

India-UK CETA
Rules of Origin
Frequently Asked Questions (FAQ)

Q: What are Rules of Origin (ROO)?

Reply: Rules of Origin (RoO) are criteria used to determine the country of origin of a product. Normally, this would mean the country where substantial processing or manufacture of the product has occurred. Countries formulate these rules depending upon the value chain of processing or manufacture of the product. Normally, the rules of origin are uniform for both exports and imports.

Q: What are the export opportunities arising from the product specific rules (PSRs) under the India UK CETA?

Reply: The Product Specific Rules (PSRs) under the India UK CETA respects India's current supply chains and would facilitate exports of machinery, petroleum products, gem & jewellery, pharmaceuticals, textiles and apparel, iron & steel, chemicals, autos & auto components, leather & footwear, processed food, cereals, tea, spices, handicraft, furniture, ceramics etc.

Q: Is there a concept of “self-certification” in the India – UK FTA and how would it help Indian exporters?

A: Yes, Indian exporters can self-certify the origin of a good in a prescribed format known as the origin declaration. The process of issuance of origin declaration would be through one time registration and generation of the declaration through DGFT's “*Common Digital Platform for Issuance of Certificate of Origin*”. Self-certification would facilitate ease of doing business by saving on costs and time. However, exporters would need to keep adequate information to vindicate the origin of the good.

Q: What is importers knowledge?

Reply: Indian exporters to UK under the CETA can also use the option of UK importer certifying the origin of the good. However, the importer must possess adequate knowledge of the origin which would have to be passed on by the exporter. This is also trade facilitatory and would reduce compliance costs for exporters.

Q: Is there any provision in the ROO text that would facilitate e-commerce exports?

Reply: UK under the CETA had agreed to waive the requirements of a proof of origin for imports which are below £1000. For such consignments which normally come under E-commerce, there would be no requirement of submitting any document such as origin declaration or certificate of origin. It would reduce compliance cost for e-commerce exporters from India.

Q: What are the methods of calculating Value Addition or the Qualifying Value Content (QVC) in the India – UK CETA?

Reply: The value addition or the qualifying value content (QVC) under the India – UK CETA can be calculated using one or the other of the following methods:

- i. Build-Down Method: Based on the value of non-originating materials

$$QVC = \frac{\text{value of the good} - \text{value of non- originating materials}}{\text{value of the good}} \times 100$$

- ii. Build-Up Method: Based on the value of originating materials

$$QVC = \frac{\text{value of originating materials}}{\text{value of the good}} \times 100$$

Q: What are the options available for an exporter to calculate the value addition and what is the Standard QVC?

Reply: The exports can use either the build up or the build-down method to calculate the QVC. Moreover, they can use either the ex-works price or FOB value of exports. The QVCs would vary according to these parameters and there would three different numbers for QVCs. For example in a Standard QVC, the value addition would be 35% if the build up method is used. However, in case the build down method is used, the value addition would be 40% if ex-works is used and 45% if the FOB value of exports is used.

Q: How are the ex-works price and FOB price calculated?

Reply: Ex-works price of an exported good is the price actually paid or payable to the producer at the place where the last production was carried out or when sold for export. However, if there is no such price, then ex works would include value of all materials and cost of production

(including general expenses and profit). However, it would exclude internal taxes repaid and costs incurred subsequent to production (like transportation, loading, unloading, handling or insurance). FOB price is the price actually paid to the exporter for the good when loaded onto the carrier at the port of exportation. This includes cost of product and costs for bringing it onto the carrier but does not include internal taxes repaid.

Q: What is the rationale for using co-equal product specific rules (PSRs) in the India UK CETA?

Reply: The Co-equal rules for some products provides a flexibility for exporters to use either the change in tariff classification or the value addition rules. For the specific products where these co-equal rules/ CTC have been proposed, the following would be the advantages:

- i. It would allow sourcing of raw materials and intermediate components for manufacture/ processing of products such as organic chemicals, some articles of plastics & rubber, aluminium bars & rods, pumps, transmission shafts, cells & batteries, cables, electrical relays) since the value addition in the manufacture/ processing is normally lower than the threshold of 40%.
- ii. Facilitate exports to sectors like aircraft & its parts and footwear, where suppliers prescribe sourcing of inputs from non-originating countries thereby leading to low value addition.
- iii. Cost of compliance is lower in terms of documentation since they have to prove only one of the criteria (CTC or value addition)
- iv. MSMEs would benefit since they source a large number of inputs and a co-equal rule would reduce their burden.
- v. Co-equal rule is a template used in nearly all the global FTAs.

Q: What are the Product Specific Rules (PSR) of Origin in the India – UK FTA?

Reply: A broad outline for the Product Specific Rules (PSRs) for various broad categories are given below:

- a. **Raw agricultural products:** The rules are fairly stringent, largely being wholly obtained (WO).
- b. **Processed food:** Rules ensure adequate processing while providing flexibility to use limited quantity of non-originating materials.
- c. **Chemicals:** PSRs in this sector allow importing non originating inputs while ensuring adequate processing. It also include process rules such as chemical reaction.

- d. **Textiles and Apparels:** The rules are stringent since it includes both a CTC and a value addition.
- e. **Gems and Jewellery:** The rules allow flexibility to import precious metals for making jewellery. It also allows imports of rough precious stones to make into worked or polished ones.
- f. **Steel:** The PSR is based on “Melt and Pour” for relevant products in the sector. For the remaining lines, the rules are stringent in terms of CTH + 50% value addition.
- g. **Engineering products:** The PSRs use both the twin criteria as well as co-equal rule. There is adequate flexibility to allow sourcing of non-originating inputs both within and outside the headings.
- h. **Automotives:** PSRs are such that it ensures the right balance between adequate processing and sourcing of non-originating inputs such as batteries for EV vehicles.

Q: Is there a concept of “produced entirely” in the India – UK FTA?

Reply: Yes, it states that if a product is produced entirely (PE) in the territory of one of both of the Parties exclusively from originating materials, it is considered originating and hence eligible for tariff preferences. It is trade facilitative since the exporter does not have to prove that the product fulfils the PSR, thereby reducing his compliance costs.

Q: Are there any minimal operations that a product must satisfy?

Reply: Yes, there is a comprehensive list of minimal or "*Non-Qualifying Operations*" operations in the CETA. It specifies processes that **do not** confer origin status. Some of these operations includes packaging, labeling, minor assembly, dilution and simple processes etc. This ensures that there is substantial manufacturing or processing done in India or UK.

Q: Is there “cumulation” in the India – UK FTA?

Reply: Yes, there is bilateral cumulation, which allows the two partner countries to treat materials or processing from each other as "originating" when producing goods under the agreement. It facilitates establishment of supply chains between India and UK.

Q: If inputs do not meet the change in tariff classification (CTC) rule, can a product still be considered as originating?

Reply: Yes, there is a De-Minimis Rule in the India UK trade agreement that allows a product to still qualify as originating even if it contains a small percentage of non-originating materials

that would otherwise disqualify it under the Rules of Origin. For agricultural goods, non-originating the de-minimis is based on either value and weight of the final good while in the case of industrial goods it is based on value of the final good. However, all goods must still comply with all other origin requirements under the FTA.

Q: Can a good originating in either Party be warehoused in a third party?

Reply: Yes, an originating good warehoused in a 3rd party shall retain its originating status provided it remains under customs control and is not released for free circulation. Moreover, it should not undergo further production or any other operation outside the Parties, other than unloading, reloading, storing, labelling, marking, bottling etc.

Q: How long does an exporter keep the records of documentation related to importation, including any origin declaration or CoO?

Reply: The producer or exporter is required to keep such records for a period of **five years** from the date of issuance of the CoO or completion of the origin declaration, or longer periods specified by the exporting parties.

Q: How will India ensure that there is no violation or circumvention of ROO provisions under the India UK CETA?

Reply: The India UK CETA has robust verification procedures beginning with the authentication of the origin declaration. Moreover, the violation of any provision would entail appropriate criminal, civil or administrative penalties. This would prevent circumvention of goods from 3rd parties.
