

URBN UK-TURKEY FREE TRADE AGREEMENT (FTA) SUMMARY

January 11, 2021

OVERVIEW

A Free Trade Agreement (FTA) has been entered into between the UK and Turkey covering trade between the nations. The FTA allows for preferential treatment of goods from those nations (reduced or zero duty) upon importation, assuming the various eligibility rules are met and certified.

BASIC ELIGIBILITY REQUIREMENTS – IMPORT INTO UK

The below requirements must be followed in order for URBN to make a claim for preferential treatment at the time of entry into the UK.

- Goods must be a Product of Turkey (meet basic origin conferring operation)
- Direct Shipment from Turkey to the UK
- Goods meet the preferential rule of origin, as identified in the FTA (see below for specific requirements)
- Origin Statement – The below statement must be indicated on the Commercial Invoice

The exporter of the products covered by this document (Customs authorisation No ... (1)) declares that, except where otherwise clearly indicated, these products are of Turkish preferential origin.

(Place and date)

(Signature of the exporter; in addition the name of the person signing the declaration has to be indicated in clear script)

The above statement can be in electronic format on the commercial documents.

There is a two-year retroactive claim provision. This allows URBN to not make a preferential claim at the time of entry, but, assuming eligibility requirements are met, URBN can file for a refund within two years of the time of entry.

URBN must have all supporting documents on hand before requesting a refund of duties for a retroactive preferential claim.

RULES OF ORIGIN – PRODUCT SPECIFIC

Chapter 39 (Articles of Plastic)

The basic rule of origin for articles of plastic is the goods must be manufactured from materials of any heading, except that of the product, *or* Manufacture in which the value of all the materials used does not exceed 50 % of the ex-works price of the product.

This means a single transformation of non-originating component parts from one Tariff heading to the Tariff heading of the finished product imparts originating status.

In addition to the single transformation rule, if a good is manufactured in Turkey and all of the non-originating components add up to less than 50% of the ex works price of the good, the entire good would be considered as originating.

Also, non-originating materials of the same sub-heading as the product may be used, provided that their total value does not exceed 20% of the ex works price of the product.

Chapter 42 (Articles of Leather)

The basic rule of origin for articles of leather is the goods must be manufactured from materials of any heading, except that of the product, *or* Manufacture in which the value of all the materials used does not exceed 50 % of the ex-works price of the product.

This means a single transformation of non-originating component parts from one Tariff heading to the Tariff heading of the finished product imparts originating status.

In addition to the single transformation rule, if a good is manufactured in Turkey and all of the non-originating components add up to less than 50% of the ex works price of the good, the entire good would be considered as originating.

Chapter 61 (Knit apparel)

Knit-to-shape garments are country of origin of where the panels are knit-to-shape.

Example: Sweater panels knit-to-shape in India and linked/looped in Turkey would be country of origin India.

Example 2: Sweater panels knit-to-shape in Turkey and linked/looped in Italy would be country of origin Turkey.

For garments that aren't knit-to-shape, origin eligibility requires the Spinning of natural and/or man-made staple fibres combined with knitting or crocheting *or* Extrusion of man-made filament yarn combined with knitting or crocheting *or* Knitting and making-up in one operation.

This means that in order to qualify as originating, knit products primarily follow a yarn forward rule of origin. The yarn would need to be of Turkish origin or from one of the countries identified on the cumulation list (below).

An exception to the yarn forward rule is a product that is knit in a single operation without linking or looping of component parts, such as socks from a circular knitting machine.

In addition, knit bras that are knit in Turkey are considered originating regardless of the origin of the yarn.

Additional Note 6:

Rule of origin for textile products that are a combination of textile materials will not apply to any basic textile material that represents 15% or less of the total weight of all the basic textile materials used. This can only be applied to textile products made up of two or more basic textile materials.

Example: Apparel item of 87% cotton / 13% polyester would only need to qualify the cotton portion of the garment as originating.

Additional Note 7:

Other non-originating textile components (not including linings or interlinings, and as long as not classified the same as the classification of the product) will not affect preferential treatment as long as the value is less than 15% of the ex works price of the good.

Materials not classified in chapters 50 to 63 may be used freely in textile products without respect to originating requirements. This means that denim hardware (zipper, rivets, etc.) can be non-originating and not affect the eligibility of the denim garments.

Chapter 62 (Non-knit apparel, including denim apparel)

The basic rule of origin for woven garments to be eligible for preferential treatment is weaving of fabric in Turkey combined with making-up of the garment, including cutting of fabric.

Non-originating yarns become originating when woven into fabric.

Foreign fabric would not be considered originating if not woven in Turkey. Apparel items made in Turkey from foreign fabric would not be eligible for preferential treatment.

Additional Notes 6 and 7 (above) also apply to non-Knit (Woven) apparel products.

Chapter 63 (Other Made up Textile Articles)

Due to the wide variety of other made up textile articles, there are multiple rules of origin depending on the exact type of product. Please check with URBN Global Trade and Compliance for origin rules if your goods are classified in Chapter 63.

Additional Notes 6 and 7 (above) also apply to other made up textile products.

Chapter 65 (Headgear and hats)

The basic rule of origin for headgear and hats is that the non-originating components become originating when manufactured in Turkey from materials of any heading, except that of the product.

This means a single transformation of non-originating component parts from one Tariff heading to the Tariff heading of the finished product imparts originating status.

Example: Foreign wool fabric (Chap 51) used to make hats (Chap 65) becomes originating if the hats are made in Turkey.

Chapter 70 (Glass and glassware)

The basic rule of origin for glass and glassware is the goods must be manufactured from materials of any heading, except that of the product, *or* Manufacture in which the value of all the materials used does not exceed 50 % of the ex-works price of the product.

This means a single transformation of non-originating component parts from one Tariff heading to the Tariff heading of the finished product imparts originating status.

Example: Foreign sand that is used to manufacture glassware in Turkey would qualify as originating. Vendors must know the original Tariff heading of the components used in the finished product to apply the single transformation rule.

In addition to the single transformation rule, if a good is manufactured in Turkey and all of the non-originating components add up to less than 50% of the ex works price of the good, the entire good would be considered as originating.

Chapter 71 (Jewelry)

The basic rule of origin for jewelry is the goods must be manufactured from materials of any heading, except that of the product, *or* Manufacture in which the value of all the materials used does not exceed 70 % of the ex-works price of the product.

This means a single transformation of non-originating component parts from one Tariff heading to the Tariff heading of the finished product imparts originating status.

Example: Foreign metal that is used to manufacture jewelry in Turkey would qualify as originating. Vendors must know the original Tariff heading of the components used in the finished product to apply the single transformation rule.

In addition to the single transformation rule, if a good is manufactured in Turkey and all of the non-originating components add up to less than 70% of the ex works price of the good, the entire good would be considered as originating.

Chapter 73 (Articles of Iron or Steel)

The basic rule of origin for articles of iron or steel is the goods must be manufactured from materials of any heading, except that of the product.

This means a single transformation of non-originating component parts from one Tariff heading to the Tariff heading of the finished product imparts originating status.

Example: Foreign metal that is used to manufacture articles of iron or steel in Turkey would qualify as originating. Vendors must know the original Tariff heading of the components used in the finished product to apply the single transformation rule.

Chapter 94 (Furniture, Bedding, Mattresses)

The basic rule of origin for furniture, bedding and mattresses is the goods must be manufactured from materials of any heading, except that of the product, *or* Manufacture in which the value of all the materials used does not exceed 50 % of the ex-works price of the product.

This means a single transformation of non-originating component parts from one Tariff heading to the Tariff heading of the finished product imparts originating status.

Example: Foreign cotton fabric (Chap 52) that is used to manufacture bedding in Turkey (Chapter 94) would qualify as originating. Vendors must know the original Tariff heading of the components used in the finished product to apply the single transformation rule.

In addition to the single transformation rule, if a good is manufactured in Turkey and all of the non-originating components add up to less than 50% of the ex works price of the good, the entire good would be considered as originating.

Cumulation Rule (All Chapters)

Products shall be considered as originating in Turkey, if they are obtained there, incorporating materials originating in the United Kingdom, Switzerland (including Liechtenstein), Iceland, Norway or the EU, or in any country listed in Annex 4, provided that the working or processing carried out in Turkey confers origin.

Please refer to Annex 4 of the UK-Turkey agreement if necessary to review cumulation with any country not listed above.

DOCUMENTATION REQUIREMENTS

Her Majesty's Revenue and Customs (HMRC) reserves the right to review any preferential claims to ensure the origin claim is accurate. Therefore, vendors must be prepared to provide documentation that their goods meet the rules of origin.

This documentation must be maintained for three years. Standard documents include, but are not limited to, the following documents:

- Purchase Orders for fabric or other components
- Transportation records of fabric or other components
- Test reports for fiber content, by weight
- Cutting tickets at manufacturer or other proof of manufacture in Turkey
- Details of findings and trims

Supplier's declarations for non-originating components
Cost sheets (for di minimis calculations)

All documentation should reference an URBN PO, to tie back to an entry in case of HMRC audit.

Documents may be maintained in Turkish, but must be translated into English when provided to URBN UK or HMRC.

URBN REVIEW / REQUIREMENTS

As required by the UK-Turkey FTA, URBN must test its internal controls to ensure accurate preferential claims.

URBN will validate one of each vendor's first claims to ensure documentation support is available for an eligibility claim. URBN may also randomly review eligibility claims throughout the year.

As noted above, vendors must maintain all records for three years.

Vendors will be responsible for all duty/penalties URBN may be required to pay based on an invalid/unproven origin certification that a preferential claim was based on.