

# **Enhancing Export Opportunities to the UK through the Developing Countries Trading Scheme (DCTS)**

## **Organised by**

Sri Lanka Export Development Board

## **In collaboration with**

British High Commission, Colombo  
Foreign, Commonwealth & Development Office  
UK Department for Business and Trade

## **Introduction**

The Sri Lanka Export Development Board (EDB), in collaboration with the British High Commission in Colombo conducted a webinar to enhance awareness of the United Kingdom's Developing Countries Trading Scheme (DCTS).

The session provided Sri Lankan exporters and export-related stakeholders with practical insights into recent improvements under the DCTS and guidance on how to correctly claim preferential tariff benefits.

This article consolidates the key information shared during the session and provides direct access to relevant UK resources.

## **1. Overview of the UK Developing Countries Trading Scheme (DCTS)**

The UK's Developing Countries Trading Scheme (DCTS) is a unilateral preferential trade framework that provides reduced or zero tariffs for eligible goods imported into the United Kingdom from developing countries.

The scheme aims to:

- Promote economic growth
- Support export diversification
- Encourage deeper trade integration

The DCTS currently covers 65 developing countries and replaces previous UK preference arrangements with a simpler, more transparent, and more generous system.

## **2. Preference Tiers under the DCTS**

The DCTS operates through three preference tiers:

### **Comprehensive Preference**

47 countries (e.g., Bangladesh, Cambodia, Ethiopia)

Approximately 99% of products duty-free

### **Enhanced Preference**

16 countries (including Sri Lanka, Pakistan, Nigeria)

At least 92% of products duty-free

### **Standard Preference**

2 countries (India, Indonesia)

Approximately 65% of products duty-free

Sri Lanka qualifies under the **Enhanced Preference tier**, providing extensive duty-free access to the UK market.

## **3. Simplified and Generous Rules of Origin**

The DCTS introduces simplified and more flexible rules of origin, enabling Sri Lankan exporters to optimise supply chains.

Key features include:

- Up to 70% non-local content permitted for nearly 6,700 products
- Up to 100% non-local inputs allowed for garments, provided required processing is carried out in Sri Lanka
- Inputs may be sourced from up to 95 countries
- Transparent and predictable trading conditions
- Improved access to tariff and origin information

Source: HM Revenue & Customs import preference data (accessed August 2025)

#### **4. Improvements to Rules of Origin: Regional Cumulation**

The DCTS provides enhanced Asia regional cumulation, allowing Sri Lankan manufacturers greater flexibility in sourcing inputs regionally.

The Asia regional cumulation group includes:

Bangladesh, Bhutan, India, Nepal, Pakistan, Sri Lanka, Cambodia, Indonesia, Laos, Myanmar, and the Philippines.

Vietnam is included under one-way cumulation only. Vietnamese inputs may be exported to Sri Lanka for further processing. Preferential tariffs apply to exports from Sri Lanka to the UK only for materials that are duty-free and quota-free under the UK–Vietnam FTA.

This strengthens regional value chains and enhances sourcing flexibility.

#### **5. Liberalisation of Product-Specific Rules for Garments**

Sri Lanka benefits significantly from liberalised rules for garment exports under the DCTS.

Improvements include:

- Sourcing up to 100% of inputs from other countries
- Only one substantial manufacturing process required (e.g., cutting and sewing)
- Reduced processing requirements (printing, bleaching, dyeing)
- Fewer mandatory production stages

These reforms increase competitiveness and allow greater supply-chain efficiency for Sri Lankan apparel exporters.

## **6. UK-Sri Lanka Trade Overview**

Total UK-Sri Lanka trade amounted to approximately £1.7 billion (four quarters ending Q3 2025).

UK imports from Sri Lanka: £1.2 billion

- £742 million goods
- £479 million services

UK exports to Sri Lanka: £436 million

- £167 million goods
- £269 million services

Source: UK Trade and Investment Factsheets (accessed 4 February 2026)

## **7. Key Products Benefiting from DCTS Preferences**

During the second year of the DCTS (July 2024 – June 2025), Sri Lankan exports benefiting from preferences included:

- Knitted and crocheted apparel (HS 61) – £176.3 million
- Non-knitted apparel (HS 62) – £82.0 million
- Fish and crustaceans (HS 03) – £29.6 million
- Rubber and rubber articles (HS 40) – £17.7 million

Since the start of the DCTS:

- Over £1.1 billion of eligible Sri Lankan goods entered the UK
- More than £0.7 billion utilised DCTS preferences

Source: HMRC Importer Data by Preference (accessed September 2025)

## **8. Underutilisation of DCTS Preferences – Opportunities for Exporters**

Despite available preferences, over £0.4 billion worth of eligible Sri Lankan exports entered the UK paying higher tariffs.

Products with notable underutilisation include:

- Brassieres
- Synthetic dresses
- Women's blouses (man-made fibres)
- Non-cotton T-shirts
- Men's underpants
- Rubber gloves
- Electrical control boards
- Made-up textile articles

Improved awareness and correct claiming procedures can help exporters unlock these savings and enhance price competitiveness.

## **9. How to Claim DCTS Preferences**

DCTS benefits are not automatic. Exporters must actively claim preferences.

Exporters should:

1. Classify goods correctly using the UK Trade Tariff:  
<https://www.gov.uk/trade-tariff>
2. Ensure goods meet the applicable rules of origin and that processing exceeds insufficient operations.
3. Maintain complete supply-chain and production documentation.
4. Identify and comply with UK product standards and regulatory requirements.

## **10. Proof of Origin Requirements**

Proof of origin must be provided through:

- An origin declaration (statement on invoice, packing list, or commercial document), or
- Form A, where applicable under UK customs procedures.

Documents must describe goods in sufficient detail to enable identification by UK customs authorities.

Exporters are advised to consult current UK customs guidance to confirm applicable documentation requirements.

## **11. Importance of Record Keeping**

Proper record keeping is essential to:

- Access preferential tariffs
- Demonstrate compliance with UK customs requirements
- Avoid penalties and shipment delays
- Support audits and verification procedures
- Strengthen business credibility and risk management

Records must be retrievable and printable.

## **12. Accessing Guidance and Support**

Exporters may access official UK guidance through:

UK DCTS guidance and developing country trade information:

<https://www.gov.uk/guidance/trading-with-developing-nations>

UK Trade Tariff database:

<https://www.gov.uk/trade-tariff>

Enquiries related to the DCTS:

[DCTSEnquiries@fcdo.gov.uk](mailto:DCTSEnquiries@fcdo.gov.uk)

### **13. Conclusion**

The UK's Developing Countries Trading Scheme offers significant market access advantages for Sri Lankan exporters under the Enhanced Preference tier. Wide product coverage, simplified rules of origin, liberalised garment provisions, and expanded regional cumulation provide greater flexibility and competitiveness.

However, underutilisation of available preferences indicates that exporters may still be incurring unnecessary tariff costs. Accurate product classification, strict compliance with rules of origin, proper documentation, and proactive preference claims are essential to maximising benefits.

Through continued collaboration between exporters, industry stakeholders, and the Sri Lanka Export Development Board, Sri Lanka can achieve stronger utilisation of DCTS preferences and sustain export growth in the UK market.