

URBN UK-EU TRADE AND COOPERATION AGREEMENT (TCA) SUMMARY

January 11, 2021

OVERVIEW

A Trade and Cooperation Agreement (TCA) has been entered into between the UK and the EU covering trade between the nations. The TCA 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 AND EU

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 or the EU.

- Goods must be a Product of UK or the EU (meet basic origin conferring operation)
- Direct Shipment from the EU to the UK and vice versa
- Goods meet the product specific rule of origin, as identified in the TCA (see below for specific requirements)
- Preference Claim made at the time of entry (or retroactively within three years of entry).

IMPORTER REQUIREMENTS

A proof of origin is used by the importer to demonstrate that the goods qualify as originating and are eligible to claim preference. In the TCA this proof can take the form of:

- a Statement on origin completed by the exporter on a commercial document, or
- knowledge obtained and held by the importer that the goods are originating.

Importers must have proof of the originating status of the product before claiming preference. This may be:

- a. Statement on origin provided by the exporter on a commercial invoice or other commercial document that describes the goods. The text of the Statement would be included in the agreement. This is known as an invoice or origin declaration;
- b. Supporting documents and records if you are claiming preference using your “importers knowledge”. If using importer knowledge, you must obtain sufficient evidence that the goods qualify as originating. This may involve the exporter providing a range of supporting documentation. If you cannot obtain that evidence, then the exporter may be able to provide a Statement on origin.

An exporter making out a Statement on origin must hold information demonstrating that the product is originating, including information on the originating status of materials used in the production of the product. This may include declarations obtained from their suppliers.

A Statement on origin may apply to a single consignment or to multiple shipments of identical products within any period specified in the Statement on origin but not exceeding 12 months from the date of the first import.

EXPORTER REQUIREMENTS

The exporter:

- a. must be located either in the UK or EU;
- b. Can be any person (such as a producer or a trading company) as long as they fulfil the obligations under the TCA. It is not necessary that the exporter lodges the customs export declaration in respect of the products. They may appoint a customs representative to act on their behalf.
- c. exports or produces the originating product and makes out a Statement on origin; and
- d. is responsible for the correct identification of the originating products on the invoice or any other commercial document.

They will usually be identified on the Statement on origin by their Exporter Reference Number (ERN). Where an Exporter's Reference Number has not been assigned the exporter may indicate its full address under the part "Place and date".

In the EU the ERN will be the exporters Registered Exporter (REX) number. These are allocated if the exporter exports consignments with a total value exceeding €6000.

In the UK the ERN will be the Economic Operator Registration and Identification (EORI) number. If you do not have one, you can [apply for an EORI number](#).

There is a requirement that the Statement on origin must be made out by the exporter but there is no explicit requirement as to the identity of the person issuing the commercial document used for making out the Statement.

Supporting documents must be maintained for 4 years.

PRODUCT SPECIFIC RULES OF ORIGIN

All components from the UK and EU are considered originating for cumulation purposes.

Chapter 33 (Essential Oils, Perfume, Cosmetics)

The basic rule of origin for essential oils, perfumes and cosmetics is that the goods must be manufactured from materials of any sub-heading (6 digits), except that of the product.

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

In addition to the single transformation rule, if a good is manufactured in the UK or EU 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 34 (Soap and washing preparations)

The basic rule of origin for soap and washing preparations is that the goods must be manufactured from materials of any sub-heading (6 digits), except that of the product.

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

In addition to the single transformation rule, if a good is manufactured in the UK or EU 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 37 (Photographic or Cinematographic goods)

The basic rule of origin for photographic or cinematographic goods is that the goods must be manufactured from materials of any sub-heading (6 digits), except that of the product.

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

In addition to the single transformation rule, if a good is manufactured in the UK or EU 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 39 (Articles of plastic)

The basic rule of origin for articles of plastic is that the goods must be manufactured from materials of any heading (4 digits), except that of the product.

This means a single transformation of 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 the UK or EU 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 42 (Articles of leather)

The basic rule of origin for articles of leather is that the goods must be manufactured from materials of any heading (4 digits), except that of the product.

This means a single transformation of 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 the UK or EU 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 Garments)

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 Germany would be country of origin India.

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

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 UK or EU origin for the product to qualify.

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.

Additional Note:

Rule of origin for textile products that are a combination of textile materials will not apply to any basic textile material that represents 10% 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 91% cotton / 9% polyester would only need to qualify the cotton portion of the garment as originating.

Additional Note:

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 8% 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 Garments)

The basic rule of origin for woven garments to be eligible for preferential treatment is weaving of fabric in UK or EU 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 the UK or the EU. Apparel items made in the UK or EU from foreign fabric would not be eligible for preferential treatment.

Additional Notes (above in Chapter 61 notes) 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 (above in Chapter 61 notes) also apply to other Made Up Textile Articles.

Chapter 64 (Footwear)

64.01 – 64.05 (Finished Footwear)

Production from non-originating materials of any heading, except from non-originating assemblies of uppers affixed to inner soles or to other sole components of heading 64.06.

This means non-originating components for footwear classified in headings 64.01 through 64.05 qualify as originating as long as there is a single transformation from any other heading other than non-originating footwear parts (64.06) affixed to the sole.

64.06 (Parts of Footwear)

The basic rule of origin for footwear parts is the goods must be manufactured from materials of any heading, except that of the product. Vendors must know the original Tariff heading of the non-originating components used in the finished product to apply the single transformation rule.

Chapter 65 (Headgear)

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

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

Chapter 69 (Ceramic Products)

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

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

Example: Foreign clay manufactured into a ceramic item in Germany 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 85 (Electrical Machinery and other electric items)

The basic rule of origin for electric items is that the goods must be manufactured from materials of any heading (4 digits), except that of the product.

This means a single transformation of 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 the UK or EU 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 90 (Optical, Photographic, Musical Instruments)

The basic rule of origin for optical, photographic and musical instruments is that the goods must be manufactured from materials of any heading (4 digits), except that of the product.

This means a single transformation of 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 the UK or EU 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 95 (Toys, Games, Sports accessories)

The basic rule of origin for toys, games and sports accessories is that the goods must be manufactured from materials of any heading (4 digits), except that of the product.

This means a single transformation of 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 the UK or EU 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.

DOCUMENTATION REQUIREMENTS

Her Majesty's Revenue and Customs (HMRC) and all EU Customs organizations reserve 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 four 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.

URBN REVIEW/REQUIREMENTS

As required by the UK-EU 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 four 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.

There is a three-year retroactive claim provision in the UK – EU FTA. This means that preferential claims can be made up to three years after goods are entered with Customs. URBN will only make retroactive claims if all supporting documentation is supplied and reviewed and available in the event of Customs requests for verification.