EXPLANATORY MEMORANDUM TO

THE CUSTOMS (TARIFF AND MISCELLANEOUS AMENDMENTS) REGULATIONS 2026

2026 No. 36

1. Introduction

1.1 This Explanatory Memorandum has been prepared by HM Treasury, the Department for Business and Trade, and the Department for Environment, Food and Rural Affairs 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 Chris Bryant MP, Minister of State at the Department for Business and Trade, confirms that this Explanatory Memorandum meets the required standard.

2.4 Verity Threlfell and Oliver Phillips, Deputy Directors, Trade in Goods, at the Department for Business and Trade, confirm 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 The Department for Business and Trade can be contacted by email at the following address with any queries regarding the instrument: tariff.implementation@businessandtrade.gov.uk. Alternatively, the department can be contacted by telephone: +44 (0) 20 4551 0011.

3.3 Darren Stretton at the Department for Environment, Food and Rural Affairs, darren.stretton@defra.gov.uk, can be contacted with any queries regarding the beef tariff quota administration provisions in this instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

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

4.2 This instrument amends the Customs Tariff (Preferential Trade Arrangements) (EU Exit) Regulations 2020 (S.I. 2020/1457) ("the Preferential Trade Arrangements

Regulations") to give effect to preferential import duty rates and Tariff Rate Quotas ("TRQs"), including the related Rules of Origin ("RoO") requirements for determining qualifying goods imported from India. These preferential rates, TRQs and RoO arrangements were agreed between the UK and India in the Comprehensive Economic and Trade Agreement signed on 24 July 2025 ("the UK-India Agreement").

4.3 This instrument also amends the Preferential Trade Arrangements Regulations and the Customs (Tariff Quotas) (EU Exit) Regulations 2020 (S.I. 2020/1432) ("the Tariff Quotas Regulations") in order to change the administration of the preferential tariff quota for beef imported from the United States of America ("US") under the General Terms for the United States of America and the United Kingdom of Great Britain and Northern Ireland Economic Prosperity Deal ("the General Terms of the UK-US EPD") from a licence-on-demand system to a first-come, first-served system.

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?

UK-India Agreement implementation

5.1 This instrument creates a new preferential tariff for originating goods imported from India, as well as a TRQ applying to electric, hybrid and hydrogen-cell cars. As part of the UK-India Agreement, the UK has agreed to apply a lower, preferential import duty rate to qualifying goods imported from India than would otherwise be offered to the same goods under the UK's Most-Favoured-Nation rates. The latter rate is also known as the UK Global Tariff ("UKGT"). The preferential tariff rates introduced in this instrument are only available to goods that enter the UK after meeting all relevant terms set out in the UK-India Agreement, including specific RoO requirements.

5.2 This instrument amends Schedule 1 of the Preferential Trade Arrangements Regulations to account for the UK-India Agreement, introducing the below reference documents:

a) "The India Preferential Tariff, version 1.0, dated 13th January 2026", detailing the preferential duty import rates and TRQ, which will be applied by the UK to goods originating from India. The TRQ in respect of electric, hybrid and hydrogen-cell cars will be administered on a first-come, first-served basis.

b) "The India Origin Reference Document, version 1.0, dated 13th January 2026", detailing the accompanying RoOs, which determine when a good is originating.

5.3 Both reference documents are available at https://www.gov.uk/government/publications/reference-documents-for-the-customs-tariff-preferential-trade-arrangements-eu-exit-regulations-2020.

5.4 The UK-India Agreement is available at https://www.gov.uk/government/collections/comprehensive-economic-and-trade-agreement-between-the-united-kingdom-of-great-britain-and-northern-ireland-and-india.

5.5 These new preferential tariffs, preferential quotas and RoO requirements, as detailed in the reference documents noted above, will come into force from the date of entry into force of the UK-India Agreement.

US beef TRQ

5.6 This instrument changes the beef TRQ agreed under the General Terms of the UK-US EPD from a licence-on-demand to a first-come, first-served administration system.

5.7 To do so, this instrument makes changes to Part B of the licensing table in Schedule 2 of the Tariff Quotas Regulations to remove provisions for the beef TRQ to be administered using a licence-on-demand system.

5.8 This instrument also updates "The United States Preferential Tariff" reference document referred to in Schedule 1 of the Preferential Trade Arrangements Regulations to a new version of that reference document, in order to reflect the change to the quota number for the beef TRQ from "05.4010" to "05.9751."

What was the previous policy, how is this different?

5.9 Prior to the UK-India Agreement, no preferential trade arrangement was in place between the UK and India.

5.10 The beef TRQ agreed under the General Terms of the UK-US EPD had been administered using a licence-on-demand system based upon the presentation of a US-issued Certificate of Authenticity that confirms that the commodity code of the US beef products being exported are eligible under the quota. The UK and US have agreed to apply a simpler quota administration system.

6. Legislative and Legal Context

How has the law changed?

6.1 Section 9 of the TCTA gives HM Treasury powers to implement preferential trade arrangements 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.

6.2 Section 11 of the TCTA gives HM Treasury powers to establish TRQs. 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. Section 11(6) gives powers to the Secretary of State to determine the licensing or allocation system to which goods subject to a TRQ will be subject.

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

6.4 Section 17 of the TCTA gives HM Treasury powers to make provision for the purposes of determining the place of origin of chargeable goods, including in relation to goods subject to a preferential tariff rate. The power is exercised on the recommendation made to HM Treasury by the Secretary of State further to section 17(8) of the TCTA.

6.5 This instrument utilises these powers under the TCTA to amend the Preferential Trade Arrangement Regulations and the Tariff Quota Regulations. These amendments

implement the preferential import duty rates, the TRQ relating to electric, hybrid and hydrogen-cell cars, and the relevant RoO requirements for goods of Indian origin imported into the UK, as agreed in the UK-India Agreement. Without this instrument, His Majesty's Government would not be able to give full effect to these international obligations. This amendment also changes the US beef TRQ from a license-on-demand to a first-come, first-served administration system.

6.6 HM Treasury and the Secretary of State for Business and Trade, in exercising their respective functions under Part 1 of the TCTA, have each had regard to the matters set out in section 28 of the TCTA, including any relevant international arrangements.

Why was this approach taken to change the law?

6.7 The TCTA gives primary powers for the UK to create its own customs regime, including a system of import duty rates and to determine the place of origin of chargeable goods, allowing import duty to be applied to chargeable goods entering the UK. Import duties (or tariffs) are the taxes that an importer needs to pay when bringing goods into the UK.

6.8 The Preferential Trade Arrangements Regulations set out the legislative mechanism through which the UK implements the preferential tariff and related RoO requirements that it has agreed with trading partners. Schedule 1 to the Preferential Trade Arrangements Regulations sets out the arrangements to which those Regulations apply, and the related reference documents that contain the corresponding preferential duty rates and RoOs. To give effect to a new version of the relevant reference document, the reference in Schedule 1 of the Preferential Trade Arrangements Regulations is amended.

6.9 The Tariff Quotas Regulations set out the legislative mechanism for administering preferential tariff quotas using a licence system. To effect changes to licensing applicable to such quotas, the Tariff Quotas Regulations are amended.

7. Consultation

Summary of consultation outcome and methodology

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

7.2 The UK's negotiating strategy with India was informed by a comprehensive consultation process. The Department for International Trade ("DIT") and, subsequently, the Department for Business and Trade spoke to businesses and interest groups in every part of the UK. On 25 May 2021, DIT launched a public consultation seeking views on the potential trade agreement with India from individuals, businesses, business associations, Non-Governmental Organisations, and public sector bodies. The consultation response, containing a summary of the 283 responses, was published in January 2022, and is available at https://www.gov.uk/government/publications/uk-approach-to-negotiating-a-free-trade-agreement-with-india.

8. Applicable Guidance

8.1 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 An Impact Assessment has not been prepared for this instrument because the changes implemented by this instrument will form part of the UK's Integrated Tariff Schedule, the impacts of which were considered in January 2021 as part of the UK's introduction of an independent tariff policy following the UK's exit from the EU. Further information can be found at https://www.gov.uk/government/publications/the-uks-integrated-tariff-schedule/the-uks-integrated-tariff-schedule.

9.2 This instrument will create an additional preferential tariff schedule for originating goods imported from India, offering alternative tariff rates than otherwise currently applicable under the UKGT. In 2024, total UK goods imports from India were £11.0 billion. Further information is available at https://www.gov.uk/government/collections/trade-and-investment-factsheets.

9.3 An assessment of the potential impacts of tariff liberalisation was undertaken as part of the impact assessment for the UK-India Agreement. This impact assessment was published and deposited in the House Libraries on the date of signature prior to Parliamentary scrutiny of the treaty, and it has been independently scrutinised. This impact assessment is available electronically at https://www.gov.uk/government/publications/uk-india-free-trade-agreement-impact-assessment.

Impact on businesses, charities and voluntary bodies

9.4 There is no, or no significant, impact on business, charities, or voluntary bodies in regard to the regulatory burden placed by this instrument.

9.5 There is no, or no significant, impact on small or micro businesses in regard to the regulatory burden placed by this instrument.

9.6 There is no, or no significant, impact on the public sector in regard to the regulatory burden placed by this instrument

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring of this legislation is in line with the government's 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 The UK-India Agreement is due to be laid before Parliament on 21 January 2026 for scrutiny as per the Constitutional Reform and Governance Act 2010 ("the CRaG Act"). To facilitate the timely ratification of the UK-India Agreement, this instrument is laid before the House of Commons before parliamentary scrutiny of the UK-India Agreement under the CRaG Act has formally begun. This means that the convention that statutory instruments subject to the negative procedure should normally be laid at least 21 days before the instrument comes into force ("the 21-day convention") and the 40-day praying period will run concurrently with parliamentary scrutiny under the CRaG Act, in relation to the provisions related to the UK-India Agreement.

11.2 The government regrets that the provisions in this instrument related to the US beef TRQ under the General Terms of the UK-US EPD breach the 21-day convention. The General Terms of the UK-US EPD set out that both countries will open 13,000 metric tonne quotas for beef imports from the other country. As part of the negotiations late last year around the implementation of the US quota for UK beef exports, the US recently raised issues that their exporters were having accessing the UK quota. While the US has now delivered on its commitment to open their quota for UK beef exports in January 2026, the UK has committed to make changes to the quota for US exports as quickly as possible in January to ensure that our quotas are administered on a reciprocal basis as agreed between the parties.

12. European Convention on Human Rights

12.1 As the instrument is subject to the 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.