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Rules of Origin

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[replaces TAXUD/1069/04 – EN –
as well as its Add.1 and Add.2]

Working document

CUSTOMS CODE COMMITTEE
ORIGIN SECTION

Subject: EC/Israel Association Agreement – Imports from Israeli settlements

In **Annex 1**, delegations will find the text of the technical arrangement for the implementation of the protocol on rules of origin of the EU-Israel Association Agreement (hereafter: the arrangement), which was adopted as a measure by the EU-Israel Customs Co-operation Committee, by way of written procedure, on 12 December 2004.

According to this arrangement, the name and postal code of the city, village or industrial zone where production has taken place shall be indicated on all preferential proofs of origin issued in Israel for export to the EU. In case the place indicated is located beyond the 1967 borders, this information has to be used by the Community customs authorities in order to refuse the preferential tariff treatment for the products concerned immediately, i.e. without going systematically through the procedure for subsequent verification, and collect the customs duties.

The arrangement has been implemented as from 1st February 2005. In **Annex 2**, delegations will find the relevant information to that effect, updated following the publication of the revised notice to importers of 3 August 2012¹ and the resulting publishing of the list of non-eligible locations on the Commission's thematic website in August 2012 as well as Israel's move, as of 1 February 2013, from a 5 digit to a 7 digit postal code system. The box on page 6 describes in detail the **procedure to be followed by importers and Member States in case a postal code of Part II of the list appears on an origin certification.**

Annex 3 contains the text of the internal guidelines issued on 10 January 2005 by the Israeli customs authorities in accordance with §3 of the arrangement and submitted to the Commission.

¹ OJ C 232 of 3.8.2012

Annex 4 contains an *unofficial translation* from Hebrew provided by the EU Delegation in Tel Aviv of the additional instructions sent on 7 March 2013 by the Tax Authority of Israel to the customs offices, forwarders, the Federation of Chambers of Commerce, the Manufacturers' Association and the Export Institute. They should be published on the Tax Authority's website.

The present working document replaces working document TAXUD/1069/04 – EN – as well as its Add.1 and Add.2.

ANNEX 1

ARRANGEMENT BETWEEN THE EU AND THE GOVERNMENT OF ISRAEL CONCERNING THE IMPLEMENTATION OF PROTOCOL 4 TO THE EURO-MEDITERRANEAN AGREEMENT ESTABLISHING AN ASSOCIATION BETWEEN THE EUROPEAN COMMUNITIES AND THEIR MEMBER STATES, OF THE ONE PART, AND THE STATE OF ISRAEL, OF THE OTHER PART

- (1) The European Commission and the Government of Israel hereby agree on an arrangement to deal with certain technical issues concerning the implementation of Protocol 4 of the Association Agreement. The parties shall make public statements to this effect.
- (2) This arrangement is without prejudice to the positions of the parties to the Association Agreement concerning the application of that Agreement
- (3) The name of the city, village or industrial zone where production conferring originating status has taken place¹ shall be indicated on all movement certificates (inc. invoice declaration of approved exporters and invoices) seeking, upon import to the EU, preferential treatment conferred by the Association Agreement. Upon conclusion of this arrangement Israeli Customs will issue guidelines to the implementation of this arrangement. The guidelines and future amendments of them will be submitted before publication to the European Commission in accordance with the provisions of paragraphs 8(a) and (b).
- (4) All pending requests for verification received by Israeli Customs shall be answered in accordance with this arrangement.
- (5) All requests for verification replied to by Israeli Customs before the conclusion of this arrangement will be answered according to this arrangement. Upon receipt of new information supplied by Israel pursuant to this arrangement, reimbursement of customs duties and/or deposits paid or the communication of the customs debt to the debtor will be carried out in accordance with the provisions of the Community Customs Code.
- (6) Upon conclusion of this arrangement the Commission shall cancel the notice to importers (published in the Official Journal on November 23, 2001) and publish a revised notice to reflect this arrangement.
- (7) Upon conclusion of this arrangement the European Commission will recommend to the Council to amend protocol 4 of the Association Agreement to extend the Pan Euro Med system of cumulation of origin to Israel, in accordance with the Resolution of the Trade Ministerial Conference held in Palermo, July 2003.
- (8) (a) The parties shall consult at the request of either party on any technical question arising out of the application of this arrangement. (b) These consultations shall take place between members of the Mission of the State of Israel to the European Communities in Brussels (the representatives of the Min. of Industry, Trade and Labor and of the Customs Authority) and representatives of the European

¹ As stipulated in Articles 4 & 5 to Protocol 4 of the Association Agreement

Commission. (c) During the time of discussions, the EU Customs services shall release the goods to the importer without delay.

INFORMATION FOR THE IMPLEMENTATION OF THE AGREEMENT

Israeli Guidelines

In accordance with §3 of the arrangement, on 10 January 2005 the Israeli customs authorities issued internal guidelines and submitted them to the Commission.

The text of the guidelines is enclosed in **Annex 3** to this working document.

These guidelines explain to the Israeli customs offices and economic operators how the place of production should be determined (see items 5 and 6 of the guidelines) and how the name and postal code of the locality should be indicated on the proof of origin (see item 7 of the guidelines).

The guidelines ensure that the exporters/manufacturers operating within the Green Line treat materials from the settlements as third country materials and therefore indicate the place of production accordingly.

As requested by the Member States in the Council, these guidelines also clearly state that, besides the name of the place of production of a given product, also the postal code must be indicated on the proof of origin.

The name and postal codes of the localities must be indicated in Box 7 or Box 8 of the movement certificate EUR.1, in accordance with the instructions given under item 7.1 and in parenthesis next to the word "Israel" on the invoice declarations, in accordance with the instructions given under item 7.2 of the guidelines.

The following examples illustrate how this information should be indicated on the proofs of origin assuming that exported goods have been produced in Tel Aviv, Haifa (both within the 1967 borders), Ar'iel or Carmel (both beyond the 1967 borders).

Example 1: All goods exported have been produced in Tel Aviv. The name and postal code of Tel Aviv should be indicated in Box 7 of the EUR.1 (see item 7.1.A of the guidelines) or in parenthesis next to the word "Israel" on the invoice declaration (see item 7.2.A of the guidelines).

Example 2: All goods exported have been produced in Tel Aviv and Haifa. The names and postal codes of Tel Aviv and Haifa should be indicated in Box 7 of the EUR.1 (see item 7.1.B of the guidelines) or in parenthesis next to the word "Israel" on the invoice declaration (see item 7.2.B of the guidelines). It should not be indicated on the proof of origin which goods of the consignment were produced in Tel Aviv and which ones in Haifa, as in both cases preferential treatment may be granted.

Example 3: All goods exported have been produced in Ar'iel and Carmel. The names and postal codes of Ar'iel and Carmel should be indicated in Box 7 of the EUR.1 (see item 7.1.B of the guidelines) or in parenthesis next to the word "Israel" on the invoice declaration (see item 7.2.B of the guidelines). It should not be indicated on the proof of origin which goods of the consignment were produced in Ar'iel and which ones in Carmel, as in both cases preferential treatment must be refused.

Example 4: *Different kinds* of goods exported have been produced in Tel Aviv and Carmel. The words 'place of origin as detailed below' shall be indicated in Box 7 of the

EUR.1 or in parenthesis next to the word Israel on the invoice declaration. The names and postal codes of Tel Aviv and Carmel must be indicated in Box 8 of the EUR.1 or in the invoice declaration next to the product concerned (see item 7.1.C or 7.2.C of the guidelines). This information should allow determining for which products of the consignment the preferential treatment may be granted and for which products the preferential treatment must be refused.

Example 5: *The same kind* of goods exported has been produced in Tel Aviv and Carmel (e.g. consignment of dates grown in different places within and beyond the 1967 borders). The words 'place of origin as detailed below' shall be indicated in Box 7 of the EUR.1 or in parenthesis next to the word Israel on the invoice declaration. The breakdown according to each location using the appropriate unit of measure, must be indicated in Box 8 of the EUR.1 or in the invoice declaration next to the product concerned (see item 7.1.D or 7.2.D of the guidelines). This information should allow determining for which quantity of products the preferential treatment may be granted and for which quantity the preferential treatment must be refused.

Example 6: Materials originating in Carmel have been processed in Tel Aviv, without undergoing sufficient processing. It should be indicated in Box 7 or 8 of the EUR.1 or in the invoice declaration that "Materials originating in Carmel have been processed in Tel Aviv" (see item 7.1.E or 7.2.E of the guidelines). This information should allow refusing the preference for the products concerned.

Member States' customs authorities are requested to verify that the indication of the place of production and the postal codes are indicated on the proofs of origin in accordance with these guidelines.

List of settlements

In order to allow EU customs authorities to implement the arrangement correctly, namely to identify that the place of the city, village or industrial zones indicated on the proofs of origin is located beyond the 1967 borders, a list of settlements was drawn up by the Commission delegation in Tel Aviv in co-operation with the EU Embassies and was regularly updated. Not only the names of the places are indicated on this list, but also the corresponding postal code in order to overcome the difficulties caused by the transliteration from the Hebrew alphabet into the Latin one. The introduction of the postal code also allows solving the question of the Jerusalem Municipality. Postal codes were identified for almost all settlements in the occupied territories with two main exceptions: Ma'ale Adummin and East Jerusalem, for which the postal codes were determined on a street basis.

The list of settlements is available on the [TAXUD website](#) since August 2012, allowing importers in the EU to check themselves whether or not they should refrain from claiming preference.

The list has been updated in February 2013, following Israel's move, as of 1 February 2013, from a 5 digit to a 7 digit postal code system.

On this occasion, the list has been split into two parts:

- **Part I** contains the postal codes of the **localities entirely beyond the 1967 borders**. For the codes in this list, importers should refrain from claiming preference.

- **Part II** contains the postal codes of **localities at the borderline**, meaning partly in front of and beyond the 1967 borders. These are residential areas, meaning actual production there is highly unlikely, but they are included in the list so as to ensure that it is exhaustive. For these localities, the postal code in itself is not decisive as to whether or not the importer may claim preferential treatment.

Procedure to be followed by importers and Member States in case a postal code of Part II of the list appears on an origin certification

1. The importer should contact the local customs office where he intends to submit the import declaration to verify whether or not the place of production is eligible for preferential treatment. He should provide that office with the postal code and the precise address (street and nr.) of the location appearing on the proof of origin.
2. The central administration of the Member State concerned forwards this information to the Commission (TAXUD-UNIT-B3@ec.europa.eu).
3. The Commission forwards the information to the EU delegation in Tel Aviv, which will check the exact location.
4. The EU delegation in Tel Aviv communicates its reply ("in Israel" or "beyond the 1967 borders") to the Commission.
5. The Commission communicates the reply to the Central Administration of the Member State concerned (within about 1 week from the date it received the request), which informs the importer via the local customs office.
6. Once a Member State has received clarification that a given postal code of Part II of the list, in connection with a precise address (street and nr.) appearing on a proof of origin, corresponds to a location either eligible or non-eligible for preference, there will be no need for it to reiterate the above procedure and it could use that information when confronted with further occurrences of *identical* data. In order to speed up the information procedure, the Commission will keep a database of all clarifications received from the EU delegation in Tel Aviv so as to be able to inform directly other Member States subsequently confronted with identical data.

It is important that Member States respect this procedure, so as to allow the Commission to obtain an overall picture of the situation.

A **transitional period** of 1 year (until end January 2014) has been foreseen during which Israeli exporters are still allowed to use the old 5 digit postal codes on proofs of origin. The 'old' list will therefore be kept online for reference. However, importers and customs authorities in the EU will be able to rely on the new list as the new 7 digit codes normally correspond to the old 5 digit code to which two digits have been added. There are some exceptions but they are covered in the new list as well.

Notice to importers

In accordance with §6 of the arrangement, the Notice to importers of 23 November 2001 was cancelled and replaced by a new Notice to importers which was published in the OJEU C 19 of 25 January 2005.

This Notice informed importers that all movement certificates EUR.1 and invoice declarations issued by Israel would bear the name of the city, village or industrial zone where production conferring originating status has taken place, allowing EU customs to automatically refuse preferential treatment to goods for which the proof of origin indicates a place of production brought under Israeli Administration since 1967.

The latter notice has been replaced by a [revised notice](#) (see OJ C 232 of 3.8.2012, p. 5 [for hyperlink see cover page]) announcing the publication of the list on the Commission's thematic website as of 13 August 2012.

Examples of conduct to be taken by Member States customs authorities

If the place indicated on the proof of origin is a settlement (included in the list), then the preference has to be refused immediately and there is no need for a request for subsequent verification.

If the place is indicated on the proof of origin but is not included in the list, the preference is granted, unless customs have a reasonable doubt. In this case a post clearance verification control should be carried out in accordance with the provisions of Article 32 of the Protocol.

If neither the name nor the postal code of the place of production is indicated on the proof of origin, the proof of origin could be rejected for technical reasons.

As regards post clearance verification requests, Israel should reply according to the arrangement (by indicating the name and postal code of the place of production) and customs authorities should grant or refuse the preference accordingly.

**INTERNAL GUIDELINES ISSUED ON 10 JANUARY 2005 BY THE ISRAELI CUSTOMS
AUTHORITIES IN ACCORDANCE WITH §3 OF THE ARRANGEMENT**

1. General

The Government of the State of Israel and the European Commission have reached an arrangement concerning technical issues in the implementation of Protocol 4 of the Association Agreement.

This arrangement is without prejudice to the positions of the Parties, concerning the application of the Association Agreement.

This arrangement sets to determine that for goods exported from Israel under the Association Agreement covered by EUR-1 Movement Certificates, Limited Invoice Declarations or Authorized Exporter Declarations, the name and postal code number of the city, village or industrial zone where production conferring originating status has taken place shall be indicated.

It is hereby clarified that unlike the Israeli position, the European Union does not regard areas that were brought under Israeli administration since 1967 as included in the Association Agreement, for the purposes of preferential tariff treatment.

2. Legal References

- The Euro-Mediterranean Agreement Establishing an Association Between the European Communities and their Members States, of the One Part and the State of Israel, of the Other Part ("The Association Agreement").
- The Arrangement Between the EU and the Government of Israel Concerning the Technical Components to be Included in the Implementation of Protocol 4 to the Euro-Mediterranean Agreement Establishing an Association Between the European Communities and their Members States, of the One Part and the State of Israel, of the Other Part.

3. Persons Authorized to Act in Accordance to these Regulations

- Director General – Director of Israel Tax Authority and/or Sr. Deputy Director General for Foreign Trade.
- Authorized Persons at Directorate – Sr. Chief Coordinator of Export and Rules of Origin or any person authorized by him.
- Authorized Persons at Customs Houses – Customs Collector, Deputy Customs Collector, Director of Export Unit, or any person authorized by them.

4. Definitions

1. "Location" – City, village, or industrial zone, including postal code.

2. "Postal Code" – Identifying number for the location, as defined by the Postal Authority of Israel.
3. "Protocol" – Protocol 4 of the Association Agreement.
4. "Preference Document" – EUR-1 Movement Certificate, Limited Invoice Declaration or Authorized Exporter Declaration.
5. "Locations that according to the EU's position are not included in Article 83 of the Association Agreement for the purposes of preferential Tariff treatment" – locations that were brought under Israeli administration since 1967.

5. Products Wholly Obtained

Products wholly obtained, as defined in Article 4 of the Protocol and which are exported to the EU within the framework of the Association Agreement – the place where the products were wholly obtained as defined in Article 4(1) of the Protocol, shall be determined as the location conferring original status.

Products which are exported to the EU within the framework of the Association Agreement will be considered by the EU as wholly obtained as defined in Article 4 to the Protocol, when the conditions set out in Article 4 of the Protocol are fulfilled, subject to the following:

Products detailed in Article 4(1) (a)-(j) of the Protocol, originating in locations that according to the EU's position are not included in Article 83 of the Association Agreement for the purposes of preferential Tariff treatment, will be considered as non-originating for the purposes of the application of Article 4 (1) (k) to the Protocol, when used for the manufacturing of products in other locations in Israel.

6. Sufficiently Worked or Processed Products

Products which are not wholly obtained as defined in Article 4 to the Protocol and which are exported to the EU within the framework of the Association Agreement, will be considered by the EU as having undergone sufficient processing, when the conditions set out in the list in Annex II of the Protocol are fulfilled and subject to the following:

1. Materials originating in locations that according to the EU's position are not included in Article 83 of the Association Agreement for the purposes of preferential Tariff treatment, will be considered as non-originating for the purposes of fulfilling the conditions set out in the list in Annex II to the Protocol, when used for the manufacturing of products in other locations in Israel.
2. The working or processing carried out in locations that according to the EU's position are not included in Article 83 of the Association Agreement for the purposes of preferential Tariff treatment, will be considered for the purposes of fulfilling Article 12 of the Protocol, as work or processing carried out outside one of the Parties, as defined in this Article.

7. Indication of Location in Preference Documents

1. EUR-1 Movement Certificates

- A. Movement certificates covering goods that obtained their originating status in one location - the location (including postal code) where production conferring originating status has taken place shall be indicated in Box 7 of the Certificate.
- B. Movement certificates covering goods that obtained their originating status entirely in locations that according to the EU's position are not included in Paragraph 83 of the Association Agreement for the purposes of preferential tariff treatment, or entirely in other locations in Israel - the names of the locations (including postal codes) shall be indicated in Box 7 of the Certificate.
- C. Movement certificates covering different goods some of which obtained their originating status in locations that according to the EU's position are not included in Article 83 of the Association Agreement for the purposes of preferential Tariff treatment and some of which in other locations in Israel – "place of origin as detailed below" shall be indicated in Box 7 of the Certificate, and the location (including postal code) where production conferring originating status has taken place shall be indicated next to each product in Box 8 of the Certificate.
- D. Movement certificates covering goods some of which obtained their originating status in locations that according to the EU's position are not included in Article 83 of the Association Agreement for the purposes of preferential tariff treatment and some in other locations in Israel and which were packed together as one consignment - "place of origin as detailed below" shall be indicated in Box 7 of the Certificate. The breakdown, according to each location (including postal code) in which the goods obtained their originating status, using the appropriate unit of measure, shall be indicated next to each product in Box 8 of the Certificate.
- E. In cases such as those stated in paragraphs 6.1 and 6.2 above, in which the location where production conferring originating status, whether in locations that according to the EU's position are not included in Article 83 of the Association Agreement, for the purposes of preferential Tariff treatment or other locations in Israel, cannot be determined - the locations (including postal codes) where the raw materials were obtained and the locations where the processing or work took place shall be indicated as the locations conferring originating status in Box 7 or 8 of the Certificate as appropriate.

2. Invoice Declarations

- A. Invoice Declarations covering goods which obtained their originating status in one location - the location (including postal code) where production conferring originating status has taken place shall be indicated in parenthesis next to the word "Israel".
- B. Invoice Declarations covering goods which obtained their originating status entirely in locations that according to the EU's position are not included in Article 83 of the Association Agreement for the purposes of preferential tariff treatment, or entirely in other locations in Israel - the names of all the locations (including postal codes) where production conferring originating status took place shall be indicated in parenthesis next to the word "Israel".
- C. Invoice Declarations covering different goods some of which obtained their originating status in locations that according to the EU's position are not included in Article 83 of the Association Agreement for the purposes of preferential Tariff treatment and some of which in other locations in Israel – "place of origin as detailed below" shall be indicated in parenthesis next to the word Israel, and the location (including postal code) where production conferring originating status has taken place shall be indicated next to each product.
- D. Invoice Declarations covering goods some of which obtained their originating status in locations that according to the EU's position are not included in Article 83 of the Association Agreement for the purposes of preferential tariff treatment and some in other locations in Israel and which were packed together as one consignment - "place of origin as detailed below" shall be indicated and the breakdown according to each location (including postal codes) in which the goods obtained their originating status, using the appropriate unit of measure, shall be indicated next to each product.
- E. In cases such as those stated in paragraphs 6.1 and 6.2 above, in which the location where production conferring originating status, whether in locations that according to the EU's position are not included in Article 83 of the Association Agreement for the purposes of preferential tariff treatment, or other locations in Israel, cannot be determined - the locations (including postal codes) where the raw materials were obtained and the locations (including postal codes) where the processing or work took place shall be indicated as the locations conferring originating status.

ADDITIONAL INSTRUCTIONS OF 7 MARCH 2013 SENT BY THE TAX AUTHORITY OF ISRAEL TO THE CUSTOMS OFFICES, FORWARDERS, THE FEDERATION OF CHAMBERS OF COMMERCE, THE MANUFACTURERS' ASSOCIATION AND THE EXPORT INSTITUTE

(UNOFFICIAL TRANSLATION FROM HEBREW PROVIDED BY THE EU DELEGATION IN TEL AVIV)

Subject: Noting the place where goods exported from Israel to the EU in the framework of the FTA obtain originating status, following the change of the postal code system in Israel

1. As of the beginning of February, the Postal authority has implemented a new postal code system. This new postal code system is based on a 7-digit postal code. According to the Postal Authority, this was meant to improve sorting and distributing of mail and to improve the service.

2. As you are aware, the government of Israel and the European Community reached an arrangement in 2005, regarding technical components in the implementation of Protocol 4 of the Association Agreement. Among others, it was determined that the name of the city, locality or industrial zone including postal code, where the products obtained their originating status, should be noted in the EUR-1 / EUR-MED movement certificate, in the invoice declaration or in the declaration by an approved exporter. For your convenience, the relevant regulation is attached.

3. Before the entry into force of the new postal code system, discussions were held between representatives of the Foreign Trade Administration in MOITAL and representatives of the Customs Directorate with representatives of the EU, in order to agree upon the method of noting the postal code in the preference documents following the change to the new postal code system, in order to prevent delays and problems in Israeli exports to Europe following the changes.

4. The parties agreed that until 31.1.2014 Israeli exporters would be entitled to note either the old or the new postal code in the preference documents. As of 1.2.2014, **only** the new postal code should be noted in the preference documents.

5. In parallel to the abovementioned agreement, on 1.3.2013 a directive was published in the EU's website concerning this subject. For your convenience, please find the link:

http://ec.europa.eu/taxation_customs/customs/customs_duties/rules_origin/preferential/israel_ta_en.htm

6. You should continue operating according to the regulation (attached). **I wish to clarify that noting a P.O. Box as the location of obtaining origin in the preference documents, as a substitute to the name and postal code of the locality is prohibited.**

7. Exporters and customs agents are recommended to already note the new postal code in the preference documents and not to wait for the end of the interim period.

8. It is possible that following the changes in the postal code system, problems in customs procedures may arise in imports from Israel to European countries. Please bring to the attention of export directors in Customs Houses cases where you believe a change in the normal treatment (of dealing with preference documents) has occurred. In the appropriate cases and according to its best judgement, the Customs Directorate will cooperate with all relevant Israeli trade actors in order to assist the clients of Israel's exports.

[...]