equal annual stages beginning from entry into force of the Agreement, and the special agricultural safeguard mechanism in Article 2.14 (Special Agricultural Safeguard Measures) of Chapter 2 (Trade in Goods) shall apply;
- (l) category “Country Tariff Quota” – the country-specific tariff quota in Article 2.13 (Country Specific Tariff Quota) of Chapter 2 (Trade in Goods) shall apply for products of Australian origin, with the in-quota duty rate being zero and the base rate of duty remaining as out-quota duty rate; and
- (m) category “D” – the base rate of duty shall apply for products of Australian origin.

3. The base rate of customs duty and staging category for an item are indicated for the item in Section B (Schedule of the People’s Republic of China) of Part 3 of this Annex.