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TARIFFS AND RULES OF ORIGIN

NEW RULES ARE HERE



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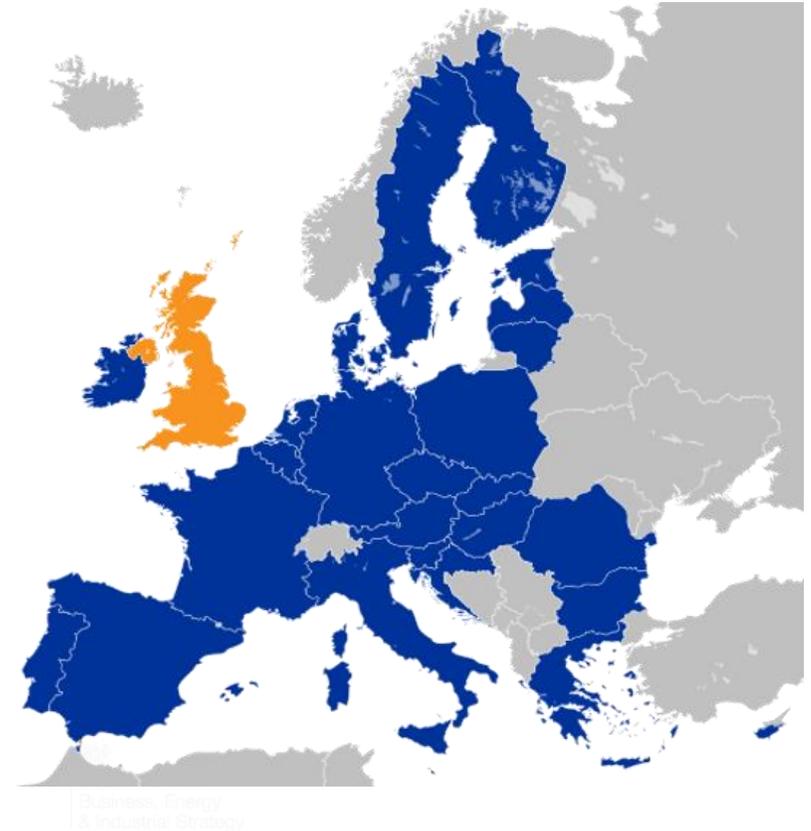
TARIFFS AND RULES OF ORIGIN

Trading with the EU after 1 January 2021

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TRADING WITH THE EU FROM 1 JANUARY 2021

- **The UK is no longer part of the EU Customs Union.** Trade is now governed by the UK-EU Trade and Cooperation Agreement (TCA) (the Northern Ireland Protocol applies to Northern Ireland).
- As of 1 January 2021, **UK goods exported to the EU are eligible for zero tariffs if the goods meet the Rules of Origin requirements** set out in the Agreement and have the right documentation. **If not, the goods may be subject to EU tariffs.**
- The same applies for EU goods imported into the UK.



WHAT ARE RULES OF ORIGIN?

- **Rules of Origin determine the ‘economic nationality’ of a good.** They are a standard part of free trade agreements (FTAs).
- Rules of Origin in the UK-EU Trade and Cooperation Agreement ensure that only goods produced in the UK or EU benefit from the zero tariff agreement.
- Different goods must comply with different rules. This presentation sets out the types of rules products may need to comply with as well as the documentation required to comply.

DISTRIBUTION vs. PRODUCTION

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



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EXPORTING GOODS TO THE EU

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EXPORTING: HOW DO I COMPLY WITH RULES OF ORIGIN?

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

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

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

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

STEP 1: CLASSIFY YOUR GOODS

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

For example, 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

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

STEP 2: UNDERSTAND WHETHER YOUR GOOD MEETS THE APPLICABLE RULES OF ORIGIN

- You need to understand your supply chain to know where your materials or inputs come from – whether they originate in the UK or EU, or whether they come from rest of world (non-originating).
- You can count EU origin materials and processing when considering whether your UK exports to the EU meet rules of origin requirements, if there is a qualifying level of production in the UK – this is called 'cumulation'.
- **If the good you export incorporates non-originating material, you need to comply with the relevant Product Specific Rule.**
- There are rules for different goods. You will need to understand whether your goods comply with the applicable rule for that good.
- You should refer to the list of Product Specific Rules in the TCA to find the applicable rule for your goods.

THERE ARE FOUR TYPES OF RULE A PRODUCT MAY NEED TO MEET

1. Wholly Obtained (WO)

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

2. Change in Tariff Code (CTC)

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

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

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

4. Specific Processing Rule (SPR)

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

CHEMICAL PRODUCTS HAVE MULTIPLE ALTERNATIVE RULES

- The vast majority of products classified within Chapters 28 to 39 of the Harmonised System **have an option of whether to use a Change in Tariff code rule, a Value-Added rule, or a Specific Processing Rule.**
- The specific options available (as listed in the Product Specific Rules annex) are:
 - **CTSH (Change in tariff subheading)** – this means that any non-originating inputs must come from a different 6-digit classification code to that of the final product.
 - **50% MaxNOM** – this means that the non-originating content used in the manufacture of a product must account for under 50% of its *ex works* (factory floor) price.
 - **A variety of specific processing rules** – each product has a variety of processing-based rules to choose from, the most common of which are the ‘chemical reaction’, ‘purification’ and ‘mixing and blending’ rules.
- **Only one of these rules needs to be met in order for a good to be considered originating.**

STEP 3: PROVE TO THE CUSTOMS AUTHORITY THAT YOUR GOOD QUALIFIES

- You must have evidence to prove your goods meet rules of origin.
- You may also require evidence of origin from your supplier, such as a supplier declaration.
- You can self-declare that your goods meet the Rules by making out a statement on origin and sending this to your customer with your export. Your customer can use this as the basis of their claim for zero tariffs. The template text for the statement on origin can be found in the TCA.
- Importers can alternatively claim for zero tariffs based on importer's knowledge. Where this option is used, you do not need to provide your customer with a statement on origin, though they may ask you to provide other information about the goods to support their claim for zero tariffs.
- **Until 31 December 2021, UK and EU exporters do not need supplier's declarations in place when the goods are exported**, but they must be confident that the exported goods meet the Rules of Origin requirements. Businesses may be asked to retrospectively provide a supplier's declaration after this date.



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IMPORTING GOODS FROM THE EU

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IMPORTING: HOW TO COMPLY WITH RULES OF ORIGIN

- To access zero tariffs when importing into the UK from the EU, you will need to claim preference on your customs declaration. You will need to hold proof that the goods you are importing meet the Rules of Origin.
- **Under the TCA, preference is claimed either with a statement on origin or using importer's knowledge that the goods are originating.** You can choose which option to use.
- A statement on origin should be provided to you by the exporter on a commercial document.
- To use importer's knowledge, you will need to obtain sufficient evidence that the goods meet Rules of Origin. This may involve the exporter providing a range of supporting documentation.
- **The UK is taking a staged approach to customs controls.** This allows traders to make a record in their own commercial records at the point of entry of goods into GB and submit a customs declaration and any claim for preference to HMRC within six months of the point of import. This easement is only for UK companies importing from the EU.

IMPORTANT LINKS

- How to claim preferential (zero) tariffs when trading with the EU: <https://www.gov.uk/guidance/claiming-preferential-rates-of-duty-between-the-uk-and-eu-from-1-january-2021>
- Full guidance on Rules of Origin when trading with the EU: <https://www.gov.uk/government/publications/rules-of-origin-for-goods-moving-between-the-uk-and-eu-from-1-january-2021>
- Trade Tariff tool to classify your goods: <https://www.trade-tariff.service.gov.uk/sections>
- Online tool to check which Rules of Origin apply to your exports: <https://www.gov.uk/check-duties-customs-exporting>.
- Online tool to check which Rules of Origin apply to your imports: <https://www.get-rules-tariffs-trade-with-uk.service.gov.uk/choose-country/>
- For help on importing & exporting, contact HMRC using the guidance here: <https://www.gov.uk/government/organisations/hm-revenue-customs/contact/customs-international-trade-and-excise-enquiries>.
- Information on staged customs controls when importing into the UK:: <https://www.gov.uk/government/publications/the-border-operating-model>



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