EXPLANATORY MEMORANDUM TO

THE CUSTOMS (TARIFF AND MISCELLANEOUS AMENDMENTS) (NO. 2) REGULATIONS 2026

2026 No. 253

1. Introduction

1.1 This Explanatory Memorandum has been prepared by HM Treasury and the Department for Business and Trade and is laid before the House of Commons by Command of His Majesty.

1.2 This memorandum contains information for the Select Committee on Statutory Instruments.

2. Declaration

2.1 Dan Tomlinson, Exchequer Secretary to the Treasury confirms that this Explanatory Memorandum meets the required standard.

2.2 Catherine Stewart, Deputy Director for Trade Policy, at HM Treasury confirms that this Explanatory Memorandum meets the required standard.

2.3 Sir Chris Bryant MP, Minister of State for Trade, confirms that the Explanatory Memorandum meets the required standard.

2.4 Mark Lomas, Deputy Director for Trade in Goods, at the Department for Business and Trade confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Eva Agerbæk at HM Treasury can be contacted by email at the following address with any queries regarding the instrument: eva.agerbaek@hmtreasury.gov.uk.

3.2 Ria Carter at the Department for Business and Trade can be contacted by email at the following address with any queries regarding the tariff amendments set out in the instrument: tariff.implementation@businessandtrade.gov.uk. Alternatively, the department can be contacted by telephone: +44 (0) 20 4551 0011.

3.3 Andreas Lendle at the Department for Business and Trade can be contacted by email at the following address with any queries regarding the preferential tariff reference document ("PTRD") changes set out in the instrument: andreas.lendle@businessandtrade.gov.uk. Alternatively, the department can be contacted by telephone: +44 (0) 20 4551 0011.

3.4 Caroline Nicholls at the Department for Business and Trade can be contacted by email at the following address with any queries regarding the origin reference document ("ORD") changes set out in the instrument: caroline.nicholls@businessandtrade.gov.uk. Alternatively, the department can be contacted by telephone: +44 (0) 20 4551 0011.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument makes amendments to subordinate legislation previously made under the Taxation (Cross-border Trade) Act 2018 ("TCTA"), which provided for the United Kingdom's Customs, Value Added Tax ("VAT") and Excise regimes to be in place after the end of the Transition Period following the withdrawal of the United Kingdom ("UK") from the European Union ("EU").

4.2 This instrument updates the reference document, which details the classification of goods that are included in the UK tariff schedule and applicable import duty rates. This instrument also includes changes to reference documents relating to tariff suspensions and authorised use. This instrument also updates a number of reference documents relating to the preferential tariffs and rules of origin that apply under preferential trade arrangements ("PTAs") between the UK and other countries.

4.3 The following Regulations are updated or amended to give legal effect to the reference documents updated in this instrument and reflect other amendments:

a) The Customs (Special Procedures and Outward Processing) (EU Exit) Regulations 2018 (S.I. 2018/1249) ("the Special Procedures Regulations");

b) The Customs Tariff (Establishment) (EU Exit) Regulations 2020 (S.I. 2020/1430) ("the Establishment Regulations");

c) The Customs (Reliefs from a Liability to Import Duty and Miscellaneous Amendments) (EU Exit) Regulations 2020 (S.I. 2020/1431) ("the Reliefs Regulations");

d) The Customs Tariff (Suspension of Import Duty Rates) (EU Exit) Regulations 2020 (S.I. 2020/1435) ("the Suspensions Regulations"); and

e) The Customs Tariff (Preferential Trade Arrangements) (EU Exit) Regulations 2020 (S.I. 2020/1457) ("the Preferential Trade Arrangements Regulations").

Where does the legislation extend to, and apply?

4.4 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales, Scotland, and Northern Ireland.

4.5 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales, Scotland, and Northern Ireland.

5. Policy Context

What is being done and why?

5.1 This instrument contains policy and technical updates to tariff legislation.

5.2 This instrument contains amendments to a range of reference documents. The below sets out the updated reference documents and the amendments thereto:

a) The "Tariff of the United Kingdom" reference document is updated to reflect a range of technical and descriptive commodity code amendments, and some additional nomenclature changes. This instrument will also amend the structure of a chemical commodity code with a tariff rate of 6% in Chapter 29 to align with commodity code changes made by the EU. The code (2926 90 70 50) will be removed and absorbed into another, pre-existing code (2926 90 70 90) to which a

0% tariff rate applies. These updates to the commodity code structure and descriptions in the "Tariff of the United Kingdom" will ensure the UK's international trade policy can be delivered and avoid unnecessary complications for businesses.

b) The "Authorised Use: Eligible Goods and Rates" and "Authorised Use: Eligible Goods and Authorised Uses" reference documents are updated to ensure continued alignment with recent changes to the "Tariff of the United Kingdom" reference document. To this end, the "Authorised Use: Eligible Goods and Rates" reference document is amended by adding 16 commodity codes, removing 15 commodity codes, and amending the descriptions of five commodity codes. To the same end, the "Authorised Use: Eligible Goods and Authorised Uses" reference document is amended by adding 23 commodity codes, removing 21 commodity codes, and amending the descriptions of six commodity codes. Further, both documents will also be amended to add an authorised use measure to 33 commodity codes, applying to goods for incorporation in offshore wind turbines used in offshore wind energy production. The changes ensure that the UK's international trade policy can be delivered as intended and avoid unnecessary complications for businesses.

c) The "Tariff Suspension Document" is updated to implement routine technical and descriptive commodity code updates and correct minor errors to ensure the document's clarity, accuracy and effective functioning.

d) The PTRDs for a range of PTAs, which the UK has agreed with other trading partners, are updated to reflect both policy and technical updates that will ensure that the UK's preferential tariffs are applied correctly and as intended:

- "The Iceland-Norway Preferential Tariff" reference document is amended to remove a duplicated tariff line and make some other minor changes due to updated commodity codes.
- "The Japan Preferential Tariff" reference document is amended for structural clarity and to reflect 2026 tariff rates in accordance with the UK's PTA with Japan.
- "The Ukraine Preferential Tariff" reference document is amended to continue the 0% import duties on egg and poultry goods originating from Ukraine. In response to the full-scale invasion of Ukraine by Russia, the UK has committed a varied package of support to Ukraine, including preferential tariff access. The temporary liberalisation of import duties on eggs and poultry goods is due to expire on 31 March 2026. This instrument extends the preferential tariff access to 31 March 2028. The temporary liberalisation of import duties on all other goods covered by the Political, Free Trade and Strategic Partnership Agreement between the United Kingdom of Great Britain and Northern Ireland and Ukraine ("UK-Ukraine PTA") continues to 31 March 2029.

e) "The North Macedonia Origin Reference Document" and "The Serbia Origin Reference Document" are updated to give effect to recent agreements between the UK and North Macedonia and between the UK and Serbia, respectively, to clarify provisions relating to cumulation of materials from the EU or a Pan-Euro Mediterranean ("PEM") Convention partner. These clarifications were agreed in Decision No. 1/2026 of the United Kingdom-North Macedonia Partnership, Trade and Cooperation Council of 26 January 2026, and in Decision No. 1/2025 of the United Kingdom-Serbia Partnership, Trade and Cooperation Council of 23 December 2025. The amendments ensure continuity of trade by

clarifying the conditions for traders in the UK, North Macedonia, and Serbia to apply cumulation under the respective bilateral PTAs.

What was the previous policy, how is this different?

5.3 Sections 5.1-5.2 above set out the previous policy and the changes being made.

6. Legislative and Legal Context

How has the law changed?

UK Global Tariff

6.1 Section 8 of the TCTA gives HM Treasury the power to make regulations that establish and maintain in force the customs tariff. Legislation was made under this section of the TCTA which ensured that the UK has functioning Customs, VAT and Excise regimes. That legislation sets out the associated rules of, and exceptions to, the UK's applied most favoured nation ("MFN") tariffs, which have applied since 1 January 2021.

6.2 In considering the rate of import duty that ought to apply to goods in a standard case as defined under section 8(8) of the TCTA, HM Treasury has had regard to the matters set out in section 8(5) of the TCTA and the recommendation about the rate made to them by the Secretary of State for Business and Trade under section 8(6).

Preferential Tariffs given under PTAs

6.3 Section 9 of the TCTA gives HM Treasury powers to implement PTAs that His Majesty's Government in the UK agrees with the Government of a trading partner country. HM Treasury can only exercise these powers on the recommendation of the Secretary of State further to section 9(3) of the TCTA. That recommendation has been given by the Secretary of State for Business and Trade.

6.4 Pursuant to the UK's respective PTAs with those countries and territories covered by this instrument, the UK has agreed to apply a lower import duty rate (a preferential tariff) than would otherwise be offered under the MFN rate. The preferential tariff rate is only available to goods that enter the UK after meeting all relevant terms set out in the PTAs in question, including meeting specific rules of origin requirements.

Tariff Quotas

6.5 Section 11 of the TCTA gives HM Treasury the power to make regulations which establish tariff rate quotas ("TRQs") for particular products. A TRQ allows a fixed volume of goods to be imported at zero duty or at a lower rate of duty than would be applied under the standard rate of import duty.

6.6 In considering what provision to include in regulations made under section 11 of the TCTA, HM Treasury has had regard to the recommendation made to them by the Secretary of State in accordance with section 11(7) of the TCTA.

Tariff Suspensions

6.7 Section 12 of the TCTA gives HM Treasury the power to make regulations that, for a specified period, make provision for the rate of import duty applicable to specified goods to be lower than the applicable rate in the customs tariff in its standard form. In considering what provision to include in regulations made under section 12(1) and 12(3) of the TCTA, HM Treasury has had regard to recommendations made to them by the Secretary of State for Business and Trade in accordance with section 12(5) of the TCTA.

Rules of Origin

6.8 Section 17 of the TCTA gives HM Treasury the power to make regulations that make provision for determining the place of origin of chargeable goods. The power is exercised on the recommendation made to HM Treasury by the Secretary of State for Business and Trade further to section 17(8) of the TCTA.

Authorised Use

6.9 Section 19 of the TCTA gives HM Treasury the power to make regulations that make provision for full or partial relief from a liability to import duty, including in the case of goods that are declared for an authorised use procedure or temporary admission procedure.

General considerations

6.10 In considering making the changes to the UK tariff schedule, as set out in sections 5.1-5.2 and paragraphs 6.1-6.9, and in making the relevant recommendations referred to in those paragraphs, HM Treasury and the Secretary of State have had regard to the matters set out in section 28 of the TCTA.

Why was this approach taken to change the law?

6.11 The TCTA gives primary powers for the UK to create its own customs regime, including a system of import duty rates, allowing import duty to be applied to chargeable goods entering the UK.

6.12 The details of the UK's customs regime are set out in certain reference documents (see paragraphs 4.1-4.3 for further details). In order for changes to these reference documents to come into force, it is necessary for regulations to be made. This instrument gives effect to the changes to the reference documents detailed above. As these changes do not increase the rates of import duty applied in the standard case, the negative procedure is adopted pursuant to section 32 of the TCTA.

7. Consultation

Summary of consultation outcome and methodology

7.1 No consultation in relation to this instrument has been undertaken.

8. Applicable Guidance

8.1 Since the end of the Transition Period, the UK General Tariff has applied to all goods imported into the UK unless an exception applies, such as a tariff relief or tariff suspension, goods imported from countries that have tariff-free access granted unilaterally, or as part of a PTA. Further guidance is available at https://www.gov.uk/guidance/finding-commodity-codes-for-imports-or-exports

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because it maintains the position of existing legislation, which was covered by an overarching Tax Information and Impact Note: https://www.gov.uk/government/publications/the-uks-integrated-tariff-schedule/the-uks-integrated-tariff-schedule.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no, or no significant, impact on the public sector.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is in line with the general approach to tariff legislation, which is kept under review to ensure that it meets the policy objectives set out above in section 5 of this Explanatory Memorandum and ensure burdens on business are carefully monitored.

10.2 The instrument does not include a statutory review clause as the content relates to a tax or duty and therefore meets the requirements of the Small Business, Enterprise and Employment Act 2015.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

Reference documents amended non-sequentially

11.1 This instrument replaces the reference to version 1.29 of the "The Tariff of the United Kingdom" reference document with version 1.31 in the definition set out in regulation 1(2) of the Establishment Regulations. The version number of this reference document is amended non-sequentially because, since this reference document was amended by S.I. 2025/1289, a public notice published on 21 January 2026 modified the relevant statutory reference document to version 1.30, dated 14 January 2026: https://www.gov.uk/government/publications/notices-made-under-s32a-of-the-taxation-cross-border-trade-act-2018/notice-made-by-hm-treasury-under-section-32a-of-the-taxation-cross-border-trade-act-2018.

11.2 This instrument replaces version 3.2 of the "Tariff Suspension Document" with version 3.4. The version number of this reference document is amended non-sequentially because, since this reference document was last amended by S.I. 2025/1289, a public notice published on 21 January 2026 modified the relevant statutory reference document to version 3.3, dated 14 January 2026: https://www.gov.uk/government/publications/notices-made-under-s32a-of-the-taxation-cross-border-trade-act-2018/notice-made-by-hm-treasury-under-section-32a-of-the-taxation-cross-border-trade-act-2018.

Extension of preferential access for Ukraine

11.3 Agreement No.4 in the form of an Exchange of Letters between the United Kingdom of Great Britain and Northern Ireland and Ukraine ("Agreement No. 4"), amending Agreement No. 3 in the form of an Exchange of Letters between the United Kingdom of Great Britain and Northern Ireland and Ukraine, amending the UK-Ukraine PTA, was signed by the UK and Ukraine on 16 January 2026. Agreement No.4 extends the liberalisation of UK tariffs for egg and poultry products under the UK-Ukraine PTA for a further two years to 31 March 2028.

11.4 Ukraine is unlikely to be able to ratify Agreement No. 4 before the current tariff liberalisation measures expire on 31 March 2026. The UK and Ukraine have, therefore, entered into a non-binding Exchange of Letters under which the UK will temporarily unilaterally extend the current tariff liberalisation measures it accords Ukraine under the UK-Ukraine PTA (as amended) until Agreement No. 4 is ratified. The non-binding exchange of letters provides HM Treasury with the vires under section 9 of the TCTA to make and lay this instrument. Therefore, this instrument implements the tariff liberalisation measures under the Exchange of Letters and, subsequently, Agreement No. 4 once it enters into force.

11.5 While the non-binding exchange of letters is not subject to scrutiny as per the Constitutional Reform and Governance Act 2010 ("CRaG"), Agreement No. 4 was laid before Parliament on 27 January 2026 for scrutiny as per CRaG, concluding on 10 March 2026.

Overlaps of 21-day convention and CRaG

11.6 The treaties amending the protocols on rules of origin under the UK-North Macedonia agreement and the UK-Serbia agreement, respectively, were laid before Parliament on 23 February 2026 for scrutiny as per CRaG and will complete on 14 April 2026. This instrument is being laid before the House of Commons before

scrutiny of the treaties under CRaG has formally completed. This will ensure the treaties can enter into force as quickly as possible following the completion of CRaG scrutiny and the ratification of the two treaties, so that UK traders can benefit from the updated conditions to apply cumulation under our bilateral PTAs.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023. It does, however, relate to the withdrawal of the UK from the EU because withdrawal required the UK to replace the EU's customs regime with a UK-specific customs regime.