

22nd May 2020

**UK Global Tariffs**

The Government has published their plans for the “UK Global Tariff”, which is the schedule of tariffs that HMRC will apply to imports from 1st January 2021, when the UK will cease to be bound by the EU Common External Tariff (CET). These tariffs cannot be greater than those agreed in the WTO and will not apply where either zero or reduced tariffs apply to an exporting country because of a Free Trade Agreement or if the country benefits from ‘preferences’ usually applied to developing nations. They are also ‘applied’ tariffs not ‘bound’ tariffs so can be changed at relatively short notice within the WTO restrictions. They will only be relevant to EU-UK trade if no FTA is agreed by the end of 2020.

Points to note:

1. These are a major move back from both the Zero Tariff schedules proposed for the first No-Deal deadline in early 2019 and also from the range of tariff eliminations and reductions put forward in the Consultation in early 2020.
2. By analysis from the UK Trade Policy Observatory (UKTPO) currently 52% of UK imports from countries on WTO terms are at zero-tariff, this increases the proportion to 70%. Under the previous No-Deal tariff proposals the proportion at xer0-tariff would have been 95%.
3. Very much moving away from the idea of the UK as a beacon of unilateral free trade.
4. Recognising the desire for protection/protectionism from some sectors, e.g. agriculture, automotive, ceramics.
5. Recognising that if a country offers zero-tariff access to its markets unilaterally, this gives very little to offer in FTA negotiations.
6. This applies some of the elimination of tariffs on intermediate/input Goods that were considered in the Consultation, so in principle should bring some modest reduction in production costs where components and materials are sourced from countries subject to WTO tariffs and reduce the risk of cost increases in the event of a No-Deal exit from the EU Transition Period.
7. As noted to Government on multiple occasions, tariffs at the WTO or EU CET level are not the biggest cost concern for manufacturers in the electrical, electronic & mechanical sectors.
8. The UK Global Tariff information is at <https://www.gov.uk/guidance/uk-tariffs-from-1-january-2021>
9. If you use the Global Tariff Tool at <https://www.gov.uk/check-tariffs-1-january-2021> or check the full list for codes starting with 84 or 85, many of the import tariffs for electrical, electronic & mechanical Goods have been ‘liberalised’, i.e. reduced to zero.
10. Because this means that a significant proportion of Goods will have lower tariffs in the UK compared to the EU, if there is a No-Deal exit from the EU Transition and the Northern Ireland protocol is brought into operation, there will be an additional complication for Goods traded from or transiting through Northern Ireland and the possibility of tariff benefits or penalties.