

Customs Guides

TARIFFS



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About this Guide

- This is one of a series of three Guides to help businesses understand Rules of Origin, Tariffs and Customs Declarations in the event of a No-Deal Brexit.
- The Guides are focused on practicalities and helping businesses to understand the actions they need to take.
- In the Guides you will learn what these concepts are, how they might apply to you, and how they may be different in the event of a No-Deal Brexit.
- The Guides provide you with an overview, with links to more detailed information on the British Chambers of Commerce [website](#).
- If you have any specific questions [please get in touch](#) with your local Accredited Chamber of Commerce that can provide expert help in trade facilitation matters.
- This information is correct on 22 October 2019.

EXECUTIVE SUMMARY

1 What are tariffs and what role do they play in international trade?

Tariffs are taxes paid on certain imports. They are paid by importers and their level depends on the customs commodity code of the goods in question.

2 How do tariffs affect importers and exporters?

When importing or exporting products, companies need to declare their goods to customs and determine which commodity code they are classified under. For imports, commodity codes are used to determine tariffs and to apply other trade policy measures.

3 What are the current requirements/rules in the UK?

The UK currently uses the EU's tariff schedule for imports from all non-EU countries.

4 What will change in the event of a No-Deal Brexit?

After the UK leaves the EU, a new set of tariffs and commodity codes will apply in the UK for imports from all third countries, including the EU. In the event of No-Deal Brexit, the EU's current third country tariffs will apply to all goods exported from the UK to the EU.

What are tariffs and what role do they play in international trade?

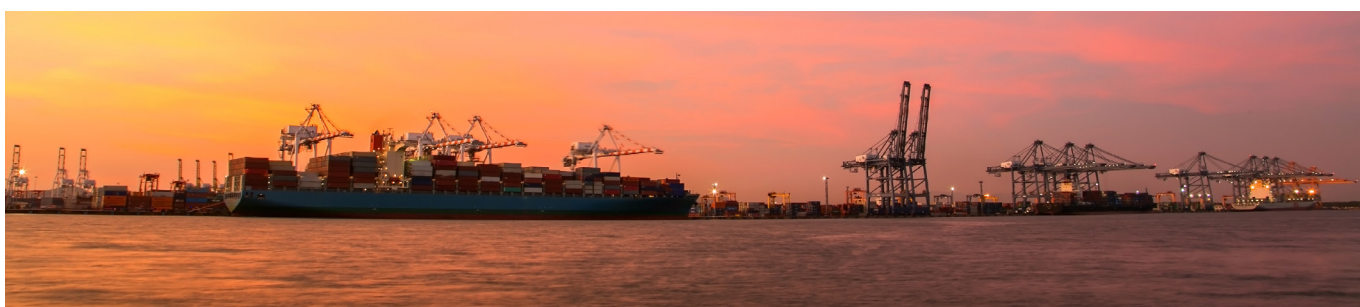
Every year, more than £12 trillion worth of goods are traded amongst the world's nations in nearly every language on the globe. How do customs and regulatory authorities know what is actually being imported into their country in order to impose the applicable duty or product standards?

The answer lies in the Harmonised Commodity Description and Coding System, also referred to as the Harmonised System or HS for short. The HS is a numeric-based coding system that allows us to uniformly classify all goods. It is currently used by over 200 countries and economies, to code more than 98% of all trade. The Harmonised System, upon which tariffs are based, is actually a convention managed and updated by the World Customs Organisation and its 183 members.

The HS is truly the “language of international trade” and all traders should become familiar with the codes relevant to their business. Nearly every trade opportunity and virtually all international trade enquiries include the question “what is your HS commodity code?”.

The Harmonised System is used by customs authorities, statistical agencies and other Government regulatory bodies to identify and manage internationally traded goods, through:

- Customs tariffs to outline applicable rates of duty on imported goods
- Collection of statistics
- Preferential and non-preferential rules of origin
- Collection of other taxes and charges such as anti-dumping duty
- Trade negotiations
- Monitoring of controlled goods



The Harmonised System (HS) in more detail

Classifying goods under the HS may at first seem complicated but, in reality, it's based on a logical structure.

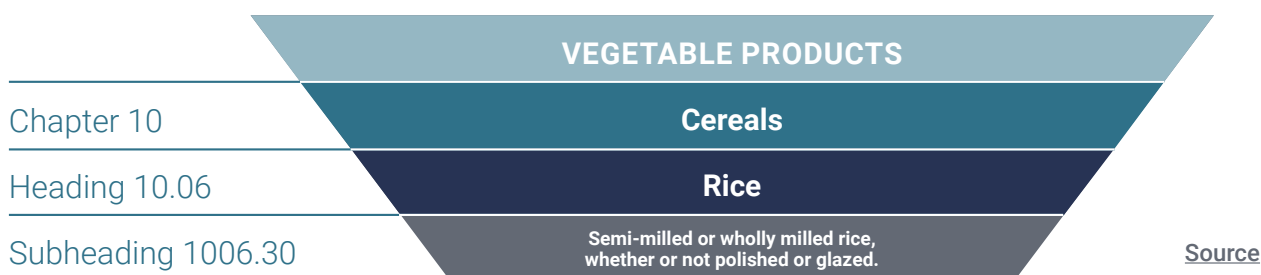
The HS is organised into 21 sections, which are subdivided into 99 chapters.

The 99 HS chapters are further subdivided into 1,244 headings and 5,224 subheadings.

The HS code consists of six-digits:

- The first set of two digits designate the HS Chapter
- The second set of two digits designate the HS heading
- The third set of two digits designate the HS subheading

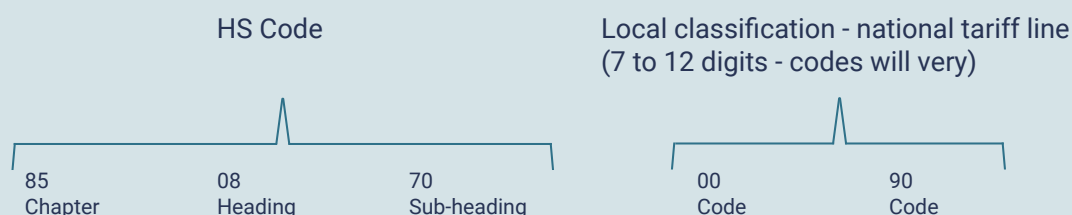
HS code 1006.30, for example, indicates Chapter 10 (Cereals), Heading 06 (Rice), and Subheading 30 (Semi-milled or wholly milled rice, whether or not polished or glazed).



In order to apply tariffs as well as other trade measures, countries further subdivide the HS, building and expanding on it to create their national tariff lines. This allows individual countries to create product lines that distinguish between different products within the same HS subheading.

National commodity codes are longer than the six-digit HS codes and can be up to 12 digits.

Example of HS Classification: parts of vacuum cleaners, HS code 850870



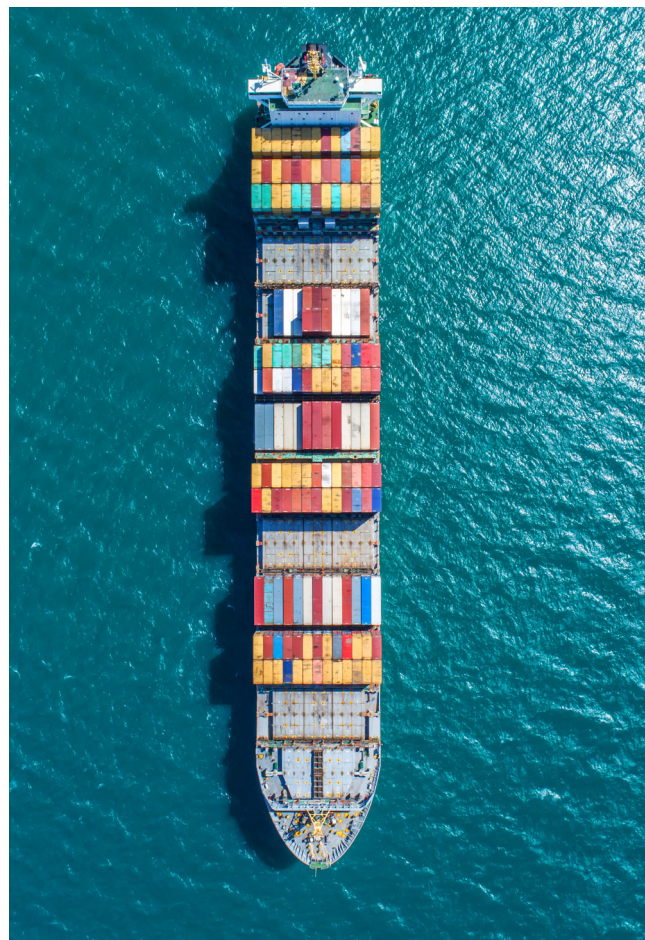
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The HS code is updated every 5 years at which point some codes are removed and some added.

How do the HS and tariffs affect importers and exporters?

Customs duty (tariffs), as well as other taxes and trade policy measures, are determined based on the HS commodity code of the imported goods. Therefore, in order to accurately determine the cost of imported goods, as well as to be compliant with customs rules, importers and exporters must be able to properly and accurately classify their goods under the national tariff lines. The commodity code is declared to customs authorities by the importer at the time of import (see the British Chambers of Commerce Guide to Customs Declarations, available [here](#)).

Countries use different commodity codes and apply different tariffs. Customs duty is applied based on HS commodity codes and tariffs of the country of import. The commodity code is declared at import so that customs authorities can calculate the correct amount of customs duty and other charges. While importers often receive a suggested commodity code from the exporter, it is important to review it against the national tariff lines in the country which the product will be imported into.



Classifying goods under the correct tariff line is not necessarily an easy task for importers and exporters. The General Rules for the Interpretation of the Harmonised System (GRIs) have been established to provide guidance on classifying products under the HS system. The rules are applied in sequence – i.e. rule 1 is applied first and only if it is not possible to classify products under this rule alone, rule 2 is used etc. Find out more about them on the World Customs Organisation website [here](#).

The HS is essentially an expert system that can be difficult to understand and master, so importers and exporters often have to rely on specialists to assist with the proper classification of their goods, or even request an advance ruling from customs on the HS classification of their goods.

Whether the company is classifying the products by itself or using the help of an adviser, it is important to keep in mind that:

- **Accurate HS classification is based on detailed product knowledge, description and a complete understanding of the functionality of the goods under consideration.** This information is held by the producer of the goods and is passed to the importer (client). Neither customs authorities nor classification advisers have access to this information. Therefore, importers must always be involved in the classification process, even when outsourcing guidance to advisers. The importer is ultimately responsible and liable for all HS commodity codes declared to customs authorities. They are also liable for any underpaid duty and taxes.
- **Declaring incorrect classifications can also be viewed as lack of compliance or attempted fraud.** For example, if the trader declares the goods under a commodity code that attracts a lower level of duty. Often, this liability can span back several years. As such, if a classification error is found, customs authorities may request the repayment of underpaid duty over all the relevant years where the incorrect HS classification was used.

In light of the above, UK companies must become familiar with the HS codes and the UK tariffs to calculate the total cost of imported products and parts.

Even though traders may use specialists to advise on classification of their products, it is important to keep in mind that the ultimate objective is for the trader to become knowledgeable about the HS classification of their products. The trader is ultimately responsible and liable for all related HS declarations and related cost calculations.



What are the current requirements/rules in the UK?

As a member of the EU, the UK currently applies the EU's Common Customs Tariff including the EU product tariff lines. This Common Tariff is applied by all EU member states to imports from non-EU countries. For example, goods imported from China will be classified in the same way and will attract the same level of duty whether imported into Poland, Italy or the UK.

The EU tariffs are applied based on the Combined Nomenclature – the EU's national tariff lines. The Combined Nomenclature (CN) is available [here](#) (scroll down to Part Two – schedule of customs duty).

The Combined Nomenclature national tariff lines and appropriate levels of duty are then combined with other EU trade policy measures into the EU's Integrated Tariff known as TARIC. Find out more about TARIC and access the TARIC database [here](#).

The UK has integrated the CN and TARIC in its own Integrated Tariff of the UK. It covers duty and other taxes, licenses and trade policy measures. In addition to those set out by the EU, the UK has added its own measures and subdivisions to the commodity codes. To find out all the information relevant for imports, UK traders can use the online lookup tool available [here](#).

Please note that the tool is constantly updated. If you are reading this Guide after the UK's new tariffs have entered into force as a result of Brexit, the online tool will no longer reflect the EU tariffs but will be based on UK own tariffs (please see the next section).



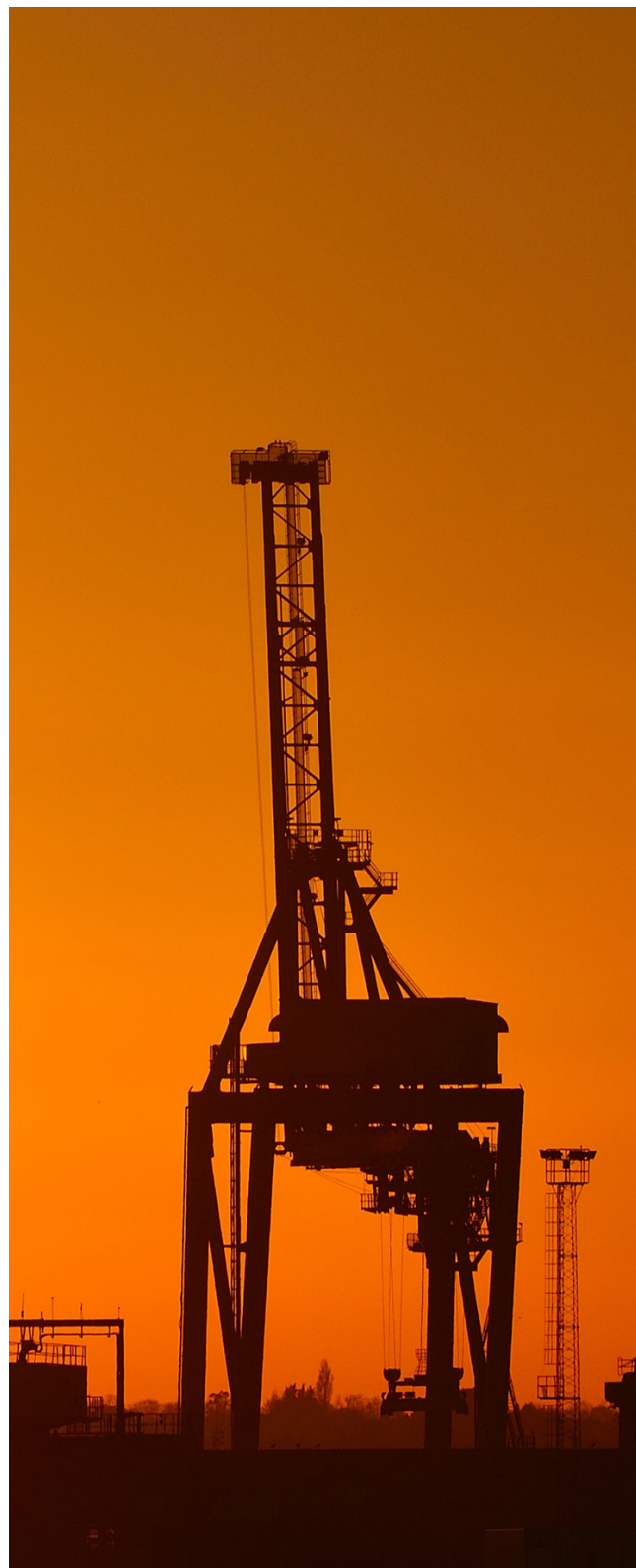
What will change in the event of a No-Deal Brexit?

When the UK leaves the EU's customs union, the EU's Common External Tariff will no longer apply in the UK. Instead, the UK will implement its own tariff and apply different levels of duty to imported products.

In preparation for a No-Deal Brexit, the UK Government published the UK's draft national tariff lines in March 2019, available [here](#).

In addition, the UK Government published details of the UK's temporary tariff regime that would apply on imports into the UK in the event of No-Deal for up to 12 months, available [here](#). The guidance provides tariffs, tariff quota rates and preferential tariff rates for a number of countries, including developing and least developed countries ([see the British Chambers of Commerce Guide on the Rules of Origin](#)). The Government is also in the process of creating a Tariff Application Platform (TAP) to replace the EU's TARIC database of tariffs and other trade measures.

The Government has clarified that under the No-Deal Transitional Simplified Procedures (TSP), the temporary tariffs will not apply to imports from the Republic of Ireland to Northern Ireland as initially there will be no customs checks or requirements on that border (visit the British Chambers of Commerce Brexit Hub for more details [here](#)).



According to the Government, the temporary tariffs will make 88% of total imports to the UK by value eligible for tariff-free access.

Goods areas in which tariffs are maintained are sensitive agricultural sectors, industries that require protection against unfair global trading practices, goods where removing tariffs would lead to tariff erosion for developing or least developed countries and certain types of vehicles.

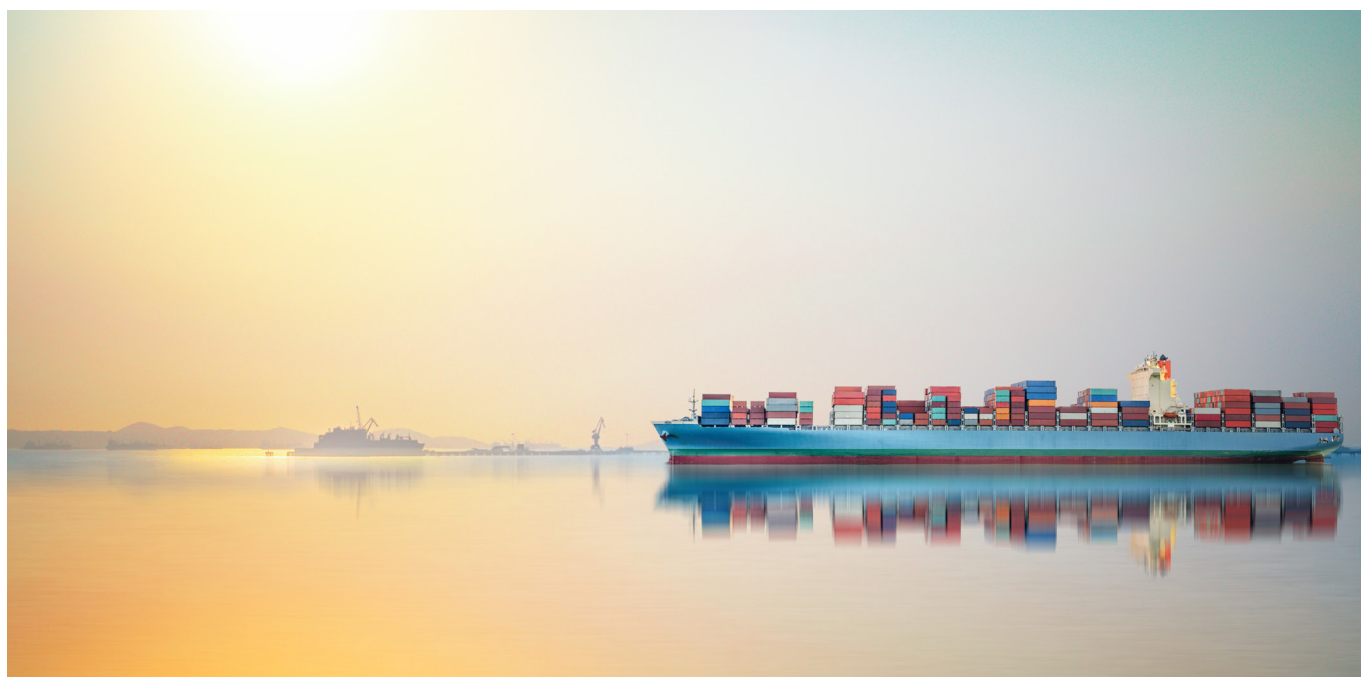
After the initial 12 months, the No-Deal tariffs will be reviewed and a permanent tariff will be published. It is uncertain at this point whether the 0% duty rate on most products available under the temporary tariff will be maintained.

After the UK leaves the EU, companies importing from any part of the world into the UK will be using the UK's national tariff lines and duty rates to determine import charges. UK tariffs might differ from the ones used currently.

Companies are encouraged to review the UK's new tariffs and commodity codes list to ensure that they are aware of any changes. Companies currently importing from outside the EU (e.g. India) to the UK, may find that, under the temporary No-Deal tariffs, their imports might be subject to lower tariffs than the current ones. However, companies currently bringing in goods from the EU will need to declare these goods and pay tariffs if applicable.

The main change will be that goods exported from the UK to EU countries will now have to be imported into the EU under the EU's product lines and corresponding tariffs. In the event of a No-Deal Brexit, the EU's Common External Tariff will apply to exports from the UK from day 1.

For the latest information please visit the [Brexit Hub](#) on the British Chambers of Commerce website.



How do I find out more information about this?

Accredited Chambers of Commerce can be found in every region and nation of the UK, providing your business with on-the-ground support. [Click here](#) to find out more.



FOR MORE INFORMATION ON NO-DEAL PREPARATIONS VISIT
WWW.BRITISHCHAMBERS.ORG.UK/PAGE/BREXIT-HUB

