



Indirect Tax Alert

Brexit deal

UK-EU Trade and Cooperation Agreement: tariffs and origin implications

On 24 December 2020, the UK and EU negotiators signed the [Trade and Cooperation Agreement](#) (TCA), defining the trading relationship between the two blocs as of 1 January 2021. What follows is a closer look at the implications regarding import tariffs.

Facts

The TCA implies that all goods originating from either the EU or the UK will not be subject to customs duties or quotas when imported into the other Party's territory. This was one of the main points indicated in the negotiating mandate, as failing to achieve it would have led to the imposition of tariffs from 1 January 2021.

However, it is important to understand that **only eligible goods (known as "originating") would benefit from these tariff exemptions**. To determine whether goods are eligible or not, provisions on the rules of origin have been agreed. As a summary, products shipped to the other Contracting Party in the TCA will be considered as originating if (1) they are wholly obtained in the EU or in the UK, (2) if they have been produced entirely from materials from the EU or the UK, or (3) if they have been sufficiently processed in the EU or the UK. The specific rules of origin to be complied with will vary in function of the goods' typology.

These could for example require a change of Tariff Heading, or require the amount of non-originating material used to not exceed a certain value.

Both in terms of general principles as well as product-specific rules of origin, important deviations occur between the TCA and other trade agreements that the EU has concluded; such as those with Switzerland or Norway for example.

For instance, the TCA only includes provisions on full bilateral cumulation between the EU and the UK, and not on diagonal cumulation with other trade partners common to both, such as under the Pan Euro Mediterranean (PEM) Convention. The specific nature of the TCA makes future integration with the PEM Convention rather unlikely.

Moreover, the practical application of the TCA preference system may require traders to apply processes and procedures that differ from those applied to date.

For instance, preference status can be claimed based on importer knowledge, or a Statement on origin issued by the exporter, who needs to be REX-registered for this purpose if the consignment has a value exceeding EUR 6,000.

What does it mean for you?

The TCA provides certainty to a range of businesses impacted by Brexit, and allows tariff free trade to those who can comply with the formal and material origin requirements. To do so, companies willing to benefit from preferential treatment will have to determine whether their products are originating, based on the TCA's rules of origin, and apply for a REX number if they want to issue Statements on origin for exports from the EU to the UK.

Deloitte's Global Trade Advisory specialists are part of a global network of professionals who can provide specialised assistance to companies in global trade matters. Our professionals help companies seeking to manage the impacts of the developments described above.

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