

Brexit “rears its head once more”

In a recent blog post, the UK TTF Managing Director David Hopkin notes that “just when we thought it was safe to go back into work from COVID-19, the lurking beast of Brexit has reared its head once more”.

Mr Hopkins was responding to issues raised by UK government announcements on the VAT and trade tariff regime planned to be implemented in the UK after the current Brexit transition period has ended, from 1st January 2021, in the event of no deal with the EU – or even in the event of a deal being reached.

According to Mr Hopkins: “as negotiations continue, the threat of no-deal Brexit – something everyone said they wanted to avoid – now looks increasingly likely. Indeed, there often seems little difference between the deal the Government wants, and no-deal anyway”.

Mr Hopkins goes on to note that “the issues around this are multiple and various. None are insurmountable, but all need to be discussed openly and transparently with sufficient time to consider all sides of the argument. But, time and scrutiny are the very things the Government is keen to avoid in its rush to the finish line.

“Already we have seen the Government U-turn on a huge number of areas where previously we had been given concrete assurances and thought we had certainty. For example, payment of VAT on imports. Last year, the Government, in a signed letter from the Chancellor, assured TTF that importers could continue the same regime as before and defer payments over time to ease cash-flow.

“In February, the Prime Minister broke this promise, telling all businesses that VAT would be payable upfront, in one sum, on all imports. This poses huge problems for smaller importers. Promises on frictionless trade, tariffs and other areas of business have gone the same way.

Mr Hopkins then referred to the discussions the TTF has held with members on the proposed “UK Global Tariff” published on 19 May. The tariff will apply to all goods imported into the UK unless the goods come from countries that are part of the GSP system or from countries that have a trade agreement with the UK.

Mr Hopkins was sharply critical of the UK government’s “proposed new tariffs for engineered timber and plywood” noting that “we were previously told these would never be imposed” and that “we will be looking at how we can overcome this and other issues within the post-Brexit regime”.

While that is the TTF perspective, other observers have been more generous to the UK government stance on tariffs, suggesting that, at this stage of trade negotiations with the EU and other partners, rather than unilaterally removing tariffs now, it makes sense for the UK to keep the flexibility to cut tariffs in future.

Furthermore, the tariffs the TTF refer to are not “new” in the sense that they have always been imposed on supplies from outside the EU. What is “new” is that UK imports from EU countries would now be subject to the same constraints. While disruptive to existing UK supplier relationships with the EU, it would enhance the competitiveness of other suppliers to the UK, including in the tropics, who would be treated on a level playing field.

For this reason, non-EU suppliers of those wood products currently subject to tariffs for import into the EU – which include veneer, plywood, other laminates, panels, marquetry, doors and windows, picture frames, bamboo and rattan furniture, and wood furniture components – would all benefit in the UK market in the event of a “no deal” Brexit, even if the UK were to simply adopt the EU’s existing tariff schedule.

Of course, this benefit is only in terms of relative competitiveness and takes no account of the potentially serious and detrimental hit to the overall economy of the UK, and to a lesser extent the EU, in the event of a no-deal Brexit. From that perspective, no-deal is best avoided.

In practice the UK is not proposing to simply replicate the existing EU tariff schedule, but to adjust it to better reflect the UK’s own interests. Certain EU industries that the EU is helping to protect through the tariff schedule have little or no presence in the UK. The UK can be expected to either reduce or totally remove tariffs for these sectors.

In practice the UK home-grown wood products sector is relatively small and narrowly focused compared to many other European countries – the commercial forest resource being heavily oriented towards spruce plantations. The country has a very long tradition of importing to fulfil its wider wood needs, more so than elsewhere in the EU, and therefore is likely to be more inclined to reduce wood import tariffs.

This discussion is academic for quite a few wood products. The EU already imposes zero-tariffs on all logs and rough sawn timber, together with all finished wood furniture, as well as for all types of wood fuel, including chips, pellets, charcoal, sleepers, tools, shuttering, shingles and shakes, posts and beams, glulam, tableware and kitchenware.

For nearly wood product groups where the EU applies tariffs, the UK is now proposing either to reduce or eradicate tariffs for UK global imports. The main changes proposed are as follows:

- The EU tariff of 2.5% that applies to all “sanded” sawnwood would be reduced to zero in the UK.
- The EU tariff of 2% specific to tropical hardwood that is “planed” would be reduced to zero in the UK.
- The EU tariff on veneers, which ranges between 3% to 6% depending on degree of processing and species, would be reduced to zero in the UK.
- The EU 7% tariff on plywood, including with outer ply of tropical hardwood (4412110/44123190), other hardwood (44123300/4412400), and softwood (44123900), would be reduced to 6% in the UK.
- The EU 7% tariff on MDF and other fibreboard, OSB and other particle board would be reduced to 6% in the UK.
- The EU 2.5% tariff on picture frames and similar products made of tropical wood, would be reduced to 2% in the UK.
- The EU 3% tariff on wooden doors and door frames, windows and window frames, parquet flooring panels, which applies to all wood species including tropical wood, would be reduced to 2% in the UK.
- The EU’s 3% tariff on statuettes and jewelry and cutlery boxes made specifically of tropical wood, would be reduced to 2% in the UK.
- The EU 4% tariff on wood packing cases, boxes, crates, box pallets and similar, would be reduced to zero in the UK.
- The EU 5.6% tariff on bamboo and rattan furniture would be reduced to 4% in the UK.
- The EU 2.7% tariff on wooden furniture components would be reduced to 2% in the UK.

The only wood products where the UK proposes to retain the existing EU tariff are: laminates and veneered panels under 441294 and 441299, for which there is a tariff of 6% or 10% depending on the exact specification; bamboo plywood which will continue to be subject to a 10% tariff; and wood marquetry, subject to a 4% tariff.

The UK is not proposing to increase tariffs on any wood products.