

Statutory Document No. 2019/0197



Taxation (Cross-border Trade) Act 2018

CUSTOMS (ORIGIN OF CHARGEABLE GOODS) REGULATIONS 2019

Laid before Tynwald: 21st May 2019
Coming into Operation: in accordance with Regulation 2

The Isle of Man Treasury makes the following Regulations under sections 17(6) and 37(3)(b) of, and paragraph 1(3)(c) of Schedule 7 to, the Taxation (Cross-border Trade) Act 2018, as it has effect in the Island¹.

PART 1 - PRELIMINARY

1 Title

These Regulations are the Customs (Origin of Chargeable Goods) Regulations 2019.

2 Commencement

These Regulations come into operation on exit day².

3 Interpretation

In these Regulations —

“**the Act**” means the Taxation (Cross-border Trade) Act 2018, as it has effect in the Island;

“**exit day**” has the same meaning as in the European Union and Trade Act 2019;

“**Rules of Origin**” means the document entitled, “Rules of Origin: Special Rules for Determining Non-Preferential Origin, version 1.0 dated 19 February

¹ The Taxation (Cross-border Trade) Act 2018 was applied in the Island by SD 2019/0080.

² Tynwald procedure – negative under section 32(6) of the Taxation (Cross-border Trade) Act 2018, as it has effect in the Island (“the Act”).

2019”³ which comprises the following as are so named in that document –

- (a) Part One (goods wholly obtained in a single country or territory);
- (b) Part Two (operations not constituting an important stage of manufacture);
- (c) Part Three (accessories, spare parts or tools); and
- (d) Part Four (product specific rules);

“**Second General Rule**” means the rule of origin of goods provided by section 17(3) of the Act.

4 Effect

These Regulations have effect for the purposes of Part 1, except sections 9 and 10, of the Act.

PART 2 – PROVISION IN RELATION TO THE SECOND GENERAL RULE

5 Processing that is not economically justified

Processing of goods is not economically justified⁴ only in cases where a person causes the goods to be processed to obtain a place of origin of the goods different from that which would otherwise have applied had the processing not occurred with the purpose of –

- (a) reducing the amount of import duty which would otherwise have applied to the goods; or
- (b) avoiding or mitigating a provision imposed by or under an enactment which would otherwise have applied to the goods, including provision imposing –
 - (i) a quota or other restriction on import;
 - (ii) a prohibition on import; or
 - (iii) a tax, duty or charge.

³ Available in electronic form at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/785844/Rules-Origin-reference-document.pdf.

⁴ The Second General Rule includes a requirement that processing of goods must be economically justified.

6 Materials that do not form part of the final composition of goods

In determining whether or not goods are obtained in two or more countries or territories⁵, regard must not be had to the country or territory of origin of materials that are used in the course of manufacture of the goods but do not form part of the final composition of the goods.

7 Cases and containers

- (1) Paragraph (2) applies to goods (“rule 5 goods”) where, by virtue of rule 5 of Part Two (Goods Classification Table Rules of Interpretation) of the Tariff of the United Kingdom, cases or containers of rule 5 goods are classified with the goods.
- (2) Where the Second General Rule applies to rule 5 goods, the goods are to be regarded as originating in a country or territory according to the Second General Rule disregarding the cases or containers.
- (3) In paragraph (1), “Tariff of the United Kingdom” has the same meaning as it has in the Customs Tariff (Establishment) Regulations 2019⁶.

8 Origin determined by reference to value of materials

- (1) Paragraph (2) applies to goods where —
 - (a) were it not for this regulation, the Second General Rule would apply to the goods; and
 - (b) the goods would not be regarded as originating in a country or territory where the goods are processed because, by virtue of regulation 5, that processing is not economically justified.
- (2) The goods are not to be regarded as originating in a country or territory according to the Second General Rule but instead as originating in the country or territory from which originates the greater or greatest proportion by value of the materials within the final composition of the goods.
- (3) For the purposes of paragraph (2) —
 - (a) the value of a material is to be determined at the time the goods are imported; or
 - (b) if that value cannot be readily determined, the amount which was paid for the material is to be treated as its value.

⁵ The Second General Rule applies if goods are obtained in two or more countries or territories.

⁶ SD 2019/0194.

PART 3 – PROVISION CONTAINED WITHIN THE RULES OF ORIGIN

9 Goods wholly obtained in a country or territory: specified cases

Goods that fall within a description of goods given in Part One of the Rules of Origin are to be regarded as wholly obtained in a country or territory⁷ according to the rule applicable to the goods set out in that Part.

10 Operations not constituting an important stage of manufacture

The operations set out in Part Two of the Rules of Origin which may be applied to goods do not constitute an important stage of manufacture⁸.

11 Accessories, spare parts and tools

- (1) Paragraph (2) applies to goods which are accessories, spare parts or tools that fall within a description of goods given in Part Three of the Rules of Origin and to which, were it not for this regulation, the Second General Rule would apply.
- (2) The goods are not to be regarded as originating in a country or territory according to the Second General Rule but instead as originating in a country or territory according to the rule applicable to the goods set out in Part Three of the Rules of Origin.

12 Application of the product specific rules

- (1) Paragraph (2) applies to goods that fall within a description of goods given in Part Four of the Rules of Origin and to which, were it not for this regulation, the Second General Rule would apply.
- (2) The goods are not to be regarded as originating in a country or territory according to the Second General Rule but instead as originating in a country or territory according to the product specific rules set out in Part Four of the Rules of Origin.

⁷ Section 17(2) of the Act provides that goods are to be regarded as originating from a country or territory if they are wholly obtained in the country or territory.

⁸ Section 17(4) of the Act provides that processing of goods is to be regarded as substantial only if, inter alia, it represents an important stage of manufacture.

MADE 10 APRIL 2019

A L CANNAN
Minister for the Treasury

*EXPLANATORY NOTE**(This note is not part of the Regulations)*

These Regulations make provision in relation to the place of origin of chargeable goods, including provision for rules to determine the place of origin. These Regulations are made for the purposes of Part 1 of the Taxation (Cross-border Trade) Act 2018⁹, as it has effect in the Island.

Regulation 3 contains definitions used in the Regulations, including “Rules of Origin”. The Rules of Origin¹⁰ contain four Parts, the contents of which are given effect by provisions of the Regulations. Regulation 3 also defines the rule of origin in section 17(3) of the Act as the “Second General Rule”.

Regulation 5 provides for circumstances where processing of goods is not economically justified, such that a place of origin otherwise applicable is consequently disregarded.

Regulation 6 provides that regard must not be had to the place of origin of materials used in the manufacture of goods but which do not form part of their final composition when determining if goods are obtained in two or more countries or territories such that the Second General Rule applies.

Regulation 7 provides for instances where cases or containers of goods are to be disregarded for the purposes of determining the place of origin of the goods under the Second General Rule.

Regulation 8 provides that where a country or territory of origin under the Second General Rule is disregarded because processing there is not economically justified, the place of origin is determined by reference to the value of materials in the goods.

Regulation 9 provides that goods falling within a description of goods given in Part One of the Rules of Origin have a place of origin according to the rule applicable to the goods set out in that Part.

Regulation 10 provides that operations set out in Part Two of the Rules of Origin which may be applied to goods do not constitute an important stage of manufacture.

Regulation 11 provides that accessories, spare parts or tools falling within a description given in Part Three of the Rules of Origin have a place of origin according to the applicable rule set out in that Part.

Regulation 12 provides for circumstances where the product specific rules in Part Four of the Rules of Origin apply to determine the place of origin of goods.

⁹ The Taxation (Cross-border Trade) Act 2018 was applied in the Island by SD 2019/0080.

¹⁰ Available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/785844/Rules-Origin-reference-document.pdf