Department
for Environment
Food & Rural Affairs

RULES OF ORIGIN (RoO) IN THE UK-EU TRADE AND COOPERATION AGREEMENT

Sector Guidance

These guidance documents are of an explanatory and illustrative nature. Legislation takes precedence over the content of these documents and should always be consulted.

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Meat (Chapters 2 and 16)

Key Messages

Essentially, for meat and processed meat, only meat from a slaughtered animal born and reared in the UK or EU (if further processed) can meet the Rules of Origin.

Introduction

In order to access preferential tariff treatment (no tariff applied) in the Trade and Cooperation Agreement, all products must comply with the Rules of Origin. Failure to meet the Rules of Origin and provide the supporting proof will mean UK or EU MFN tariffs will be applied when trading between the UK and EU. For meat, these tariffs will be high.

Rules for Meat and Processed Meat (Chapters 2 and 16 of the Harmonised System)

To understand if your product meets the Rules of Origin, you need to know the relevant **Product-Specific Rule**. The UK and EU have agreed the following **Product-Specific Rules**.

For **meat (Chapter 2)**:

Production in which all the materials of Chapters 1 and 2 used are **wholly obtained**.

Wholly obtained = Meat from a slaughtered animal born and raised (reared) in the UK.

For **processed meat (Chapter 16)**:

Production in which all the materials of Chapters 1, 2, 3 and 16 used are **wholly obtained**.

Wholly obtained = Meat from a slaughtered animal born and raised (reared) in the UK.

Bilateral cumulation can be used to make meeting the **Product-Specific Rule** easier.

UK producers can use EU-originating ingredients (meat from a slaughtered animal born and reared in the EU) in their final product (and vice versa) and that final product can be considered originating. This is known as **'bilateral cumulation**'.

If you are using EU-originating ingredients in your product, they must be further processed, and this processing must go beyond **insufficient production** for **bilateral cumulation** to apply. If you only perform a single, or combination of, the below processes on the EU ingredients, your final product cannot be considered UK-originating as the below processes are known as **insufficient production**. Only UK-originating products can be exported to the EU tariff-free.

The relevant parts of **insufficient production** for meat and processed meat are:

- 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;
- **simple** grinding or simple cutting;
- **simple** placing in cans, boxes, and all other simple packaging operations;
- affixing or printing marks, labels, logos or other like distinguishing signs on products or their packaging.

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

Tolerance can also be used to help meet a **Product-Specific Rule**. It allows manufacturers to use non-originating ingredients (not from the UK (or EU through **bilateral cumulation**)), which the rule restricts, if they do not exceed 15% of the weight of ingredients used to make the product. Tolerance can only be used on an ingredient within a new product e.g. chicken within a chicken pie.

What Do These Rules Mean for UK Meat and Processed Meat Products?

For **meat (Chapter 2)**:

Meat being exported to the EU must be processed in the UK from meat from a slaughtered animal born and reared in the UK (or EU with **bilateral cumulation**). The addition of non-originating ingredients classified under Chapters 1 or 2, e.g. the use of lamb from New Zealand, would mean that the product would not make the Rules of Origin and would be liable for EU MFN tariffs. **Tolerance** cannot be applied to wholly obtained products where those wholly obtained products are not an ingredient in another product. Tolerance could therefore not apply to unprocessed meat.

For **processed meat (Chapter 16)**:

Processed meat exported to the EU must be processed in the UK from a slaughtered animal born and reared in the UK (or EU with **bilateral cumulation**). The addition of non-originating ingredients classified under Chapters 1, 2 or 16, e.g. the use of chicken from Thailand, would mean that the product would not make the Rules of Origin and would be liable for EU MFN tariffs. However, imported ingredients such as starch, oil, salt, yeast extract, flour, spices etc. can be used in the final product. **Tolerance** can be applied if the non-originating meat is an ingredient in another product e.g. chicken within a chicken curry ready meal.

Case Study Examples

Meat (Chapter 2):

1. A UK born and reared lamb is slaughtered and then processed into a lamb chop and packaged in the UK. This lamb chop would be considered UK **wholly obtained** and so meets the Rules of Origin. The lamb chop is UK-originating and can be exported to the EU tariff-free.

2. EU born, reared and slaughtered pig carcasses are imported to the UK. In the UK, the pig carcass is cut into pork chops, packaged and re-exported to the EU. The cutting of the carcass into a pork chop is a skilled process and therefore beyond **insufficient production**. **Bilateral cumulation** can therefore apply and the pork chop is UK-originating. As such, it can be exported to the EU tariff-free.

3. Pig meat is imported from the EU into the UK. The pig meat was produced in the EU from an EU-born, reared and slaughtered pig. In the UK, the pig meat is cured to produce bacon before re-export to the EU. Curing gives the meat a new and distinct flavour and is not just a process solely to preserve the product in good condition, as such the processing goes beyond **insufficient production**. **Bilateral cumulation** can therefore apply and the bacon is UK-originating. The product can be exported to the EU tariff-free.

Processed meat (Chapter 16):

1. Chicken meat from Brazil is imported to the UK. In the UK, the chicken meat is processed into chicken nuggets, packaged and re-exported. The **Product-Specific Rule** for meat, including processed meat, is **wholly obtained**. As such, meat from outside the UK and EU cannot be used. Even though there is processing in the UK, the chicken nuggets cannot be UK-originating when exported to the EU, unless **tolerance** is applied. If the use of Brazilian chicken exceeded 15% of the weight of ingredients used to make the product, then the packet of chicken nuggets would not be UK-originating, as **tolerance** could not apply. As such, an EU MFN tariff will apply if the chicken nugget is exported to the EU.

2. Beef from Canada is imported into the UK. The beef is then processed into a beef and ale pie. Even though both the UK and EU have an FTA with Canada, the beef is still considered non-originating. This means it would not meet the Rules of Origin unless **tolerance** could be applied. If the use of Canadian beef exceeded 15% of the weight of ingredients used to make the product, then the pie would not be UK-originating, as **tolerance** could not apply. As such, an EU MFN tariff is applied on export to the EU.

3. Ground pork is imported into the UK from the EU. The pork is processed in the EU from a pig born and raised in the EU. In the UK, the pork is processed into a sausage roll, packaged and re-exported. The **Product-Specific Rule** is **wholly obtained** for the meat but through **bilateral cumulation**, EU-originating ingredients can be considered UK-originating as long as there is processing on the EU ingredients and this processing goes beyond **insufficient production**. Processing of ground pork into a sausage roll goes beyond **insufficient production** so **bilateral cumulation** can apply. Ingredients for the crust do not need to be wholly obtained so can be imported and still meet the **Product-Specific Rule**. As such, the sausage roll is UK-originating and can be exported to the EU tariff-free.

Fish and Processed Fish (Chapters 3 and 16)

Key Messages

Essentially, to meet Rules of Origin for most fish and processed fish products, only fish caught in UK territorial waters or by a UK vessel outside of territorial waters may be used, or EU fish meeting the same criteria (if further processed). However, for some processed fish products, most notably from 1604.19, imported fish may be used.

Introduction

In order to access preferential tariff treatment (no tariff applied) in the Trade and Cooperation Agreement, all products must comply with the Rules of Origin. Failure to meet the Rules of Origin and provide the supporting proof will mean UK or EU MFN tariffs will be applied when trading between the UK and EU. For fish and processed fish, these tariffs can be high.

Rules for Fish and Processed Fish (Chapter 3 and 16 of the Harmonised System)

To understand if your product meets the Rules of Origin, you need to know the relevant **Product-Specific Rule**. The UK and EU have agreed the following **Product-Specific Rules**.

For **fish (Chapter 3)**:

Production in which all the materials of Chapters 3 used are **wholly obtained**.

Wholly obtained = Fish caught in the UK, UK territorial waters or by a UK vessel outside of territorial waters.

For **processed fish (Chapter 16)**:

Chapter 16	**Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates**
1603.00-1604.18	Production in which all the materials of Chapters 1, 2, 3 and 16 used are wholly obtained[1].
1604.19	Chapter Change (imported ingrediants from a different chapter can be used)
1604.20	
- Preparations of surimi:	Chapter Change

[1] Prepared or preserved tunas, skipjack and Atlantic bonito, whole or in pieces (excl. minced) classified in subheading 160414 may qualify as originating under alternative more relaxed product-specific rules of origin within annual quotas.

- *Others:*	Production in which all the materials of Chapters 3 and 16 used are wholly obtained[2].
1604.31-1605.69	Production in which all the materials of Chapters 3 and 16 used are wholly obtained.

Bilateral Cumulation can be used to make meeting the **Product-Specific Rule** easier.

UK producers can use EU-originating ingredients in their final product (and vice versa) and that final product can be considered originating. This is known as '**bilateral cumulation**'.

If you are using EU-originating ingredients in your product, they must be further processed, and this processing must go beyond **insufficient production** for **bilateral cumulation** to apply. If you only perform a single, or combination of, the below processes on the EU ingredients, your final product cannot be considered UK-originating as the below processes are known as **insufficient production**. Only UK-originating products can be exported to the EU tariff-free.

The relevant parts of **insufficient production** for fish and processed fish are:

- 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;
- **simple** cutting;
- **simple** placing in cans, bags, cases, boxes and all other simple packaging operations;
- affixing or printing marks, labels, logos or other like distinguishing signs on products or their packaging;
- **simple** mixing of products, whether or not of different kinds.

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

Tolerance can also be used to help meet a **Product-Specific Rule**. It allows manufacturers to use non-originating ingredients (not from the UK (or EU through **bilateral cumulation**)), which the rule restricts, if they do not exceed 10% of the value of ingredients used to make the product. Tolerance can only be used on an ingredient within a new product e.g. fish within a fish pie.

What Do These Rules Mean for UK Fish and Processed Fish Products?

For **fish (Chapter 3)**:

Fish farmed in the UK is **wholly obtained** even if farmed from imported seed stock. For example, parrs and smolts can be imported, farmed in the UK and be considered UK-originating.

[2] Prepared or preserved tunas, skipjack or other fish of genus Euthynnus (excl. whole or in pieces) classified in subheading 160420 may qualify as originating under alternative more relaxed product-specific rules of origin within annual quotas.

Fish caught in the UK or the UK's territorial waters will be considered **wholly obtained**.

Fish caught beyond territorial waters will need to meet vessel requirements. For fish to be considered **wholly obtained**, the vessel will need to be registered in the UK, fly the UK flag, and either be at least 50% owned by a UK national, OR be owned by a company that has its headquarters in the UK with at least a 50% UK ownership.

EU wholly obtained fish can also be used if processing on that product goes beyond **insufficient production** to allow for **bilateral cumulation**.

For **processed fish (Chapter 16)**:

Most fish used in processed fish products will need to meet the above requirements (UK or EU **wholly obtained** (through bilateral cumulation)) to be considered originating.

The use of non-originating materials classified in other chapters e.g. breadcrumbs, batter, olive oils etc. is permitted.

There are some exceptions to this 'wholly obtained' rule:

- For a good classified in 1604.19 the rule is **Chapter Change**. This means that non-originating fish (not from the UK or EU) from Chapter 3 can be used in your final product.
- For preparations of surimi (classified in 160420.05) the rule is **Chapter Change**. This means that non-originating fish (not from the UK or EU) from Chapter 3 can be used in your final product.

For some goods in the Chapter, **origin quotas** apply. For these goods a more liberal Product-Specific Rule (Chapter Change) applies to a certain volume of products traded between the UK and EU. This applies to:

- Prepared or preserved tunas, skipjack and Atlantic bonito, whole or in pieces (excl. minced) classified in subheading 1604.14
- Prepared or preserved tunas, skipjack or other fish of genus Euthynnus (excl. whole or in pieces) classified in subheading 1604.20.

The importing party will manage the origin quotas on a first come, first served basis.

Case Study Examples

1. Salmon caught in EU EEZ by an EU vessel meeting the **wholly obtained** requirements is landed in the EU and then imported to the UK. In the UK, the fish is smoked before re-export to the EU. In this instance, **bilateral cumulation** can apply. 'Smoking' goes beyond **insufficient production** and the final product would be UK-originating and eligible for preferential or zero tariff treatment.

2. For a good classified in **1604.19** the rule is **Chapter Change**. Whitefish from Chapter 3 is imported from Norway into the UK. In the UK, it is processed into a fish finger classified under **16014.19**. The **Chapter Change** rule has been met as there is processing of the fish from Chapter 3 to Chapter 16. The fish finger is UK-originating and eligible for preferential or zero tariff treatment.

3. Salmon from Norway is imported into the UK. In the UK, the salmon is smoked and then exported to the EU. The **Product-Specific Rule** for smoked salmon is **wholly**

obtained. Therefore, the use of fish from Norway does not meet the Product-Specific Rule and cannot be considered UK-originating. When exported to the EU, an EU MFN tariff will apply.

4. White fish is imported from Norway into Denmark. In Denmark, there is light processing, such as packaging, before being imported into the UK. The processing in Denmark does not meet the **Product-Specific Rule**, so the fish does not gain EU-originating status. As it has been imported into the EU's custom territory and enters free circulation in the EU, it does not qualify for preferential access to the UK under the UK's agreement with Norway, and so would face a UK MFN tariff on import to the UK. In order to prevent a UK MFN tariff being applied, the fish would have to apply the Direct Transport provision in the UK/Norway FTA which would require the fish to remain under customs control in the EU and only have operations such as preservation or splitting undertaken on them before import into the UK from the EU.

Dairy, Eggs and Honey (Chapter 4)

Key Messages

Essentially, only dairy, eggs and honey sourced from animals (reared) in the UK or EU (if further processed) can meet the Rules of Origin.

Introduction

In order to access preferential tariff treatment (no tariff applied) in the Trade and Cooperation Agreement, all products must comply with the Rules of Origin. Failure to meet the Rules of Origin and provide the supporting proof will mean UK or EU MFN tariffs will be applied when trading between the UK and EU. For dairy, these tariffs can be high.

Rules for Dairy, Eggs and Honey (Chapter 4 of the Harmonised System)

To understand if your product meets the Rules of Origin, you need to know the relevant **Product-Specific Rule.** The UK and EU have agreed the following **Product-Specific Rules** for **dairy, eggs and honey**:

Production in which:

- all the materials of Chapter 4 used are wholly obtained; and
- the total weight of non-originating materials of headings 17.01 and 17.02 does not exceed 20% of the weight of the product.

Wholly obtained = Dairy, eggs and honey from an animal raised (reared) in the UK.

Bilateral cumulation can be used to make meeting the **Product-Specific Rule** easier.

UK producers can use EU-originating ingredients (e.g. dairy from an animal reared in the EU) in their final product (and vice versa) and that final product can be considered originating. This is known as **'bilateral cumulation**'.

If you are using EU-originating ingredients in your product, they must be further processed, and this processing must go beyond **insufficient production** for **bilateral cumulation** to apply. If you only perform a single, or combination of, the below processes on the EU ingredients, your final product cannot be considered UK-originating as the below processes are known as **insufficient production**. Only UK-originating products can be exported to the EU tariff-free.

The relevant parts of **insufficient production** for dairy, eggs and honey are:

- **simple** placing in bottles, cans, bags, cases, boxes and all other simple packaging operations;
- affixing or printing marks, labels, logos or 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.
- 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; *(Preserving operations such as chilling, freezing or ventilating are considered insufficient within the meaning of point (a), whereas operations such as pickling, drying or smoking that are intended to give a product special or different characteristics are not considered insufficient.)*

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

Tolerance can also be used to help meet a **Product-Specific Rule**. It allows manufacturers to use non-originating ingredients (not from the UK (or EU through **bilateral cumulation**)), which the rule restricts, if they do not exceed 15% of the weight of ingredients used to make the product. Tolerance can only be used on an ingredient within a new product e.g. milk into cheese. Tolerance cannot apply to materials already restricted by weight or value in the PSR e.g. sugar.

What Does This Rule Mean for UK Dairy, Egg and Honey Products?

All ingredients classified in Chapter 4, e.g. milk, used in your product exported to the EU must come from animals reared in the UK or EU (with **bilateral cumulation**). The addition of non-originating ingredients from Chapter 4, e.g. milk from Switzerland, would mean that the product would not meet the Rules of Origin and would be liable for EU MFN tariffs. Although, **tolerance** may be used for more processed products like cheese to allow some non-originating milk to be used.

The use of non-originating sugar (not grown in the UK or EU) classified in 17.01 and 17.02 is limited to 20% of the net weight of your final product (weight of final product minus packaging). If you exceed this threshold your product would be considered not to have met the Rules of Origin and would be liable for EU MFN tariffs.

Accounting segregation can be used to manage the sugar threshold. This would be through the application of a stock management system. 'Originating' (grown in the UK or EU) and 'non-originating' (not grown in the UK or EU) sugar is fungible (of the same kind and commercial quality, with the same characteristics) and as such can be stored together, and the volumes used in the production of a final product managed through accounting methods. It would not be necessary to prove that each single product was within the threshold limits. Advice on using accounting segregation can be sought from your customs authority.

The use of any non-originating (not from the UK or EU through **bilateral cumulation**) ingredients not classified in Chapter 4 or 17.01/17.02 is allowed. Imported fruit, rennet, salt etc. from anywhere can therefore be used in your final product and meet the Rules of Origin.

Case Study Examples

1. Milk is obtained from a cow born and reared in the UK. This milk is then pasteurised and processed into cheese in the UK and exported to the EU. The Rules of Origin have been met for the cheese as only UK **wholly obtained** dairy ingredients have been used. As such, the cheese can be exported to the EU tariff-free.

2. Milk is imported from the EU into the UK. The milk comes from a cow born and reared in the EU. The milk is processed into cream in the UK and then exported to the EU. The Rules of Origin have been met as **bilateral cumulation** allows the use of EU milk if there has been further processing. In this case, there is further processing as milk is processed into cream. That processing goes beyond **insufficient production**. The cream is UK-originating and can be exported to the EU tariff-free.

3. Yoghurt is imported from the EU into the UK. The yoghurt has been processed in the EU using milk from a cow born and raised in the EU. The yoghurt is sent to the UK already in its pot. The yoghurt pots are labelled in the UK before export to the EU. The Rules of Origin have not been met as '**bilateral cumulation**' only allows the use

of EU yoghurt if there has been further processing and this processing goes beyond **insufficient production**. In this case the further processing has not gone beyond insufficient as 'labelling' on its own is an insufficient production. This product would be liable for the EU MFN tariff if exported to the EU.

4. Cheese is imported from the EU into the UK. The cheese has been processed in the EU using milk from a cow born and reared in the EU. The cheese is sent to the UK as a large block of cheese. In the UK, it is grated into a consumer product. This cheese is then exported to the EU. The grating of the EU-originating cheese needs to go beyond **insufficient production** to allow for **bilateral cumulation** to apply. This cutting needs to go beyond 'simple'. Processing shall be considered 'simple' if neither special skills nor machines, apparatus or equipment especially produced or installed are needed for carrying out those operations. For further clarity, speak to the relevant customs authority (the customs authority where you are importing the cheese), as a decision to grant preference will ultimately be at the discretion of that authority.

Vegetables, Fruit and Nuts (Chapters 7, 8 and 20)

Key Messages

Essentially, Rules of Origin require vegetables (Chapter 7) or fruit (Chapter 8) to be grown and harvested in the UK (or the EU through bilateral cumulation). Preparations of fruit and vegetables (Chapter 20) can use non-originating (not from the UK or EU) fruit and vegetables, except for processed tomatoes or mushrooms where the tomatoes or mushrooms used must be grown in the UK (or EU through bilateral cumulation).

Introduction

In order to access preferential tariff treatment (no tariff applied) in the Trade and Cooperation Agreement, all products must comply with the Rules of Origin. Failure to meet the Rules of Origin and provide the supporting proof will mean UK or EU MFN tariffs will be applied when trading between the UK and EU. For vegetables and fruit, these tariffs can be high.

Rules for Vegetables, Fruit and Nuts and Preparations of Vegetables, Fruit and Nuts (Chapters 7, 8 and 20 of the Harmonised System)

To understand if your product meets the Rules of Origin, you need to know the relevant **Product-Specific Rule**. The UK and EU have agreed the following **Product-Specific Rules**.

For **vegetables (Chapter 7)**:

Production in which all the materials of Chapter 7 used are **wholly obtained**.

Wholly obtained = Vegetable products grown and harvested in the UK.

For **fruit and nuts (Chapter 8)**:

Production in which:

- all the materials of Chapter 8 used are **wholly obtained**, and
- the total weight of non-originating materials of headings 17.01 and 17.02 does not exceed 20% of the weight of the product.

Wholly obtained = Fruit and nut products grown and harvested in the UK.

For **preparations of vegetables, fruit and nuts (Chapter 20)**:

2001: CTH

20.02-20.03: Production in which all the materials of Chapter 7 used are **wholly obtained**.

20.04-20.09: CTH, provided that the total weight of non-originating materials of headings 17.01 and 17.02 used does not exceed 40% of the weight of the product.

Bilateral Cumulation can be used to make meeting the **Product-Specific Rule** easier.

UK producers can use EU-originating ingredients (vegetables, fruit and nuts grown and harvested in the EU) in their final product (and vice versa) and that final product can be considered originating. This is known as '**bilateral cumulation**'.

If you are using EU-originating ingredients in your product, they must be further processed, and this processing must go beyond **insufficient production** for **bilateral cumulation** to apply. If you only perform a single, or combination of, the below processes on the EU ingredients, your final product cannot be considered UK-originating as the below processes are known as **insufficient production**. Only UK-originating products can be exported to the EU tariff-free.

The relevant parts of **insufficient production** for vegetable, fruit and nut products are:

- 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;
- peeling, stoning and shelling, of fruits, nuts and vegetables;
- **simple** cutting;
- **simple** placing in cans, bags, cases, boxes and all other simple packaging operations;
- affixing or printing marks, labels, logos or 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.

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

Tolerance can also be used to help meet a **Product-Specific Rule**. It allows manufacturers to use non-originating ingredients (not from the UK (or EU through **bilateral cumulation**)), which the rule restricts, if they do not exceed 15% of the weight of ingredients used to make the product. Tolerance can only be used on an ingredient within a new product. e.g. tomatoes within tomato puree.

What Do These Rules Mean for UK Vegetable, Fruit and Nut Products?

For **vegetables, fruit and nuts (Chapter 7 and Chapter 8)**:

Vegetables, fruit and nuts being exported to the EU must be grown and harvested in the UK (or the EU with **bilateral cumulation**). The addition of non-originating ingredients classified under Chapters 7 and 8, e.g. the use of bananas from Ghana, would mean the product would not make the Rules of Origin and would be liable for EU MFN tariffs. **Tolerance** allows for a small proportion of non-originating ingredients (not from the UK (or EU through bilateral cumulation) if those ingredients are used as an ingredient into another product. Tolerance could therefore not apply to unprocessed vegetables, fruit and nuts.

For Chapter 8 exports, the use of non-originating sugar (sugar not grown in the UK (or the EU with **bilateral cumulation**)) classified under 17.01 and 17.02 is limited to 20% of the net weight of the final product. If you exceed this threshold your product would be considered not to have met the Rules of Origin and would be liable for tariffs. **Tolerance** cannot be applied to ingredients subject to weight or value restrictions. Tolerance could therefore not apply to sugar in this case.

For **preparations of vegetables, fruit and nuts (Chapter 20)**:

For Chapter 20 exports, non-originating ingredients from Chapters 7 and 8 can be prepared and used in your final product. The only exception to this is processed tomatoes and mushrooms classified in headings 20.02 and 20.03. For these products, the vegetable materials must be grown and harvested in the UK (or the EU with **bilateral cumulation**).

For products with added sugar (20.04 to 20.09) the use of non-originating sugar classified in 17.01 and 17.02 is limited to 40% of the net weight (weight of final product minus packaging) of your final product. If you exceed this threshold your product would be considered not to have met the Rules of Origin and would be liable for tariffs.

Tolerance can be applied if the non-originating good restricted by the rule is used as an ingredient in another product e.g. non-originating tomatoes in tomato puree. However,

tolerance cannot be applied to goods subject to weight or value restrictions e.g. sugar in glacé cherries.

Case Study Examples

1. Vegetables grown and harvested in the EU are imported into the UK. In the UK they are diced, mixed and packaged as a salad for re-export to the EU. The dicing (cutting), mixing and packaging needs to go beyond **insufficient production** to allow for **bilateral cumulation** to apply. This cutting, mixing and packaging needs to go beyond 'simple'. Processing shall be considered 'simple' if neither special skills nor machines, apparatus or equipment especially produced or installed are needed for carrying out those operations. For further clarity, speak to the relevant customs authority (the customs authority where you are importing the salad), as a decision to grant preference will ultimately be at the discretion of that authority.

2. Nuts are imported from Portugal into the UK. In the UK, they are shelled and coated with sugar before re-export to the EU. Shelling and mixing with sugar do not go beyond **insufficient production** and the final product would therefore not be eligible for preferential treatment, a zero tariff, when exported to the EU.

3. A UK business imports fruit into the EU from Chile. The fruit then enters the EU's customs territory, so it is in free circulation in the EU. This means when it is imported into the UK from the EU, a UK MFN tariff is applied as the fruit does not meet the Rules of Origin in the TCA. This is the agreement this fruit is now being traded under as the goods have entered free circulation in the EU. In order to prevent a UK MFN tariff being applied, the fruit would have to apply the Direct Transport provision in the UK/Chile FTA which would require the fruit to remain under customs control in the EU and only have operations such as preservation or splitting undertaken on them before import into the UK from the EU.

4. A UK business imports vegetables into the UK from Chile. The vegetable then enters the UK's customs territory, so it is in free circulation in the UK. This means when it is exported from the UK to the EU, an EU MFN tariff is applied as the vegetable does not meet the Rules of Origin in the TCA, which is the agreement this vegetable is now being traded under as the goods have entered free circulation in the UK. In order to prevent an EU MFN tariff being applied, the vegetables would have to apply the Direct Transport provision in the EU/Chile FTA which would require the fruit to remain under customs control in the UK and only have operations such as preservation or splitting undertaken on them before export to the EU from the UK.

Coffee and Tea (Chapters 9 and 21)

Key Messages

Essentially, for coffee and tea of Chapter 9, any imported material or ingredient can be used to make the product as long as they undergo further processing in the UK.

Rules of Origin for extracts, essences and concentrates of coffee and tea of Chapter 21, allow imported ingredients from a different chapter or heading to be used. However, all ingredients from Chapter 4 must from the UK or EU, and there is a threshold on non-originating (not grown in the UK or EU) sugar.

Introduction

In order to access preferential tariff treatment (no tariff applied) in the Trade and Cooperation Agreement, all products must comply with the Rules of Origin. Failure to meet the Rules of Origin and provide the supporting proof will mean UK or EU MFN tariffs will be applied when trading between the UK and EU. For some coffee and teas, these tariffs can be high.

Rules for Coffee and Tea (Chapter 9 and Chapter 21 of the Harmonised System)

To understand if your product meets the Rules of Origin, you need to know the relevant **Product-Specific Rule**. The UK and EU have agreed the following **Product-Specific Rules**.

For **coffee and tea (Chapter 9):**

Production from non-originating materials of any heading.

For **extracts, essences and concentrates of coffee and tea (21.01):**

CTH (change to heading), provided that:

- all the materials of Chapter 4 used are wholly obtained; and

- the total weight of non-originating materials of headings 17.01 and 17.02 used does not exceed 20 % of the weight of the product.

Bilateral Cumulation can be used to make meeting the **Product-Specific Rule** easier.

UK producers can use EU-originating ingredients in their final product (and vice versa) and that final product can be considered originating. This is known as **'bilateral cumulation'**.

If you are using EU-originating ingredients in your product, they must be further processed, and this processing must go beyond **insufficient production** for **bilateral cumulation** to apply. If you only perform a single, or combination of, the insufficient processes (mentioned below) on the EU ingredients, your final product cannot be considered UK-originating. Only UK-originating products can be exported to the EU tariff-free.

Tolerance can also be used to help meet a **Product-Specific Rule**. It allows manufacturers to use non-originating ingredients (not from the UK (or EU through **bilateral cumulation**)), which the rule restricts, if they do not exceed 15% of the weight of ingredients used to make the product. Tolerance can only be used on an ingredient within a new product e.g. dairy within an instant coffee product.

What Do These Rules Mean for UK Coffee and Tea Products?

For coffee and tea of **Chapter 9** exported to the EU, non-originating (non-UK) ingredients that come from any heading in the Harmonised System, including that of the product itself, can be imported and used in the final product and the Rule of Origin can be met.

However, these imported materials or ingredients must be further processed in the UK and this processing must go beyond **insufficient production**. If you only perform a single, or combination of, the below processes on the non-originating ingredients, your final product cannot be considered UK-originating as the below processes are known as **insufficient production**. Only UK-originating products can be exported to the EU tariff-free.

The relevant parts of **insufficient production** for coffee, tea and spices are:

- preserving operations such as drying, freezing, and other similar operations where their sole purpose is to ensure that the products remain in good condition during transport and storage;
- **simple** grinding or simple cutting;
- **simple** placing in bottles, cans, bags, cases, boxes and all other simple packaging operations;
- affixing or printing marks, labels, logos or other like distinguishing signs on products or their packaging;
- **simple** mixing of products, whether or not of different kinds.

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

Therefore, processing such as roasting of coffee and blending of tea would confer UK origin for products of **Chapter 9**.

For extracts, essences and concentrates of coffee and tea of **Chapter 21,** non-originating ingredients used in the product must come from a different heading. For example, this means that imported coffee or tea of Chapter 9 can be used as the ingredients fall within a different chapter. On top of that, all the ingredients of Chapter 4 (dairy, eggs and honey) used must be from an animal raised in the UK or EU, and the total weight of non-originating sugar classified in 17.01 and 17.02 used must not exceed 20% of the net weight of the product (weight of final product minus packaging).

Case Study Examples

1. Coffee beans are imported from Brazil into the UK. In the UK they are roasted and exported to the EU. The **Product-Specific Rule** is fulfilled as roasting goes beyond **insufficient production**. The final good would therefore be eligible for preferential treatment and can be exported to the EU tariff-free.

2. Tea leaves are imported from India, Sri Lanka and Kenya into the UK. The tea leaves are blended and packaged into tea bags in the UK and exported to the EU. The **Product-Specific Rule** is fulfilled as blending goes beyond **insufficient production** as skill is needed to blend to taste. The final good would therefore be eligible for preferential treatment and can be exported to the EU tariff-free.

3. Coffee beans of 09.01 are imported from Brazil into the UK. In the UK they are crushed, mixed with water and ethanol and distilled to produce coffee extract. As there has been a change in heading from 09.01 to 21.01 the product meets the **Product-Specific Rule** and could be exported to the EU under preference. The other

parts of the rule are not relevant as no dairy, eggs, honey or sugar have been used to make the product.

4. Instant coffee is imported directly from Ecuador, Chile and Venezuela into the UK. In the UK the instant coffee is blended together and then packaged for export to the EU. The **Product-Specific Rule** is not fulfilled as the instant coffee is imported under 21.01, it is then exported as a 21.01 product which means the necessary change to heading does not take place. As such, the instant coffee would face an EU MFN tariff upon export to the EU.

Spices (Chapter 9)

Key Messages

Essentially, to meet the Rules of Origin for spices of Chapter 9, any imported material or ingredient can be used to make the product as long as it undergoes further processing in the UK.

Introduction

In order to access preferential tariff treatment (no tariff applied) in the Trade and Cooperation Agreement, all products must comply with the Rules of Origin. Failure to meet the Rules of Origin and provide the supporting proof will mean UK or EU MFN tariffs will be applied when trading between the UK and EU. For some spices, these tariffs can be high.

Rules for Spices (Chapter 9 of the Harmonised System)

To understand if your product meets the Rules of Origin, you need to know the relevant **Product-Specific Rule**. The UK and EU have agreed the following **Product-Specific Rule** for **spices (Chapter 9)**:

Production from non-originating materials of any heading.

What Does This Rule Mean for UK Spice Products?

When exporting to the EU, non-originating (non-UK) ingredients that come from any heading in the Harmonised System, including that of the product, can be imported and used in the final product without it losing originating status or not meeting the Rules of Origin.

However, these imported materials must be further processed in the UK and this processing must go beyond **insufficient production**. If you only perform a single, or combination of, the below processes on the non-originating ingredients, your final product cannot be considered UK-originating as the below processes are known as **insufficient production**. Only UK-originating products can be exported to the EU tariff-free.

The relevant parts of **insufficient production** for spices are:

- preserving operations such as drying, freezing, and other similar operations where their sole purpose is to ensure that the products remain in good condition during transport and storage;
- **simple** grinding or simple cutting;
- **simple** placing in bottles, cans, bags, cases, boxes and all other simple packaging operations;
- affixing or printing marks, labels, logos or other like distinguishing signs on products or their packaging;
- **simple** mixing of products, whether or not of different kinds.

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

Case Study Examples

1. Black pepper is imported from Vietnam into the UK. In the UK it is processed into ground black pepper and exported to the EU. The **Product-Specific Rule** is fulfilled as grinding goes beyond **insufficient production**. The final good would therefore be eligible for preferential treatment and can be exported to the EU tariff-free.

2. Various ground spices and herbs such as cumin, chilli powder, garlic powder and turmeric are imported from various countries into the UK. In the UK they are mixed together by hand and exported as curry powder to the EU. The **Product-Specific Rule** has not been met as mixing without the use of 'machines, apparatus or equipment especially produced or installed for carrying out those operations' does not go beyond **insufficient production**. Mixing by hand is considered simple mixing. As such, an EU MFN tariff is applied on export to the EU.

Cereals and Cereal Products (Chapters 10, 11 and 19)

Key Messages

Essentially, for Rules of Origin, cereals need to be grown in the UK, and products of the milling industry need to be made from cereals grown in the UK or EU. Chapter 19 products, such as baked goods and pasta, can use imported ingredients but the use of dairy, eggs, honey, meat, fish, rice, starch and sugar that are not from the UK or EU is prohibited or restricted.

Introduction

To access preferential tariff treatment (no tariff applied) in the Trade and Cooperation Agreement, all products must comply with the Rules of Origin. Failure to meet the Rules of Origin and provide the supporting proof will mean UK or EU MFN tariffs will be applied when trading between the UK and EU. For cereals and cereal products, these tariffs are typically high.

Rules for Cereals and Cereal Products (Chapters 10, 11 & 19 of the Harmonised System)

To understand if your product meets the Rules of Origin, you need to know the relevant **Product-Specific Rule.** The UK and EU have agreed the following **Product-Specific Rules**.

For **cereals (Chapter 10)**:

Production in which all the materials of Chapter 10 used are wholly obtained.

Wholly obtained = Cereals grown or harvested in the UK.

For **products of the milling industry; malt; starches; inulin; wheat gluten (Chapter 11)**:

Production in which all materials of Chapters 10 and 11, headings 07.01, 07.14, 23.02 to 23.03 or subheading 0710.10 used are wholly obtained.

Wholly obtained = Produced from listed materials grown or harvested in the UK.

For **preparations of cereals, flour, starch or milk; pastrycooks' products (Chapter 19)**:

CTH (change to heading), provided that:

- the total weight of non-originating materials of Chapters 2, 3 and 16 used does not exceed 20% of the weight of the product;
- the total weight of non-originating materials of headings 10.06 and 11.08 used does not exceed 20% of the weight of the product; an
- all the materials of Chapter 4 used are wholly obtained; and
- the total weight of non-originating materials of headings 17.01 and 17.02 used does not exceed 40% of the weight of the product.

Bilateral cumulation can be used to make meeting the **Product-Specific Rules** easier.

UK producers can use EU-originating ingredients (e.g. cereals grown or harvested in the EU) in their final product (and vice versa) and that final product can be considered originating. This is known as **'bilateral cumulation**'.

If you are using EU-originating ingredients in your product, they must be further processed, and this processing must go beyond **insufficient production** for **bilateral cumulation** to apply. If you only perform a single, or combination of, the below processes on the EU

ingredients, your final product cannot be considered UK-originating as the below processes are known as **insufficient production**. Only UK-originating products can be exported to the EU tariff-free.

The relevant parts of **insufficient production** for cereals are:

- 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;
- **simple** grinding or simple cutting;
- **simple** placing in cans, boxes, and all other simple packaging operations;
- affixing or printing marks, labels, logos or other like distinguishing signs on products or their packaging.

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

Therefore, **bilateral cumulation** could not be used to polish EU rice, as the polishing of rice is **insufficient production**. However, it could, for example, be used to produce rice flour in Chapter 11 from EU rice.

Tolerance can also be used to help meet a **Product-Specific Rule**. It allows manufacturers to use non-originating ingredients (not from the UK (or EU through **bilateral cumulation**)), which the rule restricts, if they do not exceed 15% of the weight of ingredients used to make the product. Tolerance can only be used on an ingredient within a new product. For example:

- In Chapter 11, where the PSR requires wholly obtained cereals, tolerance would allow the use of 15% third-party wheat to produce flour.
- In Chapter 19, where the PSR requires wholly obtained diary for products, tolerance would allow the use of 15% non-originating dairy – even if this was all the dairy (Chapter 4 material) used in the product.

What Do These Rules Mean for UK Cereals and Cereal Products?

For **cereals (Chapter 10)**:

Cereals in Chapter 10, such as wheat, rye, barley, etc. exported to or imported from the EU must be grown in the UK to qualify for preference. The use of imported seedstock to grow cereals is allowed.

For **products of the milling industry; malt; starches; inulin; wheat gluten (Chapter 11)**:

Products of Chapter 11 must use UK cereals (or EU cereals through **bilateral cumulation).**

For **preparations of cereals, flour, starch or milk; pastrycooks' products (Chapter 19)**:

Materials used to produce products of Chapter 19, such as baked goods or pasta, can come from anywhere provided they are imported under another tariff heading in the HS system at the point of import. For example, a pizza (19.05) could use imported dough (19.01).

However, there are restrictions on the importation of specific ingredients within the HS system. All dairy, eggs and honey (Chapter 4) must be **wholly obtained**, which means they must be produced in the UK (or EU through **bilateral cumulation**). Inputs of meat and fish (Chapters 2, 3 and 16) that are non-originating (not produced in the UK (or EU through

bilateral cumulation) are restricted to 20% of the net weight of the final product. Inputs of rice and starch that are not produced in the UK (or EU through **bilateral cumulation**) are restricted to 20% of the net weight of the final product. Inputs of sugar and syrups (17.01 & 17.02) not made from sugar grown in the UK (or EU through **bilateral cumulation**) are limited to 20% of the net weight of the final product.

Restrictions on non-originating materials in the production of products in Chapter 19 apply only to the importation of the headings listed. For example, where non-originating starch of 11.08 is limited to 20% of the weight of the product, the importation of wheat (10.01) used to make starch to use in the final product is not limited.

Case Study Examples

1. Brown Rice (10.06) is imported from Pakistan to the UK. In the UK, it is milled and turned into white rice (10.06). This would not meet the Rule of Origin as the rice must be grown in the UK or EU. Using the same example, if the brown rice was imported from the EU, the Rule of Origin could not be met using the **bilateral cumulation** provision as the milling of rice is considered **insufficient production**.

2. The UK and the EU both have a trade agreement with Ukraine. Malt (11.07) is made in the UK from barley (10.03) imported from Ukraine. It is exported from the UK to the EU. The malt cannot be exported under preference as it is not made from UK or EU grain.

3. A chocolate-covered biscuit (19.05) is made in the UK for export to the EU using the following ingredients, all of which have some element of imported content:

40% weight	Flour (imported from Turkey)	(11.01)
30% weight	Sugar (imported from Belize, refined in the UK)	(17.01)
25% weight	Butter (domestically produced from UK milk)	(04.05)
5% weight	Chocolate (imported from Belgium)	(18.06)

The ‘CTH’ (change to heading) rule has been met as nothing has been imported under the same heading as the product (19.05). There are no restrictions on flour. Non-originating sugar is below the 40% threshold. Butter is from the UK, so the restriction does not apply. There are no restrictions on chocolate. This product meets the Rule of Origin and would qualify for preferential or zero tariffs when exported to the EU.

Animal and Vegetable Fats and Oils (Chapter 15)

Introduction

In order to access preferential tariff treatment (no tariff applied) in the Trade and Cooperation Agreement, all products must comply with the Rules of Origin. Failure to meet the Rules of Origin and provide the supporting proof will mean UK or EU MFN tariffs will be applied when trading between the UK and EU. For animal and vegetable fats and oils, these tariffs can be high.

Rules for Animal and Vegetable Fats and Oils (Chapter 15 of the Harmonised System)

To understand if your product meets the Rules of Origin, you need to know the relevant **Product-Specific Rule**. The UK and EU have agreed the following **Product-Specific Rules**:

Chapter 15	**Animal and Vegetable Fats and Oils**
15.01-15.04	CTH
15.05-15.06	Production from non-originating materials of any heading.
15.07-15.08	CTSH
15.09-15.10	Production in which all the vegetable materials used are wholly obtained.
15.11-15.15	CTSH
15.16-15.17	CTH
15.18-15.19	CTSH
15.20	Production from non-originating materials of any heading.
15.21-15.22	CTSH

Wholly obtained = Grown and harvested in the UK.

CTH (change to heading) = Non-originating ingredients (not from the UK (or the EU through bilateral cumulation)) used in the product must come from a different heading (4-digit code).

CTSH (change to heading) = Non-originating ingredients (not from the UK (or the EU through bilateral cumulation)) used in the product must come from a different subheading (6-digit code).

Bilateral cumulation can be used to make meeting the **Product-Specific Rule** easier.

UK producers can use EU-originating ingredients in their final product (and vice versa) and that final product can be considered originating. This is known as **'bilateral cumulation**'.

If you are using EU-originating ingredients in your product, they must be further processed, and this processing must go beyond **insufficient production** for **bilateral cumulation** to apply. If you only perform a single, or combination of, the below processes on the EU ingredients, your final product cannot be considered UK-originating as the below processes are known as **insufficient production**. Only UK-originating products can be exported to the EU tariff-free.

The relevant parts of **insufficient production** for animal and vegetable fats and oils are:

- 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;
- breaking-up or assembly of packages
- peeling, stoning and shelling, of fruits, nuts and vegetables;

- **simple** cutting;
- sifting, screening, sorting, classifying, grading, matching including the making-up of sets of articles;
- **simple** placing in cans, bags, cases, boxes and all other simple packaging operations;
- affixing or printing marks, labels, logos or 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.

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

Tolerance can also be used to help meet a **Product-Specific Rule**. It allows manufacturers to use non-originating ingredients (not from the UK (or EU through **bilateral cumulation**)), which the rule restricts, if they do not exceed 15% of the weight of ingredients used to make the product. Tolerance can only be used on an ingredient within a new product e.g. olives into olive oil.

What Do These Rules Mean for UK Animal and Vegetable Fats and Oils Products?

For headings 15.09-15.10, the vegetable materials must be grown and harvested in the UK (or EU with **bilateral cumulation**).

For headings 15.01-15.04 and 15.16-15.17, imported non-originating material from any country can be used in the production of the product, provided a change to heading (CTH) takes place during the processing. This means that the 4-digit tariff heading code must change to another 4-digit tariff heading code during the production taking place in the UK.

For headings 15.07-15.08, 15.11-15.15, 15.18-15.19 and 15.21-15.22, non-originating material from any country can be used in the production of the product, provided a change to subheading (CTSH) takes place during the processing. This means that the 6-digit tariff subheading code must change to another 6-digit tariff subheading code during the production taking place in the UK.

For headings 15.05-15.06 and 15.20, non-originating materials from any country and any heading can be used in the production of the product, provided the level of processing goes beyond the **insufficient production** processes set out in the UK-EU TCA.

Case Study Examples

1. Soybean oil (15.07) is imported from the USA into the UK. In the UK, the soybean oil is manufactured into margarine (15.17). Given that the production has resulted in a change to heading, the processing to the product satisfies the processing requirement of the **Product-Specific Rule**, so would be eligible for preferential treatment and exported under zero tariff to the EU.

2. Olives are imported from the EU into the UK. In the UK, the olives are manufactured into olive oil (15.09). Although the rule for olive oil stipulates that the olives must be **wholly obtained**, **bilateral cumulation** can be used to meet this **Product-Specific Rule** (provided that the processing in the UK goes beyond **insufficient production**). The processing of olives to olive oil would go beyond **insufficient production.** Therefore, the olive oil could be considered UK-originating and could be exported under zero tariff to the EU.

Sugar and Chocolate (Chapters 17 and 18)

Key Messages

Essentially, for sugar to be originating, it must be both grown and refined in the UK (or EU). Processed sugar products, such as syrups, confectionery or chocolate limit the use of non-originating sugar (non-UK or EU grown sugar) by weight or value of the final product. For syrups, non-originating (non-UK or EU) starches are also restricted by weight. Dairy used in confectionery or chocolate must generally be sourced from the UK (or EU).

Introduction

In order to access preferential tariff treatment (no tariff applied) in the Trade and Cooperation Agreement, all products must comply with the Rules of Origin. Failure to meet the Rules of Origin and provide supporting proof will mean UK or EU MFN tariffs will be applied when trading between the UK and EU. For sugar and chocolate, these tariffs can be high.

Rules for Sugar and Chocolate (Chapters 17 and 18 of the Harmonised System)

To understand if your product meets the Rules of Origin, you need to know the relevant **Product-Specific Rule**. The UK and EU have agreed the following **Product-Specific Rules**:

Chapter 17	**Sugars and sugar confectionery**
17.01	CTH
17.02	CTH, provided that the total weight of non-originating materials of headings 11.01 to 11.08, 17.01 and 17.03 used does not exceed 20% of the weight of the product.
17.03	CTH
17.04	
White chocolate	CTH, provided that: a) all the materials of Chapter 4 used are **wholly obtained**; and b) i) the total weight of non-originating materials of headings 17.01 and 17.02 used does not exceed 40% of the weight of the product; or ii) the value of non-originating materials of headings 17.01 and 17.02 used does not exceed 30% of the ex-works price of the product.
Other	CTH, provided that: - all the materials of Chapter 4 used are **wholly obtained**; and - the total weight of non-originating materials of headings 17.01 and 17.02 used does not exceed 40% of the weight of the product.
Chapter 18	**Cocoa and cocoa preparations**
18.01-18.05	CTH
1806.10	CTH, provided that: - all the materials of Chapter 4 used are **wholly obtained**; and - the total weight of non-originating materials of headings 17.01 and 17.02 used does not exceed 40% of the weight of the product.
1806.20-1806.90	CTH, provided that: a) all the materials of Chapter 4 used are **wholly obtained**; and b) i) the total weight of non-originating materials of headings 17.01 and 17.02 used does not exceed 40% of the weight of the product; or

	ii) the value of non-originating materials of headings 17.01 and 17.02 used does not exceed 30% of the ex-works price of the product.

Wholly obtained = All dairy, eggs and honey used must be obtained from animals raised in the UK (or the EU (with **bilateral cumulation**)).

CTH (change to heading) = Non-originating ingredients (not from the UK (or from the EU through **bilateral cumulation**)) used in the product must come from a different heading (4-digit code).

Bilateral cumulation can be used to make meeting the **Product-Specific Rules** easier.

UK producers can use EU-originating ingredients in their final product (and vice versa) and that final product can be considered originating. This is known as '**bilateral cumulation**'.

If you are using EU-originating ingredients in your product, they must be further processed, and this processing must go beyond **insufficient production** for **bilateral cumulation** to apply. If you only perform a single, or combination of, the below processes on the EU ingredients, your final product cannot be considered UK-originating as the below processes are known as **insufficient production**. Only UK-originating products can be exported to the EU tariff-free.

The relevant parts of **insufficient production** for sugar and chocolate are:

- operations to colour or flavour sugar or form sugar lumps; partial or total milling of sugar in solid form;
- **simple** placing in bottles, cans, bags, cases, boxes and all other simple packaging operations;
- affixing or printing marks, labels, logos or 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

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

Tolerance can also be used to help meet a **Product-Specific Rule**. It allows manufacturers to use non-originating ingredients (not from the UK (or EU through **bilateral cumulation**)), which the rule restricts, if they do not exceed 15% of the weight of ingredients used to make the product. Tolerance can only be used on an ingredient within a new product e.g. milk in a chocolate bar. In cases when inputs are restricted by weight/value, e.g. non-originating sugar restricted to 40%, the restriction takes priority and tolerance cannot apply. You cannot 'add' the percentages.

Accounting segregation can be used to store together originating and non-originating fungible materials that will be used in the production of a product. 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. Accounting segregation is designed for situations where there is a material cost or difficulty in separating fungible ingredients.

An example of a fungible material is sugar used in the production of sugar confectionery. Originating and non-originating sugar are fungible and as such can be stored together, with the volumes used in the production of a final product managed through accounting methods. This is particularly helpful if businesses need to keep their non-originating ingredients to a certain threshold.

An inventory management system will need to be operated to use accounting segregation. Authorisation from HMRC is not mandatory in order to use accounting segregation; however, businesses are advised to seek advice from customs authorities. For further information on the specifics of the inventory management system and other points to consider when applying accounting segregation, please see Section 5.5 in the Defra EU Rules of Origin Business Guidance.

What Do These Rules Mean for UK Sugar and Chocolate Products?

For **sugar and confectionery (Chapter 17)**:

You can use any non-originating ingredients (non-UK (or EU with **bilateral cumulation**) that are classified in a different 4-digit code to your final product. For sugars, syrups, artificial honey and caramel of 17.02, there are additional restrictions on the use of non-originating products of the milling industry, sugars of 17.01 and molasses. For sugar confectionery, there are additional restrictions on non-originating sugar, syrups and a requirement for dairy, eggs and honey to be obtained from animals raised in the UK (or the EU (with **bilateral cumulation**)). If any of these rules are not met the product would be liable for EU MFN tariffs.

Accounting segregation can be used to help manage restrictions on non-originating inputs e.g. sugar of 17.01. **Tolerance** can be applied when materials are used as ingredients in a different product, e.g. butter in toffee sweets, but does not apply to inputs subject to weight or value restrictions.

Definitions of ‘value of non-originating materials’ and ‘ex-works price’ can be found in the text of the agreement.

For **chocolate (Chapter 18)**:

Non-originating (non-UK (or EU with **bilateral cumulation**) ingredients used must be classified in a different heading to that of the final product. For chocolate and other food preparations containing cocoa of 18.06, there are additional restrictions on the use of non-originating sugar and a requirement for dairy, eggs and honey to be obtained from animals raised in the UK (or the EU (with **bilateral cumulation**)). If any of these rules are not met the product would be liable for EU MFN tariffs.

Accounting segregation can be used to help manage restrictions on non-originating inputs e.g. sugar of 17.01. **Tolerance** can be applied when materials are used as ingredients in a different product, e.g. milk in a chocolate bar, but does not apply to inputs subject to weight or value restrictions.

Definitions of ‘value of non-originating materials’ and ‘ex-works price’ can be found in the text of the agreement.

Case Study Examples

1. Cocoa butter (18.04) is imported from the Ivory Coast and vanilla extract from Madagascar for milk chocolate production in the UK. This is acceptable as these ingredients come from different headings to the finished product (18.06). Use of milk powder, produced from milk sourced from cows born and raised in the EU is provided for through **bilateral cumulation** as it has been further processed in the UK to make the milk chocolate bar. Additionally, cane sugar is used in the product. The value of the cane sugar makes up only 10% of the value of the ex-works price of the chocolate, so the value threshold is adhered to. All in all, the requirements have been met and the product is eligible for preferential tariffs.

2. Use of non-originating gelling agents, preservatives etc. can be used in sugar confectionery as they come from different headings to the finish product (17.04). The sugar used comes from a variety of sources, including UK beet sugar and refined

cane sugar. Sugar makes up 80% of the ingredients used to make the product. The **Product-Specific Rule** for 17.04 restricts the use of sugar not grown and refined in the UK (or EU through **bilateral cumulation**) to 40% of the weight of the product. In this instance given that sugar makes up 80% of the ingredients used to make the product, half the sugar used would need to be UK-originating (or EU-originating through **bilateral cumulation**.) You could meet this threshold through use of the **accounting segregation** method.

3. EU-originating sweets are imported into the UK. In the UK, they are labelled and added into an assortment box. Labelling and the making up of sets of articles are both processes considered **insufficient production**. In order to benefit from **bilateral cumulation** (consider EU ingredients as UK-originating) processing must go further than the operations listed in the **insufficient production** article. The final product in this instance could not gain UK-originating status and would be liable to a tariff on re-export.

Water, Soft Drinks and Fruit Juice (Chapters 20 and 22)

Key Messages

Essentially, imported ingredients from a different chapter or heading can be used. However, there is a threshold on non-originating (not grown in the UK or EU) sugar and for soft drinks, any ingredients of Chapter 4, grapes or grape juice must come from the UK or EU.

Introduction

In order to access preferential tariff treatment (no tariff applied) in the Trade and Cooperation Agreement, all products must comply with the Rules of Origin. Failure to meet the Rules of Origin and provide the supporting proof will mean UK or EU MFN tariffs will be applied when trading between the UK and EU. For these products, tariffs will be high.

Rules for Water, Soft Drinks and Fruit Juice (Chapters 20 and 22 of the Harmonised System)

To understand if your product meets the Rules of Origin, you need to know the relevant **Product-Specific Rule**. The UK and EU have agreed the following **Product-Specific Rules**.

For **waters and soft drinks (22.01 to 22.02)**:

CTH (change to heading), except from non-originating materials of headings 22.07 and 22.08, provided that:

- all the materials of subheadings 0806.10, 2009.61, 2009.69 used are wholly obtained;

- all the materials of Chapter 4 used are wholly obtained;

- the total weight of non-originating materials of headings 17.01 and 17.02 used does not exceed 20% of the weight of the product.

For **fruit juice (20.09)**:

CTH (change to heading), provided that the total weight of non-originating materials of headings 17.01 and 17.02 used does not exceed 40% of the weight of the product.

Bilateral Cumulation can be used to make meeting the **Product-Specific Rule** easier.

UK producers can use EU-originating ingredients in their final product (and vice versa) and consider those ingredients as originating. This is known as '**bilateral cumulation**'.

'EU-originating' could mean juice processed in the EU from imported fruit of Chapter 8. That juice would be EU-originating as it meets the **Product-Specific Rule**.

If you are using EU-originating ingredients in your product, they must be further processed, and this processing must go beyond **insufficient production** for **bilateral cumulation** to apply. If you only perform a single, or combination of, the below processes on the EU ingredients, your final product cannot be considered originating as the below processes are known as **insufficient production**. Only UK-originating products can be exported to the EU tariff-free.

The relevant parts of **insufficient production** for water, soft drinks and fruit juice are:

- **simple** placing in bottles, cans, flasks and all other simple packaging operations;
- affixing or printing marks, labels, logos or 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.

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

Tolerance can also be used to help meet a **Product-Specific Rule**. It allows manufacturers to use non-originating ingredients (not from the UK (or EU through **bilateral cumulation**)), which the rule restricts, if they do not exceed 15% of the weight of ingredients used to make the product. Tolerance can only be used on an ingredient within a new product e.g. single fruit juice within mixed fruit juice.

What Does This Rule Mean for UK Water and Soft Drinks Products?

For **waters and soft drinks (22.01 to 22.02)**:

When exporting to the EU, non-originating ingredients (not from the UK or EU) from a different heading can be used, except non-originating grapes, grape juice, or ingredients from Chapter 4, in the final product. Use of EU-originating grapes, grape juice or ingredients from Chapter 4 may be used through **bilateral cumulation** as long as there is processing beyond **insufficient production**. Although, through **tolerance**, 15% of the net weight of the final product worth of those non-originating ingredients can be used and would still meet the Rules of Origin.

For drinks with added sugar, the use of non-originating sugar classified in 17.01 and 17.02 is limited to 20% of the net weight (weight of final product minus packaging) of your final product. If you exceed this threshold your product would be considered not to have met the Rules of Origin and would be liable for tariffs.

For **fruit juice (20.09)**:

When exporting to the EU, non-originating ingredients (not from the UK or EU) from a different heading can be used in the final product. As such, non-originating ingredients from Chapters 7 and 8 can be processed and used in your final product. However, non-originating ingredients from heading 20.09, e.g. imported juice, cannot be used. Although, through **tolerance**, 15% of the net weight of the final product worth of those non-originating ingredients can be used and would still meet the Rules of Origin. EU-originating juice could be used through **bilateral cumulation** as long as there was processing beyond **insufficient production**.

For fruit juice with added sugar, the use of non-originating sugar classified in 17.01 and 17.02 is limited to 40% of the net weight (weight of final product minus packaging) of your final product. If you exceed this threshold your product would be considered not to have met the Rules of Origin and would be liable for tariffs.

Case Study Examples

1. A carbonated drink is made using imported fruit concentrate from heading 20.09 and a mixture of UK-grown beet sugar, EU-grown beet sugar, and cane sugar grown in Belize. The imported cane sugar makes up a total of 10% of the net weight of the final product. There are no restrictions on the use of imported fruit concentrate as it is from a different heading. As the weight of non-originating sugar is less than 20% of the net weight of the product, the Rule of Origin has been met and the product would be eligible for preferential treatment on export to the EU (zero tariffs).

2. Fruit can be imported as a Chapter 8 product into the UK from Chile and South Africa. In the UK this fruit can be processed into a fruit juice. This fruit juice would meet the Rules of Origin as the processing has led to a chapter change (fruit of Chapter 8 to juice of Chapter 20) and the **Product-Specific Rule** requires a change of heading. This fruit juice is UK-originating and could be exported to the EU tariff-free. However, juice under heading 20.09 that is imported from Chile and South Africa into the UK and then blended together in the UK does not give the change of heading required by the **Product-Specific Rule**. As such the juice is not UK-originating and would have an EU MFN tariff applied when exported to the EU. EU juice under 20.09 could be used if processing goes beyond **insufficient production**. Non-originating juice under 20.09 could be used under tolerance but only up to 15% of the weight of the final product.

3. In the EU, fruit from Chapter 8 is imported from Ecuador and India, it is then processed in the EU to make juice. This juice has met the change of heading rule needed as there has been a change of chapter from fruit in Chapter 8 to juice in Chapter 20. The juice is, therefore, EU-originating and can be sent to the UK tariff-free. It is sent to the UK tariff-free in bulk. In the UK, it is then packaged into individual cartons. Some of these cartons are sent back to the EU. In order to be considered UK-originating and be re-exported to the EU tariff-free, this packaging needs to go beyond **insufficient production** to allow for **bilateral cumulation** to apply. As such, the packaging into cartons needs to go beyond ‘simple’. Processing shall be considered ‘simple’ if neither special skills nor machines, apparatus or equipment especially produced or installed are needed for carrying out those operations. For further clarity, speak to the relevant customs authority (the customs authority where you are importing the fruit juice), as a decision to grant preference will ultimately be at the discretion of that authority.

Miscellaneous Edible Preparations (Chapter 21)

Key Messages

Essentially, imported ingredients from a different chapter or heading can be used. However, all ingredients from Chapter 4 must from the UK or EU, and there is a threshold on non-originating (not grown in the UK or EU) sugar.

Introduction

In order to access preferential tariff treatment (no tariff applied) in the Trade and Cooperation Agreement, all products must comply with the Rules of Origin. Failure to meet the Rules of Origin and provide the supporting proof will mean UK or EU MFN tariffs will be applied when trading between the UK and EU. For miscellaneous edible preparations (ambient prepared foods), these tariffs can be high.

Rules for Miscellaneous Edible Preparations (Chapter 21 of the Harmonised System)

Chapter 21	**Miscellaneous Edible Preparations**
21.01-21.02	CTH, provided that: - all the materials of Chapter 4 used are wholly obtained; and - the total weight of non-originating materials of headings 17.01 and 17.02 used does not exceed 20 % of the weight of the product.
2103.10 2103.20 2103.90	CTH; however, non-originating mustard flour or meal or prepared mustard may be used.
2103.30	Production from non-originating materials of any heading.
21.04-21.06	CTH, provided that: - all the materials of Chapter 4 used are wholly obtained; and - the total weight of non-originating materials of headings 17.01 and 17.02 used does not exceed 20 % of the weight of the product.

CTH (change to heading) = Non-originating ingredients (not from the UK (or the EU through bilateral cumulation)) used in the product must come from a different heading (4-digit code).

Wholly obtained = From an animal raised in the UK.

Bilateral Cumulation can be used to make meeting the **Product-Specific Rules** easier.

UK producers can use EU-originating ingredients in their final product (and vice versa) and that final product can be considered originating. This is known as **'bilateral cumulation'**.

If you are using EU-originating ingredients in your product, they must be further processed, and this processing must go beyond **insufficient production** for **bilateral cumulation** to apply. If you only perform a single, or combination of, the below insufficient processes on the EU ingredients, your final product cannot be considered originating as the below processes are known as **insufficient production**. Only UK-originating products can be exported to the EU tariff-free.

The relevant parts of **insufficient production** for miscellaneous edible preparations are:

- preserving operations such as drying, freezing and other similar operations where their sole purpose is to ensure that the products remain in good condition during transport and storage;
- **simple** placing in bottles, cans, flasks, bags, cases, boxes and all other simple packaging operations;
- affixing or printing marks, labels, logos or other like distinguishing signs on products or their packaging;
- **simple** mixing of products, whether 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.

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

Tolerance can also be used to help meet a **Product-Specific Rule**. It allows manufacturers to use non-originating ingredients (not from the UK (or EU through **bilateral cumulation**)), which the rule restricts, if they do not exceed 15% of the weight of ingredients used to make the product. Tolerance can only be used on an ingredient within a new product e.g. milk into ice cream. Tolerance cannot be used on inputs subject to weight or value restrictions. as these restrictions take priority. For example, if there is a 20% weight restriction on non-originating sugar, that is the maximum amount that can be used.

Accounting Segregation can also be used to help meet a **Product-Specific Rule**. Through the use of an **accounting segregation** method, originating and non-originating materials can be stored together. The materials must be fungible – meaning they must be 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. An example of a fungible material is sugar. 'Originating' and 'non-originating' sugar are fungible and as such can be stored together, and the volumes used in the production of a final product managed through accounting methods. This is particularly helpful if businesses need to keep their non-originating materials to a certain threshold. For further information on the specifics of the inventory management system and other points to consider when applying accounting segregation, please see Section 5.5 in the Defra EU Rules of Origin Business Guidance.

Case Study Examples

1. Coffee beans of 09.01 are imported from Brazil. In the UK they are crushed, mixed with water and ethanol and distilled to produce coffee extract. As there has been a change in heading from 09.01 to 21.01 the product meets the **Product-Specific Rule** and could be exported to the EU under preference. The other parts of the rule are not relevant as no dairy, eggs, honey or sugar have been used to make the product.

2. Prepared mustard, such as those sold in jars or bottles, is produced in the UK from mustard flour imported from the EU, as well as other ingredients such as sugar, salt, wheat flour and turmeric, some of which are imported from other countries. The rule for prepared mustard allows any imported material to be used as long as the processing goes beyond **insufficient production**. Turning the ingredients into prepared mustard goes beyond **insufficient production** so the final product meets the Rule of Origin and can therefore be exported to the EU under preference.

3. Ice cream is made in the UK using milk and cream from the EU, vanilla extract from Madagascar and cane sugar from Belize. The cane sugar makes up 25% of the weight of the product. Vanilla extract is categorised under a different heading to the

product and is not subject to any other restrictions so meets the rule. Milk and cream from the EU can be used due to **bilateral cumulation**. However, as the weight of the third country sugar used exceeds the 20% restriction, the Rules of Origin would not be met in full and the product would be subject to tariffs if exported to the EU. **Tolerance** could not be used for the sugar content due to it already being subject to a weight restriction. However, **tolerance** would allow dairy from outside the UK or EU to make up 15% of the weight of the product.

Alcoholic Drinks (Chapter 22)

Key Messages

Essentially, for alcoholic drinks, imported ingredients from a different heading can be used, but there are restrictions on the use of some imported ingredients, including grapes and grape juice, dairy, sugar and alcohol.

Introduction

In order to access to preferential tariff treatment (no tariff applied) in the Trade and Cooperation Agreement, all products must comply with the Rules of Origin. Failure to meet the Rules of Origin and provide the supporting proof will mean UK or EU MFN tariffs will be applied when trading between the UK and EU. Note that there may also be separate country of origin labelling requirements, particularly for wine.

Rules for Alcoholic Drinks (Chapter 22 of the Harmonised System)

To understand if your product meets the Rules of Origin, you need to know the relevant **Product-Specific Rule**. The UK and EU have agreed the following **Product-Specific Rules**.

For **beer, wine, vermouth and other fermented beverages (22.01 to 22.06)**:

Change to heading, except from non-originating materials of headings 22.07 and 22.08, provided that:

- all the materials of subheadings 0806.10, 2009.61, 2009.69 used are wholly obtained;

- all the materials of Chapter 4 used are wholly obtained;

- the total weight of non-originating materials of headings 17.01 and 17.02 used does not exceed 20% of the weight of the product.

For **undenatured ethyl alcohol of an alcoholic strength of 80% or higher and denatured ethyl alcohol and other spirits (22.07)**:

Change to heading except from non-originating materials of headings 22.08, provided that all the materials of Chapter 10, subheadings 0806.10, 2009.61 and 2009.69 used are wholly obtained.

For **undenatured ethyl alcohol of an alcoholic strength of less than 80%, spirits, liqueurs and other spirituous beverages (22.08-22.09)**:

Change to heading except from non-originating materials of headings 22.07 and 22.08, provided that all the materials of subheadings 0806.10, 2009.61 and 2009.69 used are wholly obtained.

Bilateral cumulation can be used to make meeting the **Product-Specific Rule** easier.

UK producers can use EU-originating ingredients in their final product (and vice versa) and that final product can be considered originating. This is known as **'bilateral cumulation**'.

If you are using EU-originating ingredients in your product, they must be further processed, and this processing must go beyond **insufficient production** for **bilateral cumulation** to apply. If you only perform a single, or combination of, the below processes on the EU ingredients, your final product cannot be considered originating as the below processes are

known as **insufficient production**. Only UK-originating products can be exported to the EU tariff-free.

The relevant parts of **insufficient production** for alcoholic drinks are:

- **simple** placing in bottles, cans, flasks and all other simple packaging operations;
- affixing or printing marks, labels, logos or 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.

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

Tolerance can also be used to help meet a **Product-Specific Rule**. It allows manufacturers to use non-originating ingredients (not from the UK (or EU through **bilateral cumulation**)), which the rule restricts, if they do not exceed 15% of the weight of ingredients used to make the product. Tolerance can only be used on an ingredient within a new product e.g. ethyl alcohol in a gin.

What Does This Rule Mean for UK Alcoholic Drink Products?

For **beer, wine, vermouth and other fermented beverages (22.03–22.06)**:

When exporting to the EU, non-originating ingredients that come from a different heading can be imported and used in the product, except from heading 22.07 (undenatured ethyl alcohol of an alcoholic strength of 80% or higher or denatured ethyl alcohol of any strength) or heading 22.08 (undenatured ethyl alcohol of an alcoholic strength of less than 80%, spirits, liqueurs and other spirituous beverages). As such, using non-originating ingredients from these headings as well as grapes, grape juice, or dairy products in the final product would mean that your product would be considered not to have met the Rules of Origin and would be liable for tariffs. Although, through **tolerance**, 15% of the net weight of the final product worth of those non-originating ingredients can be used and would still meet the Rules of Origin.

There is also a weight restriction on non-originating sugar (sugar not grown and harvested in the UK or EU) classified under 17.01 and 17.02. Non-originating sugar can be used as long as it only makes up to 20% of the net weight of the final product. If you exceed this threshold your product would be considered not to have met the Rules of Origin and be liable for tariffs.

For **undenatured ethyl alcohol of an alcoholic strength of 80% or higher and denatured ethyl alcohol and other spirits of any strength (22.07)**:

When exporting to the EU, non-originating ingredients that come from a different heading can be imported and used in the product, except from heading 22.08 (undenatured ethyl alcohol of an alcoholic strength of less than 80%, spirits, liqueurs and other spirituous beverages). The use of non-originating ingredients from this heading, or of non-originating grapes, grape juice, or cereals in the final product would mean that your product would be considered not to have met the Rules of Origin and would be liable for tariffs. Although, through **tolerance**, 15% of the net weight of the final product worth of those non-originating ingredients can be used and would still meet the Rules of Origin.

For **undenatured ethyl alcohol of an alcoholic strength of less than 80%, spirits, liqueurs and other spirituous beverages, and vinegar/vinegar substitutes (22.08-20.09)**:

When exporting to the EU, non-originating ingredients that come from a different heading can be imported and used in the product, except from heading 22.07 (undenatured ethyl alcohol of an alcoholic strength of 80% or higher or denatured ethyl alcohol of any strength) or within heading 22.08. The use of non-originating inputs from these headings, or of third country grapes or grape juice, in the final product would mean that your product would be considered not to have met the Rules of Origin and would be liable for tariffs.

The use of EU-originating ingredients is provided for through **bilateral cumulation**.

Case Study Examples

1. Wine is produced in the UK using grapes grown in UK vineyards. As all the inputs are UK-originating, the **Product-Specific Rule** has been met. The wine is therefore considered to be UK-originating and is eligible for zero tariffs on export to the EU.

2. Gin is processed in the UK. The process uses barley grown in the UK, molasses from central America, ethyl alcohol from France and botanicals from around the world. The barley is automatically originating as it is from the UK. There are no restrictions on non-originating molasses or botanicals so these can also be used. There is a restriction on non-originating alcohol of 22.07 but **bilateral cumulation** allows the use of EU ethyl alcohol if there has been further processing beyond **insufficient production**. The processing of ethyl alcohol into gin goes beyond **insufficient production**. The product meets the Rules of Origin and is considered UK-originating. It is therefore eligible for zero tariffs on export.

3. A UK business imports bulk beer from the EU to can in the UK for re-export to the EU. The canning needs to go beyond **insufficient production** to allow for **bilateral cumulation** to apply. This mixing and canning needs to go beyond ‘simple’. Processing shall be considered ‘simple’ if neither special skills nor machines, apparatus or equipment especially produced or installed are needed for carrying out those operations. For further clarity, speak to the relevant customs authority (the customs authority where you are importing the canned beer), as a decision to grant preference will ultimately be at the discretion of that authority.

Preparations of a Kind Used in Animal Feed (23.09 - Chapter 23)

Key Messages

Essentially, to meet the Rules of Origin, the production of animal feed must use meat, dairy, eggs and honey produced in the UK or EU. Other ingredients can be from anywhere in the world if they are imported under a different tariff heading but the use of some cereals and sugar that are not produced in the UK or EU are restricted. To note, there are no restrictions on the use of fish, rice or maize from another tariff heading.

Introduction

In order to access preferential tariff treatment (no tariff applied) in the Trade and Cooperation Agreement, all products must comply with the Rules of Origin. Failure to meet the Rules of Origin and provide the supporting proof will mean UK or EU MFN tariffs will be applied when trading between the UK and EU. For animal feed, these tariffs can be high.

Rule for Preparations of a Kind Used in Animal Feed (23.09 - Chapter 23 of the Harmonised System)

To understand if your product meets the Rules of Origin, you need to know the relevant **Product-Specific Rule**. The UK and EU have agreed the following **Product-Specific Rules** for **animal feed**:

CTH, provided that:

- all the materials of Chapters 2 and 4 used are wholly obtained;
- the total weight of non-originating materials of headings 1001 to 1004, 1007 to 1008, Chapter 11, and headings 23.02 and 23.03 used does not exceed 20% of the weight of the product; and
- the total weight of non-originating materials of headings 17.01 and 17.02 used does not exceed 20% of the weight of the product.

Bilateral cumulation can be used to make meeting the **Product-Specific Rule** easier.

UK producers can use EU-originating ingredients in their final product (and vice versa) and that final product can be considered originating. This is known as **'bilateral cumulation**'.

If you are using EU-originating ingredients in your product, they must be further processed, and this processing must go beyond **insufficient production** for **bilateral cumulation** to apply. If you only perform a single, or combination of, the below processes on the EU ingredients, your final product cannot be considered originating as the below processes are known as **insufficient production**. Only UK-originating products can be exported to the EU tariff-free.

The relevant parts of **insufficient production** for animal feed are:

- 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;
- **simple** cutting;
- **simple** placing in bottles, cans, bags, cases, boxes and all other simple packaging operations;

- affixing or printing marks, labels, logos or 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

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

Tolerance can also be used to help meet a **Product-Specific Rule**. It allows manufacturers to use non-originating ingredients (not from the UK (or EU through **bilateral cumulation**)), which the rule restricts, if they do not exceed 15% of the weight of ingredients used to make the product. Tolerance can only be used on an ingredient within a new product e.g. chicken in dog food.

What Does This Rule Mean for UK Animal Feed Products?

When exporting to the EU, third country (non-UK or EU) ingredients that come from a different heading can be imported and used in the product. However, all meat must be obtained from an animal born and raised (reared) and slaughtered in the UK or EU (with **bilateral cumulation**) and all dairy, eggs and honey must be obtained from animals raised (reared) in the UK or EU (with **bilateral cumulation**). Additionally, there are weight restrictions on non-originating cereals in Chapter 10 (except for rice and maize), selected headings in Chapter 11 (products of the milling industry), selected headings in Chapter 23 (animal feed) and selected headings from Chapter 17 (sugar).

Imported cereals (except for rice and maize), products of the milling industry, and starches and residues from within Chapter 23 can together comprise up to 20% of the net weight of the final product (minus packaging) without it losing originating status or not meeting the Rules of Origin. Separately, imported sugar can make up another 20% or less of the net weight of the final product without it losing originating status or not meeting the Rules of Origin.

The use of non-originating rice and maize is not restricted so can each make up an unlimited percentage of the net weight of the final product.

The use of EU-originating ingredients is provided for through **bilateral cumulation**.

Case Study Examples

1. Eggs are imported from the EU and come from chickens born and raised in the EU. The eggs are processed along with other UK-originating ingredients into dog food in the UK and then exported back to the EU. The rule has been met as **bilateral cumulation** allows the use of EU eggs if there has been further processing. In this case, there is further processing as the eggs have been included in the production of the dog food. This processing goes beyond **insufficient production**. The product would be considered UK-originating and would therefore be eligible for preferential tariffs.

2. Wheat is imported from the EU, where it was grown and harvested. Chicken meat is obtained from chickens born, raised and slaughtered in the UK. Rice is imported from Pakistan. The ingredients are processed to produce cat food. **Bilateral cumulation** allows the use of EU wheat and there are no restrictions on rice. The product would therefore be eligible for preferential treatment.

3. Maize and wheat are imported from the EU, where they were grown and harvested. Soya oil is imported from the US. In the UK, the ingredients are processed to produce mixed corn feed for poultry. The soya oil and maize are not subject to any restrictions and can be imported and used as they are from a different heading to that of the final product. The use of the wheat is provided for through **bilateral cumulation**. Therefore, the final product would meet the rule and would not be liable for the EU MFN tariff.