

GENERALIZED SYSTEM OF PREFERENCES

**HANDBOOK ON THE SCHEME OF
HUNGARY**

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INTRODUCTION

This Handbook is intended to give concise information regarding the tariff preferences available to developing countries under the Hungarian GSP scheme and the conditions under which products may qualify for preferential treatment on importation into Hungary.

Relevant regulations in the Hungarian Law:

Act C of 1995 on Customs Law, Customs Proceedings and Customs Administration

Act CI of 1995 on Customs Tariff

Act VIII of 2001 on amendment to the Act CI of 1995 on Customs Tariff

Government Decree 45/1996 on the implementation of Act of 1995

Government Decree 203/2000 on amendment to the Government Decree 45/1996 on the implementation of Act of 1995

Joint Ministerial Decree 64/1995 IKM-PM on the promulgation of the Customs Tariff

BACKGROUND

Hungary has been operating a Generalized System of Preferences (GSP) scheme on imports from developing countries since 1 January 1972. The scheme is applied on a permanent basis e.g. it does not involve time limits or renewal requirements. There are no quantitative ceilings or any special safeguard mechanism for the products concerned.

COUNTRY COVERAGE

Preferential tariffs may apply in the case of products originating from developing countries that give Hungarian goods the tariff treatment conforming to the principle of the most favoured nation (MFN) treatment, and do not apply any discriminating measure against Hungary (the list of GSP beneficiary countries is contained in Annex I). Since 1978, all products originating from the least developed countries (LDCs) (list contained in annex II) enjoy duty-free treatment in Hungary.

PRODUCT COVERAGE

The Hungarian GSP scheme does not contain a priori sectoral limitations on exclusions. The GSP tariffs – given in an autonomous manner – are indicated in Column I of the Hungarian Customs Tariff. Where there is no tariff rate indicated in Column I, imports from developing countries are treated under the MFN treatment according to Column II of the Hungarian Customs Tariff.

In Hungary preferential tariffs apply for about 7.000 tariff lines, from which about 1,000 cover agricultural products. Zero-rated tariffs are applicable for about 45 per cent of the affected tariff lines, while for the rest, preferential tariffs are set at different rates (constituting usually a 20 to 90 per cent reduction of the MFN duties). In order to dampen the erosion of preferential margins due to MFN tariff reductions, in the course of implementing the Uruguay Round market access commitments, Hungary also lowered, where necessary, GSP rates to preserve at least a 2 percentage point difference between GSP and MFN tariffs. From the introduction in 1972 till the middle of the 1990's over 90 per cent of Hungary's imports from beneficiary countries were covered by the Hungarian GSP scheme.

GSP-RELATED RULES OF ORIGIN

1. ORIGIN CRITERIA

Hungary's GSP-related rules of origin are based on UNCTAD recommendations. The products concerned are deemed to be originating in a beneficiary developing country if they fall under one of the two conditions:

A) The product is wholly obtained in that country.

Hungary accepts the following categories of goods as wholly obtained in a preference-receiving country:

- Mineral products extracted from its soil or from its sea bed; or mineral products extracted in the preference-receiving country's territory or from its continental shelf;
- Vegetable products harvested there;
- Live animals born and raised there;
- Products obtained there from live animals;
- Products obtained from hunting or fishing conducted there;
- Products obtained from sea fishing and other products taken from the sea by its vessels; and also by vessels chartered by the preference-receiving country of question;
- Products made on board its factory ships – exclusively from products referred to above; and also factory ships chartered by the preference-receiving country in question;
- Used articles collected there fit only for the recovery of raw materials;
- Waste and scrap resulting from manufacturing operations conducted there;
- Products obtained there exclusively from products specified above.

B) The share of non-originating materials or components (or that of unknown origin) does not exceed 50 per cent of the product's value.

2. CUMULATIVE ORIGIN

The GSP rules are, in principle, based on the concept of single country origin, e.g. the origin requirements must be fully complied with in one exporting preference-receiving country which must be, at the same time, also the country of the manufacture of the finished products concerned. Under the scheme of Hungary this rule has been liberalized so that all preference-receiving

countries are regarded as one single area for the purpose of determining origin. All value added and/or manufacturing processes performed in the area may be added together in order to meet the origin requirements for products to be exported to Hungary. This means full and global cumulation.

3. DIRECT CONSIGNMENT

With respect to other requirements, care should be taken that the criteria of both direct purchase and direct transportation must be met in order to qualify for GSP treatment. Transport through third countries for geographical or other reasons does not mean deviation from the rule of direct transportation, provided that the goods remain under customs surveillance and are not entered into domestic circulation in these countries. Its purpose is to enable the customs administration of the

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