Preferential origin - Specific TCA Procedures

Here various procedures are listed describing the rules of origin as specified in the specific Preferential trade agreements between the exporting and importing countries, providing the basis for preferential tariff treatment.

- EU-UK TCA for Tariff Heading 2710 - Refinery operations
- EU-UK TCA for Tariff Heading 2710 - Terminal operations

EU-UK TCA for Tariff Heading 2710 - Refinery operations

1 Product Scope

Tariff Heading **2710** covers:

> Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals.

2 Relevant Agreement and Annex

Applicable legal reference:

- **EU-UK Trade and Cooperation Agreement (TCA)**, Title I - *Rules of Origin* (Part Two, Heading One, Chapter 2).
- **Annex ORIG-2** - *Product-Specific Rules of Origin.*

3 Product-Specific Rule (PSR) for HS 2710

From Annex ORIG-2, the rule for heading 2710 reads:

> "Manufacture from materials of any heading, except that of the product, provided that the value of all non-originating materials used does not exceed 40% of the ex-works price of the product."

4 Interpretation

- Non-originating materials under the same heading (2710) **may not be used**.

- Materials classified under other headings (e.g. 2709 crude petroleum) **may be used**, provided the value of all non-originating inputs **does not exceed 40%** of the ex-works price.
- The product must undergo a **Change in Tariff Heading (CTH)** as part of the transformation.

5 Cumulation

- The EU-UK TCA allows **bilateral cumulation** only.
  - Materials originating in the UK are treated as originating in the EU and vice versa.
  - Inputs from third countries cannot be cumulated.

6 Sufficient Working or Processing

Processing that qualifies:

- Refining crude petroleum (heading 2709) into petroleum products (heading 2710);
- Chemical transformation changing the essential character of the product.

Processing that does **not** qualify (as per Article ORIG.7):

- Simple mixing of products;
- Simple dilution;
- Simple packaging or relabelling;
- Any process that does not alter the tariff classification or essential character.

7 Origin Verification Process

1. **Classify the product** under CN 2710.
2. **List all inputs** with tariff headings and origin status.
3. **Calculate the ex-works price** of the finished product.
4. **Determine total value of non-originating inputs**.
   - If ≤ 40% of ex-works price = condition satisfied.
5. **Ensure that no non-originating material of heading 2710 is used**.
6. **Confirm that the transformation changes the tariff heading** (CTH achieved).

If all criteria are met, the product acquires **EU or UK originating status**.

8 Proof of Origin

The exporter must issue a **Statement on Origin** (Annex ORIG-4 wording) on the invoice or other commercial document.

Key requirements:

- The exporter must have knowledge or proof of origin status;
- Alternatively, the importer may claim preference based on **importer's knowledge**;
- Statement must contain:
  - Specific wording from Annex ORIG-4;
  - Exporter's identification details;
  - Date and place of issue;
  - Origin of goods (EU or UK).

9 Record-Keeping

All origin documentation must be retained for at least **three years**. Documents include:

- Bills of materials;
- Supplier origin statements;
- Cost/value breakdowns;
- Proof of processing (refining records, blending recipes, etc.);
- Customs export declarations.

10 Customs Verification

Upon request, customs authorities may:

- Conduct administrative cooperation with the partner customs authority;
- Request production of evidence supporting the originating status;
- Deny preference if evidence is insufficient or non-compliant.

11. Responsibilities

Role	Responsibility
Customer / Customer Services	Classify goods, verify origin, and issue Statements on Origin.
Customer Services	Obtain supplier origin statements and maintain material origin database.
Customer	Provide ex-works price and input value data for origin calculations.
Customs Compliance	Maintain origin records, monitor cumulation use, and conduct internal audits.
Management	Ensure compliance with TCA requirements and training of staff.

12. Summary Table - Tariff Heading 2710 under EU-UK TCA

Element	Requirement
Tariff Heading	2710
Rule Type	Value rule + Exclusion rule
PSR Requirement	Non-originating materials ≤ 40% of ex-works price; no non-originating 2710 inputs
Cumulation	Bilateral (EU-UK)
Sufficient Processing Example	Refining crude oil (2709 -> 2710)
Minimal Operations (Excluded)	Simple mixing, blending, dilution, packaging
Proof of Origin	Statement on Origin (Annex ORIG-4)
Retention Period	Minimum 3 years
Main Reference	Annex ORIG-2 of EU-UK TCA

14. Conclusion

Preferential origin is a cornerstone of modern trade facilitation. Under the EU-UK TCA, it ensures that goods genuinely produced or sufficiently transformed within the EU or the UK benefit from duty-free access.

For petroleum oils (heading 2710), origin determination hinges on a **change in tariff heading**

and a **maximum 40% limit on non-originating inputs**.
Strict adherence to these rules, proper documentation, and accurate origin statements are essential for maintaining compliance and securing preferential treatment.

EU-UK TCA for Tariff Heading 2710 - Terminal operations

1. Purpose and Scope

This procedure outlines how to determine and maintain **preferential origin status** for petroleum products classified under **tariff heading 2710** that are **stored, handled, or blended** in the EU or the UK under the **EU-UK Trade and Cooperation Agreement (TCA)**.

Tariff Heading **2710** covers:

> Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals.

It applies to all facilities and operators engaged in:

- Storage and distribution of petroleum products of EU or UK origin;
- Occasional blending or addition of non-originating material (e.g. additives, stock adjustments);
- Origin tracking using **accounting segregation** methods.

The aim is to ensure that stored goods maintain or correctly lose their **preferential origin status** in compliance with the TCA.

2. Legal Framework

- **EU-UK Trade and Cooperation Agreement (TCA):** Title I, *Rules of Origin* (Part Two, Heading One, Chapter 2).
- **Annex ORIG-2:** Product-Specific Rules (PSR) for HS 2710.
- **Article ORIG.14:***Accounting segregation*.
- **Article ORIG.12:***Tolerances for non-originating materials*.
- **Article ORIG.7:***Insufficient working or processing operations*.

3. Product-Specific Rule (PSR) - HS 2710

> "Manufacture from materials of any heading, except that of the product, provided that the value of all non-originating materials used does not exceed 40% of the ex-works price of the product."

- Non-originating materials under the same heading (2710) **may not be used**.
- Materials classified under other headings (e.g. 2709 crude petroleum) **may be used**, provided the value of all non-originating inputs **does not exceed 40%** of the ex-works price.
- The product must undergo a **Change in Tariff Heading (CTH)** as part of the transformation.

For storage and distribution activities, this PSR is relevant primarily for verifying that **minor additions of non-originating material** do not exceed permissible thresholds and that the overall product maintains its preferential origin.

4. Cumulation

- The EU-UK TCA allows **bilateral cumulation** only.
  - Materials originating in the UK are treated as originating in the EU and vice versa.
  - Inputs from third countries cannot be cumulated.

5. Key Operational Principles

5.1 Storage Does Not Alter Origin

- Merely **storing**, **transferring**, or **handling** originating goods does **not** affect their preferential origin status, provided:
  - The goods remain **identifiable**, and
  - No operations are performed that would constitute **insufficient working or processing** under Article ORIG.7.

5.2 Insufficient Operations

Origin is **not** maintained if operations performed are limited to:

- Simple blending of oils;
- Simple mixing, dilution, or packaging;
- Any process that does not result in a change in tariff heading or essential character.

However, for companies managing mixed stocks of **originating and non-originating petroleum products**, **accounting segregation** (Article ORIG.14) may be applied to maintain compliance without physically separating each batch.

5.3 Sufficient Working or Processing

Processing that qualifies:

- Refining crude petroleum (heading 2709) into petroleum products (heading 2710);
- Chemical transformation changing the essential character of the product.

Processing that does **not** qualify (as per Article ORIG.7):

- Simple mixing of products;
- Simple dilution;
- Simple packaging or relabelling;
- Any process that does not alter the tariff classification or essential character.

5.3.1 Origin Verification Process Manufacturing

1. **Classify the product** under CN 2710.
2. **List all inputs** with tariff headings and origin status.
3. **Calculate the ex-works price** of the finished product.
4. **Determine total value of non-originating inputs**.
    - If ≤ 40% of ex-works price = condition satisfied.
5. **Ensure that no non-originating material of heading 2710 is used**.
6. **Confirm that the transformation changes the tariff heading** (CTH achieved).

If all criteria are met, the product acquires **EU or UK originating status**.

6. Accounting Segregation (Article ORIG.14 TCA)

6.1 Principle

Accounting segregation allows an operator to manage originating and non-originating materials or products **in a single inventory** where physical segregation is impractical.

This method may be used **only if the records and control systems** ensure that:

- The quantities of originating and non-originating goods are accurately accounted for;
- No more originating goods are deemed to be exported than those that would result from physical segregation.

6.2 Implementation Steps

1. **Approval**
   - Accounting segregation may be applied only if the operator has an **approved origin accounting system** validated by internal customs or compliance management.
2. **Inventory System Requirements**
   - The system must record:
     - Opening stock balance by origin category (EU, UK, non-originating);
     - Receipts (by origin and quantity);
     - Dispatches (with declared origin and supporting documentation).
   - The system must allow **traceability** from incoming to outgoing quantities.
3. **Calculation Basis**
   - The ratio of originating to non-originating goods in storage determines the share of outgoing goods that may be considered originating.
   - Example:
     - Stock: 90% originating + 10% non-originating.
     - A dispatch of 1,000 tonnes may be declared as **originating** up to 900 tonnes.
4. **Documentation**
   - Each origin batch movement must be supported by supplier declarations, statements on origin, or other valid proof.
   - Periodic stock reconciliation must confirm that cumulative declarations do not exceed available originating stock.
5. **Retention**
   - Records must be kept for a minimum of **three years** and made available upon customs request.

7. Incorporation of Non-Originating Material - 10% Value Tolerance

7.1 Legal Basis

Article ORIG.12 of the EU-UK TCA permits a **tolerance** of up to **10% of the ex-works price** for non-originating materials used, even where the PSR would otherwise prohibit such use.
This tolerance cannot be used to exceed the maximum non-originating material limit (40%) specified in the PSR.

7.2 Application to HS 2710 (Storage Context)

In storage operations where **non-originating material (e.g. additive or stabiliser)** is added to otherwise originating petroleum products:

- The **value of the non-originating addition** must not exceed **10% of the ex-works price** of the final blended product.
- The blended product may still be regarded as **originating**, provided:
  - The total non-originating material (including the addition) does not exceed **40% of the ex-works price**; and
  - The blending does not fall within **insufficient operations** (i.e., must have a legitimate commercial purpose and not merely be a simple mix).

7.3 Calculation Example

- Ex-works price of blended product: USD 1,000 per tonne
- Non-originating additive: USD 80 per tonne (8%)
- Total non-originating materials: 8% (<10%)
  = Product retains **preferential origin** under the 10% tolerance rule.

If the addition exceeds 10%, or if total non-originating input surpasses 40%, the final product **loses preferential origin**.

8. Operational Procedure

Step	Action	Responsible
1. Receipt of Goods	Record all incoming products by Commodity code and origin (EU, UK, or non-originating) based on supplier documentation.	Customer Services
2. Storage	Maintain stock records using accounting segregation. No co-mingling of origin categories without system control.	Warehouse / IT Systems
3. Addition of Material	If non-originating additives or materials are added, record the value and percentage relative to ex-works price. Verify that 10% tolerance is not exceeded.	Customer / Customer Services
4. Stock Management	Use accounting segregation ratios to allocate origin status to outgoing quantities.	Warehouse / IT Systems
5. Proof of Origin for Dispatches	Issue a Statement on Origin (Annex ORIG-4 wording) only for quantities qualifying as originating under segregation and tolerance limits.	Customs representative
6. Record-Keeping	Keep all supporting evidence (origin documents, blending records, valuation sheets) for 3 years minimum.	Customs Compliance
7. Audit and Verification	Perform internal checks quarterly to confirm compliance with origin and tolerance provisions.	Compliance Manager

9. Verification and Customs Control

- Customs authorities may verify origin claims by reviewing:
  - Stock and accounting segregation records;
  - Value calculations for non-originating additions;
  - Supplier origin documentation and statements;
  - Outgoing origin declarations.
- Non-compliance may result in loss of preferential treatment and retroactive duty recovery.

10. Summary Table - Storage Context (HS 2710)

Element	Requirement
Tariff Heading	2710
PSR Limit	Max 40% non-originating materials (ex-works price)
Tolerance Rule	Additional 10% of ex-works price for incidental non-originating additions
Cumulation	Bilateral (EU-UK)
Processing Restriction	No simple mixing, packaging, or dilution (Article ORIG.7)
Stock Control Method	Accounting segregation (Article ORIG.14)
Proof of Origin	Statement on Origin (Annex ORIG-4)
Retention Period	3 years minimum
Key Controls	Stock reconciliation, value calculation, segregation ratio monitoring

11. Conclusion

In storage operations under the EU-UK TCA, the preferential origin of petroleum products (heading 2710) can be maintained provided that:

- Goods are handled under **accounting segregation** systems ensuring traceable origin management;
- Any addition of non-originating materials does not exceed **10% of the ex-works value**, and total non-originating input remains within the **40% PSR limit**;
- No operations constitute **insufficient working or processing** under Article ORIG.7.

By applying these controls, operators can confidently issue **Statements on Origin** while maintaining full compliance with the TCA's preferential origin framework.