

Brexit

WTO Tariff Briefing Document



Prepare
For Brexit



What does WTO tariff mean?

The World Trade Organisation (WTO)¹ is the global international organisation that deals with setting the rules of trade between nations and resolving any disputes on trade between countries. The primary goal of the WTO is to develop an open trade environment for the benefit of all members. The EU, including Ireland, is a member of the WTO which has a registered set of tariffs² on our goods and products. This applies to trade with countries that are not members of the EU and do not have a separate trade deal to lower the registered tariffs. The EU tariffs registered with the WTO on imports vary considerably. Research carried out by the ESRI on 5,200 products shows that the worst case scenario tariff rates (those that apply if there is no specific trade deal) range from 0% to 80% depending on the product.

This document aims to provide an overview of the World Trade Organization (WTO) in respect of tariffs and an example of how to use the WTO website to analyse tariff information.

Points of Note

Irish exports to UK worst case scenario:

After Brexit the UK will become a Third Country³ meaning that it is not a member of the EU trading bloc and does not have a registered trade deal with the EU. Current EU WTO tariffs will automatically apply to products and goods exported between Ireland and the UK. Changes to the current agreement will only be made by a) reducing a tariff rate charged by the UK on imports from all WTO member countries which will not require negotiation with the WTO membership or b) full renegotiation of all tariffs under WTO rules with all WTO members including Ireland. Analysis of the WTO information **that is currently publicly available** gives the worst case scenario on tariffs between Ireland and the UK.

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Points of Note

Understanding import/export terms for tariffs:

Tariff calculations are made on products and goods that are imported into countries such as Ireland. The tariff on exported goods from Ireland would be calculated as an import to the UK. Using the example of 'Electrical Machinery and Equipment', in the worst case scenario, the UK tariff on the import of electrical machinery and equipment from Ireland would be the same as the tariff on an import of electrical machinery and equipment from the UK to Ireland.

Weight based tariffs⁴:

For some sectors, especially food companies, weight based tariffs will apply to the trade of goods between Ireland and the UK. The calculation for the total tariff combines any weight based tariff with an ad valorem tariff⁵ as below:

$$\text{Bound Ad Valorem Tariff}^6 + \text{Weight Based Tariff} = \text{Total Tariff}$$

The Weight based tariff is included in the report from the Excel spreadsheet seen in the 'electrical machinery and equipment' example seen later. (See section 11 of the WTO example)

Assess the potential to identify lower tariffs:

As in the example provided firms can use the process in the electrical machinery and equipment example later to find products that may be similar to ones they currently develop. It may be possible to identify new product ranges that have minimal impact on current production lines.

Assess tariffs by using other products and countries:

Firms can use the process in the example provided to identify tariffs for different products and other countries. In the selection option firms should select country first and then make a product selection following steps 2-11 in the 'electrical machinery and equipment' example.

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WTO - Example Electrical Machinery & Equipment

Using the WTO website www.wto.org it is possible to search for the most up to date tariffs applied by the EU 27 countries (including Ireland) in order to plan for possible future tariffs on products. As a result of Brexit there are currently no new tariff agreements between the EU 27 and the UK.

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WTO - Example Electrical Machinery & Equipment

The following example provides an analysis of products imported into the UK from the EU 27 post Brexit, unless the UK makes an explicit decision to change the tariffs it applies globally. The following step by step example outlines the process for analysing how to calculate a tariff for 'Electrical Machinery and Equipment' using WTO data.

1. Open <http://tdf.wto.org/ReportersAndProducts.aspx>
2. In the **Reporters** part of the page scroll down and click on the blank white box beside 'European Union'.
3. In the **Products** part of the page scroll down to find '85' – 'Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles'
4. Click on cross to open section '85'. (NB: In this section users should not click the blank white box)
5. Scroll down through section '85' and then to '8547' - 'Insulating fittings for electrical machines, appliances or equipment, being fittings wholly of insulating material apart from any minor components of metal (for example, threaded sockets) incorporated during moulding solely for the purposes of assembly, other than insulators of heading 85.46; electrical conduit tubing and joints thereof, of base metal lined with insulating material..'
6. Click on the cross at section '8547' to identify all products. (Please note this section provides the full range of product possibilities.)
7. Select product code '854790' 'Other'.
8. Please ensure that both 'European Union' and 'Products' sections have been selected and click 'Next' in either the top or bottom right hand corner.
- 10 An Excel report will be made available to you providing the full range of tariff data for this product.
- 11 For the 'European Union' / 'Product 854790' selection:
 - The maximum Bound Ad Valorem tariff for this product range is 3.7%. (To find the tariff, select the Bound sheet/tab in the excel document and go to column K)
 - The weight based tariff for this product range is 9.9% per kg. (To find the tariff, select the Applied _ MFN sheet in the excel document and go to column Q. The higher number is the worst case scenario)The full tariff for this product selection is 13.6%.

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Glossary

- **(1) WTO:** The World Trade Organisation www.wto.org is the global international organisation that deals with the rules of trade between nations. The primary goal of the WTO is to develop an open trade environment for the benefit of all members. The EU, including Ireland, is a member of the WTO.
- **(2) Tariff:** Tariffs are customs duties on merchandise imports. Levied either on an ad valorem basis (percentage of value) or on a weight specific basis (e.g. €7 per 100 kgs.). Tariffs give a price advantage to similar locally-produced goods and raise revenues for the government. Tariffs are applied by the Governments into which the product is imported. In Ireland this is dealt with by the Revenue Commissioners and in the UK by HM Revenue and Customs.
- **(3) Third Country:** From a customs perspective any country that is not a member of the European Union is a third country.
- **(4) Weight based Tariff:** a tariff on the weight of goods and products. This is applied in addition to the Bound Ad Valorem tariff
- **(5) Ad Valorem Tariff:** A tariff rate charged as percentage of the price i.e. a tariff rate charged as 10% of the price of the product.
- **(6) Bound Ad Valorem Tariff:** These are the specific tariff amounts made by individual WTO member governments. The Bound tariff is the maximum Most Favoured Nation (MFN) tariff level for a given commodity line i.e. the worst case scenario.
- **MFN tariffs** are what countries promise to impose on imports from other members of the WTO, unless the country is part of a preferential trade agreement (such as a free trade area or customs union).
- **Inward and Outward Processing Rules** relate to exceptions that allow for the temporary exportation [of goods] for outward processing. It is a customs procedure where products and goods which are in free circulation in a customs territory may be temporarily exported for manufacturing, processing or repair abroad and then reimported with total or partial exemption from import duties and taxes. This could reduce the tariff obligations in some circumstances particularly for trade in inputs for further export to outside the EU.

Sources of further help

- The following **WTO** site provides information with regard to the relationship between the EU and WTO www.wto.org/english/thewto_e/countries_e/european_communities_e.htm
- The **Irish Exporters Association** can assist with the legalisation of documents for export i.e. process documents through the relevant Chambers, Notaries Public, Embassies and the Department of Foreign Affairs and Trade. www.irishexporters.ie
- **Chambers Ireland** www.chambers.ie/policy/eu-policy-priorities-2017/customs-and-trade-facilitation.html
- **Irish Revenue** - www.revenue.ie/en/Home.aspx
- **UK HM Revenue and Customs** www.gov.uk/government/organisations/hm-revenue-customs
- **Enterprise Ireland Brexit Unit** phone 01-727 2727 or email brexitunit@enterprise-ireland.com