



UK Government
UK TRANSITION



TARIFFS AND RULES OF ORIGIN



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WHAT ARE RULES OF ORIGIN?

- Rules of Origin determine the '**economic nationality**' of a good. They are a standard part of free trade agreements (FTAs). Rules of Origin in the UK-EU Trade and Cooperation Agreement ensure that only goods produced in the UK or EU benefit from the zero-tariff agreement.
- Different goods must comply with different rules. This presentation sets out the types of rules different goods may need to comply with, and what proof of origin and supporting documentation are needed to claim zero tariff treatment in the TCA.

DISTRIBUTION vs. PRODUCTION

- The UK is no longer part of the EU Customs Union. This means that goods imported into Great Britain (GB) cannot move freely between GB and EU Member States or vice versa. To be eligible for zero tariff export to the EU, these goods must comply with Rules of Origin.
- **This means there must be a qualifying level of production in the UK or EU before the good is exported, to access zero tariffs.** This applies to UK and EU origin goods as well as to goods from the rest of world.
- If traders move goods through GB from one EU Member State to another without the goods entering UK customs territory (i.e. without entering free circulation in GB), the goods may not need to meet Rules of Origin.

HOW DO I COMPLY WITH RULES OF ORIGIN?

If you are an exporter and your importer wants to claim zero tariffs on your goods under the TCA, there are 3 key steps to work out whether your goods comply with rules of origin:

1. Classify your good;
2. Understand whether your good meets the applicable rule of origin;
3. Understand how to demonstrate origin to the customs authorities.

The following slides will explain what action you need to take for each of these steps.

You may choose to use a customs agent to help you with Rules of Origin. There is guidance available on GOV.UK on how to find a customs agent. You may still need to provide supporting evidence to your customs agent.

CLASSIFYING GOODS FOR INTERNATIONAL TRADE

- For the purposes of international trade, all goods are classified under the Harmonised System, an internationally standardised system of descriptions and numbers to identify goods. **You need to know the classification of your goods to find the applicable rule of origin.**
- The Harmonised System forms the first 6 digits of the 10-digit classification (commodity) code when importing goods into the UK or the EU.
- Goods are categorised into chapters (2 digits), headings (4 digits), and subheadings (6 digits)

For example, t-shirts made of cotton would be classified under:

Chapter 61 – Product of textiles and of textile articles (section XI)

Heading 61.09 – T-shirts, singlets and other vests, knitted or crocheted

Subheading 61.09.10 – Of cotton

You can use the trade tariff look-up tool to classify your goods.

UNDERSTAND WHETHER YOUR GOOD MEETS THE APPLICABLE RULES OF ORIGIN

1. Wholly Obtained (WO)

If a good is fully grown, born or extracted from the UK it is eligible for preferential treatment. This mainly applies to agricultural products e.g. vegetables grown in the UK, but could also apply to e.g. mineral products extracted from the soil of the UK.

2. Change in Tariff Code (CTC)

Some rules of origin require that non-originating inputs used in production of a good must be classified in a different chapter, heading or subheading of the Harmonised System.

3. Value Added, or 'maximum non-originating material'

If a rule requires a "maximum level of non-originating material" (MaxNOM), a certain proportion of the value of the final good must be generated in the UK, or the EU. This can include UK-originating parts, or value added in the production such as labour and manufacturing costs.

4. Specific Processing Rule (SPR)

Some rules require a specific operation or set of operations to take place in the UK, in order for that good to be classed as UK-originating. For example, for certain chemicals, a chemical reaction must take place in the UK.

PSR EXAMPLE: AUTOMOTIVE PARTS

- Vehicles and other key car parts are classified in Chapter 87 of the Harmonised System. Other key automotive parts, such as engines and batteries, are classified in Chapters 84 and 85.
- The rule for most automotive parts in Chapters 84 and 85 is either:
 - **Change in tariff heading (CTH)** – this means that any non-originating inputs must come from a different 4-digit classification code to that of the final product; **or**
 - **50% Maximum Non-Originating Materials (MaxNOM)** – this means that the non-originating content used in the manufacture of a product be accounted for - e.g. under 50% of its ex works price.

EXAMPLE (CTH):

A transmission shaft manufactured in the EU is classified under Harmonised System heading 8483.



The rule of origin for the transmission shaft requires any non-originating inputs to come from a different 4-digit heading to the final product.

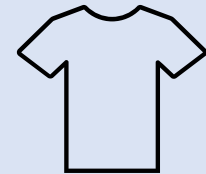
That means that any inputs classified in heading 8483 must only be UK or EU origin.

PSR EXAMPLE: TEXTILES & CLOTHING PRODUCTS

- Textile and clothing products are classified within Chapters 50 to 63 of the Harmonised System. Rules in these sectors vary by product, but many have **Specific Processing Rules**, which require specific manufacturing processes to take place in the UK or EU in order to qualify for zero tariffs.
- For example, the rule for a cotton t-shirt HS heading 61.05 is:
 - **Knitting or crocheting combined with making-up including cutting of fabric.**

EXAMPLE (Specific Processing Rule):

A cotton t-shirt (HS heading 61.05) produced in either the UK or EU must be knitted or crocheted, **combined** with the cutting of the fabric to meet the rule of origin.



CUMULATION

- Bilateral cumulation allows you to **use both UK and EU content to meet a rule of origin.**
- This means if importing EU products, sufficient production must occur in the UK to count towards meeting a rule of origin.
- Also applies in the **opposite direction** (goods imported into the EU from the UK, and processed in the EU to export back to the UK).




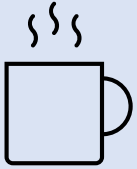




MORE INFORMATION ON INSUFFICIENT PRODUCTION

- Each product specific rule describes the nature or value of processing that must be carried out on any materials that do not originate in the country of export.
- The processing of these materials must go beyond the list of minor processes (known as **insufficient production**).
- Examples of ‘**insufficient production**’ include affixing labels, cleaning a product, simple assembly of parts, and simple packaging operations (the TCA contains the full list).
- This means that, for example, you cannot import an EU product, simply package it in the UK, and re-export it to back to the EU. More substantial manufacturing must take place in the UK.
- Guidance is available on [GOV.UK](https://www.gov.uk) on insufficient processing (including case examples).

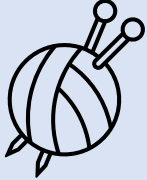


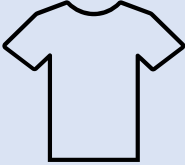


Change in Tariff Heading rule: Ceramic mug example

- The product specific rule for a mug of HS heading 6911 is a **Change in Tariff Heading** (4 digit HS code).
- Any non-originating (non-UK or EU originating) materials used in the production of the mug must be classified in a heading other than 6911.

Materials	UK Processing	Does the product qualify for tariff-free access?
 <p>UK company imports clay from Vietnam (HS heading 25.08)</p>	 <p>UK company manufactures a mug (HS 69.11) from the imported Vietnamese clay (HS 25.08)</p> <p>The mug is exported to the EU.</p>	 <p>The non-originating clay is classified under a different HS heading to the final mug.</p> <p>This qualifies under the 'change in tariff heading' rule. The mug can be exported tariff-free to the EU.</p>
 <p>UK company imports mug without handle from Vietnam (HS heading 69.11)</p>	 <p>The UK company attaches a wooden handle and adds a stamp to the mug.</p> <p>The mug is exported to the EU.</p>	 <p>The imported non-originating product is classified in the same HS heading as the exported product.</p> <p>This UK processing does not meet the 'change in tariff heading' rule. The product would face a tariff upon export to the EU.</p>

Textiles: Specific Processing Rule

- The product specific rule for t-shirts (HS heading 61.09) is a **Specific Processing Rule**.
- A cotton t-shirt (HS heading 61.09) produced in either the UK or EU must be knitted or crocheted, combined with making up and cutting of the fabric to meet the rule of origin

Materials	UK Processing	Does the product qualify for tariff-free access?
 <p>Cotton (HS 52.01) imported into UK from Bangladesh to be made into t-shirts (HS 61.09) which will then be sold in the EU.</p>	 <p>The yarn is spun, knitted, dyed, cut, and finished in a manufacturing facility in UK, producing t-shirts for export to the EU.</p>	 <p>It qualifies for tariff-free access to the EU as it has met the specific processing rule.</p>
 <p>Cotton t-shirts (HS 61.09) imported from Bangladesh which will then be exported to the EU.</p>	 <p>The cotton t-shirts are then labelled, boxed up in UK and then exported to the EU.</p>	 <p>The t-shirts will be subject to tariffs as the product has not sufficiently been processed in the UK to meet the specific processing rule.</p>

PROVE TO THE CUSTOMS AUTHORITY THAT YOUR GOODS QUALIFY

- You must have evidence to prove your goods meet rules of origin. You may also require evidence of origin from your supplier, such as a supplier declaration.
- An exporter can **self-declare that their goods meet the Rules by making out a statement on origin** and sending this to the customer with the export. The customer can use this as the basis of their claim for zero tariffs.
- **Importers can alternatively claim for zero tariffs based on importer's knowledge.** Where this option is used, you do not need to provide your customer with a statement on origin, though they may ask you to provide other information about the goods to support their claim.

Statement of Origin template in the TCA

(Period: from _____ to _____ ⁽¹⁾)

The exporter of the products covered by this document (Exporter Reference No ... ⁽²⁾) declares that, except where otherwise clearly indicated, these products are of ... ⁽³⁾ preferential origin.

.....⁽⁴⁾

(Place and date)

.....

(Name of the exporter)

EXAMPLE

¹ If the statement on origin is completed for multiple shipments of identical originating products within the meaning of point (b) of Article ORIG.19(4) [Statement on Origin] of this Agreement, indicate the period for which the statement on origin is to apply. That period shall not exceed 12 months. All

SUPPLIER DECLARATIONS

- Supplier declarations are required at the point of claiming preference. Preference can also be applied retrospectively.
- By completing a supplier declaration, the supplier declares the originating status of the goods they provide to their customer, who needs this information to make out a statement on origin (the exported goods are either the finished product from the supplier or a product incorporating the delivered material).
- Supplier declarations can be verified by the customs authorities as part of their checks to ensure the goods meet the Rules of Origin.

Supplier declaration template in the TCA

SUPPLIER'S DECLARATION

I, the undersigned, the supplier of the products covered by the annexed document, declare that:

1. The following materials which do not originate in [indicate the name of the relevant Party] have been used in [indicate the name of the relevant Party] to produce these products:

Description of the products supplied ⁽¹⁾	Description of non-originating materials used	HS heading of non-originating materials used ⁽²⁾	Value of non-originating materials used ⁽²⁾⁽³⁾
Total value			

2. All the other materials used in [indicate the name of the relevant Party] to produce those products originate in [indicate the name of the relevant Party]

I undertake to make available any further supporting documents required.
 (Place and Date)
(Name and position of the undersigned, name and
 address of company)
 (Signature)(6)



USEFUL LINKS

- The Trade and Cooperation Agreement between the UK and EU (Annex Orig.2: Rules of Origin Annex p.423): <https://www.gov.uk/government/publications/ukey-and-eaec-trade-and-cooperation-agreement-ts-no82021>.
- How to claim preferential (zero) tariffs when trading with the EU: <https://www.gov.uk/guidance/claiming-preferential-rates-of-duty-between-the-uk-and-eu-from-1-january-2021>
- Full guidance on Rules of Origin when trading with the EU: <https://www.gov.uk/government/publications/rules-of-origin-for-goods-moving-between-the-uk-and-eu-from-1-january-2021>
- Online tool to check which Rules of Origin apply to your exports: <https://www.gov.uk/check-duties-customs-exporting>.
- Online tool to check which Rules of Origin apply to your imports: <https://www.gov.uk/trade-tariff>
- Contact the Export Support Service: <https://www.gov.uk/ask-export-support-team>
- For help on custom procedures, contact HMRC using the guidance here: <https://www.gov.uk/government/organisations/hm-revenue-customs/contact/customs-international-trade-and-excise-enquiries>.
- Guidance on insufficient production: <https://www.gov.uk/government/publications/rules-of-origin-for-goods-moving-between-the-uk-and-eu/5-insufficient-production-for-manufacturing-and-agri-food-processes>.
- BEIS/DEFRA webinar on Suppliers' declarations: <https://www.youtube.com/watch?v=fZYsHVI9kWQ>

