

2 February 2018

EY Tax and Legal Practice

Indirect Taxation News

Convention on Pan-Euro-Mediterranean preferential rules of origin takes effect for Ukraine

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Yesterday the Convention on Pan-Euro-Mediterranean Preferential Rules of Origin (PEM Convention) entered into force for Ukraine.

The PEM Convention unifies origin rules for countries of the PEM region, which includes 28 EU countries, the EFTA countries (Iceland, Liechtenstein, Norway and Switzerland), Turkey, Albania, Makedonia, Jordan, Montenegro, Serbia, Faroe islands, Morocco, Algeria, Tunisia, Syria, Lebanon, Palestinian territory, Bosnia and Herzegovina, Egypt, Israel, Georgia and Moldova.

The key feature of the Convention is the diagonal cumulation of origin. For instance, Ukraine may process EU-originating raw materials into finished goods, which would be exempt from customs duty upon import into EFTA countries.

Diagonal cumulation significantly increases opportunities for international trade, but would start working between Ukraine and the PEM countries, which concluded Free Trade Agreements with Ukraine (e.g., EU and EFTA countries, etc.), after introduction of the respective amendments to these agreements. Application of diagonal cumulation between Ukraine and other PEM countries (e.g., Israel, Turkey, etc.) would become possible after conclusion of Free Trade Agreements between Ukraine and these countries.

We will continue monitoring the developments and will inform you of further significant changes.

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