EXPLANATORY MEMORANDUM TO

THE CUSTOMS (TARIFF AND MISCELLANEOUS AMENDMENTS) (NO. 5) REGULATIONS 2026

2026 No. 703

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 this Explanatory Memorandum meets the required standard.

2.4 Malte Werner, Deputy Director for Trade Defence Strategy and Carbon Leakage at the Department for Business and Trade, confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Vyara Ruseva at HM Treasury can be contacted by email at the following address with any queries regarding the instrument: vyara.ruseva@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 amendments to reliefs and special customs procedures 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 Alexander Keeler at the Department for Business and Trade can be contacted by email at the following address with any queries regarding the steel trade measure, including the tariff rate quotas set out in the instrument: steel.trade@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 duty, 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:

a) introduces a new "Steel Tariff Quotas" reference document to establish tariff rate quotas ("TRQs") specific to steel products. These TRQs are listed in the "Steel Quota Table" within that reference document, separated into Parts A and B;

b) includes provision for a quota cap in relation to goods listed in Part B of the Steel Quota Table, which includes a variety of specific steel products intended exclusively for "downstream processing", to limit the cumulative quantity of goods originating from a single country or territory to 40% of the total quota volume;

c) provides that there is quarterly rollover of steel quotas in the Steel Quota Table after 20 working days, but that there is no rollover of quota volumes for goods listed in Part B of the Steel Quota Table or for any goods from one quota year to the next;

d) includes provision amending the application of customs rules applicable to steel imports processed under inward processing and free zone customs procedures to ensure that liability to import duty will, subject to certain exceptions, be determined by reference to the steel products as they stood before they were processed; and

e) provides for changes that will prevent certain imported steel products benefitting from duty relief under the authorised use customs procedure where imported for use in certain ships, boats, other vessels, and drilling or production platforms (the "Shipwork Authorised Use Procedure").

4.3 The following Regulations are updated or amended to give legal effect to these changes:

a) The Customs (Tariff Quotas) (EU Exit) Regulations 2020 (S.I. 2020/1432) ("the Tariff Quota Regulations");

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

c) The Customs (Reliefs from a Liability to Import Duty and Miscellaneous Amendments) (EU Exit) Regulations 2020 (S.I. 2020/1431) ("the Reliefs 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 Taking account of the importance of steel production for the UK's overall national security, this instrument is made to introduce TRQs in relation to certain steel products, subject to the tariff amendments set out in the Customs (Tariff and Miscellaneous Amendments) (No. 4) Regulations 2026 ("the accompanying instrument"). This instrument also makes provision in relation to special customs

procedures (inward processing and free zone procedures) and adjusts duty relief under the Shipwork Authorised Use Procedure (see paragraph 5.3, below).

5.2 This instrument, together with the accompanying instrument, is intended to support the viability of UK domestic steelmaking and ensure resilient and secure supply chains for the defence and critical national infrastructure sectors, which are essential for the UK's national security, whilst allowing access to imports where necessary. Furthermore, the amendments under these two instruments are made against a continuing backdrop of global overcapacity in steel. This has undermined the viability of UK domestic steel production, which is critical to the UK's national security interests. Similar tariff measures on imported steel products have also been or will be introduced by the United States of America, Canada, and the EU.

5.3 This instrument, therefore, amends the regulations listed in paragraph 4.3, introduces a new Steel Tariff Quotas reference document, and updates the "Authorised Use: Eligible Goods and Authorised Uses" reference document and "Authorised Use: Eligible Goods and Rates" reference document (together, the "Authorised Use reference documents") as follows:

a) The Tariff Quota Regulations are amended to introduce steel-specific TRQs in a new "Steel Quota Table", contained in a new Steel Tariff Quotas reference document. "Part A" of the Steel Quota Table lists goods for which country specific and residual quotas are established. "Part B" of the Steel Quota Table lists goods for which one, global, quota is established, and which may only be accessed where goods are declared for a specified end use. All new steel TRQs are allocated on a first-come, first-served basis.

b) The definition of "Quota Table" in the Tariff Quota Regulations is amended in order to differentiate the new steel TRQs under the Steel Quota Table from existing non-steel TRQs (set out in a "Non-steel Quota Table" within a separate reference document).

c) The Tariff Quota Regulations are amended to provide for a quota cap in relation to goods listed in Part B of the Steel Quota Table in order to limit the cumulative quantity of goods originating from a single country or territory that may benefit from the quota to 40% of the total quota volume.

d) The Tariff Quota Regulations are amended to provide for quarterly rollover of quota volumes. Where there is more than one quota period applicable to a quota, unallocated quota volumes will carry over from the preceding quota period to the current quota period on the relevant day. For products listed in the Steel Quota Table, the relevant day is the twentieth working day following the date of closure for the preceding quota.

e) The Tariff Quota Regulations are also amended to prevent this rollover of quota volumes from one quota period to another for goods listed in Part B of the Steel Quota Table. Further, the provision in the Tariff Quota Regulations providing that rollover will not occur over the end of a quota year is updated to recognise that the end of the quota year for quotas in the Steel Quota Table is 30 June.

f) The Special Procedures Regulations are amended to ensure that liability to import duty in relation to goods resulting from the processing of imported steel products under an inward processing or free zone procedure will, subject to certain exceptions, be determined by reference to the imported steel products before they were processed. This change is intended to prevent the standard duty rate (see

paragraph 5.4) being circumvented where imported steel is processed into other goods.

g) The Special Procedures Regulations and Reliefs Regulations are amended to give effect to the updated Authorised Use reference documents. These amendments will ensure that duty relief under the Shipwork Authorised Use Procedure is not available for steel products subject to the tariff amendments in the accompanying instrument.

5.4 This instrument should be read in conjunction with the accompanying instrument, which changes the tariff treatment of certain steel products entering the UK by increasing the applicable standard duty rate to 50% and applying this standard duty rate instead of preferential rates applied either unilaterally or under UK preferential trade arrangements ("PTAs"). Further detail regarding the measures included in this instrument can be found at https://www.gov.uk/government/publications/uks-steel-trade-measure-from-1-july-2026/uks-steel-trade-measure-from-1-july-2026#category-1-authorised-use-products.

What was the previous policy, how is this different?

5.5 This instrument comes into force on 1 July 2026. Up until this date, most UK steel imports have been subject to additional import duties of 25% and TRQs under the UK steel safeguard, transitioned into UK law following the UK's exit from the EU under Taxation Notice 2020/06 ("the UK Steel Safeguard"). The UK Steel Safeguard was intended as a temporary measure to allow UK steel producers to adjust to an increase in steel imports into the UK. The UK Steel Safeguard expires on 30 June 2026 and cannot be extended.

5.6 Given the importance of domestic steel production to the UK's national security interests and continuing threats posed by global overcapacity in steel, this instrument implements reduced TRQs for certain steel products, including new TRQs for imported steel products not previously covered by the UK Steel Safeguard. These TRQs are intended to ensure sufficient access to steel products from international sources, where necessary.

5.7 This instrument also makes changes to the legislation under which duty liability is determined for imported steel products that have been declared for an inward processing or free zone special customs procedure. The changes in this instrument retain the requirement that duty liability should usually be determined by reference to the imported steel products as they were when declared to the relevant procedure (i.e. before they were processed). Previously, additional import duties under the UK Steel Safeguard would have been applied to the imported steel products as duty was determined by reference to the goods as they stood when declared to the inward processing or free zone procedure prior to processing.

5.8 Under the previous policy, duty relief under the Shipwork Authorised Use Procedure was available when steel products were imported to the UK for particular uses. However, additional duties under the UK Steel Safeguard applied irrespective of duty relief under the Shipwork Authorised Use Procedure. Amendments made in this instrument introduce new versions of the Authorised Use reference documents in order to remove access to this duty relief for steel products covered by the tariff amendments in the accompanying instrument.

6. Legislative and Legal Context

How has the law changed?

Tariff Quotas

6.1 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 a rate of import duty that is lower than the rate chargeable under the customs tariff in its standard form (the standard duty rate).

6.2 As noted above in paragraph 5.3(a), to create a new set of TRQs for specified steel products, a quota table titled the "Steel Quota Table" will be created in a new Steel Tariff Quotas reference document. The Steel Quota Table will be separated out into two parts: Part A lists goods which are subject to country-specific and residual TRQs and Part B lists goods which are subject to a single, global TRQ. Imports within the relevant TRQs will be subject to the in-quota tariff rate set for specified imported steel products.

6.3 For goods listed in Part B of the Steel Quota Table within the Steel Tariff Quotas reference document, a new quota cap is introduced to limit the cumulative quantity of goods originating from a single country or territory to 40% of the total quota volume. Where imports fall partly within the 40% quota cap and partly outside that cap, only the volume of goods which falls within that quota cap will qualify as quota goods.

6.4 The steel TRQs will be allocated on a quarterly basis and any unallocated quota volume for goods listed in Part A of the Steel Quota Table will, on the twentieth working day following the end of the quota period, roll over from one quarter to the following quarter, provided both quarters are within the same quota year. Quota rollover will therefore not occur from the fourth quarter of the quota year to the next quota year (steel quota years run from 1 July to 30 June). Quota rollover is not available for goods listed in Part B of the Steel Quota Table.

6.5 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 for Business and Trade ("the Secretary of State") in accordance with section 11(7) of the TCTA.

Special customs procedures

6.6 Schedule 2 of the TCTA gives HMRC Commissioners powers to make regulations in relation to special customs procedures. The Special Procedures Regulations set out circumstances in which the duty chargeable on goods that have been processed under an inward processing or free zone procedure is to be calculated by reference to the goods as they stood when they were declared for the relevant procedure (before they are processed), rather than by reference to the processed goods.

6.7 These regulations are amended to ensure that these circumstances include cases where duty is chargeable in respect of certain steel goods ("excepted goods") that have been processed under an inward processing or free zone procedure.

Reliefs

6.8 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.

6.9 The uses to which goods are to be subject under an authorised use procedure are set out in the Authorised Use reference documents, which are published under the Special Procedures Regulations and the Reliefs Regulations. These regulations are updated to make provision for a new version of these reference documents, which will remove duty relief under the Shipwork Authorised Use Procedure for imported steel products subject to the tariff amendments in the accompanying instrument. These changes are required to prevent circumvention and preserve the position that the Shipwork Authorised Use Procedure does not remove tariffs in respect of relevant steel imports.

General considerations

6.10 In considering making the changes set out in this instrument, as set out in sections 5 and 6, 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. This provision requires regard to be had to relevant international arrangements to which the UK is a party.

Why was this approach taken to change the law?

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

6.12 This instrument amends the regulations detailed above at paragraph 4.3. Some details of the UK's import duty regime are also set out in reference documents provided for in regulations (see paragraphs 5.3 (a) – (g) for further details). The regulations are therefore amended to give effect to the updated reference documents. The amendments made under this instrument do not increase the amount of import tariff applicable to relevant steel products subject to this instrument. Accordingly, the negative procedure is adopted pursuant to section 32(6) of the TCTA.

6.13 As set out in paragraph 5.1, this instrument is being implemented alongside the accompanying instrument, which makes amendments to the standard duty rate applicable to certain steel products. The accompanying instrument also applies the standard duty rate instead of preferential rates. That instrument is subject to the made affirmative procedure in accordance with section 32(2) of the TCTA. Both instruments will come into force on 1 July 2026.

7. Consultation

Summary of consultation outcome and methodology

7.1 The Department for Business and Trade engaged with steel stakeholders through the Steel Trade Measures: Call for Evidence, which was published on 4 July 2025 and remained open until 7 August 2025.[1] The Call for Evidence collated views from producers of steel, users of steel, business representative associations, and international governments and organisations.

7.2 The responses to the Call for Evidence identified that the viability of UK steel production continued to be under threat. Responses also highlighted that the protection afforded by the UK Steel Safeguard was insufficient. Whilst it provided some protection against import surges, the coverage had become

[1] Available at: https://www.gov.uk/government/calls-for-evidence/steel-trade-measures/steel-trade-measures-call-for-evidence.

increasingly divorced from the types and specifications of steel products produced in the UK. Steel producers also advised that UK Steel Safeguard TRQs were too large and were therefore ineffective. Downstream users favoured less intervention and highlighted their need to access secure supply chains.

7.3 This evidence has informed the introduction of amendments to the steel tariffs regime through this instrument and the accompanying instrument. This instrument will make the amendments set out in section 5. Given the importance of domestic steel production to the UK's national security interests, these amendments are intended to support the viability of UK domestic steelmaking and ensure resilient and secure supply chains for the defence and critical national infrastructure sectors, whilst allowing access to imports where necessary.

7.4 The Department for Business and Trade has continued to engage on the design of new steel measures via multiple industry engagements at official and ministerial level since the conclusion of the Call for Evidence in August 2025.

8. Applicable Guidance

8.1 Guidance is available at https://www.gov.uk/guidance/finding-commodity-codes-for-imports-or-exports

8.2 Further guidance has also been provided on the operation of the global TRQ covering goods listed in Part B of the Steel Quota Table, which may only be accessed where goods are declared for a specified end use (see paragraph 5.3(a), above). This guidance is available at https://www.gov.uk/government/publications/uks-steel-trade-measure-from-1-july-2026/uks-steel-trade-measure-from-1-july-2026#category-1-authorised-use-products.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 Changes to the UK's integrated tariff schedule are 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.

9.2 Retaining domestic steel production in the UK is fundamental to the UK's national security interests, including ensuring domestic supply for critical national infrastructure and defence sectors. These amendments are expected to have a positive impact for UK domestic steel production, ensuring its viability, and increasing security and resilience in UK steel supply chains.

9.3 However, smaller TRQs and amendments to special customs procedures and duty reliefs under this instrument, along with an increase to the standard duty rate under the accompanying instrument, are likely to raise steel prices - although the scale of the price effects is uncertain. This is intended to increase steel production capacity utilisation in the UK whilst continuing access to steel imports where those products cannot be produced in the UK. This is a key concern for downstream users of steel products.

Impact on businesses, charities and voluntary bodies

9.4 The impact on UK businesses will vary by sector. While the amendments set out in this instrument and the accompanying instrument are expected to benefit UK steel

production, they are also expected to have negative impacts on downstream businesses that use steel.

9.5 While the TRQs under this instrument have been designed to ensure that there is a sufficient supply of tariff free imports, the amendments in this instrument are likely to result in higher prices for steel products and an increase in costs for user industries. Basic iron and steel make up around 0.5% of total costs for downstream industries which use iron and steel, whilst basic iron and steel and fabricated metal products make up 1.9% of total costs for downstream industries which use iron and steel. Within fabricated metal products, iron and steel themselves represent approximately 4.5% of costs. Given the wide range of steel products included in these amendments, many with very narrowly defined specifications, these impacts are likely to be specific to different users and user industries. These impacts will also depend on various factors, including the user's profit margins and ability to pass on costs, as well as the share of Small and Medium-sized Enterprises ("SMEs") within each sector. Outside of the steel and fabricated metals industries, there are likely to be impacts on the machinery and electrical equipment, aerospace, and automotive sectors. The largest user of steel, the construction industry, could also face an increase in costs. However, steel is a small share of its total costs.

9.6 This instrument does impact Small or Micro Businesses. The share of Small or Micro Businesses (under 50 employees) in the largest steel-using sectors is similar to that of the overall economy, while the share of these businesses in the wider steel industry is smaller. Small and Micro Businesses could not be exempted from the impacts of the measure, as doing so would present a circumvention route which could undermine the viability of UK steelmaking.

9.7 The measure is not expected to impact charities or voluntary bodies.

9.8 The impact on the public sector is likely to be an increase in the cost of steel procurement as a result of higher steel prices. Procurement of steel by central government departments makes up less than 5% of overall steel demand.

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 to ensure burdens on business are carefully monitored.

10.2 The impacts of the measures legislated for in this instrument and the accompanying instrument will be closely monitored and a review will be carried out after the first 12 months to ensure they remain effective.

10.3 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 comes into force in parallel with the accompanying instrument, which was laid on 1 June 2026. The accompanying instrument sets out the amendments and updates to other legislation and the Tariff of the United Kingdom reference document, which are made to work in tandem with the changes set out in this instrument, to ensure the viability of UK steelmaking and resilient, secure UK steel supply chains. Taking account of the importance of steel production for the UK's overall national security, this is necessary to ensure the ongoing viability of UK steel production, as well as secure and resilient supply chains for the defence and critical national infrastructure sectors.

11.2 The government regrets that this instrument breaches the 21-day convention. As noted above at paragraph 5.5, the amendments in respect of UK steel imports under this instrument and the accompanying instrument are required to come into effect on 1 July 2026. The UK has been engaged in intensive negotiations with the EU regarding TRQ access under each other's respective steel measures. The government's ability to meet the policy objectives for the amendments introduced under this instrument is dependent on the outcome of these negotiations, given the unique structure of our trading and security relationship with the EU and the interconnectedness of steel supply chains. Accordingly, this instrument introduces the Steel Tariff Quotas reference document, which includes the UK's country-specific TRQs in respect of the EU. The complexity and length of those negotiations have meant that it has been necessary to finalise the details of relevant TRQs close to 1 July 2026.

11.3 The UK Steel Strategy, published on 19 March 2026 also provides wider context on the policy intent for this instrument.[2]

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.

[2] Available at: https://www.gov.uk/government/publications/steel-strategy.