

# It's not what the rules are, it's the way that you show it: proving 'origin' post-Brexit



Exporters are generally required to prove the origin of goods to customs authorities. This is likely to require more time from business after Brexit, write **Peter Holmes** and **Nick Jacob (University of Sussex)**. Their research finds, that while new arrangements regarding Rules of Origin will be needed, compliance is not as costly for firms as previously thought.

The need for UK firms to comply with detailed Rules of Origin in a possible post-Brexit Free Trade Agreement with the EU has been widely reported. But the different procedures which firms could use to prove their compliance — and the costs to firms in time and money — have been mostly overlooked.

Rules of Origin are used by importing Customs authorities to determine if a product is eligible for preferential or MFN (Most Favoured Nation) rates of tariffs, and for statistical purposes, to check for quota, anti-dumping and related compliance. Documentary proof of origin is necessary in any Free Trade Area and requirements will be part of the negotiations.



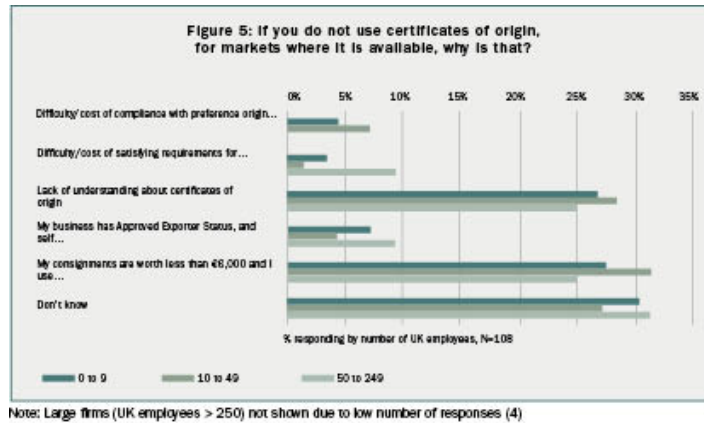
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Our new Briefing Paper, [Certificates and Rules of Origin: The Experience of UK Firms](#), draws on a study carried out with the support of the British Chambers of Commerce, to outline the current Certificates of Origin regime and the options for change after Brexit.

Based on interviews with UK exporters and a survey of Chamber of Commerce members, the paper shows that the while compliance is not as costly for firms in financial terms as some earlier commentators have implied, there are concerns over compliance, as a substantial minority of firms were found to be unsure of the rules.

Dr Peter Holmes said:

*“Weak understanding of the current rules on the part of business could potentially present problems down the line. As the UK agrees to Rules of Origin with the EU (as well as with other countries in the future), many more firms will require education in this area, support with proving origin, as well as continuity in the existing options for demonstrating origin (such as via Certificates of Origin).”*



All businesses are likely to have to rethink their compliance with Rules of Origin post-Brexit. The paper concludes that small- and medium-sized firms would benefit from support to help them navigate new rules that may come from an agreement with the European Union, and/or new Free Trade Agreements made between the UK and non-EU countries post-Brexit.

#### Key points:

- Exporters are generally required to prove the origin of goods — as defined by agreed Rules of Origin — to customs authorities. This is likely to require more time from business after Brexit.
- While most academic studies have generally found high costs of compliance associated with Rules of Origin in Free Trade Agreements, our study suggests compliance is not as costly for firms as previously thought.
- The current option of Certificates of Origin supplied by Chambers of Commerce is tried and tested and offers a private-sector solution for firms to be assisted in ensuring compliance with Rules of Origin. Certificates could be used for goods trade under a possible EU-UK Free Trade Agreement post-Brexit, as well as for FTAs with other countries.
- Post-Brexit, a pre-approval system via a scheme operated by the UK and European Union customs authorities offers scope for streamlining the process of proving origin but might not be easily scalable, as it would require additional HMRC resources.
- Our research reveals issues around compliance with Rules of Origin in Free Trade Agreements, finding that a substantial minority of firms are unsure of how RoOs work and the options available to firms for compliance.

This would allow UK business to take advantage of any preferential tariff rates that might be negotiated both with the EU and with other countries post-Brexit, as well as to maintain continuity in the means by which firms declare origin.

Further information on this [Briefing Paper \(15\) Certificates and Rules of Origin: The Experience of UK Firms](#), is available in the [Online Appendix](#).

*This post represents the views of the authors and not those of the Brexit blog, nor the LSE. A previous version originally featured on [UK Trade Policy Observatory](#).*

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