

BRC GUIDE TO TARIFFS

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TARIFFS EXPLAINED

- Tariffs are taxes on the import of goods, paid by importers to UK Government and HMRC.
- Tariffs do not apply to services.
- Trade remedies, taken by Government in response to alleged unfair trading practices such as dumping unfairly subsidised products on the market, can involve the application of additional tariffs.

In event of No-Deal Brexit:

- All EU countries will be treated as any other country around the world, where there is no trade agreement with the UK.
- Whatever tariff rate the UK sets for a product will apply to France or Ireland as much as any other country - unless covered by one of the agreed World Trade Organisation (WTO) exemptions or through a trade deal.



WHAT TYPES OF TARIFFS ARE THERE?

- **Bound Tariff:** Maximum level of tariff which UK could apply to any country where we do not have preferential trading arrangements. The UK lodged this schedule with WTO in 2018 – if not amended by the applied tariff would apply provisionally from March 29 2019.
- **Applied Tariff:** Actual rate of tariff applied at a specific time. Can be set at a lower rate than the bound tariff down to zero. Technically the applied tariff can be changed on a daily basis. The UK Cabinet is currently agreeing what applied tariff to use from day 1 of a No-Deal Brexit. This will be published shortly.
- **Tariff rate quotas:** A country is allowed to differentiate its tariff on a volume basis. In a no deal scenario, the UK may choose to apply a lower tariff rate to a proportion of imports, e.g. it could set a lower rate for the first 100,000 tonnes of a product and then charge the applied tariff for any imports above that level. The quota with the lower tariff would apply to all countries and cannot be restricted outside a trade agreement.



HOW ARE TARIFFS CALCULATED?

The way tariffs are calculated can vary:

- **Ad valorem tariffs:** The customs duty to be levied is calculated as a proportion of the overall value of the product being imported.
- **Specific tariffs:** Fixed on the amount or weight of the goods being imported, e.g. a certain tariff per kilo of the imported food product line.
- **Mixed tariffs:** Expressed either on an ad valorem or specific rate, depending on whichever is the higher.
- **Compound tariffs:** Comprise both an ad valorem element and a specific element.

There are thousands of different tariff codes, applicable to specific product lines.



CAN APPLIED TARIFFS BE ALTERED?

- The UK can lower tariffs at any time from the bound rate using its applied tariff. However, whatever action it takes applies to every country without a trade deal which wants to export goods to the UK.
- The UK cannot increase the applied rate above the bound rate.
- The UK can choose to increase a tariff rate quota to make more imports available at a lower rate. It cannot however reduce the quota once it has been announced.



TARIFF POLICY IN A NO-DEAL?

- The UK Government has said it will attempt to balance the interests of consumers whilst avoiding damaging vulnerable UK producers.
- The Government would seek to keep most tariffs at or close to zero for as many products as possible. Where this could impact UK producers, for example to protect British farmers from excessive competition from cheaper beef, it would seek to use a tariff rate quota to restrict the volume of lower priced product which could be imported.
- Reflecting the urgency of implementing a tariff schedule in a no deal situation, the Government intends reviewing after 12 months. The Government may also review and amend specific tariffs if it considers the balance between consumer and producer interests needs to be adjusted.
- The Government envisages this as a temporary arrangement for tariffs on a no deal scenario and would seek a longer term strategy linked to its trade policy in terms of proposed new trade negotiations around the world.
- The UK has managed to adopt some of the trade agreements the EU had with other countries such as Chile and Switzerland which means potentially better tariff arrangements than in the published tariff schedule. However, there are still many of these still outstanding, including key ones such as Turkey - and the Government's tariff schedule will, therefore, determine whether you will pay an additional cost for importing from these countries.



WHAT ABOUT PREFERENTIAL TRADE AGREEMENTS?

- Around 100 developing countries are granted exemption from normal WTO rules and tariffs to encourage them to export to developed countries.
- Depending on their circumstances countries fall into 3 levels of exemption in terms of the current EU scheme - GSP (Generalised system of preferences), GSP+, and EBA (Everything but Arms)
- The EU has recognised these countries in its trade policy which means they are not subject to tariffs which apply to the rest of the world.
- The UK has proposed replicating the essential elements of the EU's schemes (under new names), and these would apply from March 29 on a No-Deal outcome.