



Department for
International Trade

Approach to MFN Tariff Policy

Designing the UK Global Tariff for 1st January 2021

Statement of Direction

The UK left the European Union on 31 January. We now have the opportunity to develop an independent trade policy. The UK has always been a champion of free trade and firm believer in the vital role trade plays in boosting wealth and raising billions out of poverty. We will seek to use our new powers to catalyse free trade across the world.

As part of our new approach, the Government is developing a new UK [Most Favoured Nation](#) (MFN) tariff schedule which will enter into force on 1st January 2021. This will be a bespoke regime known as the UK Global Tariff (UKGT). It will be designed specifically for the UK economy and will replace the EU's Common External Tariff which is currently applied on imports into the UK.

In designing this new tariff schedule, the Government will ensure that the UK's position continues to uphold the commitments and values of the WTO where the UK will be a campaigner for and champion of global free trade.

The new UK Global Tariff will apply to goods imported into the UK on 1st January 2021 unless an exception such as a preferential arrangement or tariff suspension applies. In particular, this tariff will not apply to goods coming from developing countries that benefit under the [Generalised System of Preferences](#), or to goods originating from countries with which the UK has negotiated a [Free Trade Agreement](#). The Northern Ireland / Ireland Protocol in the Withdrawal Agreement provides for certain specific arrangements as regards Northern Ireland.

The Temporary Tariff Regime, published in March 2019, was developed for a possible scenario in which the UK left the EU without a deal. Now that the Withdrawal Agreement has been approved by both the EU and the UK, this scenario is no longer relevant.

Policy Objectives

In setting the tariff rates, the Government will uphold the principles set out in the Taxation (Cross-border Trade) Act 2018:

- the interests of consumers in the UK,
- the interests of producers in the UK of the goods concerned,
- the desire to maintain and promote the external trade of the UK,
- the desire to maintain and promote productivity in the UK, and
- the extent to which the goods concerned are subject to competition.

The Government will also seek to balance strategic trade objectives, such as the delivery of the UK's trade ambitions and FTA trade agenda, and to maintain the Government's commitment to developing countries to reduce poverty through trade.

Consultation

The Government is committed to a tariff policy that takes account of the views of all sectors of society and international stakeholders; including the general public, devolved administrations and the regions, businesses, civil society groups, consumers, associations and any other interested stakeholders.

In line with this, the Government today (6th February 2020) launched a 4-week public consultation on the UK's future tariff schedule. This consultation will close on 5th March 23:59 GMT.

The consultation offers respondents the opportunity to provide:

- views on a potential series of amendments to the Common External Tariff to create a bespoke UK tariff regime;
- specific feedback on individual products or commodity codes of importance to them, including on the corresponding tariff rate; and
- information on their interactions with MFN tariffs and the importance of tariffs to their sectors.

Throughout the consultation, respondents are encouraged to provide clear examples to support their view, in particular the likely impact (costs and benefits) on business, consumers and the economy of amending or not amending the tariff.

Proposed Changes

Until the 31 December 2020, when the transition period will end, the UK will continue to apply the EU's Common External Tariff to all goods imported from outside the EU.

From 1 January 2021, the UK will apply its own UK-specific tariffs to imported goods.

The Government's intention is to implement a bespoke tariff schedule that, unlike the Common External Tariff, is tailored to the UK economy, reflecting UK interests and its free trade ambitions.

To inform its development, the Government is seeking views on a series of amendments to the EU's Common External Tariff. These aim to simplify and liberalise the UK's tariff policy:

1. Simplifying and tailoring the UK Tariff

Developing a tailored tariff schedule provides the UK with an opportunity to simplify the tariff schedule it applies so that it is easier for businesses to understand and use. Where possible, the UK is considering:

- Removing comparatively low tariffs, commonly known as "nuisance tariffs", of 2.5% or less. Removing these tariffs could in some instances reduce the administrative burden on UK businesses.
- Rounding tariffs down to the nearest standardised band which will be:
 - 2.5% for tariffs currently under 20% (e.g. a 19.2% tariff becomes 17.5%, a 12.3% tariff becomes 10%)

- 5% for tariffs currently more than 20% and under 50% (e.g. 48% tariff becomes 45%, 22% becomes 20%)
- 10% for tariffs currently equal to and above 50% (e.g. a 68% tariff becomes 60%)
- Taking steps towards agricultural tariffs that are applied as single percentages.

2. Removing tariffs on key inputs to production

Inputs to production are goods which UK businesses import for use in production and manufacturing of other goods. The Government is considering removing these tariffs to reduce input costs for UK producers and support UK manufacturing.

As part of this assessment, the Government will consider goods listed in the following documents:

- [Broad Economic Categories \(BEC\) list](#)
- [List of tariff suspensions that currently apply on inputs to production](#)
- [List of goods that have applied for Inward Processing](#)

Please note that these documents are not exhaustive.

3. Removing tariffs where the UK has zero or limited domestic production

The Government is considering removing tariffs on goods where there is zero or limited domestic production with the aim of benefiting UK consumers by lowering the cost of these imports.

To assist identifying which goods fall into this category, the Government will consider goods listed in the following document:

- [List of tariff suspensions that currently apply on inputs to production](#)

Please note that this document is not exhaustive.

These principles, alongside the strategic objectives outlined above, represent the considerations the Government is inviting views on; they do not represent final decisions.

The consultation will close on 5 March 2020 and an announcement on the UK's new Global Tariff schedule will follow shortly afterwards.