

# SIZE MATTERS

The outcome of Brexit discussions will have different repercussions for different businesses.

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**B**REXIT will affect our exporters in thousands of ways – because there is simply no average exporter. It's time to stop talking in terms of averages and start looking at international trade as the diverse entity that it is. Let's be clear there is no average tariff, there is no average sector and, although this is sometimes inconvenient for the media, no one market solution for all industries. A no-deal Brexit will have thousands of differing repercussions for UK businesses.

For example, tariffs for pharmaceuticals tend to be zero percent rated, whereas ceramics can vary from five to 25 percent depending on the component parts and materials, and agriculture can range from 30 to 45 percent or even more when you consider constituent parts as well. Some countries have differing rules of origin and some operate on different trade agreements. There is no average.

With UK businesses set to be faced with significantly altered trading conditions in the event of a no-deal Brexit, it is imperative for our businesses to become more adept at understanding how customs procedures, tariffs, duties and World Trade Organization (WTO) rules operate. According to the Institute for Government, there are 140,000 businesses who currently export only into Europe. These businesses will be new to many of these trade administrative requirements. After Brexit, to continue selling into Europe, they will need to complete customs declarations

and, in the event of a 'No Deal', they will need to understand the duty payable for importation into and from the continent under the 'Most Favoured Nation' rate set by the EU to the WTO.

## MULTIPLE DESCRIPTIONS

There are approximately 5,300 article/product descriptions arranged in 97/99\* chapters in the Harmonized Commodity Description and Coding System (HS), each given its own HS Code (a six-figure product classification number). Exporters and importers need to know what code a product is given to be able to establish what duty or taxes are payable. The code also triggers other factors including anti-dumping duty, quotas and licences that relate specifically to those goods being moved between the UK and the EU (or indeed the rest of the world).

In essence, in the event of new tariffs being introduced for goods moved between the UK and the EU, UK businesses will be required to pay duties set by the EU tariff schedule to the WTO. They will need to know which of the 5,300 HS Codes relates to their product and understand the duty that will be payable for their goods to be paid under that code as a 'third party' country. This impacts on the cost of importation which is usually paid by the importer or buyer.

Although this charge is usually paid by the importer, exporters will need to accommodate this cost to their European customer or partner in their overall pricing to maintain competitiveness. UK importers of goods from the EU will need to pay duties according to the UK's independent tariff schedule to the WTO, which has not yet been set.

## NO 'ONE-SIZE-FITS-ALL'

In the event of a no deal Brexit, businesses will need to have determined their HS Code and identified how they will be affected when trading under WTO rules. This will also apply for businesses trading with markets like South Korea and Canada, who the UK currently has preferential tariff rates with through its membership with the EU.

The UK Government lodged a tariff schedule mirroring the EU in July 2018 and this was published on the gov.uk website in December. However, it is still not published as a UK Integrated Tariff, or, more specifically, as Volume 2 of the tariff, which is the official source for operational use.

Unfortunately, it had hoped to replicate the EU's current tariff schedules, but some WTO members have refused to ratify this, opening up the need for the UK to negotiate its schedules with other WTO members. However, WTO members do often trade with each other under non-ratified schedules while the proposed schedules are being negotiated.

Whatever happens with Brexit, businesses need to be prepared for altered trading conditions, including trading under WTO rules with several of our major partners. The Institute of Export & International Trade provides online and offline training courses teaching the processes of international trade, including understanding how WTO rules and Free Trade Agreements work.

\*There are 97 chapters in the WCO's system and 99 chapters in the EU's.

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