



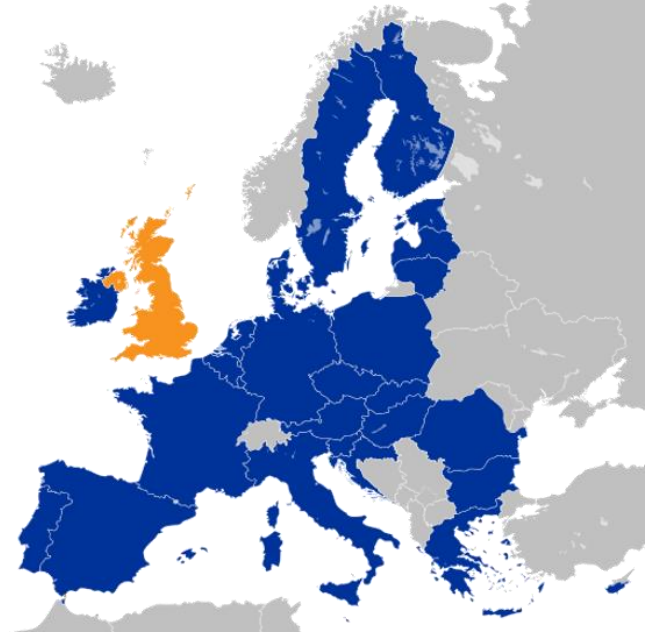
Department
for Environment
Food & Rural Affairs

Defra EU Rules of Origin Business Guidance Presentation

This guidance presentation is for explanatory and illustrative purposes. Legislation takes precedence over the content of these documents and should always be consulted.

Trading with the EU from 1 January 2021

- As of 1 January 2021, products exported from the UK to the EU 27 are eligible for zero tariffs if the goods comply with the **Rules of Origin** requirements set out in the Trade and Cooperation Agreement (TCA). Failure to meet the Rules of Origin and to provide supporting evidence will make products liable to EU MFN tariffs.
- The same applies for imports to the UK from the EU 27.



What are Rules of Origin?

Rules of Origin (RoO) are used to determine the “economic nationality” of a product and by customs authorities to classify where an import has come from, in order to work out tariffs and restrictions. Under a Free Trade Agreement (FTA), businesses must prove that a product is ‘originating’ according to **preferential RoO** in order to access preferential tariff rates. RoO in FTAs prevent third countries from accessing, at a preferential rate, the markets of countries with whom they do not have a trade deal.

Preferential RoO are used for the purpose of granting access to preferential tariff rates, for example a zero tariff, agreed between FTA partner countries. If rules cannot be met the importer would pay the MFN tariff, which for agri-food products can be very high.


General provisions (pg.27) provide the guiding principles and conditions for acquiring originating status for products. General provisions most relevant to agri-food products include Wholly Obtained, Bilateral Cumulation, Insufficient Production, Tolerance and Accounting Segregation.

Product-Specific Rules (PSRs) (p.423) are a list of specific rules for all products. These vary according to the agreement. A product must meet the PSRs in the agreement to become 'originating'.

Rules of Origin Three Steps Summary: Trading with the EU after 1st January 2021

1. Classify your goods


Commodity codes are used to ensure products have the correct tariff classification. Using the wrong codes for your products in customs declarations risks paying the wrong tariff. You can check your commodity code at the Government's [Trade Tariff site](#). Once you know your commodity code, you will be able to check the relevant **Product-Specific Rule (PSR)**.



2. Understand if you comply with the PSR

Does your product originate in the UK? If it has been produced exclusively from materials originating in the UK, it will be considered UK originating. If you are using imported content, you will need to have met any processing requirements in the PSR. The following provisions will help you comply with PSRs: **bilateral cumulation, tolerance, accounting segregation**. Check the Defra EU Rules of Origin Business Guidance for more information.

If you are importing or exporting products to the EU, they will only be eligible for zero tariffs if they acquire 'originating' status. You will need to know the status of your input materials or ingredients, where they have come from and what processing on the input materials or ingredients has occurred. This may involve requiring **supplier declarations**.



3. Understand how to comply / prove to the customs agency that your product complies

You will need to prove to the custom authority that you can claim originating status for the product you are importing or give the customer importing your products evidence of the origin so they can claim originating status. The type of proof can vary. An exporter can make a **statement on origin**, the text of which is set out in the FTA. The importer can claim originating status based on this document. The importer can also claim originating status through **importer's knowledge**. This will be through knowledge you have obtained about the products e.g., supporting documents, records, evidence.

1. Classify Your Goods

- For the purposes of international trade, all products are classified under the Harmonised System. You need to know the classification of your products to find the applicable Product-Specific Rule.
- The Harmonised System forms the first 6 digits of the 10-digit classification (commodity) code when importing products into the UK or the EU.
- Products are categorised into chapters (2 digits), headings (4 digits), and subheadings (6 digits).

18 - Cocoa and cocoa preparations

18.06 - Chocolate and other food preparations containing cocoa

1806.10 - Cocoa powder containing added sugar or other sweetening matter



Chapter



Heading



Subheading

- You can use the [trade tariff look-up tool](#) to classify your goods.

2. Understand If You Comply with the PSR

- Every product traded under an FTA has a corresponding Product-Specific Rule (PSR) that must be met to ensure the product originates in the free trade area and can qualify for preferential tariff treatment.
- Each PSR can restrict the type and amount of imported input materials or ingredients used during the production process or set out the level of processing that must be carried out on imported input material or ingredients in the final product.
- You should refer to the list of PSRs in the TCA (pg.423) to find the applicable rule for your product.
- You will need to understand your supply chain to know where your input materials or ingredients come from – whether they originate in the UK (originating), the EU (originating through bilateral cumulation), or whether they come from the rest of the world (non-originating).
- To do so, you will need supplier declarations. These set out whether the input materials or ingredients being used are originating or non-originating, or whether the input materials or ingredients within a product are originating or non-originating.
- The framework for the supplier's declarations can be found in the TCA (pg.479-480).

3. Understand How to Comply / Prove to the Customs Agency That Your Product Complies

- Once you are satisfied that your goods meet the applicable Product-Specific Rule, you need to provide evidence to customs authorities.
- Under the TCA, the claim for preference is made based on either:
 - a '**statement on origin**' which declares the goods to be originating; or
 - '**importer's knowledge**' that the goods are originating.
- The text for the **statement on origin** is set out in the TCA (pg.482) and should be sent by the exporter, accompanied by a commercial document that clearly identifies the goods e.g., an invoice.
- If you wish to use '**importer's knowledge**', you will need to obtain sufficient evidence that the goods qualify as originating. This may involve the exporter providing a range of supporting documentation, but there is no specific requirement for the exporter to provide a statement on origin.

Types of Rules

- There are two main types of Product-Specific Rules for agri-food and fisheries products. These rules can be broken down further (for tariff code changes) or used in combination if the rule requires it.

1. Wholly Obtained (WO)

The product must be made only from UK inputs or ingredients (or EU inputs or ingredients with bilateral cumulation).

2. Change in Tariff Code (CTC)

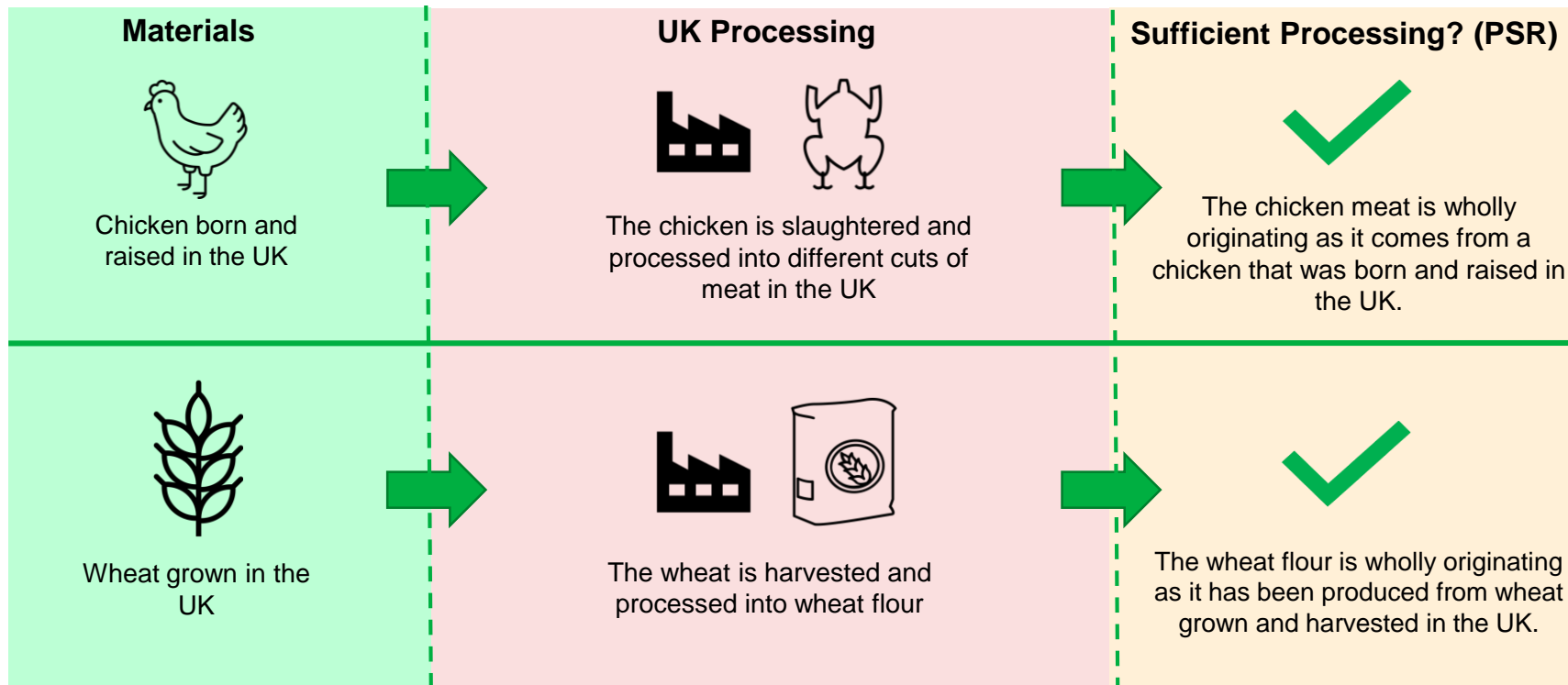
Non-originating inputs or ingredients used in the production of a good must be classified in a different chapter, heading or subheading of the Harmonised System.

A CTC rule can also often be accompanied by weight or value restrictions and exclusions on non-originating inputs or ingredients.







Products that are automatically considered originating (UK “wholly obtained”)

- Plants and vegetable products grown or harvested in the UK;
- Products obtained solely from live animals raised in the UK or slaughtered animals born and raised in the UK;
- Products obtained from aquaculture in the UK;
- Fish caught within UK territorial waters;
- Fish caught beyond territorial waters by vessels registered in the UK or EU and flagged in the UK or by an EU Member State, and meeting UK or EU ownership requirements.

Wholly Obtained (WO) Examples



Change of Tariff Classification (CTC) Examples

| Chapter Change | Materials | UK Processing | |
|----------------------|--|---|--|
| Change to Heading |  Fish from Norway (HS 03.02) |  The fish is processed into frozen raw fillets coated with breadcrumbs in the UK (HS 1604.19) | |
| Change to Subheading |  Soya beans from the US (HS 1201.90) |  The soya beans are processed into soya bean flour in the UK (HS 1208.10) | |
| |  Crude sunflower-seed oil from Russia (HS 1512.11) |  The crude sunflower-seed oil is processed into a sunflower-seed oil fraction in the UK (HS 1512.19) | |

Facilitations to help meet the Product-Specific Rules

Bilateral Cumulation

- EU-originating input materials or ingredients can be considered as UK originating (and vice versa) when considering whether a Product-Specific Rule has been met. In order to use bilateral cumulation, the input material or ingredients from the other party must be **further processed**.
- Processing on the EU-originating ingredients must go beyond '**insufficient production**' requirements to be considered UK-originating. Carrying out either a single, or combination of, insufficient production processes on the EU input material or ingredient would not be enough to confer UK origin (and vice versa).

Insufficient Production

These are the insufficient processes most relevant to agri-food processing:

- preserving operations such as drying, freezing, keeping in brine and other similar operations where their sole purpose is to ensure that the products remain in good condition during transport and storage;
- husking and partial or total milling of rice; polishing and glazing of cereals and rice; bleaching of rice;
- operations to colour or flavour sugar or form sugar lumps; partial or total milling of sugar in solid form;
- peeling, stoning and shelling, of fruits, nuts and vegetables;
- **simple** grinding or simple cutting;
- sifting, screening, sorting, classifying, grading, matching including the making-up of sets of articles;
- **simple** placing in bottles, cans, flasks, bags, cases, boxes, fixing on cards or boards and all other simple packaging operations;
- affixing or printing marks, labels, logos and other like distinguishing signs on products or their packaging;
- **simple** mixing of products, whether or not of different kinds; mixing of sugar with any material;
- **simple** addition of water or dilution with water or another substance that does not materially alter the characteristics of the product, or dehydration or denaturation of products;
- slaughter of animals.

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

Facilitations to help meet the Product-Specific Rules

Tolerance

- Tolerance allows for the use of a small percentage of non-originating input materials or ingredients which the list rule would not allow to be used, to nonetheless be used in the production process without affecting the originating status of the final product.
- For products classified in HS Chapters 1 to 24 (excluding fisheries products in Chapter 3 and 16), tolerance allows for the total weight of non-originating input materials used in the production of the product to comprise up to 15% of the weight of the product.
- For fisheries products of chapter 3 and 16, the value of the non-originating input materials used cannot exceed 10% of the ex-works price of the final product.

Facilitations to help meet the Product-Specific Rules

Accounting Segregation





















- Originating and non-originating fungible materials used in the production of a product may be stored together if they are managed using an inventory management system approved by customs authorities.
- 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, e.g. sugar used in chocolate.
- For products classified in chapters 10 and 15, accounting segregation can be used to store fungible products together, irrespective of their origin status. The same inventory management system should apply as would be used for the storing of fungible materials. Fungible products may be exported without any further processing, provided the stock of originating materials is sufficient to cover the quantity of product exported.

Distribution vs. Production

- The UK is no longer part of the EU Customs Union. This means that products imported into GB cannot move freely between GB and the EU or vice versa.
- To be eligible for zero tariffs when exporting to the EU, these products must comply with the Rules of Origin within the TCA.
- This means there must be a qualifying level of production in the UK. This applies to EU originating products as well as products from the rest of the world.
- Of course, bilateral cumulation can reduce the level of processing needed on an EU-originating product for it to become UK-originating, however, there still needs to be some form of processing and this processing must go beyond insufficient production.
- If businesses move products through GB from one EU Member State to another without the product entering the UK's customs territory or entering free circulation in GB, the products may not need to meet the Rules of Origin.




















Example 1 – Meat products of Chapters 2 (Meat and edible meat offal) and 16 (Preparations of meat)

The rules applicable to meat in Chapter 2 and Chapter 16 allow any material to be used, but any live animals or meat used in production must be from animals born, raised and slaughtered in the UK. If using EU inputs (bilateral cumulation) processing on those inputs must go beyond insufficient production.

| Ingredients | UK Processing | Sufficient Processing? (PSR) |
|---|--|---|
| Live pigs from the EU  |  Pigs are slaughtered   Pork chops are cut |  Bilateral cumulation with the EU applies as skilled butchery goes beyond insufficient production |
| Live pigs from the EU  |  Pigs are slaughtered  |  Bilateral cumulation with the EU does not apply as slaughtering is considered insufficient production |
| Pork loin from the EU  |  Factory produces bacon  |  Bilateral cumulation with the EU applies as processing goes beyond insufficient production |
| Chicken meat from Thailand or Brazil  |  Factory produces chicken nuggets  |  Meat imported from outside the UK or EU cannot be used (except if tolerance is used) |
| Beef sirloin from the EU  | The beef sirloin is dry aged for 30 days  |  Bilateral cumulation with the EU applies as dry ageing (giving the meat new flavour) goes beyond insufficient production |





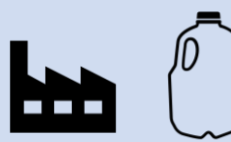







Example 2 – Fish products of Chapters 3 (Fish and crustaceans, molluscs and other aquatic invertebrates) and 16 (Preparations of fish or of crustaceans, molluscs or other aquatic invertebrates)

The rules applicable to fish in Chapter 3 and most of Chapter 16 allow any material to be used, but any fish or prepared fish used in production must be Wholly Obtained. Selected products of Chapter 16 can use Chapter 3 inputs from anywhere in the world. Wholly obtained products must be farmed or caught within the UK or its territorial seas. If caught beyond this, the vessel must be UK registered and flagged and meet ownership requirements. If using EU inputs (bilateral cumulation) processing on those inputs must go beyond insufficient production.

| Ingredients | UK Processing | Sufficient Processing? (PSR) |
|---|---|---|
| Haddock from Icelandic vessel  |   The haddock is processed into haddock fillets |  Fish caught by a non-UK or EU vessel cannot be used |
| Haddock from UK vessel  |   The haddock is processed into haddock fillets |  The rule has been met as the fish was caught by a UK vessel |
| Salmon Seedstock from Norway  |  Salmon is raised |  Fish farmed from imported seedstock can be considered wholly obtained |
| |     The salmon is processed into fresh and processed products | |
| Fish from China (Chapter 3)  |   The fish is processed into fish fingers (1604.19) |  Whitefish from chapter 3 can be imported from outside the UK and EU and processed into a 1604.19 product. Note: This rule only applies to this subheading (1604.19) |

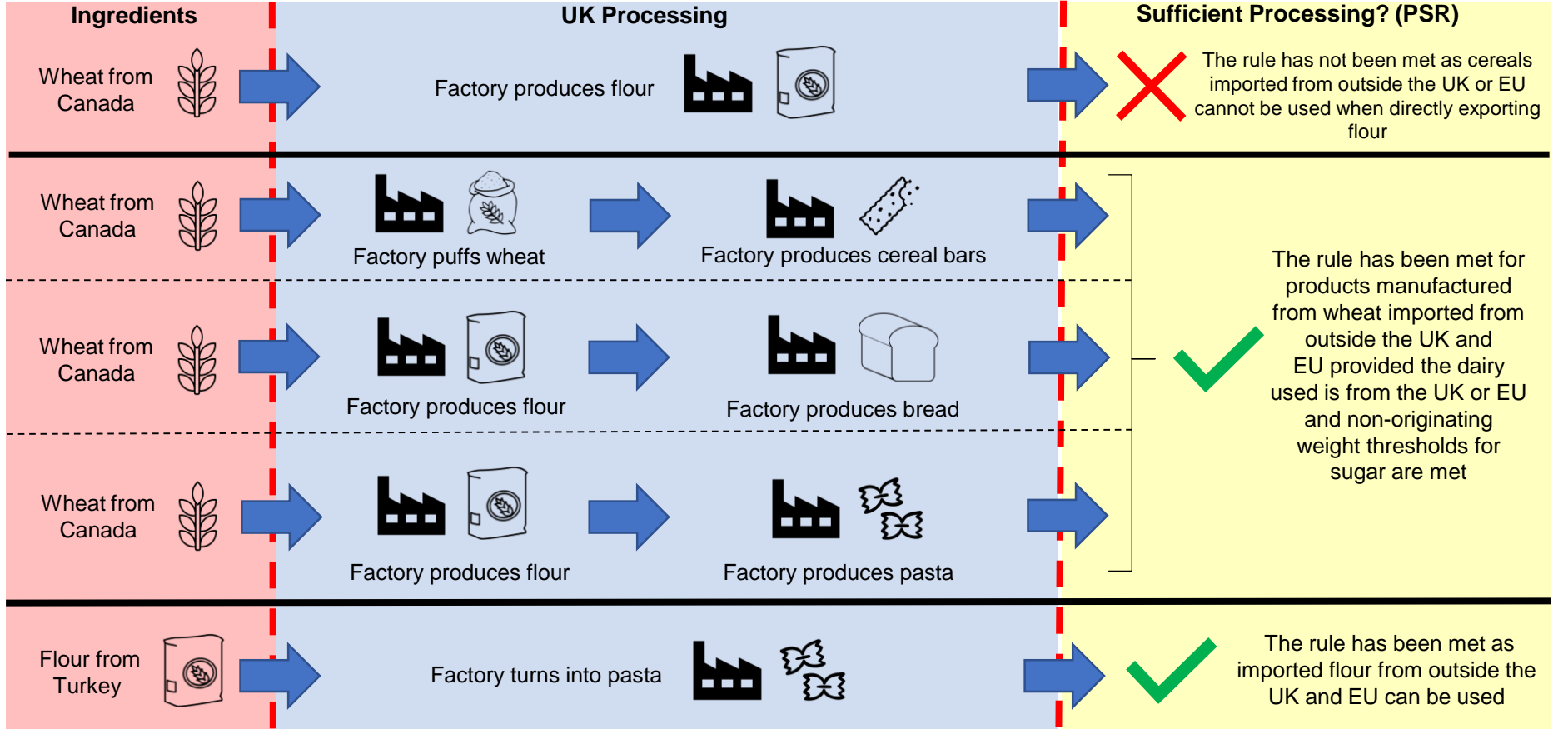
Example 3 – Dairy products of Chapter 4 (Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included)

The rule for Chapter 4 allows any material to be used, but any inputs from within the chapter (Chapter 4) must be Wholly Obtained. Therefore, inputs of dairy, eggs and honey must be produced in the UK. Furthermore, non-originating sugar (not grown in the UK) is restricted to a maximum of 20% of the weight of the final product. If using EU inputs (bilateral cumulation) processing on those inputs must go beyond insufficient production.

| Ingredients | UK Processing | Sufficient Processing? (PSR) |
|---|--|---|
|  Milk from cows born and raised in the UK | The milk is pasteurised or made into cheese  |  The rule has been met as the milk is from cows born and raised in the UK |
|  Milk from imported EU dairy cows | The milk is processed  |  Bilateral cumulation with the EU applies as processing goes beyond insufficient production |
| Milk from the UK and refined cane sugar from Belize  | Yogurt is produced. The weight of the sugar used does not exceed 20% the weight of the yogurt.  |  Use of non-UK or EU sugar is permitted if it does not exceed the weight thresholds |
| Bulk yoghurt from the EU  | The yoghurt is only labelled  |  Bilateral cumulation with the EU does not apply as 'labelling' is an insufficient production |















Example 4 – Flour products of Chapters 11 (Products of the milling industry; malt; starches; inulin; wheat gluten) and 19 (Preparations of cereals, flour, starch or milk; pastrycooks' products)

The rules for Chapter 11, products of the milling industry, allow any materials to be used but cereals used in production must be wholly obtained (grown and harvested in the UK). Chapter 19 products, can use materials from anywhere if imported under a different heading. However, inputs of dairy, eggs and honey must be wholly obtained (produced in the UK) and the use of non-originating meat, fish, rice, starch and sugar is limited. If using EU inputs (bilateral cumulation) processing on those inputs must go beyond insufficient production.















Example 5 – Fruit, nut and vegetable products of Chapters 7 (Edible vegetables and certain roots and tubers) and 8 (Edible fruit and nuts; peel of citrus fruit or melons)

The rules for Chapters 7 and 8 allow any material to be used but ingredients from within the chapter must be grown and harvested in the UK. The rule for Chapter 8 also states that non-originating sugar (not grown in the UK) cannot exceed 20% of the weight of your final product. If using EU inputs (bilateral cumulation) processing on those inputs must go beyond insufficient production.

| Ingredients | UK Processing | Sufficient Processing? (PSR) |
|--|--|--|
| Mixed vegetables from the UK and EU  | Vegetables are diced, mixed and packaged with machinery installed for that specific purpose  |  Bilateral cumulation with the EU applies as automated processing goes beyond insufficient production |
| Vegetable seeds from outside the UK or EU  |  Vegetables are grown and harvested in the UK |  Vegetables produced from imported seeds, bulbs, cuttings etc. can be considered wholly obtained |
| Bananas are imported from the EU  |   A wholesaler combines bananas with other UK-grown fresh fruit for onward export |  The rules has not been met for bananas as EU-originating content must be further processed |
| Nuts are imported from the EU  | Nuts are shelled   |  Bilateral cumulation does not apply as 'shelling' is an insufficient production |







Example 6 – Processed Fruit, nut and vegetable products of Chapter 20 (preparations of vegetables, fruit, nuts or other parts of plants)

Chapter 20 products can use ingredients from anywhere if imported under a different heading. However, for processed mushroom and tomato products, the mushrooms and tomatoes need to be grown and harvested in the UK. The rules also states that non-originating sugar (not grown in the UK) cannot exceed 40% of the weight of your final product. If using EU inputs (bilateral cumulation) processing on those inputs must go beyond insufficient production.

| Ingredients | UK Processing | | Sufficient Processing? (PSR) | |
|--|---------------|---|------------------------------|---|
| Tomatoes from the UK and EU  | ➡ | Tomatoes are processed into tinned tomatoes   | ➡ | ✓ Bilateral cumulation with the EU applies as processing goes beyond insufficient. Therefore, even though tomatoes need to be wholly obtained, the rule is met |
| Oranges from Morocco  | ➡ | Oranges are processed into marmalade   | ➡ | ✓ The rules have been met as imported oranges from outside the UK and EU can be used, provided non-originating weight thresholds for sugar are met |
| Mushrooms from China  | ➡ | Mushrooms are processed into tinned mushrooms   | ➡ | ✗ The rules have not been met as imported mushrooms from outside the UK or EU cannot be used due to the wholly obtained requirement for mushrooms |
| Mixed fruit from the UK, EU and Brazil  | ➡ | Fruit is processed into fruit juice   | ➡ | ✓ The rules have been met as imported fruit from outside the UK and EU can be used, provided non-originating weight thresholds for sugar are met |

Example 7 – Chocolate products of Chapter 18 (Cocoa and cocoa preparations)

Chapter 18 products can use ingredients from anywhere if imported under a different heading. However, dairy, eggs and honey used must be wholly obtained (produced in the UK) and non-originating sugar (not grown in the UK) cannot exceed 40% of the weight or 30% of the value of your product. If using EU inputs (bilateral cumulation) processing on those inputs must go beyond insufficient production.

| Ingredients | UK Processing | Sufficient Processing? (PSR) |
|---|--|---|
| Cocoa beans from Ghana, refined beet sugar from the EU and milk from the UK  | Cocoa beans are processed into a cocoa liquor and this is mixed with sugar and milk to produce chocolate  | ✓ Bilateral cumulation with the EU applies and allows for EU sugar to be used when processed into a chocolate bar. A chocolate bar is in a different heading to cocoa beans so use of imported cocoa beans from outside the UK and EU is permitted |
| Cocoa beans from Ghana, refined cane sugar from Belize and milk from the UK  | Cocoa beans are processed into a cocoa liquor and this is mixed with sugar and milk to produce chocolate. The value of the sugar used does not exceed 30% the value of the chocolate bar  | ✓ A chocolate bar is in a different heading to cocoa beans so use of imported cocoa beans from outside the UK and EU is permitted. Use of non-UK or EU sugar is permitted if it does not exceed the weight or value thresholds |
| Cocoa beans from Ghana, refined beet sugar from the UK, refined cane sugar from Belize and milk from the UK  | Cocoa beans are processed into a cocoa liquor and this is mixed with sugar and milk to produce chocolate. Half the sugar is EU beet sugar and half is cane sugar from Belize. If the total weight of sugar is 60% of the total weight of the chocolate bar, then 30% of the weight belongs to Belize sugar  | ✓ Bilateral cumulation with the EU applies and allows for EU beet sugar to be used. Use of sugar from Belize is permitted as long as it does not go beyond the weight or value thresholds. Meeting the threshold can be averaged over multiple shipments |

Example 8 – Animal feed products of Chapter 23 (Residues and waste from the food industries; prepared animal fodder)

Animal feed products (23.09) can use ingredients from anywhere if imported under a different heading. However, inputs of meat and dairy must be wholly obtained (produced in the UK) and there are weight restrictions on non-originating cereals (except rice and maize), starches and residues, and sugar. If using EU inputs (bilateral cumulation) processing on those inputs must go beyond insufficient production.

| Ingredients | UK Processing | | Sufficient Processing? (PSR) |
|---|--|--|--|
| Meat from New Zealand and rice from India | A factory processes the inputs into pet food | | <div>Meat cannot be sourced from outside the UK or EU</div> |
| Meat, dairy and sugar from the UK and rice from India | A factory processes the inputs into pet food | | <div>The use of imported rice is permitted. The other ingredients are UK wholly obtained</div> |
| Fish from Norway, dairy and oats from the US | A factory processes the inputs into pet food | | <div>The use of imported fish is permitted but dairy and oats must be sourced from the UK or EU</div> |

Rules of Origin Administration Easements

- To reduce the administration burdens for UK importers and exporters, there are two easements in place for the first six months and first year.
- **Importers** moving goods from the EU to the UK between 1 Jan 2021 and 30 June 2021 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.
- Until 31 December 2021, businesses do not need supplier's declarations from business suppliers in place at the time the goods are exported.

This guidance applies after the transition period ends.

For further information on the points covered in this presentation you can refer to the more detailed Defra EU Rules of Origin Business Guidance document.