



The Rules of Origin (RoO) in the Brexit deal

Important practical tips for the trade with the UK from January 1, 2021

EU/UK businesses should have proof that their goods comply with rules of origin rules to benefit from zero tariffs

Some flexibility is provided to prove origin during the first year

Businesses are allowed to self-certify the origin and to provide a single statement of origin for multiple shipments over the course of a year

REX registration is required to self-certify consignments exceeding EUR 6,000

Background

The UK has left the EU Customs Union on 31 December 2020. The [EU/UK trade deal](#) (FTA) now regulates the movement of goods between the UK and EU. The EU/UK FTA provides for zero tariffs and zero quotas on all goods provided the rules of origin (RoO) are met. Such rules are necessary to ensure that the products benefiting from the FTA are either wholly obtained from or manufactured in the EU or the UK, or sufficiently worked or processed there (e.g. by setting a limit on the value of non-originating materials that can be used in order to benefit from the FTA). The FTA provides full cumulation (i.e. processing activities in the EU or UK also count towards origin, not just materials used). Full bilateral cumulation between the EU and the UK allows UK inputs and processing to be counted as EU input in EU products exported to the UK and vice versa. The EU/UK FTA does not provide for diagonal cumulation.

For a product to qualify for a zero tariff (if it is not already zero rated), it must meet the rules of origin that determine how much of its content must be derived from EU or UK processing or materials.

If you are buying or selling goods within the EU/UK free trade area, you will need to check whether your goods qualify for the preferential treatment and what the requirements are to prove the EU/UK origin of your goods.

How to claim preferential treatment

A claim for preferential or zero tariffs is made in the customs declaration. For UK importers, this is done via CHIEFS or CDS systems. In the Netherlands, the equivalent is Portbase.

Statement of Origin to qualify for preferential tariffs

A claim for preferential tariff treatment should be based on:

- (a) an exporter's statement; or
- (b) the importer's knowledge.

A statement on origin must contain details contained within the EU/UK FTA. It can be provided in any format, whether on the sales invoice or a similar commercial document.

It is allowed to self-certify the origin of goods

For imports of value less than EUR 6,000, an exporter may complete this statement himself. For goods above EUR 6,000, the EU exporter should be registered with the EU Registered Exporter scheme (REX) and include their

REX number in the exporter statement. EORI numbers also should be included. The importer's own confirmation should include supporting documents from the original producer or exporter to show and determine that the goods qualify as originating in the EU or UK.

One-year grace period to provide RoO documents

Businesses exporting goods to the UK/EU will not have to submit rules of origin documentation until 2022.

Statements of origin can be made immediately. However, goods will still be expected to abide by the EU's rules of origin to avoid tariffs and the proof should be provided retrospectively if not available immediately.

Small value €500 consignments threshold

Low value goods or consignments not exceeding €500 are exempt from the rules of origin requirements.

RoO are product specific

The TCA contains an extensive list of product specific rules, which can override the general rules on origin.

If for example the origin criterion is based on a value method, then the value of the product as well as the value of all the non-originating and/or originating materials used in the production should be calculated.

The FTA 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, 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. 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. Cumulation does not apply for these purposes.

Generally, where a UK/EU process would change the Tariff Heading of the raw material or component (either by manufacturing or assembly onto a finished product), this would be sufficient.

Impact on business relationships and on internal business processes

Businesses will need to manage a number of customs requirements, such as classifying and valuing goods and determining which goods are subject to licensing restrictions or prohibitions.

Changes in your internal business processes and controls may be needed to manage the new customs paperwork as well as the calculation and payment of customs duties due. You need to review the commodity codes, customs value and origin of the goods. Check whether your goods attract import duties. Check whether any preferential treatment is applicable based on the customs rules of origin of a FTA. Make the necessary product-specific origin assessments. Take into account various rules such as "insufficient production".

Possible other areas to consider may include changes to your accounting/ERP systems; engaging with VAT advisors and customs forwarders to understand the customs/VAT rules applicable to your goods. Provide stakeholders with the required origin documentation. Additional registration (such as REX number) may be required.

You may find that changes are required in your supply chain or contracts because your deliveries from or to the UK will face additional costs due to the customs duties, paperwork, controls and procedures. Alternatively, use of the customs mitigation procedures could be considered to improve your cash flow and to avoid paying too much in non-recoverable duties.

Grant Thornton's international indirect tax team and digital advisory team can assist you in your VAT / customs matters, compliance and update of your systems and processes. Please contact us if you would like to discuss your options and possibilities.



Contact

Do you have questions or do you need more detailed information? Please do not hesitate to contact us.



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