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UK applied Tariff Policy in event of no deal Brexit

The UK Government has published its applied tariff schedule in the event of leaving the EU without a deal. This schedule will only take effect if a no deal situation is realised meaning that we have no transition period with the EU. The government is yet to publish 12 Statutory Instruments (SIs) to enact this policy. These SIs will only be laid in Parliament once it is clear that the country is indeed leaving the EU without deal.

We will be analysing the detail of the tariff schedule over the next days in conjunction with AHDB in order to provide further detailed briefing and comment on the impact of this announcement. If during that process, we encounter anything further to the following key elements, we will respond as quickly as possible.

Key elements

- **Temporary nature:** This policy is considered a temporary tariff regime in the event that the UK leaves the EU without a deal on 29 March 2019. The temporary tariff will apply for up to 12 months. At the end of the temporary period, the Government will introduce a long-term tariff regime. This will be developed over the course of the coming months following a full public consultation process.

- **Northern Irish Border**: It is important to note that in light of the government's commitment to there being no hard border on the Island of Ireland, this policy will not apply to trade between Republic of Ireland (ROI) and Northern Ireland (NI). This means that there is a relief in place that allows any product flowing from ROI to NI to enter duty free and product subsequently moving freely from NI to GB. Product moving direct from ROI to GB (for example through Dublin port to Holyhead) would be subject to the UK applied tariff policy. If trade-flows shift towards moving product from ROI through NI to GB (for example through Belfast port to Stranraer) with the purpose of tariff avoidance, this would be considered to be a breach of the relief. If trade flows did shift, HMRC may consider such shifts and investigate in order to determine what the motivation behind this was. Under such an investigation, HMRC would seek to determine whether a breach of the relief for the purposes of tax avoidance had occurred and take appropriate action. HMRC has produced a note setting out its position on tackling tax avoidance, evasion and other forms of non-compliance.

- **Sheep meat:** There will be full tariff protection for sheep meat sector. This means no additional market access and no reduction in the full external tariff of 12.8% + €171.3/100kg). To be clear existing market access concessions for countries such as New Zealand lamb will continue (the existing NZ quota equates to 114,000t).

- **Beef meat:** The government has announced the creation of new autonomous Tariff Rate Quotas (TRQs) to manage import volumes of beef. A TRQ comprises two parts 1) a Tariff Rate and 2) a Quota (volume).
The "in quota" Tariff Rate for beef will be zero and the volumes granted access (quota) to this zero duty rate is slightly lower than that which we currently see coming in duty free from the EU. The quota for "Fresh/ Chilled Beef" (0201 codes) will be 124,401t. The quota for "Frozen beef" (0202 codes) will be 56,217t and for processed beef (0210 + 1602 codes) the quota will be 50,042t. All together this would see duty free market access for around 230,000t, which leaves approximately

95,000 tonnes of beef imports currently entering the UK market duty free from the EU, potentially subject to the new UK tariffs (depending on whether the trade is direct from ROI to NI).
The quotas will be managed quarterly and on a first come first served basis. Further details of how importers will be able to access the quotas will be published shortly. Unfortunately, the quotas will be managed at the 4 digit code level. This means that fresh/ chilled carcase will be treated the same as fresh/chilled boneless cuts, potentially skewing the market resulting in a surge in boneless cuts entering our market.

The out of quota duty for beef is significantly lower than that which the EU currently applies to 3rd county imports. For example the UK tariff for out of quota imports of fresh beef would be 6.8% +€93.3/100kg. This is compared to 12.8% + €176.8/100kg currently applied by virtue of EU membership.

- **Poultry:** The government has announced the creation of new autonomous Tariff Rate Quotas (TRQs) to manage import volumes of poultry meat. The "in quota" Tariff Rate for poultry will be zero and the quota volume for fresh and chilled poultry meat benefiting from that zero duty is 166,196t and for frozen it is 79,510kg.

  The out of quota tariff lines (there are multiple depending on the product line) is significantly lower than the level of tariff the EU currently applies to 3rd country imports. For example, the UK tariff on boneless cuts of fresh poultry would be €61.8/100kg, as opposed to the EU tariff currently applied to 3rd country imports of €102.4/100kg.

- **Dairy:** Import volumes will not be managed through the use of any concessionary TRQs. However for some cheeses and for butter UK tariffs will apply. For example the UK will apply €60.5/100kg for butter and a duty of €22.1 /100kg for cheddar. This means that tariffs will apply on EU butter and cheese coming into the UK market (with the exception of trade direct from ROI to NI). However it is important to note that the UK tariff is significantly lower than the tariff the EU currently applies (for example the EU tariff on Butter is €189.6/100kg and cheddar is €167.1kg/100kg)

- **Pork:** Import volumes will not be managed through the use of any concessionary TRQs. However UK tariffs will be applied, including to imports from the EU (with the exception of trade direct from ROI to NI). The rate of duty varies depending on the category of pork. The UK tariff is significantly lower than the level the EU currently applies to 3rd country imports. For example the UK tariff for fresh boneless pork would be €11.4/100kg, as opposed to EU tariff €86.9/100kg.

- **Cereals, Eggs and the majority of fruit and veg (except fresh beans)**: There is no tariff protection afforded these products. In other words there is full trade liberalisation. This is deeply concerning given the fact that UK exporters will face tariffs if they send product to the EU.

- **Sugar:** There is a TRQ for raw cane sugar for refining equating to 260,000t. The in quota duty is zero and the out of quota duty remains at €33.9/100kg.

- **Fertiliser:** There will be a UK tariff applied to imports of fertiliser of 6.5%

- **Review mechanism:** There is a firm commitment from government to having a review mechanism within this policy, although this is not a statutory footing. No decisions have been made on timing of such a review. Throughout the temporary period this policy is in effect, the government has said that it will consider exceptional changes where clear evidence is provided by stakeholders.

Initial NFU Reaction

Responding to the publication of the Government's import tariff schedule in the event of a no-deal Brexit, NFU Cymru President John Davies said: "While we are relieved that we are finally able to see the tariffs that will be applied on imported food in a 'no-deal' scenario, it is appalling that we only now have this opportunity to do so - a fortnight before they could come into effect. Farmers and food businesses have no time to prepare for the implications, which will be exacerbated by the fact that we will face tariffs on our own exports on food into the EU and other countries with whom we currently enjoy free trade arrangements.

"Although we are pleased to see that the government has listened to our concerns and elected to treat many agricultural sectors sensitively, which may support farmers who are already facing disastrous disruption from no-deal, it is enormously worrying that some sectors will not have this protection – noticeably eggs, cereals, fruit and vegetables.

"Even those sectors that are treated sensitively will, in most instances, see worrying and large reductions in the tariff rates currently charged on non-EU imports. Furthermore, the approach taken by the government to lump products under the same high-level tariff code, for example whole carcases and high value cuts of fresh beef, means there is a high chance of market distortion for many sectors who are deemed to have been treated sensitively.

"We recognise the importance of ensuring food prices for consumers do not rise in a no-deal Brexit but we are deeply concerned that the approach to tariffs published today will mean a greater reliance on food produced overseas. This would not necessarily lead to cheaper food for consumers but would mean we export and increase the environmental impact of our food production while losing control of the high standards of animal welfare to which that food is produced. In a no-deal scenario the government must act immediately to revise these tariffs and quotas should this happen.

"But more importantly, the publication of this tariff is another example of how British farming will be damaged by a no-deal Brexit. No-deal must be taken off the table and a workable solution identified by MPs and government as a matter of urgency that takes us into an orderly Brexit."