Thank you for your question during the Statement on Customs Legislation and Amendments: Impact Analysis on Tuesday 8 October, about the impact of the UK’s withdrawal from the EU on businesses. I am sorry that I was unable to respond to you at the time and I promised to write to you and to clarify the Government’s position.

You raised concerns about the HM Revenue & Customs (HMRC) impact assessment, published on 7 October, which updated from 2018 its static estimate of the administrative burden of customs declarations on UK-EU trade. You questioned whether wider costs had been factored into this estimate. While the Government is committed to providing the best assessment of policy impacts, given their remit, HMRC’s impact assessment has in this case focused on quantifying the administrative burden of customs declarations only. To answer your overarching question, there is no single figure taking account of all costs businesses may face.

You asked about the costs to businesses of any increase in tariffs. In a no deal scenario without a UK-EU FTA, tariffs would apply on UK-EU trade. The EU’s Common External Tariff schedule would apply on UK exports to the EU. This schedule is publicly available. The UK’s Temporary Tariff Regime (TTR), which was re-announced on 8 October, would apply on all imports from the EU, as it would from all other trading partners where we do not have an FTA. In order to ensure trade flows smoothly and costs to both businesses and consumers are minimised, the TTR ensures that 88 per cent of total imports by value would be eligible for tariff free access.

It is extremely challenging to quantify the overall impact of tariffs on exports and imports. One method to approximate the direct costs to businesses of import tariffs is examining revenue collected through the tariff schedule. The Office for Budget Responsibility (OBR) published its Fiscal Risk Report in July. This publication estimated revenue of £3.8bn could be collected in the first year of implementing the UK’s TTR; this presents an increase of £0.4bn on current tariff revenue receipts of £3.4bn. In a no deal scenario, the OBR will produce a final costing of the TTR to determine the final forecast of how much revenue will be raised.
As you will be aware, the Government’s priority is to agree a smooth and orderly withdrawal from the EU. However, the Government will also take all the necessary steps to support businesses to prepare if we leave the EU without a deal. Though the UK economy remains resilient, I can assure you that the Government will continue to closely monitor any developments in economic risks to firms, sectors, and regions – and that the Government has the tools necessary to take appropriate action to support the UK economy. Further details of the mitigating facilitations the Government has put in place if the UK leaves the EU without a deal can be found within the impact assessment.

I hope you find this letter helpful. I have also copied this letter to Baroness Neville-Rolfe and will also place a copy in the House library.

[Signature]

LORD BETHELL

Lord Purvis
House of Lords