

# EU-UK TCA for Tariff Heading 2710 - Terminal operations

## 1. Purpose and Scope

This procedure outlines how to determine and maintain **preferential origin status** for petroleum products classified under **tariff heading 2710** that are **stored, handled, or blended** in the EU or the UK under the **EU-UK Trade and Cooperation Agreement (TCA)**.

Tariff Heading **2710** covers:

Petroleum oils and oils obtained from bituminous minerals (other than crude); preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals.

It applies to all facilities and operators engaged in:

- Storage and distribution of petroleum products of EU or UK origin;
- Occasional blending or addition of non-originating material (e.g. additives, stock adjustments);
- Origin tracking using **accounting segregation** methods.

The aim is to ensure that stored goods maintain or correctly lose their **preferential origin status** in compliance with the TCA.

## 2. Legal Framework

- **EU-UK Trade and Cooperation Agreement (TCA):** Title I, *Rules of Origin* (Part Two, Heading One, Chapter 2).
- **Annex ORIG-2:** *Product-Specific Rules (PSR) for HS 2710.*
- **Article ORIG.14:** *Accounting segregation.*
- **Article ORIG.12:** *Tolerances for non-originating materials.*
- **Article ORIG.7:** *Insufficient working or processing operations.*

# 3. Product-Specific Rule (PSR) - HS 2710

"Manufacture from materials of any heading, except that of the product, provided that the value of all non-originating materials used does not exceed 40% of the ex-works price of the product."

- Non-originating materials under the same heading (2710) **may not be used**.
- Materials classified under other headings (e.g. 2709 crude petroleum) **may be used**, provided the value of all non-originating inputs **does not exceed 40%** of the ex-works price.
- The product must undergo a **Change in Tariff Heading (CTH)** as part of the transformation.

For storage and distribution activities, this PSR is relevant primarily for verifying that **minor additions of non-originating material** do not exceed permissible thresholds and that the overall product maintains its preferential origin.

## 4. Cumulation

- The EU-UK TCA allows **bilateral cumulation** only.
  - Materials originating in the UK are treated as originating in the EU and vice versa.
  - Inputs from third countries cannot be cumulated.

## 5. Key Operational Principles

### 5.1 Storage Does Not Alter Origin

- Merely **storing, transferring, or handling** originating goods does **not** affect their preferential origin status, provided:
  - The goods remain **identifiable**, and

- No operations are performed that would constitute **insufficient working or processing** under Article ORIG.7.

## 5.2 Insufficient Operations

Origin is **not** maintained if operations performed are limited to:

- Simple blending of oils;
- Simple mixing, dilution, or packaging;
- Any process that does not result in a change in tariff heading or essential character.

However, for companies managing mixed stocks of **originating and non-originating petroleum products, accounting segregation** (Article ORIG.14) may be applied to maintain compliance without physically separating each batch.

## 5.3 Sufficient Working or Processing

Processing that qualifies:

- Refining crude petroleum (heading 2709) into petroleum products (heading 2710);
- Chemical transformation changing the essential character of the product.

Processing that does **not** qualify (as per Article ORIG.7):

- Simple mixing of products;
- Simple dilution;
- Simple packaging or relabelling;
- Any process that does not alter the tariff classification or essential character.

### 5.3.1 Origin Verification Process Manufacturing

1. **Classify the product** under CN 2710.
2. **List all inputs** with tariff headings and origin status.
3. **Calculate the ex-works price** of the finished product.
4. **Determine total value of non-originating inputs.**
  - If  $\leq 40\%$  of ex-works price = condition satisfied.
5. **Ensure that no non-originating material of heading 2710 is used.**

6. **Confirm that the transformation changes the tariff heading** (CTH achieved).

If all criteria are met, the product acquires **EU or UK originating status**.

## 6. Accounting Segregation (Article ORIG.14 TCA)

### 6.1 Principle

Accounting segregation allows an operator to manage originating and non-originating materials or products **in a single inventory** where physical segregation is impractical.

This method may be used **only if the records and control systems** ensure that:

- The quantities of originating and non-originating goods are accurately accounted for;
- No more originating goods are deemed to be exported than those that would result from physical segregation.

### 6.2 Implementation Steps

#### 1. Approval

- Accounting segregation may be applied only if the operator has an **approved origin accounting system** validated by internal customs or compliance management.

#### 2. Inventory System Requirements

- The system must record:
  - Opening stock balance by origin category (EU, UK, non-originating);
  - Receipts (by origin and quantity);
  - Dispatches (with declared origin and supporting documentation).
- The system must allow **traceability** from incoming to outgoing quantities.

#### 3. Calculation Basis

- The ratio of originating to non-originating goods in storage determines the share of outgoing goods that may be considered originating.
- Example:
  - Stock: 90% originating + 10% non-originating.
  - A dispatch of 1,000 tonnes may be declared as **originating** up to 900 tonnes.

#### 4. Documentation

- Each origin batch movement must be supported by supplier declarations, statements on origin, or other valid proof.
- Periodic stock reconciliation must confirm that cumulative declarations do not exceed available originating stock.

## 5. Retention

- Records must be kept for a minimum of **three years** and made available upon customs request.

# 7. Incorporation of Non-Originating Material - 10% Value Tolerance

## 7.1 Legal Basis

Article ORIG.12 of the EU-UK TCA permits a **tolerance** of up to **10% of the ex-works price** for non-originating materials used, even where the PSR would otherwise prohibit such use.

This tolerance cannot be used to exceed the maximum non-originating material limit (40%) specified in the PSR.

## 7.2 Application to HS 2710 (Storage Context)

In storage operations where **non-originating material (e.g. additive or stabiliser)** is added to otherwise originating petroleum products:

- The **value of the non-originating addition** must not exceed **10% of the ex-works price** of the final blended product.
- The blended product may still be regarded as **originating**, provided:
  - The total non-originating material (including the addition) does not exceed **40% of the ex-works price**; and
  - The blending does not fall within **insufficient operations** (i.e., must have a legitimate commercial purpose and not merely be a simple mix).

## 7.3 Calculation Example

- Ex-works price of blended product: USD 1,000 per tonne
- Non-originating additive: USD 80 per tonne (8%)
- Total non-originating materials: 8% (<10%)
  - = Product retains **preferential origin** under the 10% tolerance rule.

If the addition exceeds 10%, or if total non-originating input surpasses 40%, the final product **loses preferential origin**.

## 8. Operational Procedure

Step	Action	Responsible
<b>1. Receipt of Goods</b>	Record all incoming products by Commodity code and origin (EU, UK, or non-originating) based on supplier documentation.	Customer Services
<b>2. Storage</b>	Maintain stock records using accounting segregation. No co-mingling of origin categories without system control.	Warehouse / IT Systems
<b>3. Addition of Material</b>	If non-originating additives or materials are added, record the value and percentage relative to ex-works price. Verify that 10% tolerance is not exceeded.	Customer / Customer Services
<b>4. Stock Management</b>	Use accounting segregation ratios to allocate origin status to outgoing quantities.	Warehouse / IT Systems
<b>5. Proof of Origin for Dispatches</b>	Issue a Statement on Origin (Annex ORIG-4 wording) only for quantities qualifying as originating under segregation and tolerance limits.	Customs representative
<b>6. Record-Keeping</b>	Keep all supporting evidence (origin documents, blending records, valuation sheets) for 3 years minimum.	Customs Compliance
<b>7. Audit and Verification</b>	Perform internal checks quarterly to confirm compliance with origin and tolerance provisions.	Compliance Manager

## 9. Verification and Customs Control

- Customs authorities may verify origin claims by reviewing:
  - Stock and accounting segregation records;
  - Value calculations for non-originating additions;
  - Supplier origin documentation and statements;
  - Outgoing origin declarations.
- Non-compliance may result in loss of preferential treatment and retroactive duty recovery.

## 10. Summary Table - Storage Context (HS 2710)

Element	Requirement
<b>Tariff Heading</b>	2710
<b>PSR Limit</b>	Max 40% non-originating materials (ex-works price)
<b>Tolerance Rule</b>	Additional 10% of ex-works price for incidental non-originating additions
<b>Cumulation</b>	Bilateral (EU-UK)
<b>Processing Restriction</b>	No simple mixing, packaging, or dilution (Article ORIG.7)
<b>Stock Control Method</b>	Accounting segregation (Article ORIG.14)
<b>Proof of Origin</b>	Statement on Origin (Annex ORIG-4)
<b>Retention Period</b>	3 years minimum
<b>Key Controls</b>	Stock reconciliation, value calculation, segregation ratio monitoring

# 11. Conclusion

In storage operations under the EU-UK TCA, the preferential origin of petroleum products (heading 2710) can be maintained provided that:

- Goods are handled under **accounting segregation** systems ensuring traceable origin management;
- Any addition of non-originating materials does not exceed **10% of the ex-works value**, and total non-originating input remains within the **40% PSR limit**;
- No operations constitute **insufficient working or processing** under Article ORIG.7.

By applying these controls, operators can confidently issue **Statements on Origin** while maintaining full compliance with the TCA's preferential origin framework.

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