**BPIF Summary of Technical Notice published by the Department for Exiting the European Union**

**Classifying your goods in the UK trade tariff**

In a 'no deal' scenario, EU goods will be treated as goods from elsewhere in the world are treated now, until such a time as a preferential trading agreement can be established.Businesses will need to identify their goods in order to establish what duties and specific rules apply, as a requirement of the declaration process.

**Current situation**

The UK is currently a member of the European Union, its Single Market and Customs Union, and so applies the EU’s Common Customs Tariff (CCT) at the external EU border.

* For goods moving between EU countries, there are no customs duties, and no routine intervention during the movement of goods.
* For goods entering the EU’s Customs Territory from the rest of the world (“third country goods”), an import declaration is required, customs formalities and checks are carried out – for example for compliance with EU regulations – and any customs duties must be paid.
	+ Imports from a country with which the EU has a free trade agreement may qualify for preferential rates of duty and rules of origin. Imports from a country with which the EU does not have a free trade agreement will be subject to the EU’s Most Favoured Nation (MFN) rates of duty and non-preferential rules of origin.

Customs processes centre on the provision of information to a customs authority using a declaration. This captures information necessary to collect the import duty due on a good, and to affect any controls necessary to ensure public safety, security, and health. The required data identifies the good itself, where it is from, and what it is worth, in addition to, for example, information about the importer and exporter.

Once any duties have been paid on third country goods, and any other formalities complied with, those goods can move freely between member states (they are in “free circulation”) and are no longer subject to routine controls.

**After March 2019 if there’s no deal**

Goods traded between the UK and the EU after 11pm on 29 March 2019 will be subject to the same requirements as third country goods, including the payment of duty. Under World Trade Organisation (WTO) rules, the principle of most-favoured-nation (MFN) treatment means that, unless a preferential agreement is in place, the same rate of duty, on the same good, must be charged to all WTO members equally.

For UK exports to the EU, the EU will require payment of customs duty at the rate under the EU’s CCT. For goods imported to the UK from the EU, the UK will require payment of customs duty at the rate set by the UK Government.

**Impacts would include:**

* Trade with the EU would be on non-preferential, WTO terms. This means that MFN tariffs and non-preferential rules of origin would apply to consignments between the UK and EU.
* The EU would apply its MFN rates to goods imported into the EU from the UK. The EU MFN rates are set out in the CCT, where they are listed as “erga omnes” (which translates as “towards all”), rather than stating a specific country. The EU may change these rates between now and March 2019, but this provides an indication.
* The UK will apply its MFN rates to goods imported into the UK from the EU. The government will determine and publish these new UK duty rates before we leave the EU. They may be different from the rates in the EU’s CCT.
* The UK intends to continue offering unilateral preferences to developing countries, and to seek to transition all EU Free Trade Agreements for Day 1 in order to ensure continuity for both goods imported to the UK, and for UK exports.
* The UK Trade Tariff, detailing the import duty rates and rules that will be applicable to each good, will be made available free on www.gov.uk in the same way as now. Importers of goods into the UK will no longer use EU Tariff information published by the EU.
* The UK does not intend to immediately change the classification of goods in a 'no deal' scenario. The UK does not plan any immediate deviation from the current commodity code list published in the UK Trade Tariff, which is currently applied by the EU, except where necessary to maintain alignment with international standards, or for trade remedies purposes.

**What you would need to do**

Anyone importing goods into the UK from the EU, or exporting goods to the EU from the UK, will have to comply with customs procedures, where these were not previously necessary. As set out above, this includes the potential payment of duty on UK-EU trade.

**Establishing A UK Trade Tariff**

The Taxation (Cross-Border Trade) Bill provides the powers for HM Treasury to establish a new UK trade tariff.

The importer (or their agent) must use the guidance in the tariff to help decide the correct classification of their goods (although it should be noted that the guidance is not the legal text of the tariff). This will require knowledge of the item being classified, as well as its constituent parts: what it is made of, and the purpose for which it will be used. It will also be necessary to know where it originates from. The process of classification will result in a numeric commodity code. The commodity codes will be listed in the Tariff with the rate of import duty applicable to the goods falling within those codes (duty rates are shown either by formula or percentage of the customs value of the goods). The Tariff will contain rules for determining the amount of import duty applicable to those goods based on their description (the commodity code) and country of origin.

The Tariff will also set out import procedures such as how the value of a good is calculated, and which forms, codes, and procedures are to be used.

The UK Trade Tariff will replace the EU CCT for imports to the UK. HMRC already publishes [tariff data online for use by UK traders with third countries](https://www.gov.uk/trade-tariff).