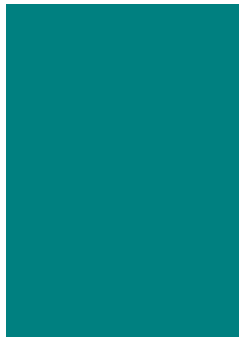




High Level Overview of Rules of Origin



May 2020

Background



Some common provisions but details vary per individual FTA



Rules are specific to products (product specific rules a.k.a. list rules)



Origin must be proven in order to claim preference – recent agreements allow for the use of REX



Exemptions only apply to non-trade movements e.g. goods in a traveller's personal luggage

Common provisions

- Originating status – products have originating status if they are “wholly obtained” or sufficiently worked – applies to all preferential origin arrangements.
- Wholly obtained – applies mainly to natural products and to goods made entirely from them.
- Sufficiently worked or processed – non-originating materials/components must be sufficiently worked, in accordance with the list rules, in order to obtain origin.
- Cumulation – bilateral, diagonal, regional, full.
- Territoriality – means that any working/processing must be carried out in the territories of the parties. Some exceptions may apply where value added is less than 10%.

Common provisions

- Direct transport/non-alteration – the goods must travel directly between the partner countries or be under customs control if they transit through a 3rd country
- Tolerance – the general tolerance rule allows the final product to obtain originating status using a small amount of non-originating materials (e.g. less than 10%)
- Cannot apply both the general tolerance rule and derogation from principle of territoriality at the same time

Union Status -v- Union Origin

- Union Status – all goods in free circulation in the EU, irrespective of their Origin, have Union status allowing them to move freely between Member States without any customs or regulatory controls*
- Union origin – origin of the goods will be determined based on the common provisions outlined previously

* Some products, such as live animals, are subject to regulatory controls when moving within the EU

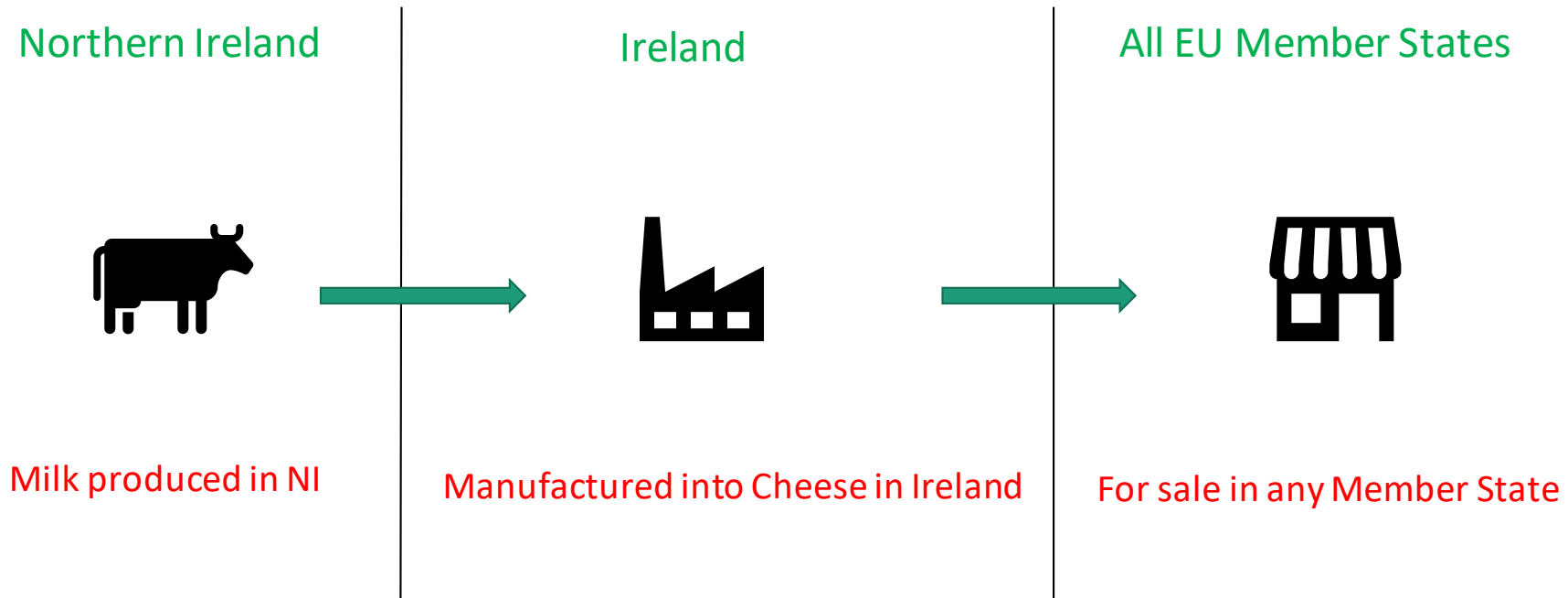
Impact of Protocol from an Origin perspective

- Intra-community trade
 - NI goods will have Union status therefore no impact for trade between NI and other MS
 - No impact on goods manufactured using NI inputs
- Trade with the UK
 - To be determined as part of future relationship negotiations
- Trade with other 3rd countries
 - No impact where no FTA in place
 - Potential impact on trade with FTA partner countries depending on terms of the FTA

Northern Ireland Goods/Processing in Northern Ireland

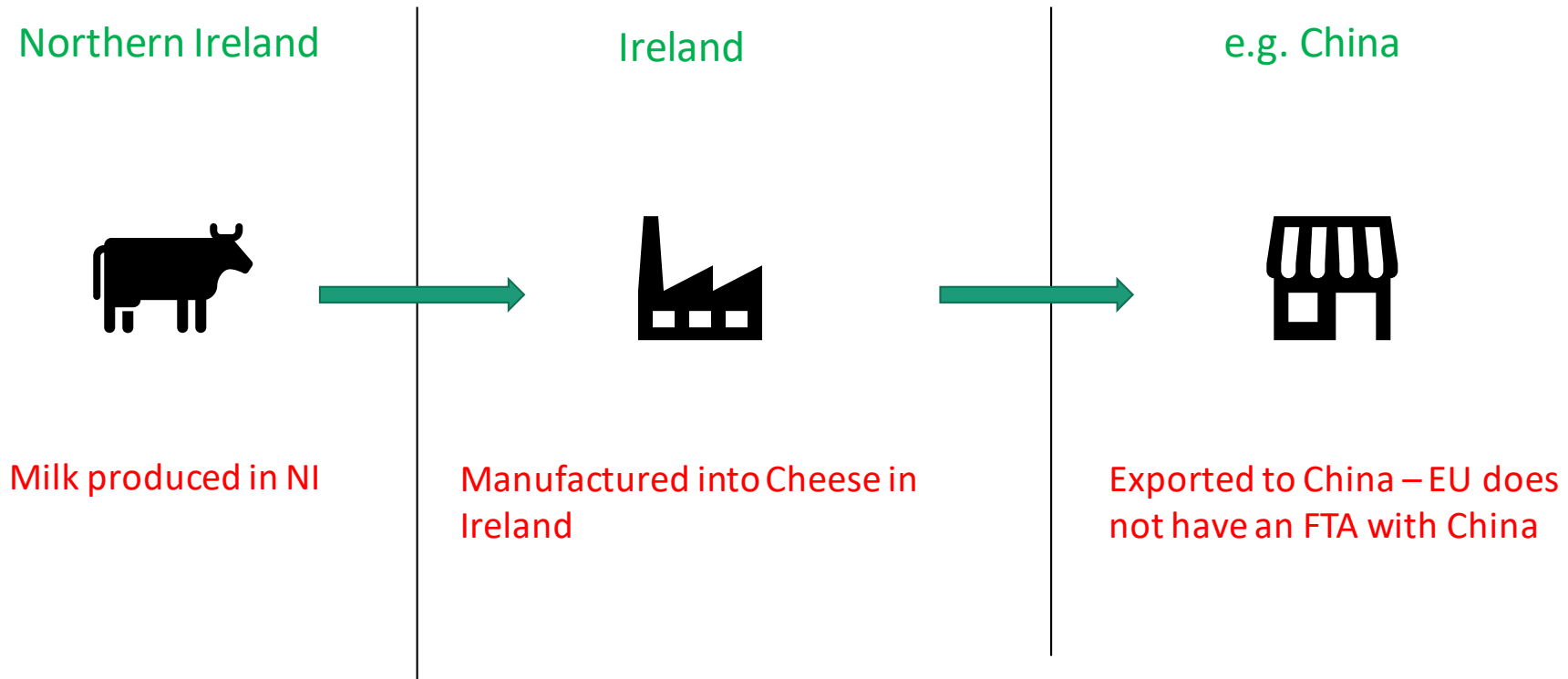
- Understanding based on Protocol
 - NI origin goods are not EU origin goods
 - However, they have Union status and are treated as all other goods in free circulation
 - Consequently there are no customs formalities (declarations or duties) required for NI-IE movements
 - There is no need for processing authorisations for manufacturing in NI as the goods are in free circulation
- Understanding based on existing FTAs
 - FTA is between EU and a 3rd country and only applies to trade between the EU and that partner country
 - NI origin components will be treated as 3rd country components under the FTA
 - Processing of EU goods in NI will be treated as 3rd country processing under the FTA

Placed on the Market in the EU



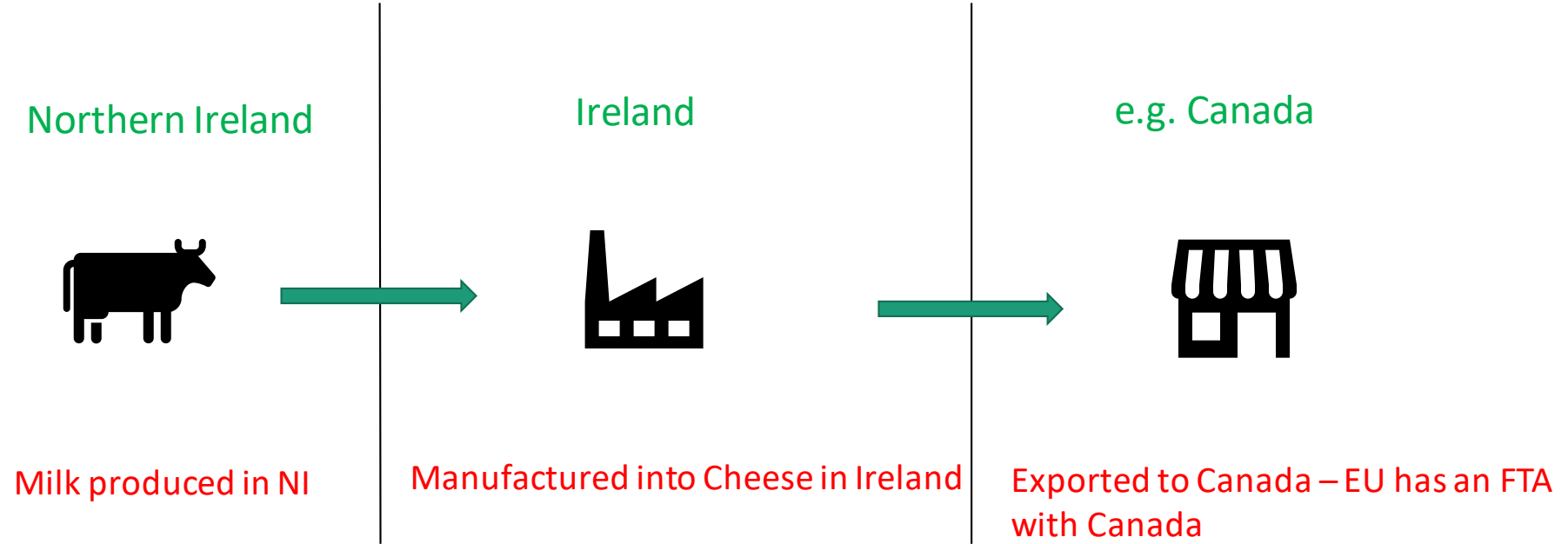
- No Customs Declarations or duties on milk into IE or on cheese from IE to OMS
- No Processing authorisation required
- Milk and Cheese are in free circulation at all times

Placed on the Market in a Non-FTA Country



- No Customs Declarations or duties on milk into IE – in free circulation
- No Processing authorisation required
- Cheese imported into China as 3rd country so normal Chinese import duties applicable

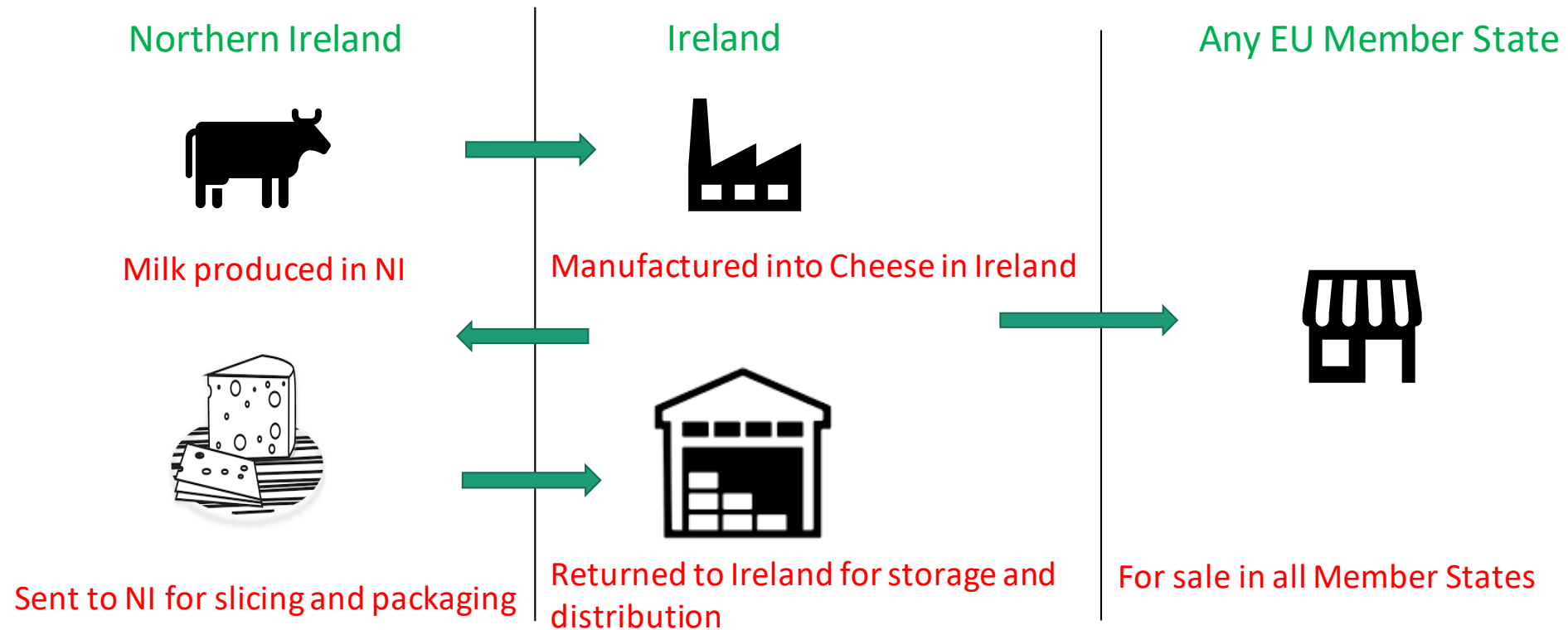
Placed on the Market in an FTA Country



- No Customs Declarations or duties on milk into IE – in free circulation
- No Processing authorisation required
- Records required to prove origin
- Milk element of the cheese deemed to be non-EU origin in context of FTA
- Under CETA this cheese will not qualify for EU Origin

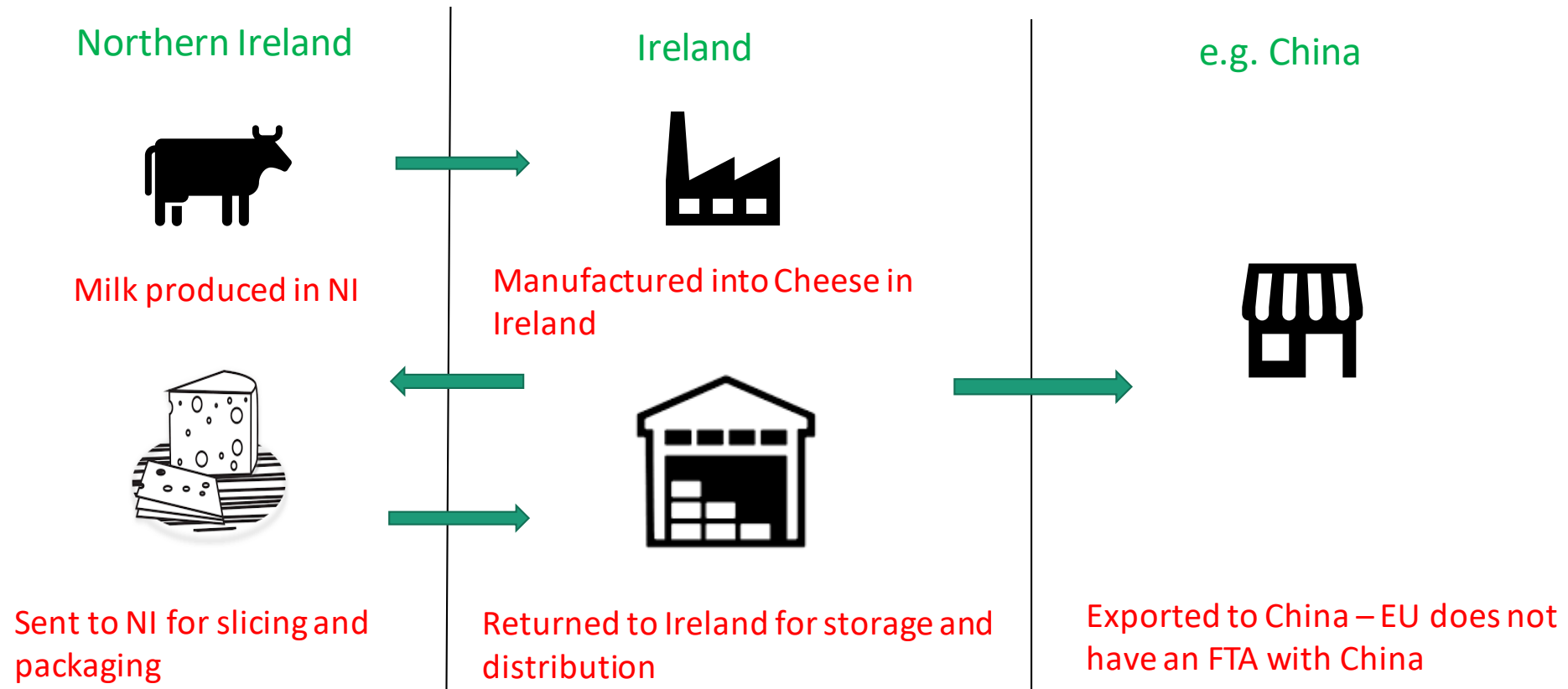
Illustrative purposes only, please consult list rules of FTA for specifics

Placed on the Market in the EU



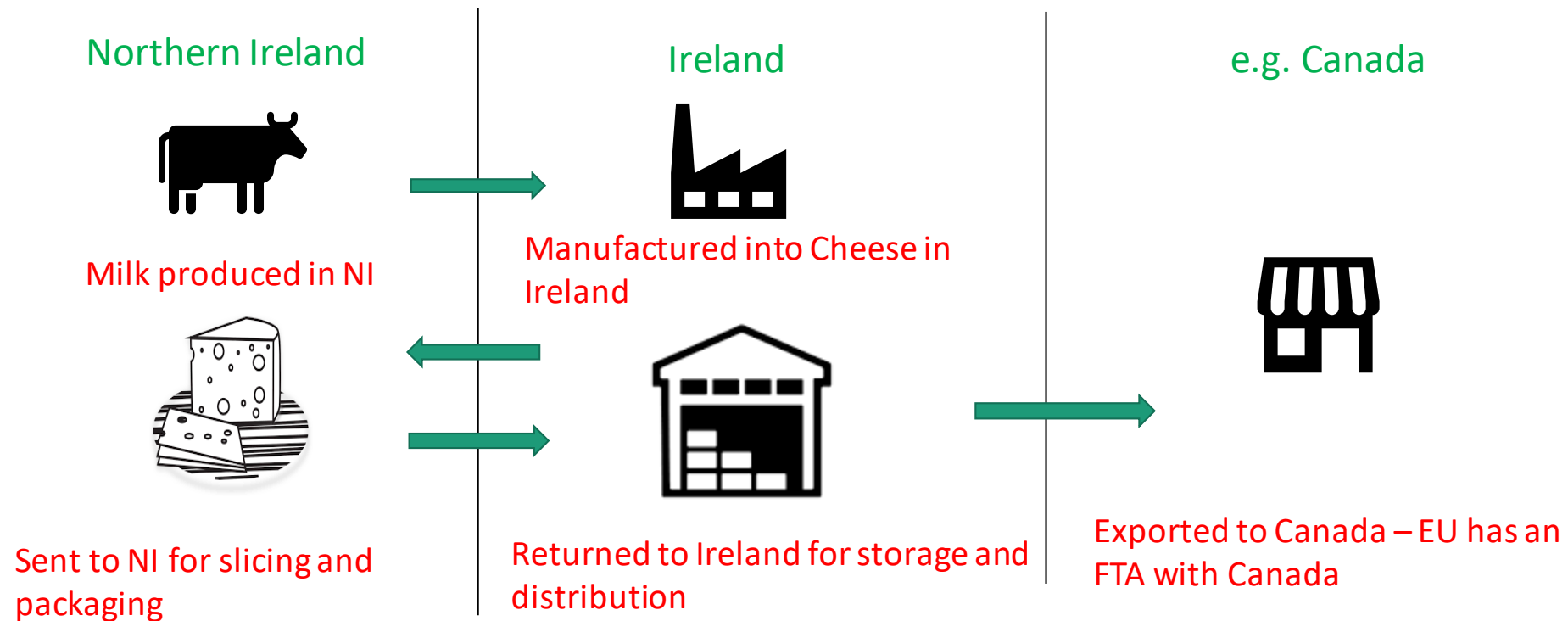
- No Customs Declarations or duties on milk into IE or on cheese from IE to OMS
- No records required to prove origin
- No Processing authorisation required
- Milk and Cheese are in free circulation at all times

Placed on the Market in an Non-FTA Country



- No Customs Declarations or duties on milk and sliced cheese into IE – in free circulation
- No Processing authorisation required
- Cheese imported into China as 3rd country so normal Chinese import duties applicable

Placed on the Market in an FTA Country



- No Customs Declarations or duties on milk and sliced cheese into IE – in free circulation
- No Processing authorisation required
- Records required to prove origin
- Milk element of the cheese and slicing and packaging in NI deemed to be non-EU in context of FTA
- Preference would not apply as NI milk and goods processing in NI not allowed under CETA

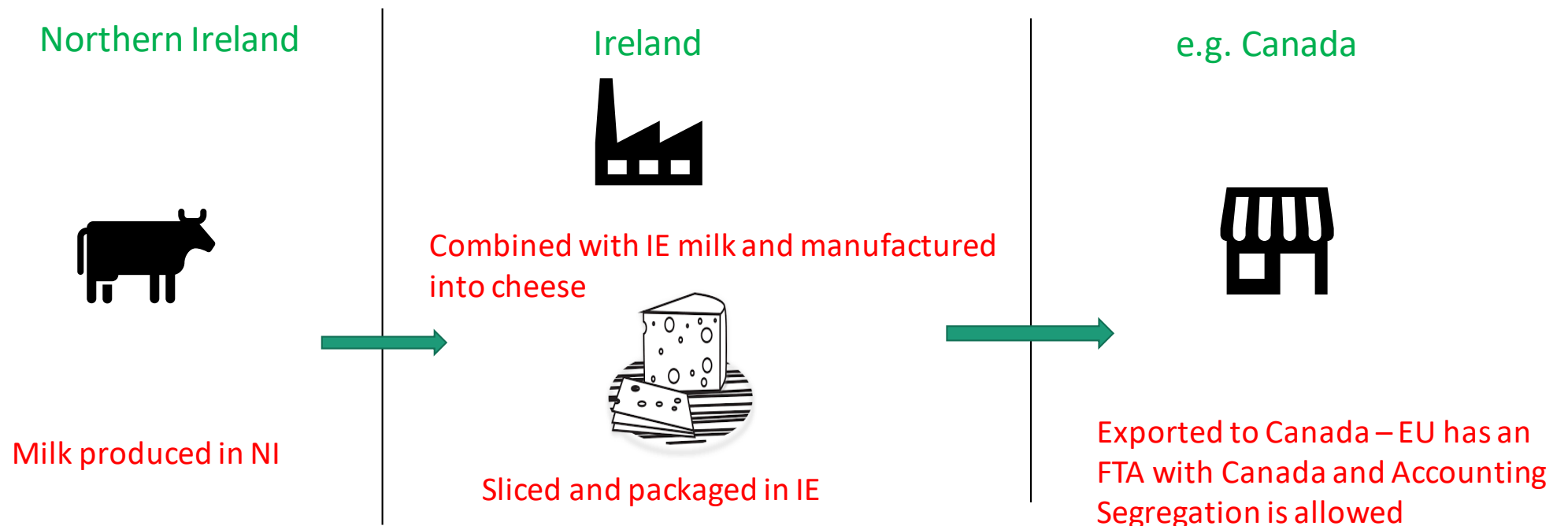
Principle of Accounting Segregation

- Must be included in the FTA in order to be availed of
- May require an authorisation from Revenue
- Allows fungible originating and non-originating materials to be stored together without the originating material losing its origin
- Economic operator must demonstrate that keeping a physical segregation of its stocks of originating and non-originating materials would be costly or difficult
- Fungible materials must be identical and interchangeable:
 - Must be of the same kind and commercial quality
 - Must have the same technical and physical characteristics
 - Should not be possible to distinguish them from one another once they have been incorporated into the product.

Principle of Accounting Segregation continued

- Must have sufficient originating materials in stock at time origin is determined
 - At time of manufacture or;
 - At time origin document is issued or;
 - At time of delivery
- Stock management system required sufficient to ensure that no more originating products are produced than would have been the case if the materials were stored separately
- Accounting segregation does not generally apply to products

CETA – allows Accounting Segregation



- No Customs Declarations or duties on milk into IE – in free circulation
- No Processing authorisation required
- Stock management system required to prove origin and sufficient IE stock on hand
- NI milk element of the cheese deemed to be non-EU origin in context of FTA therefore Product Specific Rule would mean the cheese does not qualify for preference
- However, using accounting segregation, because the NI milk is fungible, using mixed milk means the cheese could qualify