

Customs Guides

TARIFFS



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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 now we have left the EU single market.
- 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 now we have left the EU single market.
- 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 now has its own tariff schedule for imports from all countries.

4 What has changed now we have left the EU single market?

The UK has a new set of tariffs and commodity codes which apply in the UK for imports and exports from/to all third countries, including the EU.

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

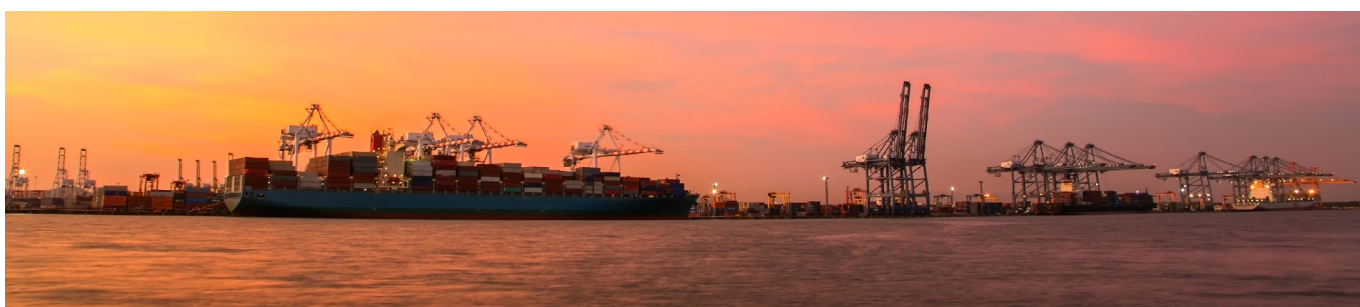
Every year, more than £12 trillion worth of goods are traded amongst the world's nations in nearly every language on the globe. How do customs and regulatory authorities know what is actually being imported into their country in order to impose the applicable duty or product standards?

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.

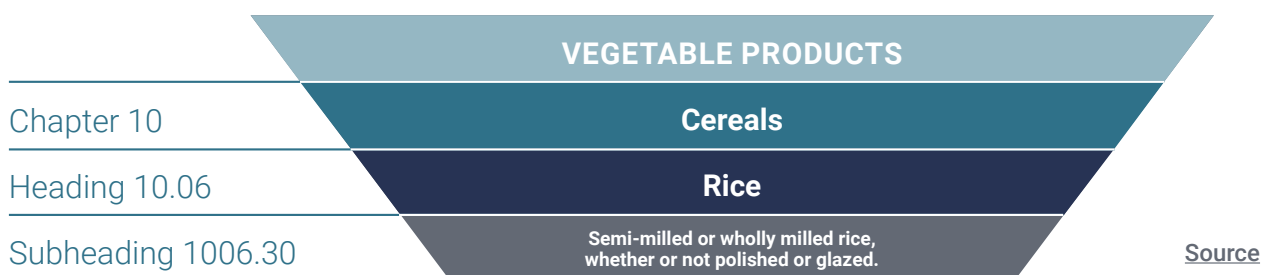
The HS is organised into 21 sections, which are subdivided into 99 chapters.

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

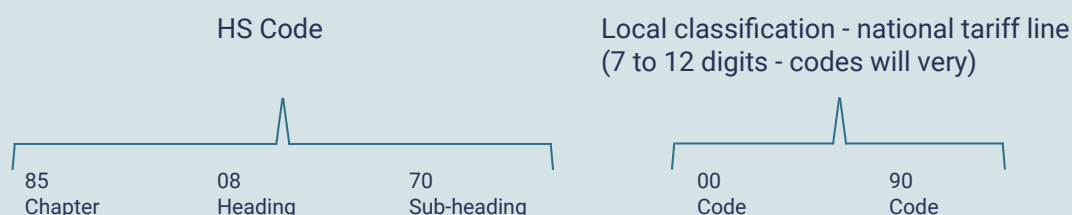
HS code 1006.30, for example, indicates Chapter 10 (Cereals), Heading 06 (Rice), and Subheading 30 (Semi-milled or wholly milled rice, whether or not polished or glazed).



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



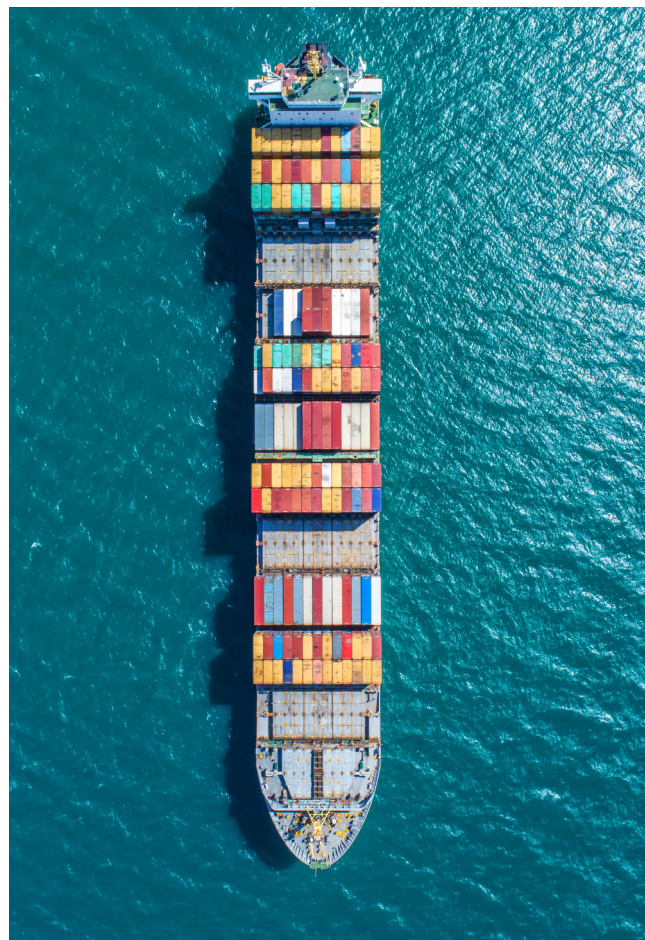
[Source](#)

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?

The UK previously applied the UK's Common Customs Tariff including the EU product tariff lines. The UK will now apply its own tariff lines, the UK Global Tariff (UKGT).

The UK's integrated tariff is based on the UK's Most Favoured Nation (MFN) tariff schedule called the UKGT, which the government announced in May 2020.

In line with the World Trade Organization (WTO) MFN principle, UKGT tariff rates apply to all trading partners which the UK has no alternative agreements with.

For example, free trade agreements; other regional trading arrangements; and preferential access schemes (such as, the Generalised Scheme of Preferences for developing countries).

The UK's Integrated Tariff Schedule includes: suspensions, reliefs, tariff rates quotas, trade remedy measures, preferential tariffs, rules of origin for free trade agreements and preferential access schemes.

The government has sought to balance strategic trade objectives, such as, the delivery of the UK's trade ambition and the free trade agreement trade agenda, whilst maintaining the government's commitment to developing countries to reduce poverty through trade.

Following an internal policy development process informed by these consultation responses, the UKGT was announced in May 2020. It has been in place since 11pm on 21 December 2020, following the end of the UK's transition period with the EU.

The UKGT is a tariff schedule tailored to the UK economy, it has been designed to balance the interests of consumers and producers.



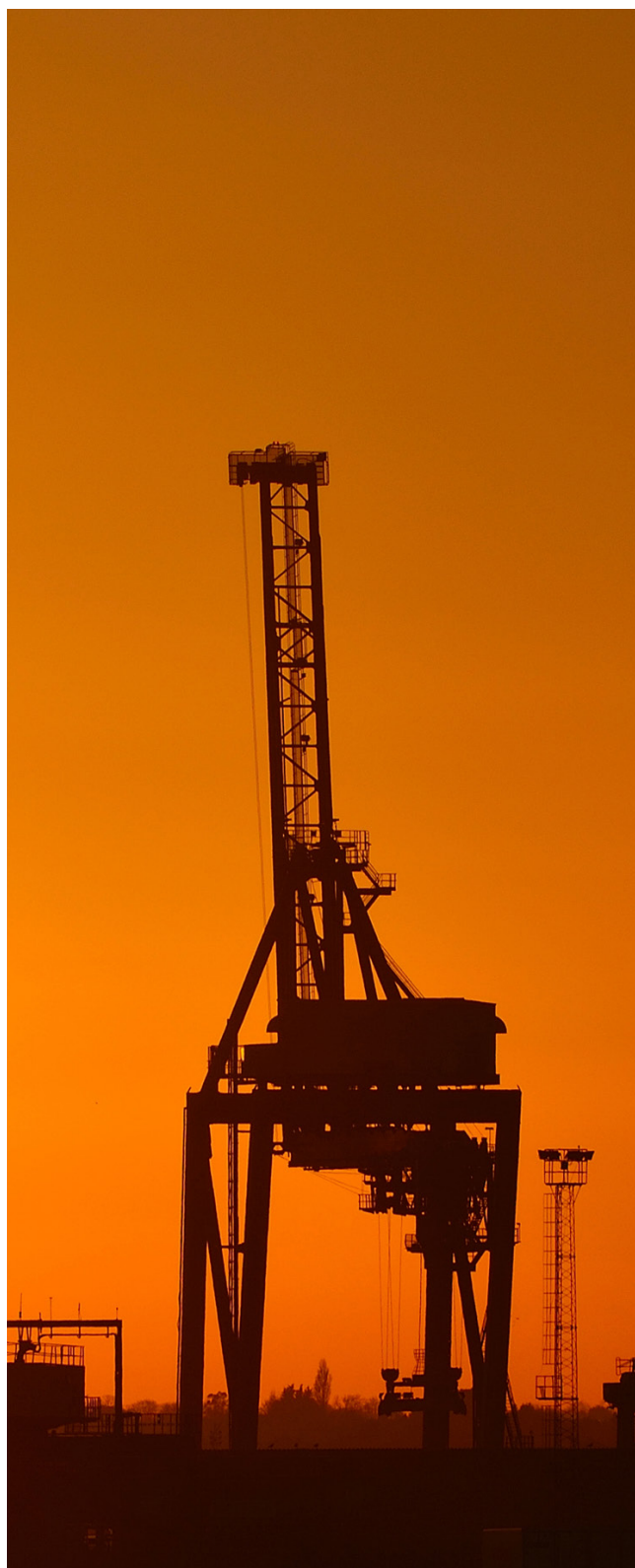
What has changed now that we have left the EU single market?

Now the UK has left 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.

The UK Government has published the UK's national tariff which is available [here](#). In addition, the UK Government has published details of the UK's tariff regime that will apply on imports into the UK which is 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 has created a Tariff Application Platform (TAP) to replace the EU's TARIC database of tariffs and other trade measures.

The Government has introduced Transitional Simplified Procedures (TSP), to help the flow of trade into the UK.

Under the Northern Ireland Protocol, some checks have changed and additional paperwork will be needed for goods moving between the UK and Northern Ireland.



According to the Government, the new the 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.

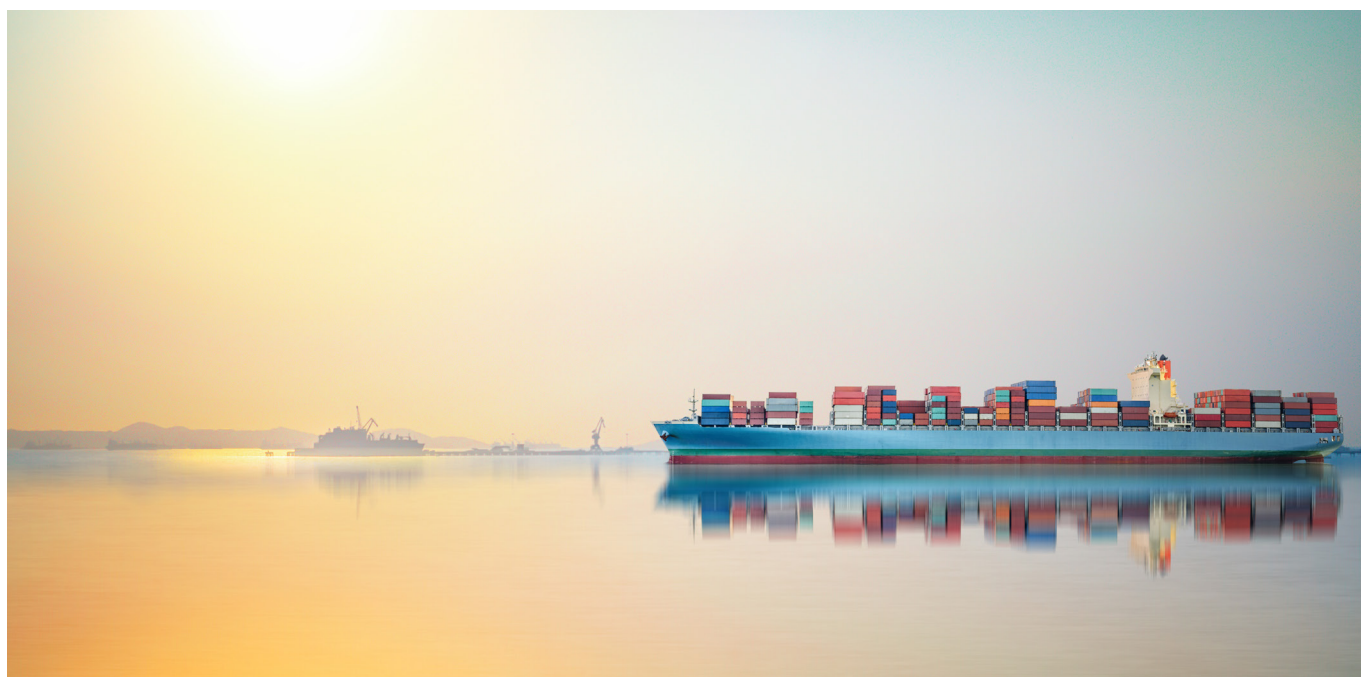
The tariffs will be reviewed and a permanent tariff will be published. It is uncertain at this point whether the 0% duty rate on most products available under the temporary tariff will be maintained.

Now the UK has left the EU single market 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 previously.

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 new 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. They may end up paying duties twice if the goods are first imported into the EU and then shipped to the UK.

The main change will be that non-originating 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.

For the latest information please visit the [Trade 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.



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