Annex 1
Referred to in Chapter 2 (Trade in Goods)

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

PART 1
GENERAL NOTES

1. Unless otherwise provided for in this Annex, for the purposes of the elimination or reduction of customs duties in accordance with this Annex, in the case of *ad valorem* duties any fraction less than 0.1 of a percentage point shall be rounded to the nearest one decimal place (in the case of 0.05 per cent, the fraction is rounded to 0.1 per cent), and in the case of specific duties any fraction smaller than 0.01 of the official monetary unit of each Party shall be rounded to the nearest two decimal places (in the case of 0.005, the fraction is rounded to 0.01).

2. This Annex is made based on the Harmonized System, as amended on 1 January 2012.

3. 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 or reduction of customs duties.

4. 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 April of each following year.

5. 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 31 March and, with respect to each subsequent year, the twelve-month period which starts on 1 April of that year.

PART 2
ELIMINATION OF CUSTOMS DUTIES

Section 1
Notes for Schedule of Australia

1. Relation to the Australian *Customs Tariff Act 1995*. The items set forth in Section 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 2 of this Annex, including the product coverage of subheadings in Section 2 of this Annex, shall be governed by the Tariff Act. To the extent that the items set forth in Section 2 of this Annex are identical to the corresponding items in Schedule 3 of the Tariff Act, the items in Section 2 of this Annex shall have the same meaning as the corresponding items in the Tariff Act.

2. Staging. The following staging categories apply to the elimination of customs duties by Australia in accordance with Article 2.4 (Trade in Goods – Elimination or Reduction of Customs Duties):

(a) category "A" – originating goods in staging category "A" shall continue to be free of customs duty on the date of entry into force of this Agreement;

(b) category "B" – customs duties on originating goods provided for in the items in staging category "B" shall be eliminated entirely and such goods shall be free of customs duty on the date of entry into force of this Agreement;

(c) category "C" – customs duties on originating goods in category "C" shall be reduced to 3.3 per cent on the date of entry into force of this Agreement and shall then be reduced to 1.7 per cent on 1 April of the second year, and such goods shall be free of customs duty, effective on 1 April of the third year;