

Welcome

Free Bitesize Sessions – Rules of Origin Post-Brexit

17th June 2021



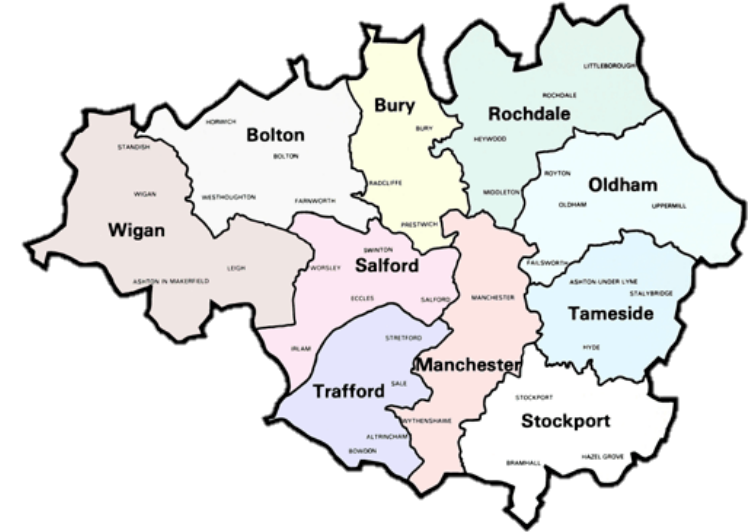
Greater Manchester
Chamber of Commerce

DAC BEACHCROFT



Greater Manchester Chamber of Commerce

- ❑ **Largest** accredited Chamber of Commerce in the UK (4,600 members)
- ❑ Cover the **10 local authorities** in Greater Manchester
- ❑ Wide range of **business support** services available
- ❑ We process over **38,000 export documents** a year



Awards:

2017/18 – Chamber of The Year

2015/16, 2018/19, 2019/20 – Excellence in International Trade Services

Top 3 sectors:

Manufacturing & Engineering



Property & Construction



Business & Financial Services



Getting Started



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Market Identification Service ●



International Trade Events



Trade Forums & Meet the Expert Event ●



Online Trade Library ●



Export Support via UK's Department for International Trade (DIT)

Planning for Success



Developing your international trade strategy Action plan free guides



International Trade Strategy Tailored support ●



Customs Compliance & Certificates of Origin (RoO) Audit ●



GMCC Brexit Hub



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In-depth Market Research & Entry services ●



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UK Partner Search Facility ●



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Chamber Credit Insurance via Credit Risk Solutions ●



UK & International Credit Checks ●



Letter of Credit Checking Service ●

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Customs Declaration Service ●



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Cover my Cargo – Cargo insurance powered by AB Insurance



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- Exclusive only for members
- Preferential or nil rate for Members
- Chargeable Service

Other services available free of charge to any UK company.

Basic Research Services

- Trade Flows between UK and other markets
- Demand/Supply trade values for specific products
- Overall high level stats
- Overall sector global trends

In-Depth Market Research & Entry Services include:

- Event Management Services: Service/Product Launches
- Marketing & Promotion
- Partner Identification (raw and unvetted, vetted/verified and warm introductions)
- B2B Programme in-country, Market Visits, Study Tours, etc
- Global introductions to our Network of Partners in the UK and overseas (e.g. embassies, other chambers of commerce, etc)
- Market Research: Competition analysis, routes to market, marketing and logistic considerations, documentation, local relevant certifications and regulation compliance, etc.



POLL 1



Rules of Origin Post-Brexit



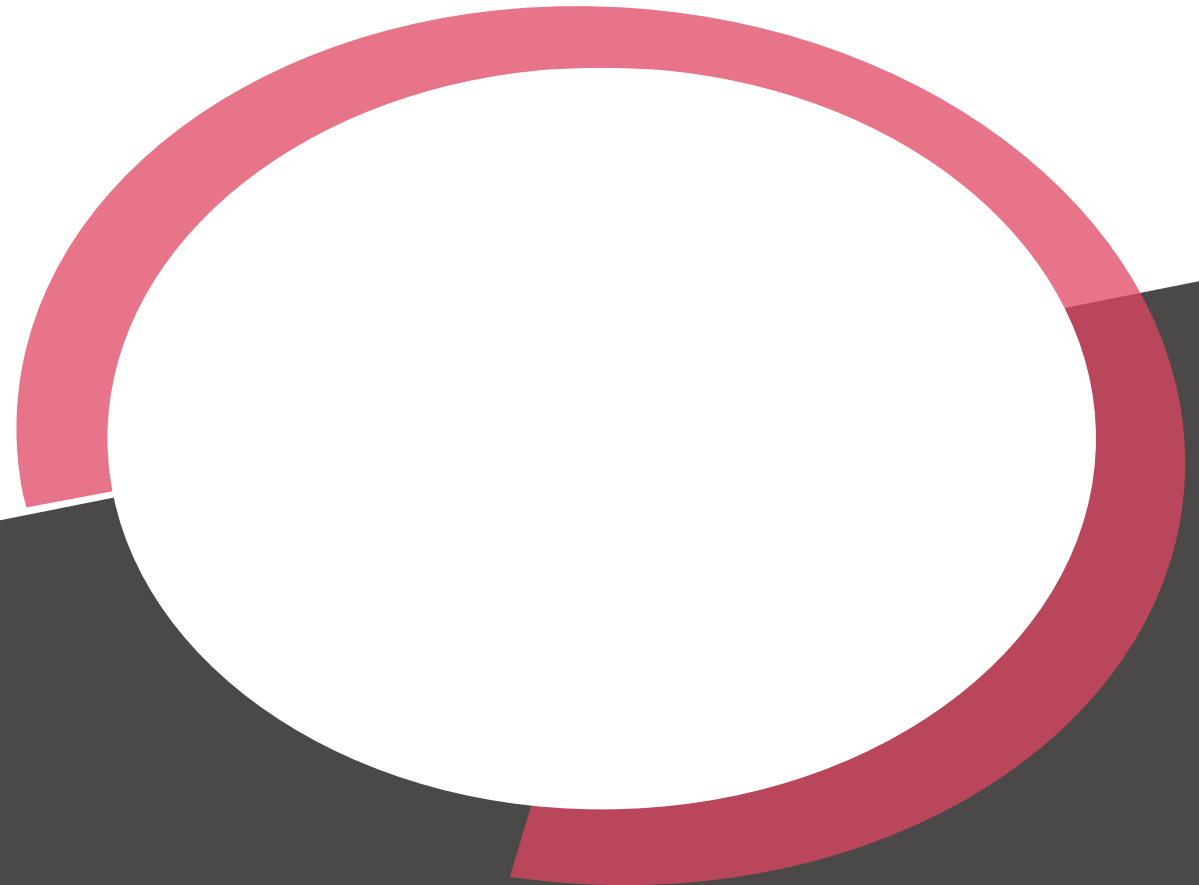
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TARIFFS AND RULES OF ORIGIN UNDER THE TCA

DR ALEXANDRA VON WESTERNHAGEN

DAC Beachcroft LLP




Agenda

- Introduction
- Tariffs
 - The basics
 - Tariffs under other international agreements
- Rules of origin under the TCA
 - The basics
 - What are 'originating' products under the TCA?
- How to claim preferential treatment under the TCA
 - The basics
 - Exporters' related responsibilities
- Impact on contracts and what to watch out for

Introduction – Common terms

- Rules of origin - RoO
- Businesses - traders, individuals, or manufacturers
- Tariffs - duties or taxes
- Preferential treatment - preferential access, preferential taxes or zero-tariff rates
- Parties – UK and EU (when referring to the TCA)
- Production - working or processing
- Products - goods or items

Introduction - Background

- The UK ceased to be part of the EU customs union and internal market at the end of the transition period on 31 December 2020
- Instead, the UK is now treated under EU and member state law as a third country for the purposes of trade in goods (and services)
- Since 1 January 2021, the trade relationship between the UK and the EU has been mainly governed by the UK-EU Trade and Co-operation Agreement (**TCA**):
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/982648/TS_8.2021_UK_EU_EAEC_Trade_and_Cooperation_Agreement.pdf
- Today we will focus on what GB traders should watch out for when:
 - Exporting goods from GB into the EU, as well as when
 - To what extent the new rules require you to change your contracts in due course
- Special arrangements  exist for goods moving into, out of and through Northern Ireland

Introduction – Reminder: The EU internal market and customs union

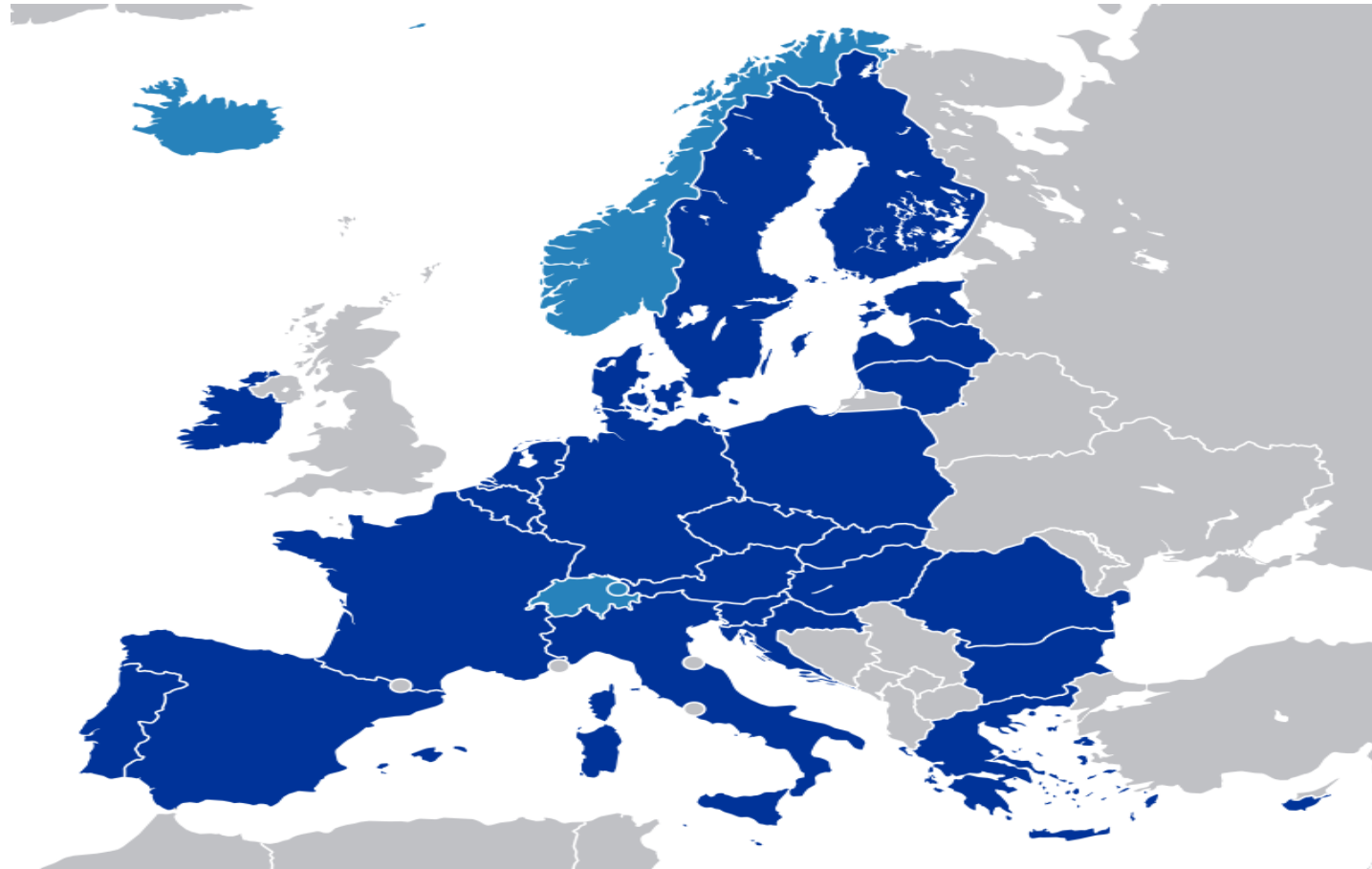
○ **EU customs union:**

- Customs duties on third countries (“external tariffs”) are harmonised across the EU
- EU member states do not impose tariffs on one another's goods
- This reduces the need for customs checks at the border between member states, as it is not necessary to check that the correct tariffs have been applied to goods

○ **EU internal market:**

- Goods produced in one member state can be sold across the EU/EEA without the need for checks
- goods must therefore meet a common **EEA**-wide standard regardless of the member state of origin

Introduction – The EU internal market and customs union



Introduction – Some practical implications

○ **Tariffs:**

- The TCA provides that tariffs are not charged on goods that are traded between the UK and the EU (“preferential tariffs”)
- However, it must be demonstrated that the goods originate in the UK (and vice versa) to qualify for preferential tariffs (“rules of origin requirements”)

○ **Customs:**

- Full customs checks apply to movements of goods from GB to the EU
- They will also eventually apply to movements of goods from the EU to GB

○ **Product regulation**

- UK and EU product regulations standards are no longer harmonised
- Exporters therefore need to ensure compliance with different UK and EU product regulations as they diverge in the future

Tariffs – The basics

- Tariffs are usually paid on imports and are payable by the **importer** – here:
 - The retailer based in the EU for imports from GB; or
 - The retailer in GB for imports from the EU
- However, the importer and the exporter can agree that the exporter pays the tariff
- The internationally recognised term for such an agreement is Delivery Duty Paid (**DDP**)


Tariffs – The basics

- For **imports into the EU** (whether subject to a preferential tariff agreement or not), the **Common External Tariff (CET)** applies
- The tariff is common to all 27 EU member states (as they are all in one customs union)
- However, the rates of duty differ depending on:
 - What good is being imported and
 - Where the good comes from
- **Tariffs under the CET** can be checked using the following tool:
https://ec.europa.eu/taxation_customs/dds2/taric/taric_consultation.jsp?Lang=en&SimDate=20210119
- For the UK, the **UK Global Tariff (UKGT)** has replaced the EU's CET:
<https://www.trade-tariff.service.gov.uk/sections>

Tariffs – The basics

- The TCA prohibits tariffs on all goods originating in one of the Parties
- In order to benefit from the prohibition, it must be demonstrated that:
 - Goods originate in the UK (for imports from GB into the EU) or
 - Goods originate from the EU (for imports from the EU into GB)
- As we will see later, the importer heavily depends on the exporter to provide this evidence
- Goods exported from GB to the EU (or vice versa) that do not satisfy rules of origin requirements may be subject to tariffs

Tariffs – Other international agreements

- Whether tariffs are due in this case (or not) depends on:
 - Whether the CET stipulates tariffs for the respective goods or
 - Whether the UKGT foresees tariffs for the respective goods
- Note: Even  where the TCA does not apply, the movement of certain goods may still be tariff-free, e.g. under the WTO Agreement for certain pharmaceutical products

Rules of origin under the TCA – The basics

- RoO requirements are set out in 2 parts under the TCA:
 - 1. General Provisions** – Part II, Heading One, Title I, Chapter 2:
 - Rules that apply to all products being traded under preference
 - Includes both the primary and administrative requirements
 - 2. Product-specific RoO (“PSRs”)** - Annexes 2 and 3 of the TCA:
 - Explanatory notes for PSRs
 - Specific rules that set out for every product the conditions for that product to be considered “originating”
 - Based on Harmonised System codes
- The purpose of the rules is to ensure that preferential tariff treatment is only given to goods that originate in the UK (or the EU), and not from third countries

What are “originating products” under the TCA?

Overview

- Under the **General Provisions**, the following is considered as “**originating**” in the other Party:
 1. Products **wholly obtained** in that Party (“Wholly obtained products”)
 2. Products produced in that Party **exclusively from originating materials** in that Party; and
 3. Products produced in that Party **incorporating non-originating materials** provided they satisfy the requirements set out in the PSRs
- **Bilateral cumulation (Article 40 TCA)**: Materials originating in one of the Parties are usually considered as originating in the other Party as well

What are “originating products” under the TCA?

Wholly obtained products, Article 41 TCA

- **“Wholly obtained”** = All products exclusively stemming from one of the Parties
- The goods must not have been manipulated or changed in another country, apart from certain minimal processes to keep them in good condition
- Examples include:
 - Minerals extracted from the soil of one of the Parties
 - Live animals born and raised in one of the Parties or
 - Goods produced in one of the Parties from materials sourced exclusively from there, i.e. all materials used in a product are wholly obtained

What are “originating products” under the TCA?

Products incorporating non-originating materials

- The situation is more complicated when products incorporating non-originating materials
 - For example when a manufacturer uses inputs imported from outside the UK/EU
- Where this is the case, the **exporter** will need to ensure that they comply with the PSRs set out in Annexes 2 and 3
- The main examples leading to zero tariffs under the PSRs are:
 - The product has been **sufficiently transformed** (e.g. the manufacturing processes resulted in a change of tariff classification)
 - The **value or weight** of non-originating materials falls below a maximum level

What are “originating products” under the TCA?

Products incorporating non-originating materials

- **Change of tariff classification:** Method looks at whether the manufacturing processes carried out in a country resulted in a change of tariff classification
- Example:
 - When automobile components are imported and then transformed into a completed car
 - Less significant processes would not result in a change in tariff classification (Article 43)
- **Tolerance levels:** differ, depending on the good imported into the EU (or into GB)
- For example, **pharmaceutical products** (Chapter 30) and **medical or surgical instruments and equipment** (Chapter 90) have a tolerance level of MaxNOM 50%
- This means that the **maximum level** of non-originating materials is **50%** for such products

POLL 2

**New to customs declarations? Consider
Chamber Customs**

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How to claim preferential treatment under the TCA – The basics

- The **importer** needs to provide a proof of origin to demonstrate that the goods qualify as originating and are eligible to claim preference
- Under the TCA this proof can take the form of:
 - A **Statement on origin** completed by the exporter on a commercial document
 - **Knowledge obtained and held by the importer** that the goods are originating
- Preferential treatment can be claimed **up to three years after** the date of importation

How to claim preferential treatment under the TCA – Exporters' related responsibilities

○ An exporter must:

1. Hold evidence that the goods meet the relevant RoO before issuing a Statement on origin

2. Check whether a supplier's declaration needs to be obtained

○ Under a supplier's declaration a GB supplier provides the exporter with information needed to prove the origin of your goods for preferential trade

○ Until 31 December 2021, businesses do not need a supplier's declaration from business suppliers in place when the goods are exported

○ Businesses may be asked to retrospectively provide a supplier's declaration after this date



How to claim preferential treatment under the TCA – Exporters' related responsibilities (cont'd)

○ An exporter must:

3. Provide the customer (i.e. the importer) with one of the following:

- a **Statement on origin** on a commercial invoice or other commercial document that describes the goods (also called **invoice or origin declaration, see Annex 7 for text**)
- **Supporting documents and records if** the customer is claiming preference using their '**importers knowledge**'

4. Maintain records for at least 4 years

How to claim preferential treatment under the TCA – Exporters' related responsibilities – Supplier's declaration

- The supplier declaration can be provided at any time, even after the goods have been delivered
- **The supplier** may be asked to provide a supplier's declaration to the exporter to prove either:
 - That the goods meet the rules of origin, or
 - That the supplier has processed or added value to the goods (goods with non-preferential origin status)
- **The exporter** may need to need to get a supplier's declaration to prove:
 - The origin of materials used in the manufacture process, or
 - For finished products that he buys and re-exports

Impact on contracts and what to watch out for

- The new rules have potentially far-reaching consequences on prices and other responsibilities under supply agreements between businesses in the UK and the EU
- This is therefore a good time to for clients to check their agreements regarding these points and adapt them where needed
- Questions include:
 - To what extent allow fixed price contracts for price increases due to cost increases following new trading rules?
 - To what extent allow long-term contracts (e.g. PFI contracts) for the recovery of additional costs for the PFI provider due to non-sector specific changes of law?

Questions?



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POLL 3



SME Brexit Support Fund

- **Up to £2,000** to pay for support to help with new customs and tax rules with the EU.
- **Training Grant-** customs declarations, customs processes, VAT, rules of origin, licences, etc.
- **Consultancy Grant-** can be used to receive consultancy advice to enable you to meet your customs, excise, import VAT or safety and security declaration requirements with HMRC. Packages can be found [here](#).

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SME Brexit Support Fund

You can apply for up to £2,000 through the SME Brexit Support Fund to pay for practical support, including training and/or professional advice, if you are a trader with up to 500 employees and no more than £100 million annual turnover.

What is the SME Brexit Support Fund?

What would you like to do?

The government has made £20 million available through the

To apply and for the full criteria, click [here](#).



Virtual Calendar of Courses and Events

Event Name/Type	When	Info and Booking
Introduction to Exporting (half-day)*	Thursday 24/06/21 9:30 – 12.30	<u>Book</u>
Getting Paid: Focus on Letters of Credit	Tuesday 06/07/21 9:30 – 16.00	<u>Book</u>
Export Customs Procedures (half-day)*	Friday 16/07/21 9:30 – 12:30	<u>Book</u>
Export Documentation: (full day)*	Thursday 27/07/21 9:30 – 16:00	<u>Book</u>
How to Complete Customs Declarations (full day)*	Tuesday 10/08/21 9:30 – 16:00	<u>Book</u>
Inward and Outward Processing Relief (half-day)*	Wednesday 29/09/21 9:30 – 12:30	<u>Book</u>
Trading with Turkey (half-day)*	Tuesday 05/10/21 9.30 – 12.30	<u>Book</u>
Rules of Origin Preferential and non-Preferential (half-day)*	Friday 08/10/21 9:30 – 12.30	<u>Book</u>
Incoterms (half-day)*	Friday 19/11/21 9:30 – 12:30	<u>Book</u>
Import Procedures (half-day)*	Wednesday 02/12/21 9:30 – 12:30	<u>Book</u>
GMCC Bitesize Session – Postponed VAT Accounting	1 st Jul 2021 12:00	<u>Book</u>
GMCC Bitesize Session & Business Clinic – Debt Collection	15 th Jul 2021 12:00	<u>Book</u>

*[*HMRC Grant available](#)*

To check for more courses and events, please click [here](#)



Q&A



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Chamber of Commerce

Thank you for joining us!

For more information please contact:

General trade queries: exportbritain@gmchamber.co.uk

Export Documentation:

Customs declarations: chambercustoms@gmchamber.co.uk

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