



A Simple Guide to Rules of Origin in UK – EU Trade Co-Operation Agreement (UK – EU TCA)

Disclaimer: This note is provided by way of guidance and is not to be relied upon as a comprehensive statement of requirements or law which should be obtained direct from the TCA or professional adviser.

Introduction

The Isle of Man has preserved access to trading freely with the EU in goods by its inclusion in certain Chapters of the new UK – EU Trade Agreement (TCA) and since IOM is in customs union with the UK, IOM companies are able to obtain the same preferential tariffs on goods imported from the EU or exported to the EU as their UK counterparts, subject to application of the Rules of Origin in the TCA.

The Rules of Origin (ROO) are contained in Chapter 2 of the TCA (pages 27 – 41) supported by Annexes Orig-1 to Orig-6 (pages 415 – 485) in which Annexes (Orig-1 and Orig-2), provide specific goods treatments and in Orig-3 and Orig-4), example self -declaration formats are found. (see: UK – EU TCA in www.assets.publishing.service.gov.uk).

In simple terms:

- Zero tariffs are available on goods imported and exported - if ROO conditions are met.
- Rules of Origin are used to determine the ‘economic nationality’ of the goods for customs.
- Different rules apply to different goods and unless materials are wholly obtained in the same originating country, usually some ‘**sufficient production/processing**’ is needed in the country of supply in order for resultant goods to qualify to claim preferential tariffs.
- Certain low value shipments between UK and EU also qualify for zero tariffs.

FOR UK exports to EU:

- Goods must be first classified using 6 digits of the HS codes (commodity codes)*.
- The applicable ROO rules need to be checked and understood to see if goods meet the rules.
- The demonstration of this to customs needs to be understood and evidenced.

*(NB: the first two HS code digits are called Chapter numbers, next two headings, and next two sub headings. The heading digits **cross reference to the relevant ROO Annex which** contain the key detail and product specific rules. HS codes can be found at: www.trade-tariff.service.gov.uk).

The key point in evidencing that the ROO is met comes from answering the question – *where do the materials come from?*

If they come entirely from the IOM, UK and EU, then they **may** all be counted as UK/IOM originating and qualifying, though there still needs to have been **sufficient production** in the IOM/UK.



Where goods or materials from the EU **are not entirely** EU originating materials, then subject to the product specific rules on maximum levels, *EU processing of non – originating materials may count in so far as it increases the value of the goods over the non – originating goods value.*

If the materials are NOT all UK or EU originating, then product specific rules will apply.

There is no single standard fixed % rule on non – originating materials by way of ratio by value or weight for all goods in the UK – EU TCA. Reference must be made to the product specific rules - particularly the Value Add Rules and the Annexes which cross reference with the HS codes.

There are 4 types of product specific rules:

- **Wholly obtained goods** (eg minerals/animals etc).
- **Change in tariff goods** (ie where the HS code has changed because the final item is re – classified from its constituents).
- **Value Add Rule** (ie where rule permits a certain value or % of non - originating constituents).
- **Exact Specific Rule** (eg in which a distinct process is recognised, as with chemical processes).

There are 2 ways of evidencing to customs that the rules are met:

- Self – declaration, via means of an origin statement*; or
- EU importer claims duty relief on basis of his/her knowledge of your product.

*(NB: during 2021, an exporter of a product may not be able to obtain declarations from all of their suppliers as to the originating status of all sources and the respective customs arrangements can permit a self – declaration without the evidence from their suppliers. A self –declared origin statement (can be on any commercial document eg invoice) may be used one time or a long term declaration made to cover repeat supplies and may be held as valid for 12 months and in some instances up to 24 months).

FOR UK Importers bringing in EU Exports:

The UK importer of goods from EU needs proof of origin to claim 0% tariffs ie preferential tariffs – which means either:

- The EU exporter’s statement of origin (on an appropriate commercial document); or
- Possessing enough information about the goods imported for the importer to be able to make a declaration to HMRC/IOM Customs.*

*(NB: HMRC/IOM & EU Customs are allowing a delay in evidencing full declarations to 31 December 2021, but an exporter must be confident of meeting ROO rules as may be asked to evidence later; NB: EU exporters must also have an REX (registered exporter no.) for exports over Euro 6,000).



**Isle of Man
Chamber of Commerce**
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Certificates of Origin

UK Certificates of Origin to support an exporter's documentation are generally obtainable from the Chamber of Commerce at a nominal cost.

The UK – EU TCA is not explicit in mentioning **nor does it require** a Chamber issued Certificate. This is because a self-declaration on a company's own commercial documents is permissible. Nevertheless Certificates of Origin may be helpful and sometimes are required for trade agreements with other countries. Customs authorities and others may see them as an endorsement or further supporting evidence of origin, particularly when seeking to claim preferential tariff treatment. When they are not required for preferential tariff purposes, they may also serve as a symbol of quality associated with the country brand.

Useful terms

Sufficient and insufficient production – see TCA for lists and examples of what constitutes or does not constitute 'sufficient production', as test must be met to claim tariff reduction;

Cumulation - covers how materials from more than one country may count as 'originating';

Originating - refers to materials sourced from UK and EU; **non - originating** means Rest of World but depending on the product and amount of non – originating materials etc, the rules may allow some.