

BREXIT – Duty Rates and WTO ‘Fall-Back’ Option

As you will be aware the UK government is currently in the early stages of Brexit negotiations and no definitive agreements have yet been made regarding the trade and customs procedures for both EU and non-EU countries.

At the moment duty is not paid on imports into the UK from the EU and full customs declarations do not need to be made.

As these negotiations are still ongoing it is not possible to specify at this stage what changes there will be to overall measures and the current HMRC duty rates.

Depending on the outcome of Brexit negotiations, there has been talk of the possible ‘fall-back’ onto World Trade Organization (WTO) tariff rates, if no agreements are made.

However there is some uncertainty surrounding this notion.

Currently the UK is not a fully independent member of the WTO as it is grouped under the auspices of the EU. Therefore the UK would have to re-negotiate tariffs with the WTO as an independent member.

Additionally, the WTO negotiate tariff levels and implement top level ‘bound’ tariff rates otherwise known as binding ceilings, rather than specific individual rates.

Therefore, there are currently no specific published ‘WTO rates’ that are applicable on a universal basis.

In the WTO, when countries agree to open their markets for goods or services, they “bind” their commitments. For goods, these bindings amount to ceilings on customs tariff rates. Sometimes countries tax imports at rates that are lower than the bound rates. Frequently this is the case in developing countries. In developed countries the rates actually charged and the bound rates tend to be the same.

A country can change its bindings, but only after negotiating with its trading partners, which could mean compensating them for loss of trade. One of the achievements of the Uruguay Round of multilateral trade talks was to increase the amount of trade under binding commitments ([see table](#)). In agriculture, 100% of products now have bound tariffs. The result of all this: a substantially higher degree of market security for traders and investors.

Source: https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm

Therefore at this early stage it is not possible to specify what the WTO tariff rates agreed with the UK would be after the Brexit process.

We will continue to monitor this situation and keep you updated with any developments as we receive them.