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Briefing Paper

The UK Global Tariff

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What is the UK Global Tariff?

The UK Global Tariff is the new post-Brexit tariff regime which will come into effect at the end of the Transition Period from the 1st January 2021.

The new tariff regime will apply to all imported goods from countries which trade with the UK. The only exceptions are countries that have a free trade agreement with the UK or developing countries that pay less duty under the Generalised Scheme of Preferences. The new tariff schedule will be in pound sterling as opposed to Euros.

The UK government has claimed that the new system will be simpler and easier to use than the previous EU system. The government has made the decision to remove so called 'nuisance tariffs' (tariffs below 2%), which are tariffs so low, they end up costing more to administer than the revenue they generate.

Tariffs will also be rounded down to the nearest standardised band under the new system. The UK Global Tariff will see the following tariff bandings introduced:

- Tariffs under 20% have been rounded down to the nearest multiple of 2%
- Tariffs between 20% and 50% have been rounded down to the nearest multiple of 5%
- Tariffs above 50% have been rounded down to the nearest multiple of 10%.

The government has also decided to eliminate a number of tariffs on goods which are used in the production and manufacturing of other goods. These products are known as key inputs to production. However, the government has confirmed that tariffs will remain on specific products used in UK production in order to protect domestic sectors which are reliant on UK only supply chains. The government says that this will remove tariffs on £30bn worth of imports that feed into UK supply chains.

The government has also removed tariffs on a number of products which the UK does not produce domestically as well as reducing tariffs on over 100 products (such as LED lights) to incentivise consumers and businesses to steer clear of goods that might increase carbon emissions.

The temporary zero rate tariff introduced (for products such as medical devices and pharmaceuticals used to fight Covid-19) will also remain in place beyond 1 January 2021 if required.

The Department for International Trade claims that the new tariff regime doubles the number of products that are tariff free with 47% of products now zero, compared to 27% under the EU's Common External Tariff.

How will the UK Global Tariff affect my business?

The changes to the UK Global Tariff will apply to imported goods from the 1st January 2021 unless an exception applies (free trade agreement, developing countries). This means that the current system in place, the EU's Common External Tariff, will no longer apply and this will result in significant changes to the tariff rates applied to UK imports. Businesses can check the tariffs that will apply to imported goods from the 1st January by using the UK Global Tariff tool [here](#). This tool will enable firms to check the difference between what they pay now and what they will pay from 1st January 2021. It is important to note that if the UK is unable to secure a free trade agreement with the EU, then the UK Global tariff will apply to goods imported from the EU as well from the start of next year.

What are the Chambers of Commerce's views on the UK Global Tariff?

The publication of the UK Global Tariff provides UK businesses with a degree of clarity on the post-Brexit trading regime. UK businesses now know the maximum level of tariffs that will be imposed on imported goods after the UK leaves the European Union regardless of the outcome of the negotiations with the European Union. With not long to go now until the new tariff regime comes into force, we would urge businesses to familiarise themselves with the new UK Global Tariff tool and consider how any changes in the level of duty will impact their operations.

The publication of the UK Global Tariff also underlines the importance of the UK government securing a trade deal with the European Union. If the UK is unable to secure a trade deal with the EU then it will dramatically increase the costs of doing business for organisations based in both the UK and the EU. This would hinder UK businesses ability to compete on European markets and would place significant new regulatory burdens on British importers at a time when many firms are struggling to rebuild and recover from the disruption caused by the Coronavirus pandemic.

Therefore, given the current circumstances, we are urging the government to ensure that support is forthcoming for the industries that will be adversely affected by these changes to the tariff regime.