

General principles

Introduction and Context

1 Meaning of Preferential Origin

Preferential origin refers to the economic nationality of a product as determined under the terms of a **preferential trade agreement** between two or more countries. It establishes whether a product qualifies for **preferential (reduced or zero) customs duties** upon importation into a partner country.

Unlike non-preferential origin, which determines general origin for trade statistics or labelling, *preferential origin* is specifically used to access **preferential tariff treatment** under free trade agreements (FTAs), association agreements, or economic partnership agreements.

To obtain preferential origin, a product must either:

- Be **wholly obtained** in one of the partner countries; or
- Be **sufficiently worked or processed** according to the *Product-Specific Rules (PSR)* set out in the agreement.

The rules ensure that only goods genuinely produced within the parties' economies benefit from preferential tariff treatment.

2 Direct Transport Requirement

Under most **FTAs**, goods claiming **preferential origin** must be **transported directly** between the territories of the contracting parties (e.g. from the EU to the UK, or vice versa) to qualify for preferential treatment. This rule ensures that the goods are not altered, substituted, or traded through third countries in a way that could compromise their originating status. Temporary storage, transshipment, or splitting of consignments in a third country is generally permitted only if the goods remain under **customs supervision** and do not undergo any operation other than unloading, reloading, or other actions necessary to preserve their condition.

To **substantiate compliance**, traders must be able to provide documentary evidence demonstrating the continuity and integrity of transport. Typical proofs include:

- **Transport documents** such as bills of lading, airway bills, or CMR consignment notes showing the direct routing between the two FTA territories;
- **Through bills of lading** covering the entire route;
- **Customs control certificates** or warehouse records proving the goods remained under customs supervision when transiting through a third country;
- In some cases, a **commercial invoice** or **shipping company statement** confirming that no alteration occurred during transit.

Maintaining these documents is essential to uphold preferential origin claims during customs verification.

3 Purpose of Preferential Origin Procedures

The purpose of establishing and verifying preferential origin is to:

- Ensure correct application of preferential duty rates;
- Prevent abuse of trade preferences through simple transshipment or minor processing;
- Guarantee fair competition between partner countries;
- Provide customs authorities with a verifiable framework for origin determination;
- Enable exporters and importers to confidently claim tariff preferences.

4 Legal Basis

For the European Union, preferential origin is governed by:

- The individual trade agreements concluded by the EU (e.g. the EU-UK TCA, a full list of a list can be accessed [here](#));
- Articles 64–68 of the **Union Customs Code (Regulation (EU) No 952/2013)**;
- Relevant implementing and delegated acts.

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