

ANNEX 2B: ALLOWABLE LABOUR AND OVERHEAD COSTS

Section (i): Labour Costs

For the purposes of Article 7 (Calculation of Costs – Allowable Expenditure on Labour) of Chapter 3 (Rules of Origin), each of the following costs, to the extent that the cost relates to labour, is allowed:

- (a) the cost of wages and employee benefits;
- (b) the cost of supervision and training;
- (c) the cost of management of the process of manufacture;
- (d) the cost of receipt and storage of materials;
- (e) the cost of quality control;
- (f) the cost of packing of goods into inner containers;
- (g) the cost of handling and storage of goods within the place or places in which a process is performed, that is operated by the principal manufacturer in the territory of the exporting Party.

Section (ii): Overheads

1. For the purposes of Article 8 (Calculation of Costs – Allowable Expenditure on Overheads) of Chapter 3 (Rules of Origin), each of the following costs, to the extent that the cost relates to overheads, is allowed:

- (a) the cost of inspection and testing of materials and goods;
- (b) the cost of insurance of the following kinds:
 - (i) insurance of plant, equipment and materials used in the production of the goods;
 - (ii) insurance of work in progress and finished goods;
 - (iii) liability insurance;
 - (iv) accident compensation insurance; and
 - (v) insurance against consequential loss from accident to plant and equipment;

- (c) the cost of dies, moulds, and tooling and the depreciation, maintenance and repair of plant and equipment;
- (d) the cost of interest payments for plant and equipment;
- (e) the cost of research, development, design and engineering;
- (f) the cost of the following items in respect of real property in the territory of the exporting Party used in the manufacture of the goods:
 - (i) insurance;
 - (ii) rent and lease payments;
 - (iii) mortgage interest;
 - (iv) depreciation on buildings;
 - (v) maintenance and repair; and
 - (vi) rates and taxes;
- (g) the cost of leasing of plant and equipment;
- (h) the cost of energy, fuel, water, lighting, lubricants, rags and other materials and supplies not directly incorporated in goods manufactured in the territory of the exporting Party;
- (i) the cost of storage of goods at the place or places in which a process is performed, that is operated by the principal manufacturer in the territory of the exporting Party;
- (j) the cost of royalties or licences in respect of patented machines or processes used in the manufacture of the goods or in respect of the right to manufacture the goods;
- (k) the cost of subscriptions to standards institutions and industry and research associations;
- (l) the cost of the provision of medical care, cleaning services, cleaning materials and equipment, training materials and safety and protective clothing and equipment;
- (m) the cost of the disposal of non-recyclable waste;
- (n) the cost of subsidisation of a cafeteria in the place or places in which a process is performed, that is operated by the principal manufacturer in the territory of the exporting Party, to the extent not recovered by returns;

- (o) the cost of security in the place or places in which a process is performed, that is operated by the principal manufacturer in the territory of the exporting Party;
- (p) the cost of computer facilities allocated to the process of manufacture of the goods;
- (q) the cost of contracting out part of the manufacturing process within Australia or Singapore, including any associated transport or storage costs;
- (r) the cost of employee transport;
- (s) the cost of vehicle expenses;
- (t) the cost of any tax in the nature of a fringe benefits tax; and
- (u) the cost of transporting goods between places in the territory of the exporting Party in which one or more processes are performed by the principal manufacturer.

2. In working out a cost for the purposes of paragraph (1), the following costs are not included:

- (a) any cost or expense relating to the general expense of doing business (including, but not limited to, any cost or expense relating to insurance or to executive, financial, sales, advertising, marketing, accounting or legal services);
- (b) the cost of telephone, mail and other means of communication;
- (c) the cost of international travel expenses, including fares and accommodation;
- (d) the cost of the following items in respect of real property used by persons carrying out administrative functions:
 - (i) insurance;
 - (ii) rent and lease payments;
 - (iii) mortgage interest;
 - (iv) depreciation on buildings;
 - (v) maintenance and repair; and
 - (vi) rates and taxes;
- (e) the cost of conveying, insuring or shipping the goods after manufacture;

(f) the cost of shipping containers or packing the goods into shipping containers;

(g) the cost of any royalty payment relating to a licensing agreement to distribute or sell the goods;

(h) the profit of the principal manufacturer and the profit or remuneration of any trader, agent, broker or other person dealing in the goods after manufacture;

(i) any other cost incurred after the completion of all processes performed by, or on behalf of, the principal manufacturer; and

(j) the cost of processing goods in the territory of a non-Party.

3. For the purposes of paragraphs (1)(c) and (1)(f), the cost of depreciation of plant, equipment or buildings must be calculated in accordance with Generally Accepted Accounting Principles, as applied by the principal manufacturer