



Managing International Customs & Trade Compliance



How Does Brexit Impact Compliance

December 7th 2021



Josef Derfler

Senior Solutions Expert @ MIC

josef.derfler@mic-cust.com

Josef Derfler started working for MIC in 2001 and focused on developing the Origin Calculation System MIC OCS. By leading international projects for MIC's clients around the world Josef Derfler gained extensive knowledge around customs and trade compliance processes. After this period of time he led the product development team for MIC OCS within the MIC product development department for a decade. To help clients of MIC to not only integrate the MIC GTM suite seamlessly into their IT landscape but also convince potential customers that MIC is the world leading software partner for global trade management provider Josef Derfler joined the international sales team as a senior solution expert at the beginning of 2021.



Agenda

- 🌐 **Britain's new trade policy**
- 🌐 **Status of current UK trade deals to-date**
- 🌐 **Information about UK trade deals**
- 🌐 **Specific look into the UK-EU TCA**
- 🌐 **MIC Company and Product overview**
- 🌐 **Q & A**





Britain's new trade policy

Date Overview

- 🌐 Referendum held on 23 June 2016, the majority chose to leave the European Union
- 🌐 **Department of International Trade** was founded on / shortly after 13 July 2016 (Theresa May)
- 🌐 Trigger of Article 50 on 29 March 2017 (two-year countdown for Brexit)
- 🌐 ... couple of extensions ... Brexit date was now set to 31 January 2020, when UK left the EU and entered a transition period
- 🌐 31 December 2020 the transition period ended and the UK left the EU single market and the customs union



Department of International Trade (current role holder: Anne-Marie Trevelyan)

- Secure world-class free trade agreements and reduce market access barriers, ensuring that consumers and businesses can benefit from both.
- Deliver economic growth to all the nations and regions of the UK through attracting and retaining inward investment.
- Support UK business to take full advantage of trade opportunities, including those arising from delivering free trade agreements (FTAs), facilitating UK exports.
- Champion the rules-based international trading system and operate the UK's new trading system, including protecting UK businesses from unfair trade practices



Elizabeth Truss, DIT – Speech 14 September 2021, Key notables

- 🌐 World's middle class rising, especially in Asia
- 🌐 Digital trade is becoming more and more important – this is a strength of UK
- 🌐 „Trade muscle“ lost during fifty years in EU, building it backup, more „agressive“ now
- 🌐 Importance of roll-over agreements, stabilizing supply-chain, stop losses of trade preference under existing EU deals
- 🌐 **Best way forward is free trade!**

- 🌐 Struck deals with 70 countries plus the EU, worth £766 billion
- 🌐 Focus on overseas trade deals like trans-pacific partnership, Australia, New-Zealand
- 🌐 Including green deals in the new trade deals



Ambitious 12-points plan

- Plan for UK Exports to hit £1 Trillion by the mid-2030s
- The 12-points plan should enable UK Exports to reach this goal by the end of the decade
- Point 12:
 - We will continue to open new markets for UK exporters through our new trade deals, with the ambition of covering 80% of UK trade by the end of 2022, and broader work to remove market access barriers.

→ New trade deals are coming!

- Newly reached trade deals recently are Australia and New Zealand
- UK is on the pathway to membership of the CPTPP
- Monitor and enhance existing agreements starting Canada and Mexico
- Continue to resolve specific market access barriers identified by UK Businesses (e.g. [civil aircraft WTO case](#))



[Brexit Timeline](#)

[Speech of Elizabeth Truss \(Sept 2021\)](#)

[Made in the UK, Sold to the World \(Nov 2021\)](#)

[Civil aircraft retaliation tariffs press release](#)





Status of current UK trade deals to-date

Status of current UK trade deals

Current state of UK trade deals

Full ratification	AL, EC, PE, CA, CM, Central America, CL, CI, ESA, EG, FO, GE, IL, JP, JO, XK, LB, LI, MX, PS, SG, KR, SACUM, CH, TN, UK
Provisional application	CARIFORUM, GH, IS, NO, MD, MA, MK, PG, RS, TR, VN
Bridging mechanism	CO, KE, AS (Samoa), SB (Solomon Islands)

Full ratification: trade deal is fully ratified and in force

Provisional application: Provisional application is a method well established in international treaty practice to bring agreements into effect ahead of entry into force.

Bridging mechanism: Bridging mechanisms are an alternative means to ensure continuity of trade, where the UK or treaty partners are unable to fully ratify or provisionally apply an agreement. These non-binding mechanisms include Memoranda of Understanding or Exchange of Diplomatic Notes and ensure continuity of trade.



Trade deals still in discussions

Algeria	Engagement ongoing, agreement is not yet in place. Trade takes place under the Generalised Scheme of Preferences for imports. UK exports will be subject to partner country national legislation. Note: not part of WTO
Bosnia and Herzegovina	Engagement ongoing, agreement is not yet in place. Trade takes place under WTO terms for imports. UK exports will be subject to partner country national legislation. Note: not part of WTO
Montenegro	Engagement ongoing, agreement is not yet in place. Trade takes place under WTO terms



Mutual recognition agreements

Australia	
New Zealand	
United States of America	

Mutual recognition agreements coverage in trade agreements

Switzerland	incorporates elements of the EU-Switzerland MRA.
Israel	covers conformity assessment of industrial products. This means that existing arrangements with Israel remain in place.
Japan	replicates the effects of the existing EU-Japan MRA





Information about UK trade deals

Areas to talk about ...

- 🌐 Countries involved in the trade deal
- 🌐 Countries involved where cumulation can be applied
- 🌐 Validity of proof of origin



Examples

UK – Switzerland	EU, CH, LI, IS, NO, TR
UK – Vietnam	EU, VN
UK – SACU	EU, ZA, BW, SZ, NA, LS, MZ

Notes:

- 🌐 As the UK trade deal are meant to be roll-over trade deals, countries involved are the same



Examples

UK – Switzerland	Materials from EU, CH, LI, IS, NO, TR, UK Working and processing from IS, NO, EU
UK – Vietnam	Materials from EU, VN, UK Specific cumulation option for ASEAN countries Working and processing from EU, VN, ASEAN
UK – SACU	Materials from EU, ZA, BW, SZ, NA, LS, MZ, ACP EPA States, UK OCT states Working and processing same as for materials

Notes:

- 🌐 The cumulation option with the EU in all UK trade deals is an option.
- 🌐 The EU has not changed their cumulation option for all UK materials / working and processing!
UK still out-of-scope!



Examples

UK – Switzerland	4 months
UK – Vietnam	12 months
UK – SACU	10 months

Notes:

- 🌐 The validity period of these proofs of origin vary between the UK trade deals, as seen in the respective EU trade agreements!



As an example

- On-going dispute with US over Trump 232 steel and aluminum measures
 - EU and US reached an agreement to resolve differences with a quota based system resulting in the removal of tariffs by both sides
- UK was not part of the negotiations
 - UK inherited the same WTO disputes and EU safeguard tariffs against US products
- EU deal is due to enter in force on 01 January 2022
- UK and US have not reached a deal yet, in part due to US concerns over UK plans for Northern Ireland Protocol





Specific look into UK-EU TCA

Specific look into UK-EU TCA | Foreword

All imports will be subject to import / export customs formalities and must comply with the rules of the importing party!

Rules of origin will apply to goods in order to benefit from preferential trade conditions
See Chapter 2 (page 40) for **provisions to determine the origin of goods** for the treatment.

- 🌐 In a number of sectors, the parties have entered into specific arrangements to facilitate bilateral trade, as well as regulatory cooperation. These sectors include automotive, pharmaceuticals, ...
- 🌐 The agreement secures market access for the transport of goods and people.
- 🌐 In accordance with the Protocol between the Republic of Ireland and Northern Ireland, the previous regulations of the Union will apply to all goods entering Northern Ireland.



Specific look into UK-EU TCA | Overview

Here's an overview of general topics which are notable differences

- 🌐 List of wholly obtained processes are covering more processes
- 🌐 Only bilateral and full cumulation
- 🌐 Tolerance requirements are different
- 🌐 No dedicated preferential document – declaration of origin on trade documents possible (or knowledge of importer)
- 🌐 Product specific rules are generally easier to reach
- 🌐 British EORI Number needed in case of UK exports
- 🌐 REX Number needed for EU Exports



Specific look into UK-EU TCA | ORIG.3 – General requirements

<ORIG.3>

For the purposes of applying the **preferential tariff treatment** by a Party to the originating good of the other Party in accordance with this Agreement, provided that the products satisfy all other applicable requirements of this Chapter, the following products shall be considered as originating in the other Party:

- (a) products **wholly obtained** in that Party within the meaning of Article ORIG.5 [Wholly obtained products];
- (b) products produced in that Party **exclusively from originating materials** in that Party; and
- (c) products produced in that Party incorporating non-originating materials provided they satisfy the requirements set out in ANNEX ORIG-2 [**Product-specific rules of origin**].



Specific look into UK-EU TCA | ORIG.4 – Cumulation

<ORIG.4>

1. A product originating in a Party shall be considered as originating in the other Party if that **product is used as a material in the production of another product** in that other Party.
2. **Production carried out** in a Party on a non-originating material may be taken into account for the purpose of determining whether a product is **originating** in the other Party.
3. Paragraphs 1 and 2 do not apply if the production carried out in the other Party does not go beyond the operations referred to in Article ORIG.7 [**Insufficient production**].
4. In order for an exporter to complete the statement on origin referred to in point (a) of Article ORIG.18(2) for a product referred to in paragraph 2 of this Article, the exporter shall obtain from its supplier a supplier's declaration as provided for in Annex ORIG-3 [Supplier's declaration]



Specific look into UK-EU TCA | ORIG.6 – Tolerances

<ORIG.6>

1. General tolerance of non-originating materials: 10%
2. the **total weight** of **non-originating materials** used in the production of products classified under **Chapters 2 and 4 to 24** of the Harmonised System, other than processed fishery products of Chapter 16, does not **exceed 15%** of the weight of the product
3. the **total value** of **non-originating materials** for all other products, except for products classified under **Chapters 50 to 63** of the Harmonised System does not exceed 10% of the ex-works price of the product; or
4. for a product classified under **Chapters 50 to 63** of the Harmonised System, the tolerances set out in Note 7 and 8 of ANNEX ORIG-1
 - a) Woollen fabric: 10%
 - b) Specific yarn products: 20%
 - c) Specific types of strips or core of plastic films: 30%



Specific look into UK-EU TCA | ORIG.12 – Sets

<ORIG.12>

Sets, as defined in **General Rule 3** for the Interpretation of the Harmonised System, shall be considered as originating in a Party if all of their components are originating. If a set is composed of originating and non-originating components, the set as a whole shall be considered as originating in a Party, if the value of the non-originating components **does not exceed 15 %** of the ex-works price of the set.



Specific look into UK-EU TCA | ORIG.18, ORIG.19

<ORIG.18>, <ORIG.19>

Claim preferential treatment at the time of importation

- 🌐 Importers responsibility for correctness of claim and compliance
- 🌐 A claim shall be based on
 - A statement on origin made out by the exporter
 - Importer's knowledge that the product is originating

Statement on origin (SoO)

- 🌐 Made out by the exporter of a product
- 🌐 SoO is valid 12 months
- 🌐 Can apply to a single shipment or multiple shipments (12 months)



Specific look into UK-EU TCA | Others

- 🌐 ORIG.13 – Neutral elements
- 🌐 ORIG.14 – Accounting segregation method used for fungible goods to maintain their (non)originating status
- 🌐 ORIG.15 – Returned products: same as exported, not undergone any operation
- 🌐 ORIG.16 – Non-alteration clause: no alteration for goods other than specific operations like preserving conditions, splitting consignment



Specific look into UK-EU TCA | ANNEX ORIG-1

🌐 Note 4 – Calculation of a Max. Value of Non-Originating Materials

EXW

the price of the product paid or payable to the producer in whose undertaking the last working or processing is carried out, provided that the price includes the value of all the materials used and all other costs incurred in the production of the product, minus any internal taxes which are, or may be, repaid when the product obtained is exported;

VnM

"VNM" means the value of the non-originating materials used in the production of the product, which is its customs value at the time of importation, including freight, insurance if appropriate, packing and all other costs incurred in transporting the materials to the importation port in the Party where the producer of the product is located; where the value of the non-originating materials is not known and cannot be ascertained, the first ascertainable price paid

MaxNOM

means the maximum value of non-originating materials expressed as a percentage and shall be calculated according to the following formula:

$$\text{MaxNOM (\%)} = \frac{\text{VNM}}{\text{EXW}} \times 100$$



Specific look into UK-EU TCA | ANNEX ORIG-2 – Product specific rules

Chapter 82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal
8201.10-8205.70	CTH; or MaxNOM 50 % (EXW).
8205.90	CTH, however, non-originating tools of heading 82.05 may be incorporated into the set, provided that their total value does not exceed 15 % of the EXW of the set.
82.06	CTH except from non-originating materials of headings 82.02 to 82.05; however, non-originating tools of headings 82.02 to 82.05 may be incorporated into the set, provided that their total value does not exceed 15 % of the EXW of the set.



Specific look into UK-EU TCA | ANNEX ORIG-2A – Origin Quotas

Table 1 – Quotas applicable from 1 January 2021 until 31 December 2023

Harmonised system classification (2017)	Product description	Alternative product-specific rule	Annual quota for exports from the Union to the United Kingdom (net weight)	Annual quota for exports from the United Kingdom to the Union (net weight)
76.03, 76.04, 76.06, 76.08-76.16	Aluminium products and articles of aluminium (excluding aluminium wire and aluminium foil)	CTH	95 000 tonnes	95 000 tonnes
76.05	Aluminium wire	CTH except from non-originating materials of heading 76.04		
76.07	Aluminium foil	CTH except from non-originating materials of heading 76.06		

Specific look into UK-EU TCA | ANNEX ORIG-2B – Batteries, E-Veh

Column 1 Harmonised classification including description	Column 2 Product-specific rule of origin applicable from the entry into force of this Agreement until 31 December 2023
85.07	
- Accumulators containing one or more battery cells or battery modules and the circuitry to interconnect them amongst themselves, often referred to as “battery packs”, of a kind used as the primary source of electrical power for propulsion of vehicles of headings 87.02, 87.03 and 87.04	CTSH; Assembly of battery packs from non-originating battery cells or battery modules; or MaxNOM 70 % (EXW)





Long-Term Supplier Declaration UK-EU

Before Brexit

- 🌐 UK is part of the EU, therefore long-term supplier declarations are mostly used for regular consignments within the EU

After Brexit

- 🌐 The whole supply chain, which relied on the way how long-term supplier declarations were created, was shaken.
- 🌐 Commission Implementing Regulation (EU) 2020/2254 of 29 December 2020 – TRANSITION PERIOD !
- 🌐 ... an exporter may until 31 December 2021 make out statements on origin for exports to the United Kingdom on the basis of supplier's declarations to be provided by the supplier subsequently on condition that by 1 January 2022 the exporter has the supplier's declarations in his or her possession. If the exporter does not have those supplier's declarations in his or her possession by that date, the exporter shall inform the importer on 31 January 2022 at the latest.





MIC Company Presentation

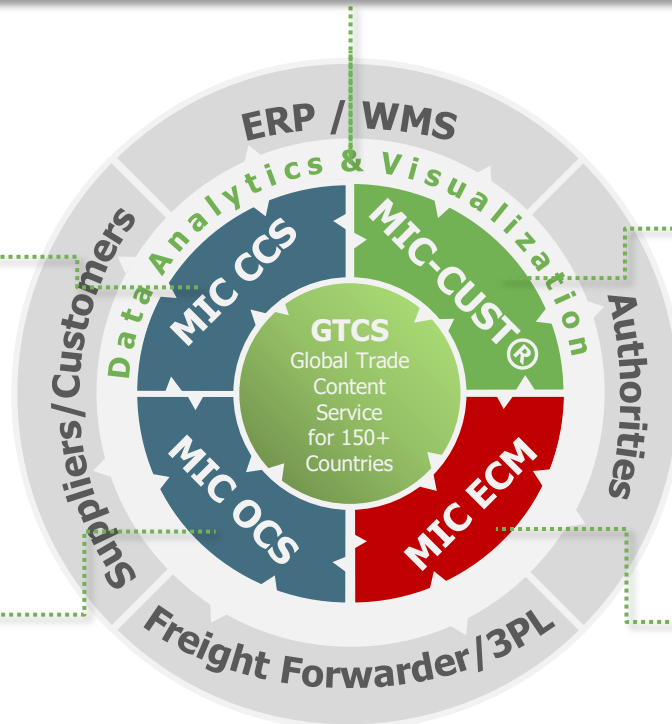
MIC GTM Solution

Data Analytics & Visualization

Collects, translates and transforms data from different sources (e.g. authority reports, broker declaration data, MIC modules, internal IT-systems) into readable language according WCO, EU and country-specific datasets. In context with trade content such as customs tariffs and free trade agreements these datasets turn into usable information that is visualized quickly and easily for analysis and interpretation.

Central Classification System
Increased automation for assignment of customs tariff & export control classification to products based on user-validated selection and matching rules, decision trees as well as suggestion algorithms utilizing **artificial intelligence** and **machine learning** (AI/ML). Continuously updated national customs tariffs and export control commodity lists ensure product classifications are validated against accurate national information.

Origin Calculation System
Automated preferential and non-preferential origin calculation for over 100 free trade agreements in productive usage. Management of supplier solicitation process as well as electronic exchange with suppliers via web portal.



Customs Filing
Automated electronic export and import customs clearance processes including special customs regimes and inventory management, directly interfacing with the appropriate national governmental system:

AES, AIS, NCTS, IPR, OPR, BWH, PCC, Drawback, FZ, FTZ, Intrastat, SASP, EMCS, IMMEX, AFD etc.

“We Do The Last Mile”

Export Control Management
Central check of business transactions as required by export law, including screening against sanction lists, embargo checks, end user/end use check resp. dual-use reviews, identification of licensing requirements and license management.

[Company's Website](#)

[Company's Newsletter](#)

[Forbes Article – GTC Software Saves Some Automakers Over \\$100 Million](#)





Q & A