

Rules of Origin in the UK-EU trade deal

Supported by Open to Export and the UK Customs Academy

26 January 2021



Today's speaker



Kevin Shakespeare – director of the IOE&IT Academy

- Developed educational and training programmes
- Manages customs training resources for HMRC's Trader Support Service
- Dean of the UK Customs Academy and NI Customs & Trade Academy
- Delivered bespoke training programmes for Invest NI, Scottish Enterprise, UK Export Finance, Saudi Export Development Authority and more
- Approved United Nations international trade trainer



**Which of these
best describes
your business?**



**If you are a
manufacturer,
which of these
best describes
your business:**



Contents

» **Origin in the UK-EU
FTA**

» Application of bilateral
cumulation

» Importers knowledge
and proof of origin

» Customs warehousing

» Generalised System
Preferences

» Further customs
authorisations and
procedures



Rules of Origin in the UK EU Trade deal

The Trade Agreement indicates

- ◆ 100% tariff liberalisation
- ◆ No tariffs/quotas on movement of goods produced between UK & EU

If Rules of Origin requirements are met

- ◆ No tariffs apply for goods sold to the EU
- ◆ No tariffs apply for goods received from the EU

Evidence of origin must be provided



Example: Motor vehicles

Chapter 87: 'Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof'

- Subheading 87.01 MaxNOM 45% (EXW)

Subheadings 87.02, 87.03 and 87.04: Battery cells, battery modules, and parts

Intended to be incorporated into an electric accumulator of a kind used as the primary source of electrical power for propulsion of vehicles of headings

- MaxNOM 70 % (EXW)

Vehicles with both internal combustion engine and electric motor as motors for propulsion other than those capable of being charged by plugging to external source of electric power ('hybrid')

- MaxNOM 60 % (EXW)

Different origin requirements apply by product type/tariff line

"MaxNOM" means the maximum value of non-originating materials expressed as a percentage



Example: medical goods

| Heading | MaxNOM % |
|---|------------|
| Medicines (30.03) | MaxNOM 50% |
| All other pharmaceutical products (Chapter 30 exc. 30.03) | MaxNOM 50% |
| Inorganic chemicals (Chapter 28) | MaxNOM 50% |
| Organic chemicals (Chapter 29) | MaxNOM 50% |
| Medical instruments and appliances (90.18) | MaxNOM 50% |
| Medical furniture (90.42) | MaxNOM 50% |

Do you feel confident with your understanding of Rules of Origin in the UK-EU trade deal

Poll options:

Yes – very confident

Yes – quite confident

Not very confident

Not at all confident

Not sure



Contents

» Origin in the UK-EU
FTA

» Application of bilateral
cumulation

» Importers knowledge
and proof of origin

» Customs warehousing

» Generalised System
Preferences

» Further customs
authorisations and
procedures



Agreement on cumulation

What the Free Trade Agreement says

- ◆ Bilateral cumulation applies
- ◆ Allows EU inputs and processing to be counted as UK input in UK products exported to the EU, and vice versa
 - ◆ Goods being shipped from the UK to the EU under TCA must have undergone sufficient processing to confer UK origin
- ◆ If there is insufficient production, tariffs may apply
 - ◆ Unless customs special procedures are applied



Scenario 1: No processing

- ◆ For EU originating goods:
 - ◆ Exported from the EU
 - ◆ Then imported into GB into free circulation
- ◆ The origin remains EU
 - ◆ The goods would have had to have undergone sufficient processing to confer UK origin
- ◆ In this scenario the goods retain their EU origin on onward import to the EU and **tariffs would apply**



Scenario 2: Customs Special Procedures

- ◆ EU-originating goods:
 - ◆ Exported from the EU
 - ◆ Then imported into GB
 - ◆ And placed into a customs duty suspension regime
 - eg customs warehouse
- ◆ Retain EU status
- ◆ Goods can be moved back into EU **without tariffs** being charged, provided the goods remain in duty suspension while in GB
 - ◆ Evidence may need to be provided to EU importer



Scenario 3: minimal processing

- ◆ EU-originating goods:
 - ◆ Exported from EU into UK
 - ◆ Then released for free circulation
 - ◆ And subject to minimal processing
 - eg repackaging and relabelling

- ◆ This minimal processing is not enough for goods to confer UK origin and **tariffs would apply** on onward import to the EU



Scenario 4: sufficient transformation

- ◇ EU-originating goods:
 - ◇ Exported from the EU
 - ◇ Released for free circulation in the UK
 - ◇ Subject to processing beyond the operations listed in the insufficient processing article
 - eg importing ingredients or raw materials and manufacturing into finished goods
- ◇ The finished product will qualify for FTA preference and no tariffs will apply on onward import into the EU
 - ◇ Assuming finished product meets the Rules of Origin



Returned goods relief

- ◆ EU legislation on returned goods (duty relief) may apply provided the requirements are fulfilled
 - ◆ i.e. the product has not received a treatment other than altering of appearance necessary to:
 - repair the product
 - restore the product to good condition or
 - maintain the product in good condition



Returned goods relief

- ◆ Upon re-export to the EU no tariffs would apply
- ◆ However, EU importer requires evidence of initial EU export declaration
 - ◆ This may be commercially sensitive unless companies are related (e.g. inter-company)



Contents

» Origin in the UK-EU
FTA

» Application of bilateral
cumulation

» Importers knowledge
and proof of origin

» Customs warehousing

» Generalised System
Preferences

» Further customs
authorisations and
procedures



Principles underpinning origin in the trade deal

- ◇ Importer required to declare they hold proof goods meet Rules of Origin to benefit from preferential tariffs when:
 - ◇ importing into GB from the EU
 - ◇ importing into the EU from GB
- ◇ Proof **may** be important at the time of claiming preference when importing
- ◇ Proof **will** be important at the time of audit



Statement of origin

- ◆ Text by which exporter or producer states product's origin
- ◆ Printed on an invoice or any commercial document
 - ◆ Eg packing list, proforma invoice



Example statement of Origin

Exporter Reference No **xx** declares that, except where otherwise clearly indicated, these products are of **xx** preferential origin.

Origin criteria used **xx**

Criteria

- A – Wholly obtained or produced
- B – Use of exclusive originating materials
- C – Substantial transformation rule
- D – Use of accumulation
- E – Tolerance by value

Supplier's declarations

If claiming preference on basis of importer's knowledge or making out a statement on origin:

- ◆ You do not need to hold a supplier's declaration at the time they are claiming preference
- ◆ Until 31 December 2020



Supplier's declarations

Where production carried out for purposes of determining whether finished item is originating, supplier's declarations would need to be obtained

Suppliers may not be prepared to provide these declarations as an annex to an invoice for reasons of confidentiality

- eg disclosure of supplier sources and revealing of profit margins

LONG-TERM SUPPLIER'S DECLARATION

I, the undersigned, the supplier of the products covered by the annexed document, which are regularly supplied to⁽⁴⁾, 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 a Party [indicate the name of the relevant Party];

This declaration is valid for all subsequent consignments of these products dispatched

from to
..... (5)

I undertake to inform (4)
immediately if this declaration ceases to be valid.

..... (Place and Date)
.....(Name and position of the undersigned, name and
address of company)
..... (Signature) (6)

Footnotes

(1) Where the invoice or other document to which the declaration is annexed relates to different kinds of products, or to products which do not incorporate non-originating materials to the same extent, the supplier must clearly differentiate them.

Contents

» Origin in the UK-EU
FTA

» Application of bilateral
cumulation

» Importers knowledge
and proof of origin

» Customs warehousing

» Generalised System
Preferences

» Further customs
authorisations and
procedures



Benefits of customs warehousing

Goods exported from EU to GB and declared into free circulation with **no** transformation



Goods re-exported from GB to EU (for example Ireland) **subject to payment of import duties in Ireland**

Goods exported from EU to GB and placed in duty suspension in a customs approved warehouse with **no** transformation



Goods re-exported from GB to EU (for example Ireland) **with zero tariffs applying as goods remain in duty suspension**

Use of customs warehousing requires approval from HMRC

Requirement for financial guarantee to use this and other customs special procedures has been withdrawn

Authorisation requirements for customs warehousing

Public warehouse

For businesses who want to store goods belonging to other people (businesses) also known as depositors

Private warehouse

For businesses who want to store their own goods

- Warehouse authorisation holder and depositor are the same business

www.gov.uk/guidance/apply-to-operate-a-customs-warehouse

Requirements for approval:

Established in the UK

Have an EORI number

Financially solvent

Good compliance record with customs

Business need for warehouse

Able to make declarations (or via agent)

Able to keep stock records

Maintain health and safety standards



**Are you interested
in using any of the
following customs
procedures or
authorisations?**



Contents

» Origin in the UK-EU
FTA

» Application of bilateral
cumulation

» Importers knowledge
and proof of origin

» Customs warehousing

» Generalised System
Preferences

» Further customs
authorisations and
procedures



Generalised System of Preferences (GSP) in UK: EU context

- ◇ Non-manipulation principle replaces direct transport rule
- ◇ Allows UK businesses duty free movements provided products declared for release for free circulation in the EU
 - ◇ Must be the same products as exported from the GSP beneficiary country
 - Goods must not have been altered, transformed in any way or subjected to operations other than operations to preserve them in good condition

Businesses involved in the supply chain of goods from GSP countries to EU, now have more flexibility as the non-manipulation principle applies

Generalised System of Preferences (GSP) in UK: EU context

As long as goods meet EU GSP Rules of Origin, the goods can move from a GSP country/supplier to EU via GB provided the following conditions are met:

- ◆ Goods are:
 - ◆ not altered
 - ◆ Not transformed in any way
 - ◆ subjected to operations other than to preserve them in good condition
 - adding or affixing of marks, labels, seals or any other documentation to ensure compliance

Generalised System of Preferences (GSP) in UK: EU context

As long as goods meet EU GSP Rules of Origin, the goods can move from a GSP country/supplier to EU via GB provided the following conditions are met:

◊ Storage of the products may take place provided they remain under customs supervision in the country or countries of transit

* to meet these requirements goods must be held in a customs warehouse or moved under transit

Generalised System of Preferences (GSP) in UK: EU context

As long as goods meet EU GSP Rules of Origin, the goods can move from a GSP country/supplier to EU via GB provided the following conditions are met:

- ◆ Splitting of consignments may take place provided the goods remain under customs supervision
- ◆ Customs authorities may request declarant to provide evidence of compliance including transport documents
 - ◆ eg bills of lading or factual evidence based on marking or numbering of packages
 - ◆ or any evidence related to the goods themselves

Contents

» Origin in the UK-EU
FTA

» Application of bilateral
cumulation

» Importers knowledge
and proof of origin

» Customs warehousing

» Generalised System
Preferences

» Further customs
authorisations and
procedures



Customs special procedures and authorisations

- ◆ Use of customs special procedures and authorisation increasing in post-transition trade environment
- ◆ Benefits: suspension/elimination of duties and VAT
- ◆ Inward Processing, Transit and Customs Freight Simplified Procedures (CFSP) are becoming increasingly popular
- ◆ Authorisation from HMRC required
- ◆ Compliance and audit requirements must be met



IOE&IT: practical support for your business

Visit export.org.uk to find out member benefits and how to join

- ◇ [Membership services](#) including [technical helpline](#)
- ◇ [Rules of Origin](#) training course – including in-house options
- ◇ [Customs warehousing](#) training course
- ◇ [Consultancy](#) services
- ◇ 30-minute [trade surgeries](#)

Links to the above will be provided in follow-up email



Any questions?





Thank you

Institute@export.org.uk
01733404400

EXPORT.ORG.UK