

# **The Trade and Cooperation Agreement (TCA): detailed guidance on the rules of origin**

**Version 1.0 (29 December 2020)**

**These guidance documents are of an explanatory and illustrative nature. Legislation takes precedence over the content of these documents and should always be consulted.**

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## Exporting using the TCA

This document provides detailed guidance on the rules of origin requirements under the TCA and explains the most important provisions which businesses need to understand and comply with, in order to ensure that they pay zero tariffs when trading with the EU. This applies to both businesses that wish to export goods to the EU at zero tariffs, as well as businesses who wish to import goods from EU at zero tariffs.

Businesses may refer to this guidance and the rules of origin text directly to understand their requirements, or they may defer to a customs intermediary to comply with their obligations.

Importantly, this guidance document does not contain information or explanations for all rules of origin relevant to the TCA. Rather, this guidance provides detail on the most important provisions, and businesses should still refer to the [full TCA](#) rules of origin text to understand their full obligations should they wish to export or import goods between the UK and EU and take advantage of the preferential treatment.

## Exporting without making use of the TCA

This guidance is not relevant to businesses who do not wish to claim preferential treatment on the goods they import (from the EU) or export (to the EU). Such goods will be subject to the importing Party's non-preferential tariff. Therefore, payment of tariffs and duties will be due as per the UK's and EU's import requirements.

Businesses who do wish to access the preferential tariff treatment negotiated under the TCA, however, must comply with the rules of origin.

## Easements for business under the TCA

This guidance also contains information on the temporary easements available to businesses. In particular, for goods imported from the EU to the UK (but not vice-versa) between 1 January 2021 and 30 June 2021, traders will have up to six months to submit a full customs declaration and pay any necessary tariffs. This also includes declaring any proof of origin.

Additionally, for both goods imported from the EU to the UK and goods imported from the UK to the EU, until 31 December 2021, traders also do not need supplier's declarations from business suppliers in place at the time the goods are exported.

## Common terms

The common terms used throughout this document are listed below, however these terms have synonyms which may be used interchangeably.

Refer to the list below for analogous/synonymous terms to the ones used in this guidance:

- Rules of Origin – RoO;
- Businesses – traders, individuals, manufacturers;

- Tariffs – duties, taxes;
- Preferential treatment – preferential access, preferential taxes, preference, zero-tariff rate;
- Parties – countries, EU and UK (when referring to the TCA);
- Production – working, processing; and
- Products – goods, items.

### **Additional guidance for businesses**

In addition to this document, which provides detailed explanations on the rules of origin requirements under the TCA, there are other official guidance pages hosted on GOV.UK which businesses may also wish to consult, for example for explanations on customs procedure, import and export requirements, and other relevant information. See below for the relevant links to these additional guidance pages.

- The [Brexit Transition page](#) allows Businesses and individuals to check what actions they need to complete in order to be ready for the end of the transition period.
- The [Import, export and customs for businesses](#) page provides detailed information covering all customs related issues for trading, and provides links to official guidance on each issue.
- The [Import and export goods using preference agreements](#) page provides guidance on how businesses can claim preferential tariffs and check if a preferential agreement covers the goods they wish to export/import.

# **1. Introduction to Rules of Origin and Claiming Preferential Tariffs (Duties)**

## **1.1 UK-EU trading relationship beyond the transition period**

The UK's continued membership of the European Union's Single Market and Customs Union during the transition period to the end of 2020 has meant that businesses have been able to trade with the EU tariff-free without the need for customs declarations or meeting **rules of origin**. After 1<sup>st</sup> January 2021, the transition period will have ended, and the UK will move to trading based on a new Free Trade Agreement (FTA) – the Trade and Cooperation Agreement (TCA) between the UK and the EU.

To benefit under the TCA, goods will have to be of UK or EU origin. This means they must meet the UK-EU preferential rules of origin. These rules are set out in the TCA and determine the origin of goods based on where the products or materials (or inputs) used in their production come from. Their purpose is to ensure that preferential tariffs are only given to goods that originate in the UK or EU and not from third countries (i.e. those apart from UK and the EU Member States).

Goods that do not meet the rules of origin can still be traded but they will not be able to benefit from preference under the TCA and may have to pay the standard ("Most Favoured Nation") tariffs that the EU and UK apply to imports. For exports to the EU, this will be their Common External Tariff. Likewise, for imports to the UK, this will be the UK Global Tariff. For some goods, these Most Favoured Nation tariffs may be low or zero, but for many other goods they can be much higher. Businesses will need to take a commercial decision on whether it is in their interest to meet (and prove that they meet) the rules of origin in order to benefit from the TCA's zero tariffs.

Businesses can find more information about the tariff rates for their products using the following links: Guidance on the [UKGT](#).

## **1.2 Rules of origin under the TCA**

The rules of origin in the TCA are set out in two parts:

**1. General Provisions.** These are rules that apply to all products being traded under preference. They include both the primary and administrative requirements.

**2. Product-specific rules of origin (PSRs).** These are the specific rules that set out, for every product based on their Harmonized System (HS) code, what the requirements are for that product to be considered 'originating'. The HS, or Harmonized Commodity Description and Coding System, was developed by the World Customs Organisation (WCO) to describe and classify groups of goods and is used by more than 200 countries worldwide. The Annex to this guidance provides further detail on how to find out a product's HS code.

In the [TCA](#) text, the PSRs are included under ANNEX ORIG-2 [Product-specific rules of origin].

To be considered 'originating' and qualify for preferential tariffs, products must be sufficiently worked or processed within the parties to the agreement. By contrast, 'non-originating' materials are materials imported from third countries. 'Non-originating' may also refer to materials whose origin is unknown or not possible to determine.

## What are 'originating' products?

There are two ways in which a product can be considered 'originating':

- 1) It can be '**wholly obtained**'. These are goods that have been exclusively obtained or produced in the territory of one country, without using materials from any other country. The goods must not have been manipulated or changed in another country, apart from certain minimal processes to keep them in good condition. Examples of wholly obtained goods include minerals extracted from the soil of a single country, live animals born and raised in a single country or goods produced in a single country from materials sourced exclusively from there, i.e. all materials used in a product are wholly obtained. See [section 3.2.2 \(Wholly Obtained\)](#) for more detail.
- 2) It has been **substantially transformed** in line with the relevant **Product-Specific Rule (PSR)**. There are three basic rules used to decide if goods are sufficiently transformed (explained in more detail in [section 4 \(Product-specific rules\)](#)).
  - the ad-valorem, or 'value added' rule
  - the change of tariff classification
  - manufacture from certain products or through specific processes

In the TCA, materials originating from the EU, as well as production carried out within the EU on non-originating materials, may be considered as originating in the UK (and vice versa). This mechanism is known as bilateral cumulation. See [section 3.2.1 \(Cumulation of Origin\)](#) for more detail.

Once a product has gained originating status, it is considered 100% originating. This means that if that product is incorporated in the production of a further product, its full value is considered originating and no account is taken of non-originating materials within it.

For example, if a UK-manufactured engine contains 30% non-originating content but meets its rule of origin, if that engine is used in the production of a car in the UK or EU, 100% of the value of that engine can be counted towards the originating content of the car.

### **1.3 Claiming preferential treatment under the TCA**

After the end of the transition period, from 1 January 2021, in order for business to benefit from preferential tariffs when importing into the UK or EU, they will need claim preference on their customs declaration and declare they hold proof that the goods meet the rules of origin.

A proof of origin is used by the importer to demonstrate that the goods qualify as originating and are eligible to claim preference. In the TCA this proof can take the form of:

- a Statement on origin completed by the exporter on a commercial document, or
- knowledge obtained and held by the importer that the goods are originating.

More detail is provided in [section 2 \(Origin procedures\)](#) of this document.

If you are an importer, you must:

1. Have proof of the originating status of the product before claiming preference. This may be:

- a. a Statement on origin provided by the exporter on a commercial invoice or other commercial document that describes the goods. The text of the Statement would be included in the agreement. This is known as an invoice or origin declaration;
  - b. supporting documents and records if you are claiming preference using your “importers knowledge”. If using importer knowledge, you must obtain sufficient evidence that the goods qualify as originating. This may involve the exporter providing a range of supporting documentation. If you cannot obtain that evidence, then the exporter may be able to provide a Statement on origin.
2. Claim for preference by [completing the relevant part and declaring the proof of origin on your customs import declaration](#).
3. If requested by the customs authorities, provide the proof of origin to the customs authorities.
4. Maintain records for at least 4 years.

If you are an exporter, you must:

1. Hold evidence that the goods meet the relevant rules of origin before issuing a Statement on origin.
2. Understand whether a declaration from your supplier needs to be obtained. See [here](#) for information. **For UK-EU trade, until 31 December 2021, businesses do not need supplier’s declarations from business suppliers in place when the goods are exported. Businesses may be asked to retrospectively provide a supplier’s declaration after this date.**
3. Provide your customer, the importer, with one of the following:
  - a. a Statement on origin on a commercial invoice or other commercial document that describes the goods. The text of the Statement would be included in the agreement. This is known as an invoice or origin declaration;
  - b. supporting documents and records if your customer is claiming preference using their “importer’s knowledge”.
4. Maintain records for at least 4 years.

#### **1.4 Relevant rules of origin definitions**

Article ORIG.2 in the TCA lists definitions for important concepts used throughout the rules of origin text. ANNEX ORIG-1 [Introductory notes to product specific rules of origin] also contains relevant important definitions for the purposes of applying the PSRs. These concepts are introduced in the sections below, but businesses should consult the [full agreement](#) for relevant definitions.



## **2. Origin Procedures: Proving Originating Status and Claiming Preferential Treatment**

### **2.1 Introduction**

The Origin Procedures in the TCA (Articles ORIG.18-28) set out the process by which goods prove their originating status and preference can be claimed. The rest of this section explains:

- An overview of claiming preference together with certain horizontal provisions ([section 2.2](#))
- How to claim preference using the ‘Statement on origin’ option ([section 2.3](#))
- How to claim preference using the ‘importer’s knowledge’ option ([section 2.4](#))
- How a claim for preference may be verified by customs authorities ([section 2.5](#))
- How a claim for preference may be denied by customs authorities ([section 2.6](#))

### **2.2 Claiming preferential tariff treatment**

Relevant TCA articles:

- *Article ORIG.18 Claim for preferential tariff treatment,*
- *Article ORIG.18a: Time of the claim for preferential tariff treatment;*
- *Article ORIG.23 Small Consignments;*
- *Article ORIG.27 Confidentiality*

#### **2.2.1 Overview of how to claim preference**

The customs authority of the importing party will grant preferential tariff treatment, based on a claim made by the importer, to goods that originate in the other Party that meet the conditions of the TCA. Under the TCA a claim can be made if the importer has one of the following proofs of origin:

(a) a Statement on origin that the product is originating made out by the exporter; ([see section 2.3](#));  
or

(b) the importer’s knowledge that the product is originating (see [section 2.4](#)).

A claim for preference, and the “presentation” of the proof of origin, is normally included on the [customs declaration](#) to enter the goods into free circulation. However, a claim can alternatively be made after importation provided it is made within 3 years of the date of importation and accompanied with a valid proof of origin. In those circumstances any duties would be repaid to the importer.

In the UK, a claim for duties to be repaid is made using Form [C285](#).

Information on how to complete a customs declaration, including one which includes a claim for preference, using the CHIEF system can be obtained [here](#).

Information on how to complete a customs declaration, including one which includes a claim for preference, using CDS can be obtained [here](#).

#### **Easements for businesses**

As set out in the [Border Operating Model](#), the UK is introducing border controls in stages. For goods imported between 1 January 2021 and 30 June 2021, traders will have up to six months to complete customs declarations. This approach grants traders extra time to make necessary arrangements to evidence their claim to the preferential tariff rate.

### **2.2.2 Rules for small consignments of goods**

So long as they are declared to the customs authorities as meeting the origin rules, some goods may be imported without the need for a formal proof of origin (a waiver).

For import into the EU, this waiver applies to goods valued under:

- €500 in the case of products sent in small packages, or
- €1,200 in the case of products forming part of a traveler's personal luggage.

For the EU this waiver does not apply to commercial imports.

For import into the UK, this waiver applies to any goods valued under £1000, regardless of whether they are imported for commercial or non-commercial purposes.

These waivers do not apply if it is established that the import forms a series of importations that are being made separately to avoid the normal requirements.

### **2.3 Applying for preference using a Statement on origin**

Relevant TCA articles:

- *Article ORIG.4 Cumulation of origin;*
- *Article ORIG.19 Statement on origin;*
- *Article ORIG.20 Discrepancies;*
- *Article ORIG.22 Record-keeping requirements;*
- *Article ORIG.26 Denial of preferential tariff treatment*

#### **2.3.1 Statement on origin**

One option for claiming preference is for the importer to use a 'Statement on origin' made out by the exporter.

A Statement on origin is not a document, but a prescribed text which the exporter added to the invoice or any other commercial document that describes the originating product in sufficient detail to enable its identification. The Statement/document may be in an electronic format.

An exporter making out a Statement on origin must hold information demonstrating that the product is originating, including information on the originating status of materials used in the production of the product. This may include declarations obtained from their suppliers ([supplier's declarations](#)).

A Statement on origin may apply to:

- a single consignment,
- or to multiple shipments of identical products within any period specified in the Statement on origin but not exceeding 12 months from the date of the first import.

If an exporter that has completed a Statement on origin becomes aware or has reason to believe that it contains incorrect information, they must immediately notify their customer in writing.

A statement may be made out in English or any of the other official languages used in the EU. However, it is best to use the same language as being used for the commercial document itself.

Subsequent sections contain further details of requirements concerning the commercial document, supplier's declarations and the exporter.

The text of the Statement on origin (Annex ORIG-4 the TCA) is reproduced in full in [Annex B](#).

### **2.3.2 Requirements on the exporter**

The exporter:

- a) must be located either in the UK or EU.
- b) can be any person (such as a producer or a trading company) as long as they fulfil the obligations under the TCA. It is not necessary that the exporter lodges the customs export declaration in respect of the products. They may appoint a customs representative to act on their behalf.
- c) exports or produces the originating product and makes out a Statement on origin; and
- d) is responsible for the correct identification of the originating products on the invoice or any other commercial document.

They will usually be identified on the Statement on origin by their Exporter Reference Number (ERN). Where an Exporter's Reference Number has not been assigned the exporter may indicate its full address under the part "Place and date".

In the EU the ERN will be the exporters Registered Exporter (REX) number. These are allocated if the exporter is exports consignments with a total value exceeding €6000.

In the UK the ERN will be the Economic Operator Registration and Identification (EORI) number. If you do not have one, you can [apply for an EORI number](#).

There is a requirement that the Statement on origin must be made out by the exporter but there is no explicit requirement as to the identity of the person issuing the commercial document used for making out the Statement.

However, to avoid any potential confusion it is recommended that the exporter makes out the Statement on origin on a commercial document they have issued.

### **2.3.3 Validity of the Statement on origin**

A Statement on origin may be made out before, at the same time as, or after the products to which it relates are exported. For imports to the UK it will be valid for two years from the date it was made out. For exports to the EU it will be valid for 12 months.

The Statement on origin must be valid when the claim for preferential tariff treatment is made. This might be the time at which the import declaration in respect of the originating products is accepted by the customs authorities, or at the time at which an application for repayment or remission of customs duties is submitted.

### **2.3.4 What is a commercial document?**

As set out above, the Statement on origin should be made out on an invoice or on any other commercial document that describes the originating product in sufficient detail to enable its identification.

There is no legal definition of what constitutes a “commercial document”, which can be considered as a written record of a commercial transaction. Therefore, apart from the invoice itself, the term covers different types of documents such as a pro-forma invoice, or a shipping document (e.g. packing list, delivery note).

The only legal requirement for the invoice or any commercial document to be considered as the basis for a Statement on origin is that it shall contain a description of the originating products in sufficient detail to enable their identification. Other products, which may be included in the same invoice or other commercial document, shall be clearly distinguished from the originating products.

Where the “exporter” (producer or trader) is located in the exporting Party but the trader issuing the invoice is established in a non-Party country, the Statement on origin cannot be made out on that document. In these cases, the Statement on origin should be placed on a commercial document that is issued by the “exporter” (producer or trader other than the trader established in a non-Party country) in the exporting Party, such as a delivery note.

### **2.3.5 Supplier’s declarations**

A supplier’s declaration is a declaration by which a supplier provides information to their customer concerning the originating status of goods with regard to the specific preferential rules of origin. Notwithstanding the invoicing, the supplier is the person who has control and the knowledge of the originating status over the delivered goods. By making out a supplier’s 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).

#### **When are Supplier’s declarations needed?**

There are occasions where manufacture is not enough in itself to meet the origin rules and supplier’s declarations are required. For example, if:

- any materials do not change tariff heading
- the value of materials is over the specified limit, for example the origin rule may specify a percentage limit of 40% for non-originating materials, and the total value of materials used is 45% of the ex-works price - you will then need declaration(s) to cover the value of materials in excess of the limit, that is, 5% of the ex-works price
- you manufacture using materials at a later stage of production than that specified, for example using bought-in fabric where the origin rule is manufacture from yarn
- the only processing which you carry out on a product is among the minimal processes listed in Notices 828, 830 and 832
- you buy and export goods in the same state

#### **When are Supplier’s declarations not needed?**

If you are a manufacturer either exporting or supplying your goods, then there are certain circumstances where a declaration will not be necessary:

- an origin rule may specify that all non-originating materials must change tariff heading. If, during manufacture, all materials change tariff heading then the rule is met without the need for any supplier's declarations
- a percentage rule may specify a limit on the value of non-originating materials (30% or 40%), if the total value of all materials is within this limit, then the rule will be met
- an origin rule may specify manufacture from materials at a certain stage of production, for example manufacture from yarn, if you manufacture using materials at or before the specified stage (for example yarn or pre yarn) then the rule will be met automatically

A supplier's declaration may be made out to cover a single supply or to cover regular supplies made over a period of time (a long-term supplier's declaration).

Long-term supplier's declarations are one-off declarations valid for supplies delivered during a period up to a maximum of two years. A long-term supplier's declaration is valid for all the goods mentioned in the supplier's declaration that are delivered within the specified period. The making out of a long-term supplier's declaration requires that throughout the entire period of validity the originating status of the goods is ensured. The supplier shall immediately inform the customer of the goods, if the information provided in their long-term supplier's declaration is no longer applicable. A long-term supplier's declaration shall be made out for consignments dispatched during a period of time and shall state three dates:

- the date on which the declaration is made out (date of issue)
- the date of commencement of the period (start date), which may not be more than 12 months before or more than 6 months after the date of issue
- the date of end of the period (end date), which may not be more than 24 months after the start date.

Find further [information on supplier's declarations](#).

### **Easements for businesses**

For UK-EU trade, until 31 December 2021, businesses do not need supplier's declarations from business suppliers in place when the goods are exported but they must be confident that the goods do meet the TCA preferential rules of origin. Businesses may be asked to retrospectively provide a supplier's declaration after this date.

### **Bilateral cumulation and supplier's statements**

An exporter making out a Statement on origin for a product that has benefitted from bilateral cumulation may also be required to provide a Supplier's declaration. For example, where a product has obtained its originating status through cumulating production carried out in the EU on non-originating materials, the exporter of those goods must obtain a declaration from the supplier of those materials.

This declaration could either be in the form set out in Annex ORIG-3 [Supplier's declaration] of the TCA or an equivalent document that contains the same information, describing the non-originating materials concerned in sufficient detail for their identification. As with supplier's declarations in the context of intra UK supply chains, a supplier's declaration to cover production carried out in the EU may be made out to cover either a single supply or regular supplies made over a period of time.

Where the exported product has obtained its originating status through the cumulation of originating materials, the exporter must hold a Statement on origin from the supplier based in the EU.

### **2.3.6 Record keeping requirements for a Statement on origin**

An importer making a claim for preferential tariff treatment must keep the Statement on origin made out by the exporter for four years from the date of importation.

An exporter who has made out a Statement on origin must keep, for four years from the date it was made out, a copy of the Statement on origin and all other records demonstrating that the product satisfies the requirements to obtain originating status, e.g. supplier's declarations, invoices etc.

In both cases, these records can be stored in an electronic format.

### **2.3.7 Multiple shipments**

A Statement on origin can be made to cover multiple shipments of identical products supplied to a customer under the same contract over a 12-month period instead of separate Statements for each individual consignment.

A Statement on origin for multiple shipments shall indicate three dates:

- the date on which it is made out (date of issue – which shall be no later than the start date)
- the date of commencement of the period (start date)
- the date of end of the period (end date), which may not be more than 12 months after the date it was made out.

A Statement on origin for multiple shipments of identical products may be used as a basis for preferential tariff treatment only for those import declarations that are accepted on or between the start date and the end date indicated in the Statement.

The importer shall keep the commercial documents for the subsequent consignments imported within the validity period for which preferential tariff treatment is claimed on the basis the Statement on origin for multiple shipments.

The commercial documents for such subsequent consignments do not need to contain a Statement on origin.

A Statement on origin for multiple shipments must be withdrawn by the exporter if the conditions for its use are no longer fulfilled. The withdrawal must be documented in connection with the original Statement on origin for multiple shipments. Once the withdrawal is documented, a new Statement on origin must be made out if the delivered products are again originating products.

## **2.4 Applying for preference using importer's knowledge**

Relevant TCA articles:

- *Article ORIG.4 Cumulation of origin;*
- *Article ORIG.21 Importer's knowledge;*
- *Article ORIG.20 Discrepancies;*

- *Article ORIG.22 Record-keeping requirements;*
- *Article ORIG.26 Denial of preferential Tariff treatment*

'Importer's knowledge' is an option that allows the importer to claim preferential tariff treatment based on their own knowledge about the originating status of imported products. It can be used as an alternative to a Statement on origin provided by the exporter (described in [section 2.3](#)).

As the importer is making a claim using their own knowledge, the exporter or producer does not need to take any action to officially state the originating status of the goods.

As this option requires the importer to have knowledge that the products meet the relevant rules of origin, the exporter or producer may have to provide information about the production to the importer. This may be in addition to other information, such as supporting documents or records, which may already be in the possession of the importer.

Such information might include:

- The HS code of the product and origin criteria used
- a brief description of the production process
- if the origin criterion was based on a specific production process, a specific description of that process
- if applicable, a description of the originating and non-originating materials used in the production process
- if the origin criterion was 'wholly obtained', the applicable category (such as harvesting, mining, or fishing; and the place of production)
- if the origin criterion was based on a value method, the value of the product as well as the value of all the non-originating and/or originating materials used in the production
- if the origin criterion was based on weight, the weight of the product as well as the weight of the relevant non-originating and/or originating materials used in the product
- if the origin criterion was based on a change in tariff classification, a list of all the non-originating materials including their tariff classification number under the Harmonized System (in 2, 4 or 6-digit format depending on the origin criteria); or
- the information relating to the compliance with the provision on non-alteration (if applicable), for example a certificate of non-manipulation from the Customs Authority in the country of transit.

In the case that the importer cannot obtain the information above, including circumstances where the exporter or producer does not provide the information because it is deemed commercially sensitive, preferential tariff treatment may still be claimed if the exporter issues a Statement on origin.

An importer making a claim for preferential tariff treatment must keep all records that demonstrate that the product is eligible for preference for four years from the date of importation. These records may be stored in an electronic format.

## **2.5 Verification of claims for preferential treatment**

Relevant TCA article:

- *Article ORIG.24 Verification*
- *Article ORIG.25 Administrative cooperation*

In order to verify whether a product imported under preference is originating, the importing customs authority may conduct a verification. This may include a request for information from the importer who made the claim for preferential tariff treatment.

Verification may be conducted before or after the release of the goods.

If conducting a verification before release of the goods, the customs authority may suspend the granting of preferential tariff treatment pending the results. In such circumstances release of the products shall be offered to the importer subject to a security or guarantee to cover the difference between the preferential and full tariff.

**For claims based on a Statement on origin made out by the exporter in the exporting Party, verification consists of the following two steps:**

**Step 1:** The importing Party's customs authority requests the Statement on origin from the importer. If the importer has any additional information supporting the fulfilment of origin criteria it can be provided.

Outside of any contractual obligations between the importer and the exporter, there is no obligation for the exporter to provide any further information to the importer. However, if an exporter, confronted with a request from the importer, prefers to provide information at this stage of the verification process, they can choose to do so either to the importer or to the importing Party's customs authority directly. By providing information following the request during Step 1 of the verification process, the exporter may avoid being requested for the information by their own customs authority following a request for administrative cooperation as part of Step 2.

**Step 2:** Where the importing customs authority needs to further verify the Statement on origin or the originating status of the goods, they may request administrative cooperation from the customs authority in the exporting Party. The exporting Party's customs authority must conduct checks on the exporter's records and processes, which may involve visiting the exporter, and confirm the goods' eligibility to preferential tariff treatment in a written report back to the importing customs authority within 10 months of the request.

A request for administrative cooperation is only possible in case the claim for preferential tariff treatment is based on a Statement on origin.

**For claims based on importers knowledge, verification consists of the following two steps:**

**Step 1:** The importing Party's customs authority requests from the importer no more information than that supporting fulfilment of origin criteria, which is:

- (i) "wholly obtained": the applicable category (such as harvesting, mining, fishing) and place of production

(ii) based on change in tariff classification: a list of all the non-originating materials including their tariff classification (in 2, 4 or 6-digit format, depending on the origin criterion in the list rules)

(iii) based on a value method: the value of the final product as well as the value of all the non-originating materials used in the production;

(iv) based on weight: the weight of the final product as well as the weight of the relevant non-originating materials used in the final product;

(v) based on a specific production process: a description of that specific process.

The importer must respond within 3 months and may add any other information that they consider relevant for the purpose of verification.

**Step 2:** Where importing Party's customs authority needs more information to determine the originating status of the product and following step 1, they may request the importer to provide additional information.

The importing Party's customs authority cannot request administrative cooperation from the exporting Party's customs authority as no Statement on origin has been raised by the exporter. Therefore, the importer must be able to demonstrate that the product is originating and qualifies for preferential tariff treatment.

This does not necessarily mean that all information shall be readily available in the records of the importer at the time the claim for preferential tariff treatment is made, but the importer must be able to supply the necessary information within time period (3 months under this agreement) of the request for additional information.

## **2.6 Denial of preferential tariff treatment**

Under specific circumstances, a claim for preferential tariff treatment may be denied by either Party's custom's authority.

A claim for preferential tariff treatment may be denied:

- if the importer does not provide information when requested
- where a request for verification (see [section 2.5](#)) is sent to the exporting customs authority and a reply is not received within 10 months or the report does not contain enough information to determine origin

Provided that it does not cause doubt as to the origin of the goods, a claim for preferential tariff treatment will not be rejected due to minor errors or discrepancies in the Statement on origin or for the sole reason that an invoice was issued in a non-Party country.

## **3. General Provisions: Checking Your Goods Meet the Rules of Origin**

### **3.1 General provisions**

The general provisions set out the general rules for determining the origin of products traded under the agreement. They need to be read alongside the Product-Specific Rule for a given product, which are explained in [section 4](#). The general provisions cover the basic concepts of origin and how origin should be determined in specific instances, such as when a product has accessories or is part of a set, or how packaging and materials used in production should be treated.

### **3.2 Key general provisions for the purposes of EU trade**

While it is important that traders are familiar with all the general provisions from the text of the FTA, this guidance aims to explain some of the most important and more complex elements and provide applied examples to demonstrate their application. These include [Cumulation of Origin](#), [Wholly Obtained Products](#), [Insufficient Production](#), [Tolerance](#), and [Accounting Segregation](#). There are further provisions that are not covered in this document; see the full TCA [text](#) for information on all the general provisions.

#### **3.2.1 Cumulation of Origin**

Relevant TCA Articles:

- *Article ORIG.4 Cumulation of Origin*
- *Article ORIG.7 Insufficient Production*

#### **Cumulation in the TCA**

Cumulation is an important facilitation found in modern free trade agreements, which – at the most basic level – provides a system that allows **originating products from one party to be treated as if they are originating in another** when determining whether a good is able to meet a Product-Specific Rule.

For example, this means products or materials originating in the EU can be considered as originating in the UK if those products are further processed in the UK or incorporated into another product prior to re-export to the EU.

Under the TCA arrangements, exporters are not only able to cumulate originating materials or products, as set out above, but also **processing or production carried out on non-originating materials** (“full bilateral cumulation”). This means that **all operations carried out in the UK or EU are taken into account** when determining whether a good is able to meet a Product-Specific Rule.

Full bilateral cumulation applies to both specific production processes (e.g. ‘combing’ or ‘making up’ in the manufacture of textiles products) and the value associated with such processing (e.g. in Product-Specific Rules with value-add requirements).

#### **Cumulation and insufficient production**

Importantly, whether seeking to cumulate originating materials or production carried out on non-originating materials, an **exporter may only apply cumulation where the working or processing carried out in their party has gone beyond the operations deemed ‘insufficient’ under the TCA’s Insufficient Processing article.**

For more information, businesses should refer to [section 3.2.3 \(Insufficient production\)](#), where links to the full list of insufficient processing operations has been provided.

### Procedure for applying full Cumulation

Where an exported good has obtained its originating status through the application of full bilateral cumulation (e.g. where a UK exporter has met a Product-Specific rule through counting production carried on non-originating materials in the EU), **the exporter of those goods must obtain a ‘Supplier’s declaration’ from the supplier** of the non-originating materials.

This declaration **could either be in the form set out in Annex ORIG-3 [Supplier’s declaration] of the TCA, or an equivalent document** that contains the same information, describing the non-originating materials concerned in sufficient detail for their identification.

For more information, businesses should see [section 2 \(Origin Procedures: Proving Originating Status and Claiming Preferential Treatment\)](#).

### Applied examples of cumulation of originating materials:

HS Code: 2002.90

Product: Chopped tomatoes

Rule: Production in which all the materials of Chapter 7 used are Wholly Obtained.

The rule requires all materials from chapter 7 (edible vegetables and certain roots and tubers) to be grown and harvested in the UK. However, **with cumulation, UK producers can import EU tomatoes of HS heading 0702 (grown and harvested in the EU) and process them into chopped tomatoes.** The final product can then be exported back to the EU as an ‘originating’ product. This is possible because (i) the tomatoes were Wholly Obtained (by cumulation), and (ii) the process carried out in the UK of chopping, cooking and canning the tomatoes as a combination goes beyond insufficient processing (see [section 3.2.3 on Insufficient production](#)).

HS code: 8408

Product: Diesel engine

Rule: 50% MaxNOM

The rule requires that the engine contains a maximum 50% non-originating content (parts). When applying cumulation, EU content can be counted as ‘originating’ as well as UK content. This means that manufacturers only need to consider content that does not originate in the UK or EU. This gives manufacturers greater sourcing options, as they can source engine parts in the UK or EU and count both towards the final origin calculation. For example, **if a UK-made engine that costs £2000 includes an EU-originating crankshaft and piston worth £500 combined, those EU materials count 25% towards the ‘originating’ content** of the engine if it is re-exported to the EU.

### Applied examples of cumulation of processing:

HS code: 620520

Product: Cotton men’s shirts

Rule: Weaving combined with making-up including cutting of fabric.

The rule requires the specific processes set out (weaving, as well as making-up including cutting of fabric) to be carried out in the UK. However, **with cumulation of processing, these processes**

**can be divided between the UK and EU.** For example, the weaving of the fabric could be done in the EU, whilst the making-up of the shirt could be done in the UK. The final product can then be exported back to the EU tariff-free as an 'originating' product.

### **3.2.2 Wholly obtained**

Relevant TCA article:

- *Article ORIG.5 Wholly Obtained Products*

#### **General Introduction**

Wholly obtained products are products obtained entirely in the territory of a party without the addition of any non-originating materials.

#### **Wholly Obtained in the TCA**

Wholly obtained products automatically qualify for preferential treatment. These products are specified under the wholly obtained article, and businesses should refer to the list below to understand which products are eligible for wholly obtained status.

See below for the full list of products which qualify for wholly obtained status and preferential treatment under the TCA.

<b>Product</b>	<b>TCA Text</b>	<b>Explanation</b>
<b>Minerals</b>	<p>a) Mineral products extracted or taken from its soil or from its seabed;</p> <p>j) products extracted from the seabed or subsoil outside any territorial sea provided that they have rights to exploit or work such seabed or subsoil;</p>	Mineral products must be extracted or taken from the soil or seabed of the UK to be wholly obtained.
<b>Plants, vegetables, fruit etc.</b>	b) plants and vegetable products grown or harvested there;	<p>Plant, vegetable or fruit etc must be grown and harvested in the UK to be wholly obtained.</p> <p>Seedstock and propagation material, such as seeds, bulbs, cuttings, slips etc can be imported from third countries and then grown and harvested in the UK.</p>
<b>Livestock, meat and dairy</b>	<p>c) live animals born and raised there;</p> <p>d) Products obtained from live animals raised there</p>	A live animal must be born and raised or reared continuously in the UK to be wholly obtained.

	<p>e) products obtained from slaughtered animals born and raised there;</p>	<p>Meat has to be from a live animal born, reared, raised and slaughtered continuously in the UK to be wholly obtained.</p> <p>Milk must come from a cow raised in the UK to be wholly obtained. Milk from imported dairy cows can be considered wholly obtained as would be considered as 'raised' in the UK.</p>
<p><b>Fish</b></p>	<p>f) products obtained by hunting or fishing conducted there.</p> <p>g) products obtained from aquaculture there if aquatic organisms, including fish, molluscs, crustaceans, other aquatic invertebrates and aquatic plants are born or raised from seed stock such as eggs, roes, fry, fingerlings, larvae, parr, smolts or other immature fish at a post-larval stage by intervention in the rearing or growth processes to enhance production such as regular stocking, feeding or protection from predators;.</p> <p>h) products of sea fishing and other products taken from the sea outside any territorial sea by a vessel of a Party;</p> <p>i) products made aboard of a factory ship of a Party exclusively from products referred to in point (h);</p>	<p>Fish farmed or caught in the UK are wholly obtained even if farmed from imported seed stock.</p> <p>Fish caught in UK territorial waters will be considered wholly obtained.</p> <p>Fish caught beyond this area will need to meet vessel requirements. For fish to be considered wholly obtained the vessel will need to be registered in the UK or EU, fly the UK or an EU member state flag, and either be at least 50% owned by UK or EU nationals, OR be owned by a company that has its headquarters in the UK or EU with at least at 50% UK or EU ownership.</p>

	<p>2. The terms “vessel of a Party” and “factory ship of a Party” in points (h) and (i) of paragraph 1 mean a vessel and factory ship which:</p> <p>(a) is registered in a Member State or in the United Kingdom;</p> <p>(b) sails under the flag of a Member State or of the United Kingdom; and</p> <p>(c) meets one of the following conditions:</p> <p style="padding-left: 40px;">(i) is at least 50% owned by nationals of a Member State or of the United Kingdom; or</p> <p style="padding-left: 40px;">(ii) is owned by legal persons which each:</p> <p style="padding-left: 80px;">a. have their head office and main place of business in the Union or the United Kingdom; and</p> <p style="padding-left: 80px;">b. are at least 50% owned by public entities, nationals or legal persons of a Member State or the United Kingdom.</p>	
<b>Waste and Scrap</b>	<p>k) waste and scrap resulting from production operations conducted there;</p> <p>l) waste and scrap derived from used products collected there, provided that those products are fit only for the recovery of raw materials.</p>	<p>Waste and scrap will be considered wholly obtained when:</p> <ul style="list-style-type: none"> <li>●1 it is the result of production operations in the UK; or</li> <li>●2 it is derived from used products collected in the UK.</li> </ul>

### **3.2.3 Insufficient production**

Relevant TCA articles:

- *Article ORIG.7 Insufficient Production;*
- *Article ORIG.4 Cumulation of origin*

A trade agreement includes a list of processes that, if carried out on non-originating materials, are considered such minor processing that they do not on their own confer originating status. Even if a product meets its product specific rule, if the only processing carried out on non-originating materials is listed as 'insufficient', that product will not obtain originating status.

As discussed in section 3.2.1 above, cumulation does not apply for these purposes, i.e. if the only processing carried out on a product in the UK is insufficient, it will not meet the rules of origin even if the processing was carried out on EU-originating materials or if further processing (beyond insufficient) had previously been carried out in the EU.

#### **TCA list of insufficient working or processes**

The full list of processes which do not confer originating status for the purposes of the TCA is available in Article ORIG.7 Insufficient Production. Completion of one or any combination of the included processes is insufficient to confer originating status.

For example, 'simple painting and polishing operations' or 'peeling, stoning and shelling, of fruits, nuts and vegetables' are not considered to be significant manufacturing and as such do not confer originating status by themselves.

#### **Interpretation of the term “simple”**

Some of the listed operations can be clearly identified as insufficient operations, such as the affixing of a label on the product. However, there are also some operations that need to be assessed further as they contain the term “simple”, e.g. “simple assembly”.

Operations are considered “simple” if neither special skills nor machines, apparatus or equipment especially produced or installed are needed for carrying out those operations.

#### **Applied Agri-Food and Manufacturing examples**

The below section provides applied Agri-food and manufacturing examples demonstrating the insufficient production provisions within the TCA.

##### **Agri-Food Examples:**

HS code: 0406.20

Product: Grated cheese

Rule: Production in which:

- all the materials of Chapter 4 used are wholly obtained; and
- the total weight of non-originating materials of headings 17.01 and 17.02 does not exceed 20% of the weight of the product.

Cheese is imported from the EU and grated in the UK. The 'cutting' process is qualified by the word 'simple' in the insufficient processing text. Therefore, if the only operation that is performed on the cheese is grating in a manner that does not require special skills or a machine especially produced

or installed for the processing, then the grated cheese would not be originating in the UK. This is true even though the input cheese would otherwise be considered originating by virtue of bilateral cumulation.

HS code: 081190

Product: Frozen nuts

Rule: Production in which:

- all the materials of Chapter 8 used are wholly obtained, and
- the total weight of non-originating materials of headings 17.01 and 17.02 does not exceed 20% of the weight of the product.

Nuts from the EU can be used if the processing goes beyond insufficient. All shelling of nuts is an insufficient process, so even if machinery is used for the processing the shelling will be considered insufficient to confer origin. This is because the 'simple' qualifier does not apply in this instance.

### **Manufactured Goods Example:**

HS code: 9403

Product: Wooden table

Rule: MaxNOM 50%.

A wooden desk is assembled in the UK by fixing a non-originating desktop to non-originating table legs (using only non-originating materials). These materials make up 40% of the ex-works price of the final product (the remaining 60% being made up of labour cost, brand, etc.). Although the final product meets the PSR (as the non-originating materials make up less than the maximum 50% threshold for non-originating content), it will not be considered originating in the UK if the only processing that takes place in the UK is classified as 'simple assembly' (see Article ORIG.7 1(o)). This would be true even if the desktop and/or table legs were sourced from the EU, as bilateral cumulation could not apply in these circumstances.

However, if a wooden desk is assembled in the UK by fixing a non-originating desktop to UK-originating table legs, this would count as going beyond insufficient processing. As in the first scenario, the table would meet the PSR (maximum 50% non-originating content). In this circumstance the table would be considered 'UK originating' because it incorporates UK-originating inputs, which have necessarily undergone more than insufficient processing.

### **3.2.4 Tolerance**

Relevant TCA articles:

- *Article ORIG.6 Tolerance*
- *ANNEX ORIG-2 [Product-specific rules of origin]*
- *ANNEX ORIG-1 Notes 7 and 8 [Textiles Tolerances in the Introductory Notes to Product Specific Rules of Origin]*

### **General tolerance in the TCA**

Tolerance is a relaxation of the rules of origin under certain conditions. It provides that, even if a product does not meet its PSR, it can nevertheless be originating if only a limited amount of non-originating materials are used in the production of that product.

Tolerance can only be applied to certain types of PSR (see [section 4 Product-specific rules](#) for more details of different types of PSR).

- For example, tolerance can be applied when using a ‘Change in Tariff Heading’ rule – this rule typically prevents the use of non-originating material from within the same Tariff Heading (at 4-digit level) as the final product. Applying tolerance means a small amount of non-originating content of the same heading can be used and the product will be considered originating, as long as the total amount of non-originating material used in the product does not exceed the limits set out below.
- If a PSR requires the final product to be wholly obtained, or requires a value threshold to be met, then tolerance cannot be applied in addition. However, if a rule requires that materials used in the production of the final product must be wholly obtained, tolerance can apply to those materials (i.e. a small amount of those materials could be not wholly obtained)..

### **Specific tolerance rules in the TCA**

The TCA allows a tolerance of 15% by weight of the final product for agri-food goods and 10% by value of the value the final product for manufactured goods (except clothing and textiles).

Textile and clothing products classified under HS50-63 are subject to specific tolerance thresholds, which are detailed in Notes 7 and 8 of Annex ORIG-1 [Introductory Notes to the Product-Specific Rules of Origin].

### **Applied Agri-Food and Manufacturing examples**

The below section provides applied Agri-food and manufacturing examples demonstrating the general tolerance rules within the TCA.

#### **Agri-food Examples:**

HS code: 0813.50

Product: Mixtures of dried fruit and nuts

Rule: Production in which:

- i. all the materials of Chapter 8 used are wholly obtained, and
- ii. the total weight of non-originating materials of headings 17.01 and 17.02 does not exceed 20% of the weight of the product.

According to the rule, edible fruit and nuts and peel of citrus fruit or melons (Chapter 8) must be grown or harvested in the UK or EU (using [bilateral cumulation](#)). There is also a requirement for non-originating sugar (headings 17.01 and 17.02) to make up 20% or less of the weight of the product.

The tolerance rule permits the use of non-originating ingredients forbidden by the rule, in this case edible fruit and nuts or other products within Chapter 8, however, the total weight of the non-originating materials cannot exceed 15 per cent of the [net weight](#) of the product. This would allow the final product (mixtures of dried fruit and nuts) to obtain originating status.

Tolerance would not apply to sugar in this example as it is already subject to a weight restriction.

HS code: 1509

Product: Olive oil

Rule: Production in which all the vegetable materials used are wholly obtained.

According to the rule, olives used in olive oil must be grown or harvested in the UK (or EU by cumulation). The tolerance rule permits the use of non-originating olives (that if used would mean the origin rule is not met), if the total weight of non-originating olives does not exceed 15 per cent of the net weight of the product. This would allow the final product (olive oil) to obtain originating status.

### **Manufactured goods example:**

HS code: 9503

Product: Dolls

Rule: CTH (non-originating material used in the production of a doll must be from a different heading than the doll)

Doll's eyes fall into the same heading as a doll. The rule states that all non-originating parts must fall under a different heading to that of the final product, meaning the doll's eyes must be originating for the final doll to be originating. However, applying the tolerance rule, non-originating doll's eyes that constitute 10% or less of the ex-works price of the doll may be used, and the final doll would still be considered originating. The total non-originating material from within the same heading as the doll may not constitute more than 10% of the ex-works price of the doll.

### **3.2.5 Accounting segregation**

Relevant TCA article:

- *Article ORIG.14 Accounting Segregation*

Originating and non-originating fungible materials may be used in the production of a product without being physically separated during storage, if an accounting segregation method is used.

Fungible materials are materials that are of the same kind and commercial quality, with the same technical and physical characteristics, and which cannot be distinguished from one another for origin purposes.

An example of a fungible material is sugar. 'Originating' and non-originating sugar are fungible and as such can be stored together, and the volumes used in the production of a final product managed through accounting methods. This is particularly helpful if businesses need to keep their non-originating materials to a certain threshold.

Additionally, TCA allows fungible products of HS10, 15, 27, 28, 29, headings 3201 through 3207, and headings 3901 through 3914 to be stored in a Party before exportation without being physically separated if an accounting segregation method is used. Fungible products may be exported without any further processing, provided the stock of originating materials is sufficient to cover the quantity of product exported.

For example, this means that UK manufacturers of ethylene (HS2901) can store originating and non-originating ethylene in the same tank before exporting to the EU if an accounting segregation method is used.

UK manufacturers have to ensure that the amount of materials or product that is receiving originating status through accounting segregation does not exceed the amount that would receive originating status through physical segregation.

Accounting segregation involves applying an inventory management system which should:

- Enable HMRC to verify compliance and ensure that no more materials receive originating status than would have if the materials were physically separated.
- Specify the quantity of originating and non-originating materials, including dates when they were purchased.
- Specify the quantity of products using fungible materials that are supplied to customers.

### **Applied agri-food and manufacturing examples**

#### **Agri-food examples:**

HS code: 1806

Product: Chocolate bar

Rule: CTH, provided that:

- a) all the materials of Chapter 4 used are wholly obtained; and
- b) either
  - i) the total weight of non-originating materials of headings 17.01 and 17.02 used does not exceed 40% of the weight of the product; or
  - ii) the value of non-originating materials of headings 17.01 and 17.02 used does not exceed 30% of the ex-works price of the product.

For this product, accounting segregation can be used to manage the volume of the fungible materials (sugar) in the finished product (chocolate bar). It would not be necessary to prove that each single product was within the threshold limits. An inventory management system could be used to prove that threshold was met over a number of shipments as agreed with customs authorities.

Therefore, if businesses used a mixture of originating and non-originating sugar over the year then businesses do not have to ensure that in each single product (chocolate bar) the non-originating threshold did not exceed the limit (40% weight of the final weight of the product) but rather over a specific time and number of exported chocolate bars (based on agreement with UK customs authority) that the threshold did not exceed the limit for all the chocolate bars exported under preference.

HS code: 1001.11

Product: Wheat seed

Rule: Production in which all the materials of Chapter 10 used are wholly obtained.

In this example, product level accounting segregation is used to store together fungible products.

Accounting segregation can be used to manage the volume of the fungible products (wheat seed) to be exported. It would not be necessary to prove that all wheat seed was wholly obtained. An inventory management system could be used to prove that the quantity of wheat seed exported tariff free does not exceed the quantity of originating wheat seed available, over a number of shipments as agreed with customs authorities.

Therefore, if you export a mixture of originating and non-originating wheat seed over the year then you do not have to ensure that all of the wheat seed is originating, but rather over a specific time and quantity of wheat seed (based on agreement with the UK customs authority) that the quantity of product being exported tariff free does not exceed the quantity of originating product that is being stored.

## **4. Product-Specific Rules**

### **4.1 What are product-specific rules?**

For every product traded under a free trade agreement there is a corresponding product-specific rule (PSR) that must be met to demonstrate the product originates in the free trade area and qualifies for preferential tariff treatment. Each rule describes the nature or value of processing that must be carried out on any non-originating materials so that the final product meets the origin requirements. The rules agreed by the UK and the EU are set out in ANNEX ORIG-2 [Product-specific rules of Origin] of the [TCA](#).

There are four types of rule that a product may be required to meet (on their own or in combination) in order to confer origin.

The types of rule are as follows:

- Wholly obtained
- Change of tariff code
- Value added/percentage rule; and
- Specified processes.

Businesses should determine the correct tariff code for the exported product to find the relevant rule in the TCA product-specific rules list.

Once a product has gained originating status, it is considered 100% originating. This means that if that product is further used in the production of a further product, its full value is considered originating and no account is taken of non-originating materials within it.

For example, if a UK-manufactured engine contains 30% non-originating content but meets its rule of origin, if that engine is used in the production of a car in the UK or EU, 100% of the value of that engine can be counted towards the originating content of the car.

Note that many product specific rules, including for products used below as illustrative examples, provide manufacturers with the choice of several different rules. It is the decision of the manufacturer to select which rule to apply to their exported product.

### **4.2 Types of product-specific rules in TCA**

#### **4.2.1 Wholly obtained requirement**

If a product-specific rule of origin requires that a product is wholly obtained, the product must be made only from UK [or EU materials that are further processed].

#### **Agri-food Examples:**

HS code: 10

Product: Cereals

Rule: Production in which all the materials of Chapter 10 used are wholly obtained.

If barley is grown and harvested in the UK, then the product is 'originating'.

HS code: 0203

Product: Meat

Rule: Production in which all the materials of Chapters 1 and 2 used are wholly obtained.

If meat is produced from animals born, raised and slaughtered in the UK, then the product is 'originating'.

#### **4.2.2 Change in tariff classification (HS Code)**

If a product-specific rule of origin requires a change from any other chapter (2-digit level of the Harmonized System), heading (4-digit level of the Harmonized System) or subheading (6-digit level of the Harmonized System), any non-originating material used in the production of the product must be classified in a chapter, heading or subheading other than that of the final product. There are no limits on the amount of originating material businesses can use, regardless of their HS code.

To demonstrate the rule has been met, businesses will need to know the HS code of their exported product, all of its inputs, and the origin of the inputs.

##### **4.2.2.1 Change of chapter (CC)**

Any non-UK or non-EU originating materials or components used in the product must be classified in a different HS chapter (2-digit HS code).

###### **Agri-food example:**

HS code: 160419

Product: Prepared or preserved trout (*Oncorhynchus mykiss*)

Rule: CC

The rule can be fulfilled if prepared or preserved trout is manufactured from non-originating trout from HS Chapter 3. This is because the non-originating materials used are not classified under HS Chapter 16.

###### **Manufactured goods example:**

HS code: 8903

Product: Yachts

Rule: CC

The rule is fulfilled if a yacht is manufactured from non-originating parts from chapters other than HS Chapter 89 (ships, boats and floating structures). For example, unlimited non-originating parts of steel (HS Chapters 72 and 73) or glass (HS Chapter 70) could be used, regardless of their value, as they are classified in a different Chapter to the final product. But the rule would not be met by a yacht imported from a third country with only fitting-out work carried out in the UK before being exported to the EU, because the finally exported yacht would remain in the same HS chapter as one of the inputs.

#### **4.2.2.2 Change of tariff heading**

Any non-UK or non-EU originating materials or components used in the product must be classified in a different HS heading (4-digit HS code).

##### **Agri-food example:**

HS code: 150110

Product: Lard

Rule: CTH

The rule can be fulfilled if lard is manufactured from non-originating pig fat of HS heading 0209. This is because the non-originating materials used are not classified under HS heading 1501.

##### **Manufactured goods example**

HS code: 8528

Product: Televisions

Rule: CTH

The rule can be fulfilled if a Television is manufactured from non-originating parts provided they are all from any heading (4-digit HS codes) other than HS 8528.

For example, unlimited non-originating 'parts suitable for use...with the apparatus of headings 8525 to 8528' i.e. television parts (HS 8529) may be used, regardless of their value, as they are classified in a different HS heading to the final product.

#### **4.2.2.3 Change of tariff subheading**

Any non-UK or non-EU originating materials or components used in the product must be classified in a different HS subheading (6-digit HS code).

##### **Agri-food example:**

HS code: 151219

Product: Sunflower-seed oil

Rule: CTSH

The rule can be fulfilled if sunflower-seed oil is manufactured from non-originating crude sunflower oil of HS subheading 152111. This is because the non-originating materials used are not classified under HS subheading 151219.

##### **Manufactured goods example**

HS code: 392330

Product: Plastic carboys, bottles, flasks and similar articles

Rule: CTSH

The rule can be fulfilled if a plastic flask is manufactured from non-originating parts from any HS subheadings (6-digit HS codes) other than HS 392330. For example, unlimited non-originating 'stoppers, lids, caps and other closures' (HS 392390) may be used, because they are classified in a different HS subheading to the final product.

### **4.2.3 Manufacture from materials of any heading, including other materials of the same heading**

If a product-specific rule of origin allows production from non-originating materials of any heading, the product can include non-originating materials of the same heading. This means that a change of heading does not need to take place. However, processing of non-originating materials does need to be more than insufficient. See [section 3.2.3 on Insufficient production](#) for further detail.

#### **Agri-food example:**

HS code: 090412

Product: Crushed or ground pepper

Rule: Production from non-originating materials of any heading.

Pepper and ground/crushed pepper are classified in the same heading. If crushing or grinding takes place the rule is fulfilled regardless of the originating status of the pepper, as the processing goes beyond 'insufficient operations.'

#### **Manufactured goods example:**

HS code: 2701

Product: Coal briquettes

Rule: Production from non-originating materials of any heading

Coal and briquettes of coal dust are classified in the same heading. The process to transform coal into briquettes (including applying intense pressure) goes beyond the processes listed in 'insufficient processing' and so the briquettes can be considered 'UK originating' regardless of the originating status of the coal used to produce the briquettes.

### **4.2.4 Value and weight limit for non-originating materials**

Under a value limitation rule, the value non-UK or non-EU originating materials may not exceed a given percentage of the ex-works price of the product. Sometimes, the limit might apply only to the value of specific types of inputs to a product. If the use of an ingredient, material or component is limited by value, the rule concerning tolerance cannot be relied upon in addition to the threshold.

Note 4 of Annex ORIG-1 [Introductory Notes to Product Specific Rules of Origin] sets out the definition of 'ex-works price'.

#### **Manufactured goods example:**

HS code: 920120

Product: Grand pianos

Rule: MaxNOM 50% (Maximum 50% non-originating material)

The rule states that the product must contain a maximum of 50% (of the ex-works value) material that does not originate in the UK or EU. This means that if a grand piano has an ex-works value of £1000, no more than £500 worth of non-originating parts may be used in its manufacture.

#### **Average pricing rules**

The value of the non-originating materials used in production may be calculated on the basis of the weighted-average value formula, or other inventory valuation method under generally accepted accounting principles in the UK. The accounting method utilised for determining the average value of input non-originating materials may be different to the accounting principles adopted by the business for its general accounting purposes.

### **Weight/value limitations**

For some agricultural products, limitations on non-originating materials can apply by weight, by value or there can be choice of meeting either criteria in certain instances.

#### **Agri-food Example:**

HS code: 17049030

Product: White chocolate

Rule: CTH, provided that:

- a) All the materials of Chapter 4 used are wholly obtained; and
- b)
  - i) The total weight of non-originating materials of headings 17.01 and 17.02 used does not exceed 40% of the weight of the product; or
  - ii) or the total value of non-originating materials of 17.01 and 17.02 does not exceed 30% of the ex-works price of the product.

Part (a) of the rule is explained in [section 3.2.2 \(Wholly obtained\)](#) above. In relation to part (b), if the manufacturer uses non-originating sugar (HS heading 1701) with a weight of 22.2g in a white chocolate bar that has a net weight of 60g then part (b)(i) of the rule can be met as the non-originating sugar only makes up 37% of the net weight of the product.

Alternatively, the manufacturer could use non-originating sugar that has a value of £0.20 in a white chocolate bar that has an ex-works price of £0.80. This would allow part (b)(ii) of the rule to be met as the value of non-originating sugar only makes up 25% of the ex-works price of the product. See [section 4.2.5 on Combinations of Several Rules](#) below.

### **Applying the rules**

If a product-specific rule specifically excludes certain non-originating material or provides that the value or weight of a specified non-originating material shall not exceed a specific threshold (see below), these conditions do not apply to non-originating materials classified elsewhere in the Harmonized System.

Example: When the rule for heading 35.05 (dextrins and other modified starches; glues based on starches etc.) requires 'Change in Tariff Heading except from non-originating heading 11.08' then the use of non-originating materials classified elsewhere than 11.08, such as materials of Chapter 10 (Cereals is not limited.)

### **4.2.4 Specified operations**

Specified operations are particular to certain specialised industries or products. Rules may include the re-treading of tyres to take place in the UK for a tyre to be originating, or a chemical reaction to take place for chemical products. As well as the chemicals sector, such rules are common in textiles and clothing and may specify that the weaving and cutting of fabric to make garments must take place in the free trade area for the product to be originating.

#### **4.2.5 Combinations of several rules**

Different product-specific rules can be combined to make a rule whereby all the listed conditions must be fulfilled.

##### **Agri-food example:**

HS code: 18069011

Product: Milk chocolate bar

Rule: CTH, provided that:

- a) All the materials of Chapter 4 used are wholly obtained; and
- b)
  - i) The total weight of non-originating materials of headings 17.01 and 17.02 used does not exceed 40% of the weight of the product; or
  - ii) or the total value of non-originating materials of 17.01 and 17.02 does not exceed 30% of the ex-works price of the product.

The manufacturer could use non-originating cocoa paste from HS heading 1803, non- originating cocoa butter of HS heading 1804 and palm oil of HS heading 1511 and would meet the CTH (Change of tariff heading) part of the rule. These headings are all different to that of the final product (1806).

To meet part (a) any materials from chapter 4, which includes milk and milk powders, would need to be obtained in the UK or alternatively from the EU (using bilateral cumulation). For milk, this would mean from a live animal raised in either the UK or EU.

In terms of part (b) of the rule, either part (i) or part (ii) could be met by the manufacturer to complete the product-specific rule for the product (discussed in in section 4.2.4).

#### **4.2.6 Exclusions**

A product-specific rule may include a restriction on certain materials and components being used in the production of a product.

##### **Agri-food example:**

HS code: 2204

Product: Wine of fresh grapes

Rule: CTH, except from non-originating materials of headings 22.07 and 22.08, provided that:

- all the materials of subheadings 0806.10, 2009.61, 2009.69 used are wholly obtained.
- All the materials of Chapter 4 used are wholly obtained;

- The total weight of non-originating materials of headings 17.01 and 17.02 used does not exceed 20% of the weight of the product.

If wine of fresh grapes is produced from non-originating fresh grapes of HS subheading 080610 then it is not considered 'originating' as in the production of this final product material from the 5 excluded headings and subheadings was used.

#### **Manufactured goods example:**

HS code: 2710

Product: Petroleum oils and oils obtained from bituminous minerals, other than crude

Rule: CTH except from non-originating biodiesel of subheading 382499 or 382600

If biodiesel of HS subheadings 382499 or 382600 is used in the production of an oil of HS heading 2710, the oil will not be considered originating *even if* all the non-originating inputs change tariff heading (CTH) as the rule requires any biodiesel of these subheadings used in the product to be originating.

#### **4.2.7 Treatment of packaging materials**

Packaging materials are generally not considered when determining the origin of your product. See Article ORIG.10 [Packaging materials and containers for retail sale] of the TCA.

There are limited exceptions, for example if a product specific rule limits a non-originating material by value of the final product or value tolerance is applied, the value of originating packaging materials can be taken into account when determining the value of the good.

## **Annex A – The Harmonized System and How to Classify Your Goods**

The Harmonized System (HS) is an internationally standardised system of description and numbers and forms the first part of the 10-digit classification code when importing goods into the UK (8-digits when exporting from the UK). It is used by customs authorities around the world to identify products when working out tariffs and taxes and for gathering statistics. The HS is administered by the World Customs Organization (WCO) and is updated every five years. It serves as the foundation for the import and export classification systems used in every country.

The main categorisations for products are chapters (2-digit level or first two digits, of the HS), headings (4-digit level of the HS) and subheadings (6-digit level of the HS).

As an example of how the Harmonized System is structured, household dishwashers are classified under:

- **Chapter 84** - Nuclear reactors, boilers, machinery and mechanical appliances
- **Heading 8422** - Dishwashing machines; machinery for cleaning or drying bottles or other containers...
- **Subheading 842211** - Household dishwashing machines

### **How to find your relevant classification code**

Businesses use [the trade tariff](#) look-up tool to classify their goods.

If businesses are classifying their goods for the first time, they can find out more about ways to help [find a their classification](#) for their product. This includes getting advice from HMRC to find the right commodity code.

For further information on specific product classifications, the Government's [Trade Tariff site](#) can be used.

## Annex B – Statement on origin Text

The text of the Statement on origin (Annex ORIG 4 of the TCA) is reproduced below:

(Period: from \_\_\_\_\_ to \_\_\_\_\_ <sup>(1)</sup>)

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

.....<sup>(4)</sup>

(Place and date)

.....

(Name of the exporter)

<sup>1</sup> 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 importations of the product must occur within the period indicated. If a period is not applicable, the field may be left blank.

<sup>2</sup> Indicate the reference number by which the exporter is identified. For the Union exporter, this will be the number assigned in accordance with the laws and regulations of the Union. For the United Kingdom exporter, this will be the number assigned in accordance with the laws and regulations applicable within the United Kingdom. Where the exporter has not been assigned a number, this field may be left blank. <sup>3</sup> Indicate the origin of the product: the United Kingdom or the Union.

<sup>4</sup> Place and date may be omitted if the information is contained on the document itself.