EXPLANATORY MEMORANDUM TO

THE CUSTOMS (TARIFF AND MISCELLANEOUS AMENDMENTS) (NO. 4) REGULATIONS 2025

2025 No. 1289

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 MP, 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 Benedict Collins, Deputy Director for Tariffs, Imports, Policy and Systems, 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.

3.5 Darren Stretton at the Department for Environment, Food and Rural Affairs can be contacted by email at the following address regarding the tariff quotas provisions in this instrument: Darren.Stretton@defra.gov.uk. Alternatively, the department can be contacted by telephone: +44 (0) 34 5933 5577.

3.6 Brendan McMullan at the Foreign, Commonwealth and Development Office can be contacted by email at the following address with any queries regarding the Developing Countries Trading Scheme ("DCTS") changes set out in the instrument: Brendan.Mcmullan@fcdo.gov.uk. Alternatively, the department can be contacted by telephone: +44 (0) 20 7008 5000.

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, authorised use, and tariff quotas. 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:

- The Customs (Origin of Chargeable Goods: Developing Countries Trading Scheme) Regulations 2023 (S.I. 2023/557) ("the DCTS Origin Regulations").
- The Trade Preference Scheme (Developing Countries Trading Scheme) Regulations 2023 (S.I. 2023/561) ("the DCTS Preference Regulations").
- The Customs (Special Procedures and Outward Processing) (EU Exit) Regulations 2018 (S.I. 2018/1249) ("the Special Procedures Regulations").
- The Customs Tariff (Establishment) (EU Exit) Regulations 2020 (S.I. 2020/1430) ("the Establishment Regulations").
- The Customs (Reliefs from a Liability to Import Duty and Miscellaneous Amendments) (EU Exit) Regulations 2020 (S.I. 2020/1431) ("the Reliefs Regulations").
- The Customs (Tariff Quotas) (EU Exit) Regulations 2020 (S.I. 2020/1432) ("the Tariff Quotas Regulations").
- The Customs Tariff (Suspension of Import Duty Rates) (EU Exit) Regulations 2020 (S.I. 2020/1435) ("the Suspensions Regulations").
- The Customs Tariff (Preferential Trade Arrangements) (EU Exit) Regulations 2020 (S.I. 2020/1457) ("the Preferential Trade Arrangements Regulations").

4.4 Finally, this instrument also amends Schedule 3 of the TCTA to reflect Vanuatu's graduation to the list of "other eligible developing countries", as further detailed in Section 5 below.

Where does the legislation extend to, and apply?

4.5 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.

4.6 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 the DCTS Preference Regulations and the DCTS Origin Regulations, which introduced the UK's Developing Countries Trading Scheme ("DCTS"). The DCTS is a unilateral preferential trading arrangement, which has been designed to boost trade, create jobs and ultimately reduce poverty in developing countries through export-led growth. This instrument implements the following changes to the DCTS:

- The DCTS Preference Regulations are amended to expand the measures by which a country's economic vulnerability is assessed. Under the DCTS, Enhanced Preferences ("EP") are granted to Low Income Countries and Lower Middle-Income Countries that are assessed as economically vulnerable. Economic vulnerability is currently only assessed according to export diversification, which means some economically diverse, yet economically vulnerable countries might not qualify for EP, which provides lower rates than the scheme's Standard Preferences ("SP"). This instrument includes an alternative criterion, which looks at a country's share of global goods exports. This amendment ensures that economic vulnerability is better assessed, ensuring countries benefit from the correct level of preferential rates under the DCTS.
- The DCTS Origin Regulations are amended to implement improvements to the DCTS rules of origin, in relation to regional cumulation, which allows certain countries' goods to benefit from preferential tariffs even when the goods have been produced using material inputs from each other. This instrument creates a new regional cumulation group in Africa and a consolidated and expanded Asia regional cumulation group. Further, this instrument amends and clarifies the conditions that must be met for the processing of goods to be eligible for DCTS preferences for Least Developed Countries ("LDCs") and other qualifying DCTS countries. This is to liberalise product specific rules for garment exports from DCTS eligible EP Tier countries. These amendments are necessary to deliver the Scheme's development impact by making it easier for developing countries to source regionally, process or manufacture goods, and export duty-free to the UK, while also strengthening regional trade and supply chain resilience for developing countries.
- This instrument amends the TCTA to reflect Vanuatu's graduation from United Nations LDC status. This instrument removes Vanuatu from the TCTA's list of LDCs and adds Vanuatu to its list of "other eligible developing countries", which is necessary to ensure that Vanuatu receives the correct preferential tariff under the DCTS.

5.3 This instrument also contains amendments to a range of reference documents, The below sets out the updated reference documents and the amendments thereto:

- The "Authorised Use: Eligible Goods and Rates" and "Authorised Use: Eligible Goods and Authorised Uses" reference documents are updated to correct errors regarding two commodity codes by adding authorised use measures that were previously omitted, aligning with the UK Global Tariff ("UKGT"). Further, this instrument updates the description of Table 2 and the section on parts,

components and subassemblies of weapons and military equipment to extend availability of the authorised use procedure for certain aircraft components imported into the UK to persons participating in the New Joint Strike Fighter Production, Sustainment and Follow-On Development Memorandum of Understanding. This instrument also adds a description to Table 3 to clarify its purpose and improve transparency for users of these reference documents. The instrument also adds and removes commodity codes to ensure alignment with recent changes to the UKGT. These updates all ensure that the UK's international trade policy can be delivered as intended and avoid unnecessary complications for businesses

- 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. 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.
- The "Tariff Quotas" reference document is updated to provide for an increase to the Autonomous Tariff Quota ("ATQ") for raw cane sugar for refining (05.7713) from 260,000 tonnes to 325,000 tonnes. This is to reflect the outcome of the Government's review of the quota following the call for evidence from interested stakeholders between 21 January and 18 March 2025. The quota increase will take effect from the start of the new quota year on 1 January 2026.
- The "Tariff Suspension Document" is updated to extend the end date of 289 existing tariff suspensions from 30 June 2026 to 31 December 2026, so that a public review of the measures can run in parallel with an application window for new suspensions in 2025-26. The reference document is also updated to implement routine technical and descriptive commodity code updates, and correct minor errors to ensure the document's clarity, accuracy and effective functioning. This includes 13 entries where the commodity codes are being updated to reflect similar changes made to the EU's commodity code schedule, a further three entries where the descriptions are being updated to clarify the text, and one further entry where the note is being amended to restore the suspension's coverage to what was originally intended.
- "The Eastern and Southern Africa States Origin Reference Document" is updated to extend the annual origin quota of 10,000 tonnes for preserved tuna and 340 tonnes of tuna loins for a period of five years, until 31 December 2030. This origin derogation was agreed by the UK-Eastern and Southern Africa States Customs Cooperation Committee on 6 November 2025.
- The PTRDs for a range of PTAs, which the UK has agreed with other countries and trading blocs. These updates will ensure that the UK's preferential tariffs are applied correctly and as intended:
  a) "The Australia Preferential Tariff" and "The New Zealand Preferential Tariff" reference documents are updated to make minor error corrections, minor descriptive and structural changes for clarity.
  b) "The CPTPP Preferential Tariff" reference document is updated to reflect the expiry of quotas for some countries as well as minor descriptive and structural changes for clarity.
  c) "The Central America Preferential Tariff", "The Lebanon Preferential Tariff", "The Switzerland and Liechtenstein Preferential Tariff", and "The Turkey

Preferential Tariff" reference documents are updated to reflect technical commodity code changes, minor descriptive changes and error corrections.

d) "The Faroe Islands Preferential Tariff" reference document is updated to increase the tariff rate quota for certain Faroe-originating fish feed products, as agreed in the UK-Faroe Islands Joint Committee of 19 August 2025.

e) "The United States Preferential Tariff" reference document is updated to make changes to the administration of the tariff rate quota for ethanol from 2026.

What was the previous policy, how is this different?

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

6. Legislative and Legal Context

How has the law changed?

Unilateral Preferential Tariffs

6.1 Section 10 of the TCTA gives the Secretary of State powers to establish and make provisions for a unilateral trade preference scheme under which the rate of import duty applicable to goods, or any description of goods, originating from an eligible developing country is lower than the applicable rate in the customs tariff in its standard form.

Rules of Origin

6.2 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.

Vanuatu

6.3 Schedule 3 of the TCTA gives the Secretary of State powers to make regulations for provisions for the purpose of section 10, including determining whether a country is an LDC or an "other eligible developing country."

Authorised Use

6.4 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.

UK Global Tariff

6.5 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.

6.6 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).

Tariff Quotas

6.7 Section 11 of the TCTA gives HM Treasury the power to make regulations which establish 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.

6.8 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

6.9 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.

Preferential Tariffs given under PTAs

6.10 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.

6.11 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.

General considerations

6.12 In considering making the changes to the UK tariff schedule, as set out in sections 5.2 and 5.3 and paragraphs 6.1-6.11, 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.

6.13 In considering making the changes to the lists in Parts 2 and 3 of Schedule 3 to the TCTA, the Secretary of State has had regard to the matters set out in paragraphs 2(2) and (3) of Schedule 3 to the TCTA.

Why was this approach taken to change the law?

6.14 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.

6.15 The details of the UK's customs regime are set out in certain reference documents (see paragraphs 4.1-4.4 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 discussed 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 UKGT 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 largely 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

11.1 This instrument replaces the reference to version 2.4 of the "The Faroe Islands Preferential Tariff" reference document with version 2.6 in Schedule 1 to the Preferential Trade Arrangements Regulations. The version number of this reference document is amended non-sequentially because, since this reference document was amended by S.I. 2023/1192, a public notice (published by HM Treasury on 2 February 2024 under section 32A of the TCTA) has modified the relevant statutory reference document to version 2.5, dated 31 January 2024: 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#notice-made-by-the-treasury-under-section-32a-of-the-taxation-cross-border-trade-act-2018-5.

12. European Convention on Human Rights

12.1 The Exchequer Secretary to the Treasury and the Minister of State for Trade, on behalf of the Secretary of State for Business and Trade, have made the following statement regarding Human Rights:

"In our view the provisions of The Customs (Tariff and Miscellaneous Amendments) (No. 4) Regulations 2025 are compatible with the Convention so far as they concern amendments to primary legislation. In respect of those provisions of these Regulations that do not concern primary legislation, no statement is necessary."

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 ("relevant European Union Acts"). It does, however, relate to the withdrawal of the United Kingdom from the European Union because withdrawal required the UK to replace the EU's customs regime with a UK-specific customs regime.