

# **A GUIDE TO THE EUROPEAN COMMUNITY RULES OF ORIGIN**

**These information sheets provide a summary of European Community rules of Origin, they do not constitute legal documents: Regulations do change from time to time and you should contact the supplied information points for confirmation of the latest position.**

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# EUROPEAN COMMUNITY RULES OF ORIGIN

## 1. Introduction

These Information sheets provide only a summary of European Community rules of origin. Regulations change from time to time and you should contact the information points at the addresses shown to confirm any item on which you intend to rely, or to obtain any further information.

The following explains the European Community's rules for establishing the country of origin of imports and exports. It also lists the many countries with which the Community has made preference agreements.

In the UK the main Government Departments involved are: -

the Department for Business, Enterprise and Regulatory Reform (BERR), which has overall policy responsibility for origin rules and preferential agreements; and  
Her Majesty's Revenue and Customs (HMRC), which is responsible for controlling and administering the rules.

The EC (European Community) is a customs union, and applies a common external tariff (CET), or customs duty, to goods imported from outside the EC. Once the tariff has been paid, the goods can move between EC countries without further duty having to be paid. However, the goods may still be liable to national taxes.

The EC applies 'rules of origin' to identify the country in which a product originates, or 'acquires origin'. There are two types of rules: preferential and non-preferential.

## 2. Preferential Rules

The EC has preferential trade agreements with many countries or groupings of countries. These agreements allow most goods originating in preferential partner countries to enter the EC after paying less duty than the CET, or none at all.

The rules of origin are necessary to establish whether a particular import originates in a preferential partner country, and to prevent goods from other countries being routed via a preferential partner country and so avoiding higher duties.

## **2.1 Which Countries Qualify?**

The preferential rules apply to goods originating in countries with which the EC has a preferential agreement. These are listed in Appendices 1 to 4.

## **2.2 The Rules**

A product acquires origin if it is: -

wholly produced ;or  
sufficiently processed or worked in a preferential partner country.

Generally, for a manufactured product incorporating imported components, 'sufficiently processed or worked' means that the final product must be classified under a different tariff heading (at four-digit level) from any non-originating components. (These are components not manufactured in the preferential partner country from which the final product is being imported. A tariff heading is the agreed code number for identifying a particular commodity. A tariff heading is essentially the classification of a product according to the Combined Nomenclature (CN). The CN is comprised of the Harmonised System (HS) which is run by the World Customs Organisation (WCO). CN codes are recognised internationally and are applied by most trading nations. For example, briefcases are classified under tariff heading 4202; the leather from which they are largely made is classified under tariff heading 4104.)

However, different rules apply to many products. There may be, for example:

a limit on the value of the non-originating components. This is often 40% - in other words, the processing must create 60% added value; or

a requirement to carry out a particular process.

In addition:

for some products a process does not lead to origin being acquired, even though it results in a different tariff heading;

for some products a process is considered 'sufficient' even though it does not result in a different tariff heading.

The specific rules for some products consist of two or more of these requirements.

### **2.3 Documentary requirements**

In order to benefit from a preferential rate of duty goods must also be covered by a valid proof of preferential origin. In the case of the Generalised System of Preferences (GSP) this proof is a GSP Form A. In the case of the EC's other preferential arrangements the proof is normally an EUR.1 Movement Certificate. All of the EC's preferential agreements and arrangements enable exporters to issue simplified proofs of origin – preferential origin declarations on invoices or other commercial documents – where the value of the consignment concerned is no more than €6000. Many agreements also allow exporters who have been approved by the customs authorities to do so, to issue invoice declarations for consignments with a value in excess of €6000. Community importers must declare that the proof is available at the time of making the claim to preference (on the customs declaration for release of the goods to free circulation).

## **3 Non-Preferential Rules**

### **3.1. Which Countries Qualify?**

The non-preferential rules apply to goods imported from any country other than goods that qualify for preference. These countries include Australia, Canada, Japan, New Zealand, South Korea and the USA.

### **3.2 The Rules**

There are two main categories:

goods 'wholly obtained or produced' in a single country;  
goods 'whose production involved more than one country'.

Examples of goods 'wholly obtained or produced' in a single country are:

mineral products extracted there;  
vegetable products harvested there;  
live animals born and raised there;  
products taken from the sea by vessels registered or recorded there and flying its flag;  
and goods produced there exclusively from wholly obtained goods or from their derivatives.

These rules lay down that the originating country of goods 'whose production involved more than one country' is the country where the last major process in their production took place. Evidence for this includes: -

a change in tariff heading resulting from the process;  
a defined process for example, diffusion for integrated circuits; or  
-a certain level of added value. For example, for television sets, radios and tape recorders this is 45% of the ex-works price of the finished product.

### **3.3 Harmonised Non-Preferential Rules**

As part of the General Agreement on Tariffs and Trade (GATT) Uruguay Round of Multilateral Trade Negotiations, an agreement was reached to introduce harmonised non-preferential origin rules within the World Trade Organisation (WTO) framework. The harmonisation exercise is still currently in progress.

### **3.4 Further Information**

Further detailed information on rules of origin is available from:

#### **Colin Wray**

Department for Business, Enterprise and Regulatory Reform (BERR)  
Trade Policy Unit  
Bay 4132  
1 Victoria Street  
London SW1H 0ET

Tel: +44 (0)20 7215 5059  
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E-Mail: [colin.wray@berr.gsi.gov.uk](mailto:colin.wray@berr.gsi.gov.uk)

#### **Cynthia Reid**

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Brief information can also be found on the Europe & World Trade – Rules of Origin page, which can be accessed directly at:  
<http://www.dti.gov.uk/europeandtrade/key-trade-issues/rules-of-origin/page22727.html>

#### **4. European Community: Generalised System of Preference (GSP)**

Under the European Community's Generalised System of Preferences (GSP) goods meeting rules of origin criteria may be imported from developing countries at reduced or nil rates of duty. Appendix 3 lists the developing countries who are beneficiaries of GSP.

Further information on GSP duty preference offered to beneficiary countries and any developing countries excluded from receiving a GSP duty preference are available from:

**Pamela Brown**

Department for Business, Enterprise and Regulatory Reform (BERR)  
Trade Policy Unit  
Bay 4127  
1 Victoria Street  
London SW1H 0ET

Tel: +44 (0)20 7215 5922

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Email: [Pamela.brown@berr.gsi.gov.uk](mailto:Pamela.brown@berr.gsi.gov.uk)

HM Revenue and Customs Notices, explaining the preferential rules of origin in various trade arrangements and other useful information are listed at Section 5.

The European Commission have a web site which also provides information on preferential rules of origin in various trade regimes. The address is: - <http://export-help.cec.eu.int>

## 5. HM Revenue and Customs (HMRC) Notices

These Notices can be viewed by right clicking on the links below and opening the hyper-links.

- HMRC Reference: Notice 812 (April 2005)

### [European Community Preferences: Trade with Turkey](#)

Find out how to import goods from/export goods to Turkey at preferential rates of customs duty.

- HMRC Reference: Notice 826 (January 2002)

### [Tariff Preferences: Imports](#)

Find out how to import goods at preferential rates of customs duty. Update 1 (Apr 2004), Update 2 (Nov 2004) and Update 3 (Jan 2006) have been added at the end of this notice.

- HMRC Reference: Notice 827 (January 2007)

### [European Community Preferences: Export Procedures](#)

Find out how to export goods under the EC's preferential trading arrangements.

- HMRC Reference: Notice 828 (September 2007)

### [Tariff preferences - rules of origin for various countries including Albania](#)

This notice explains and lists the rules of origin which must be satisfied if goods are to qualify for preferential tariff treatment on export to or import from ACP, Albania, Bosnia/Herzegovina, Ceuta and Mellila, Chile, Croatia, Egypt, Faroe Islands, GSP beneficiary countries, Iceland, Israel, Jordan, Lebanon, Liechtenstein, Macedonia, Montenegro (including Kosovo), Morocco, Norway, OCT, Serbia, South Africa, Switzerland, Tunisia, Turkey, and West Bank/Gaza Strip

- HMRC Reference: Notice 829 (March 2002)

### [Tariff preferences - rules of origin for Syria](#)

Do you want to import/export goods under preference? This Notice provides details of the specific origin rules for Syria which must be met for the goods in question to benefit from preferential rates of customs duty. Update 1 (Jul 2002), Update 2 (Mar 2003), Update 3 (Apr 2004) and Update 4 (Apr 2004) are included at the end of this notice (Note: While the title of the Notice refers to a number of other countries, its rules of origin now apply to Syria only – Cyprus

and Malta having joined the European Community and the rules for the other countries are now contained in Notice 828).

- HMRC Reference: Notice 831 (January 2002)

[European Community: Binding Origin Information \(BOI\)](#)

Find out how to obtain and use a Binding Origin Information (BOI) decision.

- HMRC Reference: Notice 832 (October 2004)

[Tariff Preferences - rules of origin for Mexico](#)

Do you want to import/export goods under preference? This Notice provides details of the specific origin rules which goods must meet to benefit from preferential rates of customs duty.

## **6. Information about the availability of preferential rates of duty on imported goods**

This can be obtained from the HM Revenue and Customs Advice Service. Telephone: 0845 010 9000.

## APPENDIX 1

### Preferential Trading Arrangements

The EC has concluded the following preferential trading arrangements:

#### **a) Reciprocal agreements (i.e. the EC benefits from, as well as grants, preferences) with the following:**

- its Pan-European and Mediterranean partners: Algeria, Egypt, Faroe Islands, Iceland, Israel, Jordan, Lebanon, Liechtenstein, Morocco, Norway, Palestinian Authority, Switzerland, Tunisia and Turkey (for agricultural and coal and steel products – all other industrial products receive duty free treatment under a Customs Union between the EC and Turkey) and with the following individual countries
- Albania, Chile, Croatia, Former Yugoslav Republic of Macedonia, Mexico, South Africa

#### **b) Pan-Euro-Med cumulation of Origin**

Cumulation within preferential trade agreements is a facility that helps manufactured goods to meet the relevant origin rule. Diagonal cumulation works by forming countries into groups or zones for origin purposes. This allows manufacturers to count materials originating (in accordance with preferential rules of origin) in other countries in the zone as if they originated in the country of manufacture, when incorporated into a product made there. Under the new diagonal system of Pan-Euro-Med cumulation the EC, Norway, Iceland, Switzerland (incl. Liechtenstein), Turkey, the Faroe Islands, Algeria, Morocco, Tunisia, Egypt, Jordan, Lebanon, Syria, West Bank/Gaza and Israel have been formed into a zone for origin purposes.

Pan-Euro-Med cumulation does not affect any bilateral, diagonal or full cumulation arrangements, which may currently be in operation in the longstanding Preferential Trade Agreements between the EC and the Mediterranean countries – those arrangements remain extant. This means for example, that you can still export fabric that originates in the EC in accordance with the appropriate rules of origin, or qualifies for export under the full cumulation arrangements to Morocco for cut, make and trim and import the finished garment under preference claiming Moroccan preferential origin.

However, the existing full cumulation arrangements in the EC's preferential trade agreements, with the EEA countries (Iceland,

Norway and Liechtenstein) , Algeria, Tunisia and Morocco, and provisions allowing drawback of customs duty in certain of the EC's longstanding bilateral preferential trade arrangements with the Mediterranean countries, are not interchangeable with, and do not form part of the system of Pan-Euro-Med cumulation. Therefore, products which have met the origin rules under full cumulation arrangements or include materials, components or parts which have been subject to drawback are not eligible for inclusion in Pan-Euro-Med cumulation.

Full implementation of the system of the Pan-Euro-Med cumulation is dependant on all countries within the Pan-Euro-Med zone having concluded Free Trade Agreements (FTAs) with each other which contain identical rules of origin.

As it will take some time for all countries in the zone to conclude the necessary FTAs, it has been necessary to provide for a system of what is called "Variable Geometry". This is a new concept but essentially means that diagonal cumulation can apply between three countries as soon as they have concluded (initialled) the necessary Free Trade Agreements (FTAs) with each other. They do not have to wait until there is a complete network of FTAs between all of the countries in the Pan-Euro-Med zone.

Under variable geometry Pan-Euro-Med cumulation can only be applied if the countries of final manufacture and of final destination have concluded Free Trade Agreements with all of the countries in the zone which have participated in the acquisition of originating status - ie with all of the countries which have supplied originating (in accordance with preferential rules of origin) materials, components or parts.

Materials originating in a country in the zone which has not yet concluded a Free Trade Agreement with the countries of final manufacture/final destination must be treated as non-originating.

A [MATRIX](#) has been published on the HM Revenue and Customs website showing which countries have concluded agreements with which other countries in the Pan-Euro-Med zone. (To access this matrix hold control and click on MATRIX link above and then follow the instructions.)

If you are an exporter, you will need to check the Matrix before you issue a Pan-Euro-Med proof of origin. If your product incorporates materials, components or parts originating in another country in the Pan-Euro-Med zone, you must ensure the country that provided the materials etc has concluded the necessary Free Trade Agreement (FTA) with the country in the zone to which the goods are being exported. If the necessary agreement is not in place you cannot

export the goods under the Pan-Euro-Med cumulation arrangements or under cover of a EUR-MED proof of origin.

A new EUR-MED Certificate has been produced as the basic proof of origin under the new arrangements. There is also a new EUR-MED Invoice Declaration.

Customs Notice 827 provides detailed information about the system of Pan-Euro-Med Cumulation of Origin – it can be found on the HM Revenue and Customs Website.

[European Community Preferences: Export Procedures](#)

The European Commission has also published a Pan-Euro-Med User Manual for importers and exporters on its website at:

[http://ec.europa.eu/taxation\\_customs/resources/documents/handbook\\_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/handbook_en.pdf)

**c) Preferential arrangement which are moving towards, but are not yet reciprocal**

- Syria, Bosnia-Herzegovina, Montenegro, ACP

**d) Current Autonomous non-reciprocal arrangements**

- Bosnia-Herzegovina, Kosovo, Serbia, Montenegro, Moldova
- Many developing countries, under the generalised system of tariff preferences (GSP); see Appendix 2
- The African, Caribbean and Pacific (ACP) States; see Appendix 3
- Overseas countries and territories (OCTs) of EC member states; see Appendix 4

## APPENDIX 2

### Developing Countries and Territories Enjoying Generalised Tariff Preferences (GSP)

|                      |                     |                       |                        |
|----------------------|---------------------|-----------------------|------------------------|
| Afghanistan          | Of Congo            | Maldives              | Principe               |
| Algeria              | Djibouti            | Mali                  | Saudi Arabia           |
| American Samoa       | Dominica            | Marshall Islands      | Senegal                |
| Angola               | Dominican Republic  | Mauritania            | Seychelles             |
| Anguilla             | Ecuador             | Mauritius             | Sierra Leone           |
| Antartica            | Egypt               | Mayotte               | Solomon Islands        |
| Antigua and Barbuda  | El Salvador         | Mexico                | Somalia                |
| Argentina            | Equatorial Guinea   | Micronesia            | South Africa           |
| Armenia              | Eritrea             | (Federated States of) | South Georgia and      |
| Aruba                | Ethiopia            | Moldova               | South Sandwich         |
| Azerbaijan           | Falkland Islands    | Mongolia              | Islands                |
| Bahamas              | Fiji                | Montserrat            | Sri Lanka              |
| Bahrain              | French Polynesia    | Morocco               | Sudan                  |
| Bangladesh           | French Southern and | Mozambique            | Suriname               |
| Barbados             | Antartic Lands      | Myanmar               | Swaziland              |
| Belarus              | Gabon               | Namibia               | Syria                  |
| Belize               | Gambia              | Nauru                 | Tajikistan             |
| Benin                | Georgia             | Nepal                 | Tanzania               |
| Bermuda              | Ghana               | Netherlands Antilles  | Thailand               |
| Bhutan               | Gibraltar           | New Caledonia         | Timor (East)           |
| Bolivia              | Greenland           | Nicaragua             | Togo                   |
| Botswana             | Grenada             | Niger                 | Tokelau Islands        |
| Bouvet Islands       | Guam                | Nigeria               | Tonga                  |
| Brazil               | Guatemala           | Niue                  | Trinidad and Tobago    |
| British Antarctic    | Guinea              | Norfolk Islands       | Tunisia                |
| Territory            | Guinea-Bissau       | Northern Mariana      | Turkmenistan           |
| British Indian Ocean | Guyana              | Islands               | Turks and Caicos       |
| Territory            | Haiti               | Oman                  | Islands                |
| Brunei Darussalam    | Heard and           | Pakistan              | Tuvalu                 |
| Burkina Faso         | McDonald Islands    | Palau                 | Uganda                 |
| Burundi              | Honduras            | Panama                | Ukraine                |
| Cambodia             | India               | Papua New Guinea      | United Arab Emirates   |
| Cameroon             | Indonesia           | Paraguay              | United States Minor    |
| Cape Verde           | Iran                | Peru                  | Outlying Islands       |
| Cayman Islands       | Iraq                | Philippines           | Uruguay                |
| Central African      | Jamaica             | Pitcairn Island       | Uzbekistan             |
| Republic             | Jordan              | Qatar                 | Vanuatu                |
| Chad                 | Kazakhstan          | Russian Federation    | Venezuela              |
| Chile                | Kenya               | Rwanda                | Vietnam                |
| China                | Kiribati            | Santa Helena -        | Virgin Islands         |
| Christmas Islands    | Kuwait              | (including Ascension  | (British)              |
| Cocos (Keeling)      | Kyrgyzstan          | Islands and Tristan   | Virgin Islands (United |
| Islands,             | Laos                | de Cunha)             | States)                |
| Colombia             | Lebanon             | St Kitts and Nevis    | Wallis and Futuna      |
| Comoros              | Lesotho             | St Lucia              | Islands                |
| Congo                | Liberia             | St Pierre and         | Yemen                  |
| Cook Islands         | Libya               | Miquelon              | Zambia                 |
| Costa Rica           | Macao               | St Vincent and        | Zimbabwe               |
| Côte d'Ivoire        | Madagascar          | Grenadines            |                        |
| Cuba                 | Malawi              | Samoa                 |                        |
| Democratic Republic  | Malaysia            | São Tomé and          |                        |

### APPENDIX 3

#### African, Caribbean and Pacific (ACP) Countries and States

|                                  |                       |
|----------------------------------|-----------------------|
| Angola                           | São Tomé and Príncipe |
| Antigua and Barbuda              | Senegal               |
| Bahamas                          | Seychelles            |
| Barbados                         | Sierra Leone          |
| Belize                           | Solomon Islands       |
| Benin                            | Somalia               |
| Botswana                         | South Africa          |
| Burkina Faso                     | Sudan                 |
| Burundi                          | Suriname              |
| Cameroon                         | Swaziland             |
| Cape Verde                       | Tanzania              |
| Central African Republic         | Togo                  |
| Chad                             | Tonga                 |
| Comoros                          | Trinidad and Tobago   |
| Congo                            | Tuvalu                |
| Cook Islands                     | Uganda                |
| Côte d'Ivoire                    | Vanuatu               |
| Democratic Republic of Congo     | Zambia                |
| Djibouti                         | Zimbabwe              |
| Dominica                         |                       |
| Dominican Republic               |                       |
| Equatorial Guinea                |                       |
| Eritrea                          |                       |
| Ethiopia                         |                       |
| Fiji                             |                       |
| Gabon                            |                       |
| Gambia                           |                       |
| Ghana                            |                       |
| Grenada                          |                       |
| Guinea                           |                       |
| Guinea-Bissau                    |                       |
| Guyana                           |                       |
| Haiti                            |                       |
| Jamaica                          |                       |
| Kenya                            |                       |
| Kiribati                         |                       |
| Lesotho                          |                       |
| Liberia                          |                       |
| Madagascar                       |                       |
| Malawi                           |                       |
| Mali                             |                       |
| Marshall Islands                 |                       |
| Mauritania                       |                       |
| Mauritius                        |                       |
| Micronesia (Federated States of) |                       |
| Mozambique                       |                       |
| Namibia                          |                       |
| Nauru                            |                       |
| Niger                            |                       |
| Nigeria                          |                       |
| Niue                             |                       |
| Palau                            |                       |
| Papua New Guinea                 |                       |
| Rwanda                           |                       |
| Saint Kitts and Nevis            |                       |
| Saint Lucia                      |                       |
| Saint Vincent and the Grenadines |                       |
| Samoa                            |                       |

## APPENDIX 4

### Overseas Countries and Territories (OCTs) of EC Member States

(This list does not prejudice the status of these countries and territories, or future changes in their status)

1. Country having special relations with the Kingdom of Denmark:
  - Greenland
  
2. Overseas territories of the French Republic:
  - New Caledonia and Dependencies
  - French Polynesia
  - French Southern and Antarctic Territories
  - Wallis and Futuna Islands
  
3. Territorial collectives of the French Republic:
  - Mayotte
  - St Pierre and Miquelon
  
4. Overseas countries of the Kingdom of the Netherlands:
  - Aruba,
  - The Netherlands Antilles,
  - Bonaire,
  - Curaçao,
  - Saba,
  - St Eustatius,
  - St Martin
  
5. British overseas countries and territories:
  - Anguilla
  - Cayman Islands
  - Falkland Islands
  - South Georgia and South Sandwich Islands
  - Montserrat
  - Pitcairn
  - St Helena, Ascension Island, Tristan da Cunha
  - British Antarctic Territory
  - British Indian Ocean Territory
  - Turks and Caicos Islands
  - British Virgin Islands