

Session 3 – group exercise

Case Study materials

You will find below the relevant materials for the group exercise in session 3.

The product specific rules to determine whether a product originates can be found in Annex 3 and Annex 5 of the TCA. For the complete text of the UK – EU Trade and Cooperation Agreement (TCA), see https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/982648/TS_8.2021_UK_EU_EAEC_Trade_and_Cooperation_Agreement.pdf

Annex 3 provides the applicable rules from the period of 1 January 2027, while Annex 5 (section 2) provides the applicable (interim) rules from 1 January 2024 to 31 December 2026. For your convenience we have provided below simplified excerpts from:

- **Annex 3 (see below under ‘1. Import tariffs from 1 January 2024’)**
- **and Annex 5 (see below under ‘2. Import tariffs from 1 January 2027’)**

for each time period. If additional context is required, you can find the relevant provisions of the original text of Annexes 3 and 5 under file [“TCA Annexes 3 and 5 \(full text\)”](#).

A specific review provision of these rules is provided in Annex 5 (section 3), the text of which you can find below under ‘3. Review provision (text)’.

For the broader concerns that are raised by this case, see the article by the Financial Times from 16 May ([“Stellantis warns of factory closure if Brexit deal is not renegotiated”](#)), which you can also find in the coursefiles under “Stellantis Financial Times”.

1. Import tariffs from 1 January 2024

The excerpts below provide the product specific rules from 1 January 2024 to 31 December 2026 set out in Annex 5 (section 2) of the TCA. Annex 5 is structured according to tariff codes. For our exercise the relevant tariff codes are:

- Electric vehicles fall under 87.03 (see Appendix 1)
- Batteries fall under 85.07 (see Appendix 2)

Rules of Origin: Case Study

▪ Annex 5 of the TCA: electric cars (87.03)

Column 1 Harmonised System classification (2017) including specific description	Column 2 Product-specific rule of origin applicable from 1 January 2024 until 31 December 2026
<ul style="list-style-type: none">- vehicles with both internal combustion engine and electric motor as motors for propulsion other than those capable of being charged by plugging to external source of electric power ("hybrid");- vehicles with both internal combustion piston engine and electric motor as motors for propulsion capable of being charged by plugging to external source of electric power ("plug-in hybrid");- vehicles with only electric motor for propulsion	<u>MaxNOM</u> 55 % (EXW)

Explanations:

- MaxNOM means the maximum value that can be from non-originating material (that is material that is neither from the EU nor the UK)

Rules of Origin: Case Study

▪ Annex 5 (section 2) of the TCA: battery packs (85.07)

Column 1 Harmonised System classification (2017) including specific description	Column 2 Product-specific rule of origin applicable from 1 January 2024 until 31 December 2026
- 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	CTH except from non-originating active cathode materials; or MaxNOM 40 % (EXW)



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Explanations:

- MaxNOM means the maximum value that can be from non-originating material (that is material that is neither from the EU nor the UK)
- CTH: this means ‘change of tariff heading’; in our case a CTH occurs where the battery (tariff heading 85.07) is included in an electric vehicle (tariff heading 87.03)
- The materials and values in a battery pack:

Materials & processing	% VA in battery pack
Cathode materials	30%
Anode materials	11%
Materials for both electrodes	3%
Electrolyte	8%
Foils	5%
Separator	5%
Other Materials	2%
Assembly and processing	36%

2. Import tariffs from 1 January 2027

The excerpts below provide the product specific rules from 1 January 2027 set out in Annex 3 of the TCA. Annex 3 is structured according to tariff codes. For our exercise the relevant tariff codes are:

- Electric vehicles fall under 87.03 (see Appendix 3)
- Batteries fall under 85.07 (see Appendix 4)

Rules of Origin: Case Study

▪ Annex 3 of the TCA: electric cars (87.03)

Column 1 Harmonised System classification (2017) including specific description	Column 2 Product-specific rule of origin
87.02-87.04	
- vehicles with only electric motor for propulsion	<u>MaxNOM</u> 45% (EXW) and battery packs of heading 85.07 of a kind used as the primary source of electrical power for propulsion of the vehicle must be originating.

Rules of Origin: Case Study

▪ Annex 3 of the TCA: batteries (85.07)

Column 1 Harmonised System classification (2017) including specific description	Column 2 Product-specific rule of origin
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	CTH except from non-originating active cathode materials; or <u>MaxNOM</u> 30 % (EXW).

3. Review provision (text)

Section 3 of Annex 5 (TCA)

Review of product-specific rules for heading 85.07

1. Not earlier than 4 years from the entry into force of this Agreement, the Trade Partnership Committee shall, on request of either Party and assisted by the Trade Specialised Committee on Customs Cooperation and Rules of Origin, review the product-specific rules for heading 85.07 applicable as from 1 January 2027, contained in Annex 3.
2. The review referred to in paragraph 1, shall be made on the basis of available information about the markets within the Parties, such as the availability of sufficient and suitable originating materials, the balance between supply and demand and other relevant information.
3. On the basis of the results of the review carried out pursuant to paragraph 1, the Partnership Council may adopt a decision to amend the product-specific rules for heading 85.07 applicable as from 1 January 2027, contained in Annex 3.