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PwC Thailand Tax Alert

**Thailand tightens control over
origin circumvention, affecting
certificate of origin issuance**



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The following alert may be of interest to:

All clients involved in international trade

In brief

Thailand's Department of Foreign Trade (DFT) now has stricter controls over Non-Preferential Certificates of Origin (NPCOs) for certifying the Thai origin of goods exported to the US following the US reciprocal tariff scheme. This involves expanding the US product watch list and tightening the NPCO issuance process.

What are the latest updates?

The DFT is working on defining an extended watch list of products at risk of origin circumvention, expanding from the previous 49 to 65 product groups, which will cover a total of 224 tariff codes. Additions to the watch list include steel and aluminium products, automobiles and parts, solar panels, medical equipment and furniture.

The DFT will be the sole authority responsible for issuing NCPOs for exports of watch list products to the US. The other issuing agencies (the Thai Chamber of Commerce and the Federation of Thai Industries) are responsible for issuing NCPOs for other exporters.

The DFT will tighten the origin verification process, which may include carrying out factory inspections. Although there are currently no written guidelines outlining the DFT's criteria and procedures to validate the Thai origin of goods for the 65 watch list product groups, we understand the DFT will use the following qualifying criteria:

- It must be demonstrated that the goods have undergone a substantial transformation.
- The goods must qualify for the minimum 40% Regional Value Content (RVC) requirements.
- Certain products must meet special requirements, such as textiles and batteries.

What additional information should you be aware of?

An NPCO isn't legally required by the US but it can be used as a supporting document for US Customs' initial evaluation if there are doubts about the origin of the goods. US Customs could conduct further investigations, as the responsibility for establishing the origin of the goods ultimately falls on the US as the importer. US Customs can still reject the claimed origin of the goods even if there's an NCPO.

The official DFT announcement is still pending. In the meantime, Thai exporters should review the non-preferential origin rules as they're very complex and exporters may be asked to help support the Thai origin claimed by their customers. Exporters should also review sales contracts to confirm what their obligations to customers are.

When the official DFT announcement is made, exporters should check if their products are on the watch list. However, all goods exported to the US are subject to verification. The US is concerned about transshipments of goods and low value-added activities and will increase scrutiny on all exporters from South East Asia.



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