Preferential origin

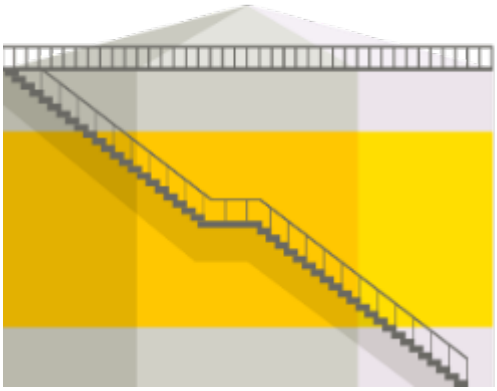
Preferential origin refers to the economic nationality of a product as determined under the terms of a **preferential trade agreement (PTA)** between two or more countries. It establishes whether a product qualifies for **preferential (reduced or zero) customs duties** upon importation into a partner country.

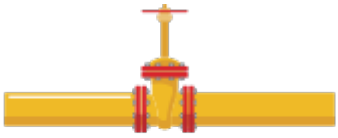
Unlike non-preferential origin, which determines general origin for trade statistics or labelling, *preferential origin* is specifically used to access **preferential tariff treatment** under free trade agreements (FTAs), association agreements, or economic partnership agreements.

- General principles
- General Procedure: Determination of Preferential Origin
- Template preferential origin (long term) supplier declaration

General principles

Introduction and Context





ttyy

skjdf.pptx

ttyy

skjdf.pptx

1 Meaning

of Preferential Origin

Preferential origin refers to the economic nationality of a product as determined under the terms of a **preferential trade agreement (PTA)** between two or more countries. It establishes whether a product qualifies for **preferential (reduced or zero) customs duties** upon importation into a partner country.

Unlike non-preferential origin, which determines general origin for trade statistics or labelling, *preferential origin* is specifically used to access **preferential tariff treatment** under free trade agreements (FTAs), association agreements, or economic partnership agreements.

To obtain preferential origin, a product must either:

- Be **wholly obtained** in one of the partner countries; or
- Be **sufficiently worked or processed** according to the *Product-Specific Rules (PSR)* set out in the agreement. TEST

The rules ensure that only goods genuinely produced within the parties' economies benefit from preferential tariff treatment.

2 Purpose of Preferential Origin Procedures

The purpose of establishing and verifying preferential origin is to:

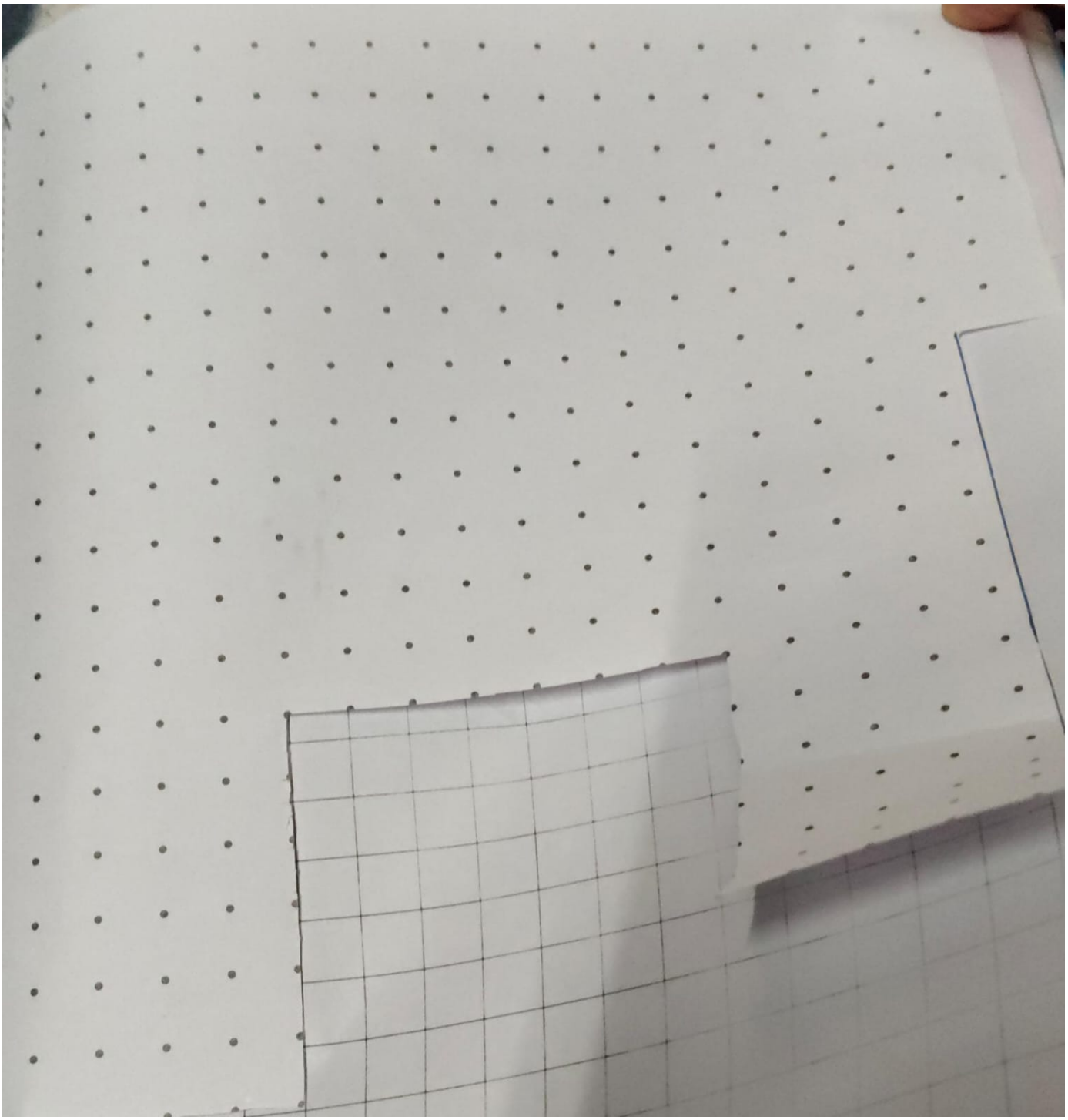
- Ensure correct application of preferential duty rates;
- Prevent abuse of trade preferences through simple transshipment or minor processing;
- Guarantee fair competition between partner countries;
- Provide customs authorities with a verifiable framework for origin determination;
- Enable exporters and importers to confidently claim tariff preferences.

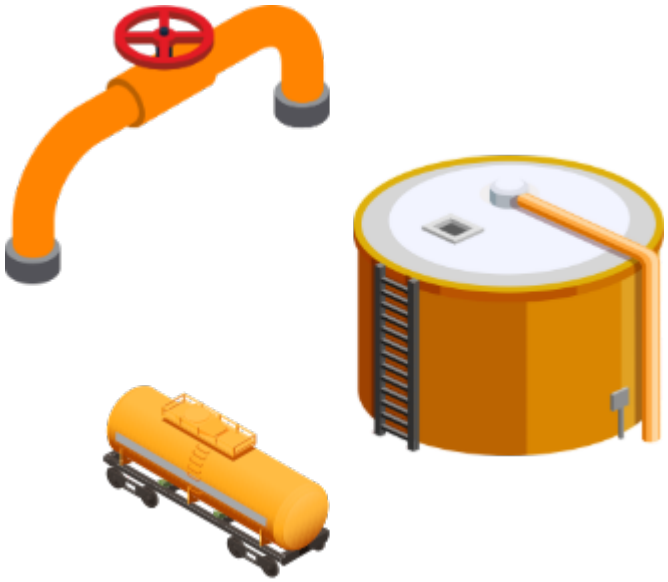
3 Legal Basis

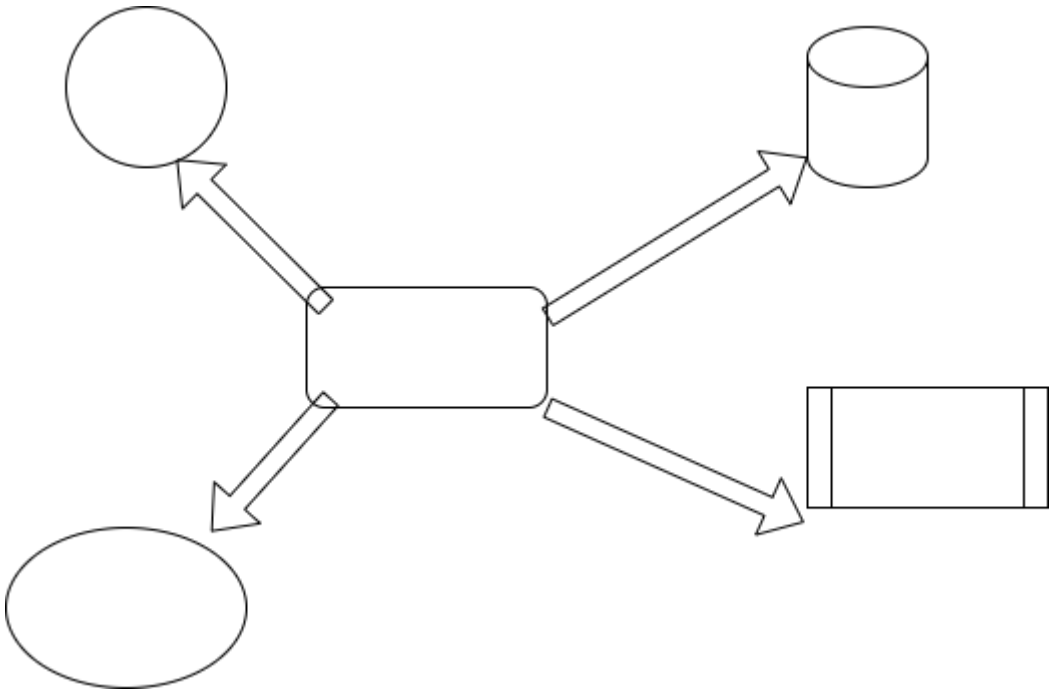
For the European Union, preferential origin is governed by:

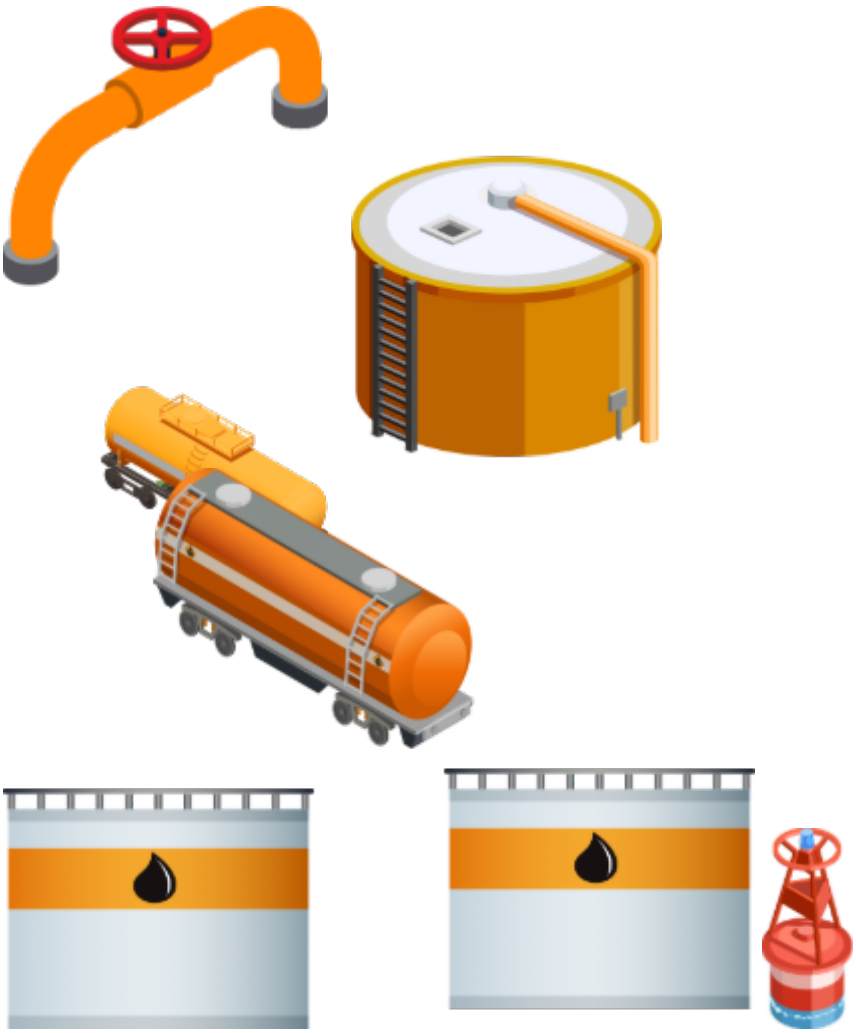
- The individual trade agreements concluded by the EU (e.g. the EU–UK TCA);
- Articles 60–64 of the **Union Customs Code (Regulation (EU) No 952/2013)**;
- Relevant implementing and delegated acts.

test









General Procedure: Determination of Preferential Origin

Step 1 - Identify Applicable Agreement

Determine whether a preferential trade agreement exists between the **exporting** and **importing** countries.
If such an agreement exists, it provides the basis for preferential tariff treatment.

Step 2 - Determine Tariff Classification

Identify the product's tariff classification at the HS 6- or 8-digit level. The tariff heading determines which **Product-Specific Rule (PSR)** applies.

Step 3 - Consult the Product-Specific Rule (PSR)

Locate the relevant PSR in the annex to the applicable agreement. Typical PSR formats include:

- **Wholly obtained** requirement;
- **Change in Tariff Heading (CTH)**;
- **Value limitation rule** (maximum % of non-originating materials);
- **Specific manufacturing process**.

Step 4 - Identify and Value Materials

- List all **originating** and **non-originating** materials used in production.
- Calculate the **ex-works price** of the final product.
- Apply the PSR to verify compliance.

Step 5 - Apply Cumulation (if permitted)

Cumulation allows originating materials or processing from another partner country to count as originating.

- **Bilateral cumulation**: between the two agreement partners.
- **Diagonal or full cumulation**: only if explicitly allowed (e.g. not in the EU-UK TCA).

Step 6 - Verify Beyond Minimal Operations

Check that the processing carried out exceeds the - minimal operations - defined in the agreement (e.g., simple packaging, mixing, or labelling do not confer origin).

Step 7 - Prepare Proof of Origin

The type of origin document depends on the agreement:

- **Statement on Origin** (self-certification); or
- **Movement Certificate (EUR.1)** where applicable.

Step 8 - Record-Keeping and Evidence

Maintain all origin-related documents for at least **3-5 years**:

- Supplier declarations;
- Cost breakdowns;
- Production records;
- Tariff classification evidence.

Step 9 - Verification by Customs

Customs authorities may request post-clearance verification. Failure to substantiate origin claims may result in retroactive duty recovery.

Template preferential origin (long term) supplier declaration

[TO BE PRINTED ON COMPANY LETTERHEAD]

SUPPLIER'S DECLARATION

I, the undersigned, declare that the goods listed on this document ……(1), originate in ……..(2) and satisfy the rules of origin governing preferential trade with ……(3).

I declare that (4):

☐ Cumulation applied with ……(name country/countries)

☐ No cumulation applied

I undertake to make available to the customs authorities any further supporting documents they require.

…… (5)

…….. (6)

…….. (7)

Footnotes (can be removed after completion)

(1) If only some of the goods listed on the document are concerned, they shall be clearly indicated or marked and this marking entered in the declaration as follows:

"……..…listed on this document and marked ……..…originate in ……

(2) The European Union, country, group of countries or territory, from which the goods originate

(3) Country, group of countries or territory concerned

(4) To be completed, where necessary, only for goods having preferential origin status in the context of preferential trade relations with one of the countries with which pan-Euro-Mediterranean cumulation of origin is applicable.

(5) Place and date of issue

(6) Name and position of the undersigned, name and address of company

(7) Signature

[TO BE PRINTED ON COMPANY LETTERHEAD]

LONG-TERM SUPPLIER'S DECLARATION

I, the undersigned, declare that the goods described below:

……(1)

……(2)

Which are regularly supplied to ……(3), originate in ……(4) and satisfy the rules of origin governing preferential trade with ……(5).

I declare that (6):

☐ Cumulation applied with ……(name country/countries)

☐ No cumulation applied

This declaration is valid for all shipments of these products dispatched from ..... to .....(7)

I undertake to inform .....(3) immediately if this declaration is no longer valid.

I undertake to make available to the customs authorities any further supporting documents they require.

…… (8)

…….. (9)

…….. (10)

Footnotes (can be removed after completion)

Footnotes (can be removed after completion)

(1) Description

(2) Commercial designation as used on the invoices e.g. Model No

(3) Name of the company to which goods are supplied

(4) The European Union, country, group of countries or territory, from which the goods originate

(5) Country, group of countries or territory concerned

(6) To be completed, where necessary, only for goods having preferential origin status in the context of preferential trade relations with one of the countries with which pan-Euro-Mediterranean cumulation of origin is applicable.

(7) Give the start and end dates. The period shall not exceed 24 months.

(8) Place and date of issue

(9) Name and position of the undersigned, name and address of company

(10) Signature