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ANNEX 2 – PART 1/5

ANNEX

to the

Proposal for a Council Decision

on the signing, on behalf of the European Union, of the Economic Partnership Agreement between the European Union and Japan

The negotiations between the EU and Japan on the Economic Partnership Agreement (the EPA) have been finalised and the legal revision of the texts has been completed. In view of the Commission's transparency policy, we are hereby publishing the texts of the EPA as they stand after the legal revision. The texts are published for information purposes only and may undergo further modifications.

The texts will be binding upon the Parties under international law only after completion by each Party of its internal legal procedures necessary for the entry into force of the Agreement.

ANNEX 2-A

TARIFF ELIMINATION AND REDUCTION

PART 1

General notes

1. For the purposes of Article 2.8, each Party shall entirely eliminate customs duties on originating goods of the other Party on the date of entry into force of this Agreement, unless otherwise provided for in this Annex.
2. For the purpose of implementing equal annual instalments, the following applies:
 - (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 the first day of each following year.

3. For the purposes of this Annex, "year" means:
 - (a) in the case of Part 2, with respect to the first year, the 12-month period from the date of entry into force of this Agreement and, with respect to each subsequent year, the 12-month period after the end of the previous year; and
 - (b) in the case of Part 3, 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 12-month period starting on 1 April of that year.
4. The base rate of customs duty and the category for determining the interim rate of customs duty at each stage of reduction for a tariff line are specified for that tariff line in the Schedules of the European Union in Section B of Part 2 and of Japan in Section D of Part 3.
5. For the purposes of this Annex, unless otherwise provided for in Parts 2 and 3, "base rate" means the starting point of elimination or reduction of customs duties.

6. 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 shall be rounded to 0.1 per cent), and in the case of specific duties any fraction smaller than 0.01 of one euro or one Japanese yen shall be rounded to the nearest two decimal places (in the case of 0.005, the fraction shall be rounded to 0.01).

7. This Annex is based on the Harmonized System, as amended on 1 January 2017 and:
 - (a) in the case of Part 2, the eight-digit code of the tariff classification numbers of the European Union and the corresponding description for each tariff line referred to in the Schedule of the European Union are based on the combined nomenclature of the European Union (Combined Nomenclature of 1 January 2017); and

 - (b) in the case of Part 3, the nine-digit code of the tariff classification numbers of Japan and the corresponding description for each tariff line referred to in the Schedule of Japan are based on the national nomenclature of Japan (Statistical Code Lists for Imports as of 1 April 2017).

8. For greater certainty, the tariff classification numbers and their corresponding descriptions referred to in the Schedule of each Party may be subject to change in case of any amendment to its nomenclature referred to in paragraph 7 in accordance with its laws, regulations or public notifications, and shall be referred to together with the correlation tables published by each Party in case of any change of nomenclature.

PART 2

Tariff elimination and reduction – the European Union

SECTION A

Notes for the Schedule of the European Union

1. For the purposes of Article 2.8, the following categories indicated in Column "Category" in the Schedule of the European Union in Section B apply:
 - (a) customs duties on originating goods classified under the tariff lines indicated with "B3" shall be eliminated in four equal annual instalments beginning on the date of entry into force of this Agreement, and such goods shall thereafter be free of any customs duty;
 - (b) customs duties on originating goods classified under the tariff lines indicated with "B5" shall be eliminated in six equal annual instalments beginning on the date of entry into force of this Agreement, and such goods shall thereafter be free of any customs duty;

- (c) customs duties on originating goods classified under the tariff lines indicated with "B7" shall be eliminated in eight equal annual instalments beginning on the date of entry into force of this Agreement, and such goods shall thereafter be free of any customs duty;
- (d) customs duties on originating goods classified under the tariff lines indicated with "B10" shall be eliminated in 11 equal annual instalments beginning on the date of entry into force of this Agreement, and such goods shall thereafter be free of any customs duty;
- (e) customs duties on originating goods classified under the tariff lines indicated with "B12" shall be eliminated in 13 equal annual instalments beginning on the date of entry into force of this Agreement, and such goods shall thereafter be free of any customs duty;
- (f) customs duties on originating goods classified under the tariff lines indicated with "B15" shall be eliminated in 16 equal annual instalments beginning on the date of entry into force of this Agreement, and such goods shall thereafter be free of any customs duty;

- (g) customs duties on originating goods classified under the tariff lines indicated with "EU10" shall remain at the base rate from the first year to the seventh year and be eliminated in four equal annual instalments beginning on the first day of the eighth year, and such goods shall thereafter be free of any customs duty;
- (h) customs duties on originating goods classified under the tariff lines indicated with "X" are excluded from reduction or elimination in this Agreement;
- (i) customs duties (including the agricultural element of duty¹ (marked as "EA") where this element is mentioned as part of the base rate) on originating goods classified under the tariff lines indicated with "R5" shall be reduced by the percentage indicated in the Schedule in six equal annual instalments beginning on the date of entry into force of this Agreement;

¹ Legal reference for EA: Annex 1 to Commission Implementing Regulation (EU) 2016/1821 of 6 October 2016 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff.

- (j) customs duties (including the agricultural element of duty (marked as "EA") where this element is mentioned as part of the base rate) on originating goods classified under the tariff lines indicated with "R7" shall be reduced by the percentage indicated in the Schedule in eight equal annual instalments beginning on the date of entry into force of this Agreement;

- (k) customs duties (including the agricultural element of duty (marked as "EA") where this element is mentioned as part of the base rate) on originating goods classified under the tariff lines indicated with "R10" shall be reduced by the percentage indicated in the Schedule in 11 equal annual instalments beginning on the date of entry into force of this Agreement; and

- (1) the *ad valorem* component of the customs duties on the originating goods classified under the tariff lines indicated with "entry price" shall be eliminated upon the date of entry into force of this Agreement; the tariff elimination shall only apply to the *ad valorem* component of the customs duties; the specific duty component of the customs duties resulting from the entry price system¹ on these originating goods shall be maintained.
2. The treatment of originating goods classified under the tariff lines indicated with "S" in Column "Note" in the Schedule of the European Union in Section B shall be subject to review pursuant to paragraphs 3 and 4 of Article 2.8.

¹ Legal reference for entry prices: Annex 2 to Commission Implementing Regulation (EU) 2016/1821 of 6 October 2016 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff.