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RULES OF ORIGIN: GENERAL GUIDE

Preferential and non-preferential origin

There are two types of origin, preferential and non-preferential. Non-preferential applies when countries wish to identify the origin of goods for statistical, trade control or political purposes, has national legal basis and is mandatory for products on import and export.

Preferential origin is used solely to provide duty benefits through a Free Trade Agreement and is optional.

Before you work out whether your items qualify you will need to obtain the 4-digit tariff heading that covers your product. This you can obtain from the HMRC Trade Tariff database.

You will also need to locate Customs Notice 828 as you will need to refer to the lists contained.

You then need to determine if your product is wholly produced in one country, with no involvement from any other country. Even the smallest amount of materials or processing from another country will disqualify the product from being wholly produced. Wholly produced generally means items that are grown, born and bred or mined. See Section 4 of Customs Notice 828 for the list of allowable wholly produced items.

If you have determined that your product does qualify at this stage, then this is the 'nationality' or country of origin of your product. If not, you will need to complete the following steps.

Last, Substantial, Economic, Process

The origin definition for preferential and non-preferential is quite simple and easy to remember:

1. Last - The very last place that processes took place.
2. Substantial - The processing done is of a reasonable level, above that detailed in the minimum lists (Section 9 of Notice 828).

3. Economic - The processing involved should add value to the finished product.
4. Process - The product should undergo a level of manufacture which transforms the combined materials to that of the finished product often changing tariff heading.

If your product has passed those 4 rules, the 'nationality' (non-preferential origin) of your product will be listed in 1. 'Last'. i.e. GB, FR, IE. This is your country of origin.

The same rules above apply to determine the origin definition for preferential purposes too, however you must ensure the following also applies:

1. Transport Rule – goods must be shipped direct between the preference giving countries. They can pass through other countries but only for transit purposes. They must not undergo any operation other than the usual for transportation purposes or those which may be used to keep them in good condition.
2. The origin rule, as stated in Section 6 of Customs Notice 828.
3. Ensure there is a Free Trade Agreement between the EU and the destination country.

Example:

Enamelled
copper cooking Tariff Commodity Code 7418
pot

Rule S6 Notice
828) Manufacture in which all the material used are classified within a heading other than that of the product, and the value of all the materials used does not exceed 50% of the ex-works price of the product.

Note: Ex-works price = labour, overheads, profit, raw materials, components.
All materials are considered non-originating unless you/supplier can confirm otherwise.

Copper Tariff 2603, This qualifies for the first part of the rule because there is a
Enamel Tariff 3208 change in tariff heading suggesting sufficient transformation has
taken place.

Material costs total: £23.70

Ex-works price £74.99

23.70/74.99= 31%

Because the purpose of preferential origin is to gain duty relief at destination, based on the Free Trade Agreement held between the EU and destination country, the origin of your part will become EU origin.

There are some relaxations to the rules and further rules to apply if your product does not qualify at this stage. Details of these can also be found in Customs Notice 828.