

UK Automotive and Brexit 3: Customs and Tariffs

24 October 2017

- During presentations (10:00 – 10:30) everyone will be muted so that only the presenters will be heard.
- The presentation will be followed by a Q&A session. Click on the hand symbol to show that you have a question.
- If you are experiencing any technical problems please call 020 7344 1673.

Who we are and what today's webinar will cover....

1. Background - Political
2. UK Brexit Position
3. EU Brexit Position
4. Brexit Automotive Priorities
5. Customs – How it works today
6. UK Government Position on Customs
7. Challenges
8. Tariffs
9. SMMT Customs activities and positioning
10. Next steps
11. Preparing your business for the future

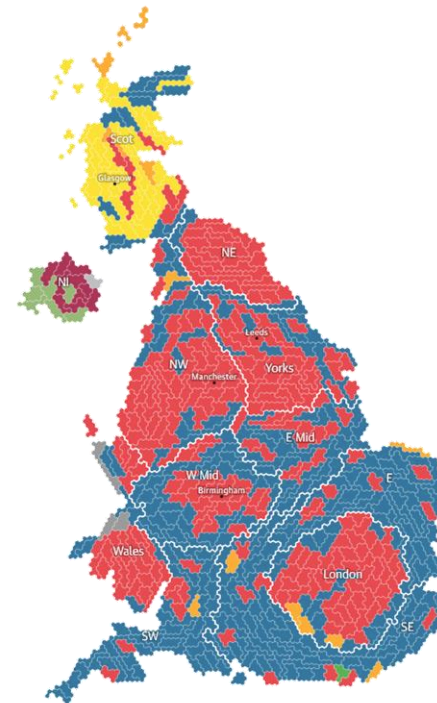


Background - Political

Leave: 51.9%

Remain: 48.1%

- Turnout: 72.2%
- Size of overall electorate: 46,500,001 confirmed voters
- Number of votes cast for Leave: 17,410,742 (51.9%)
- Number of votes cast for Remain: 16,141,241 (48.1%)
- Highest Leave share: West Midlands, 59.2%
- Highest Remain share: Scotland, 62%
- Number of regions that voted Leave: 9 of 11 regions
- Number of counts that voted Leave: 263 of 382 local areas



UK Brexit Position



What we know so far...

- British Parliament will be in control of making new laws
- The jurisdiction of the ECJ in the UK will end
- We will leave the European Union and therefore the EU Customs Union
- A new customs arrangement:
 - Freest and most frictionless trade possible in goods
 - *“Deep and special partnership”*
- One point of change



EU Brexit Position



What we know so far...

- Four freedoms are indivisible – no cherry picking
- EU must maintain full sovereignty for deciding regulations
- The ECJ must remain the supreme arbiter of EU law
- Any new relationship must be on a “level playing field”



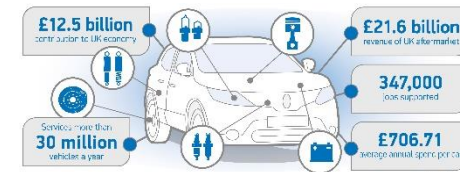
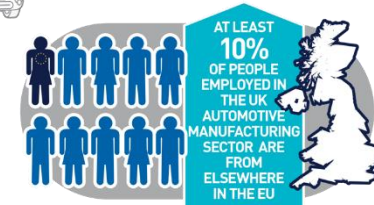
Principles on customs related matters for an orderly withdrawal:

- UK no longer part of the customs and tax territory of the Union

UK automotive priorities

SMMT position

- **Single Market** - Ensure UK automotive is able to operate without tariff or non-tariff barriers on its exports and imports to and from the EU
- **Customs** - Secure a customs agreement which provides frictionless trade and recognises the integrated nature of supply chains across Europe
- **Talent** – Guarantee the automotive sector with unrestricted access to talent across Europe
- **Regulations** – Create regulatory certainty through harmonisation and future influence
- **Trade** – Secure the UK's position in current EU trade deals and clarify the status of UK trade relationships
- **....Transition** - Current arrangements should continue to apply should no future agreement be reached



Customs – How it works today

UK Customs and the EU Customs Union



- One set of duty rates and tariff free trade
 - 10% tariff on finished cars from ‘third country’
 - 4.5% (average) tariff on components from ‘third country’
- Aligned Regulation
 - Union Customs Code (UCC) – currently in implementation
- Reduced admin and fiscal burden
 - Aligned processes and procedures
 - Access to customs simplifications procedures and AEO status recognition

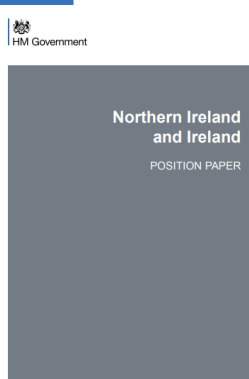


UK Government position on customs

Series of Papers and bills



August
2017



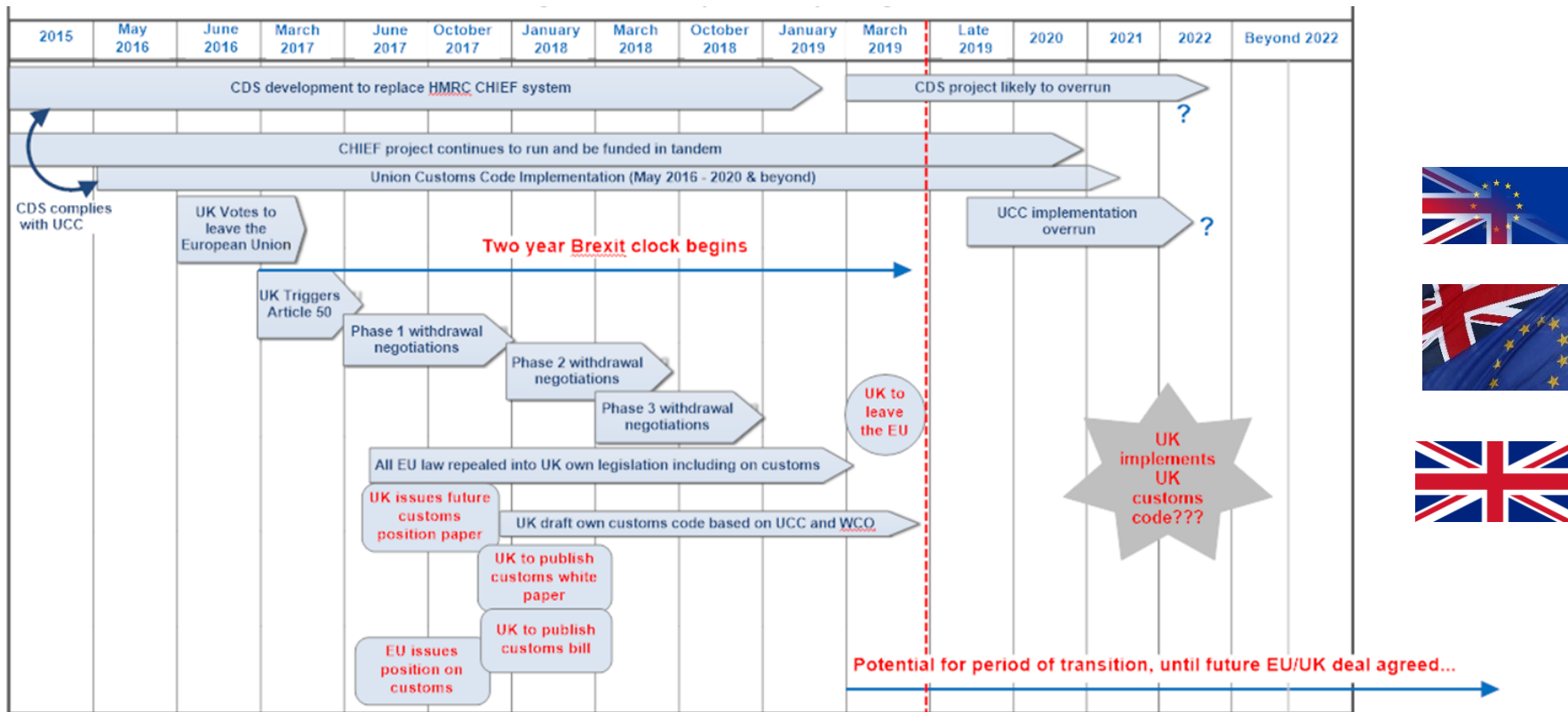
October
2017

- Set out key issues
- Government's vision for future partnership with the EU
- Two future relationship options:
 - “highly streamlined customs arrangement”
 - “new customs partnership”
- No hard border with Northern Ireland

Customs Bill: Sets out government's approach to legislating for a future customs regime; both for a negotiated EU settlement and contingency options

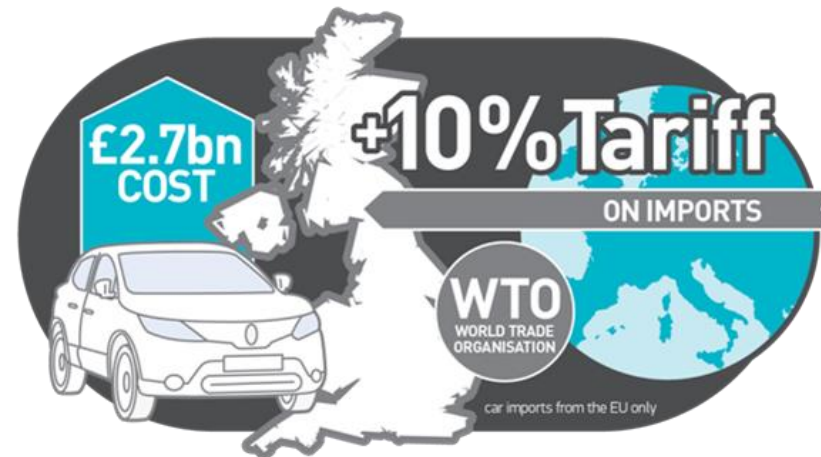
Trade White Paper: Formalises UK government policy on future trade approach and plans for transitioning trading arrangements post-Brexit

Challenges



Tariffs

Tariff modelling and analysis



If brands and retails networks cannot absorb impacts of import tariffs; the list price of cars imported to the UK from the EU could be pushed up by an estimate average of **£1,500** per car

SMMT activities

Activities of the Customs and Tariffs Working Group

One year in, the outputs:

- Key issues paper: addressing points of change for Customs and Brexit overlap
- Quarterly meetings: For information and discussion between customs and tax colleagues
- Feed in to other SMMT committees, taskforces, sections and groups

Webinar Series for members to; raise awareness and build knowledge on sector issues

- Pilot webinar Introduction to Customs Compliance - September 2017
- Critical items: UCC and AEO – October 2017
- Customs Special Procedures – November 2017



SMMT activities

Government and Stakeholder engagement



HM Revenue
& Customs



HM Treasury



Department for
Business, Energy
& Industrial Strategy



Department
for Exiting the
European Union



ACEA

European
Automobile
Manufacturers
Association



CLEPA
European Association of
Automotive Suppliers



British
Chambers of
Commerce



CBI



The
manufacturers'
organisation

fsb



Next steps

Brexit process

- Continuation of UK/EU negotiations
 - One week of negotiations every month

- EU (Withdrawal) Bill
 - Committee stage, 8 days of line-by-line scrutiny on full floor of HoC (date tbc)

- 8 Brexit Bills from Government

Immigration Bill

Customs Bill

Fisheries Bill

Agriculture Bill

Trade Bill

VAT Legislation

Nuclear Legislation

Next steps

SMMT actions

- Continue regular and high-level engagement with UK government and parliamentarians
- Regular meetings with JCCC, HMRC, HMT including workshops and roundtables
- Continued webinar series to support members across automotive sector in understanding Customs
- Develop a response to government papers and bills
- Communicate position papers on key regulatory items

Preparing your business for the future

Many unknowns, but preparation can start

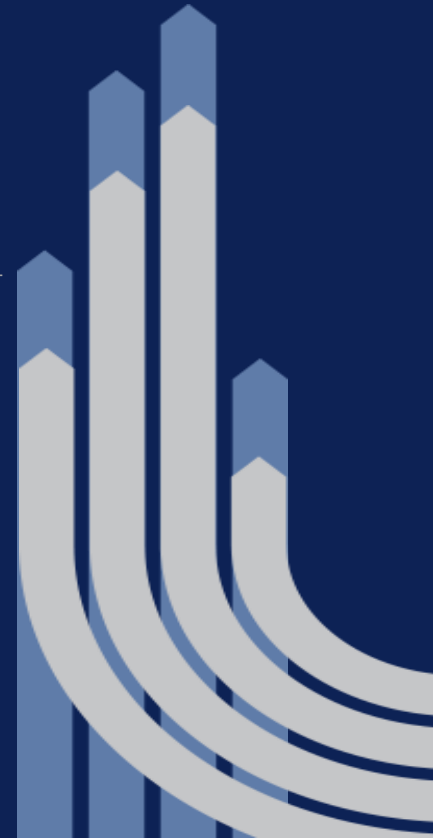
Business own customs knowledge	Why
<ul style="list-style-type: none"> ➤ Understand your company trade flows and patterns ➤ Identify who is responsible ➤ Understand impacts of change ➤ Become involved in all areas of your business 	<p>Understanding business trade flows will support a better means of trade management</p> <p>All aspects of your business will be impacted and involved and need to know their role</p> <p>Everyone should have a basic customs knowledge</p>
<ul style="list-style-type: none"> ➤ Engage supply-chain and service providers 	<p>Mitigate risks</p>
<ul style="list-style-type: none"> ➤ Feed comments/views to SMMT 	<p>Support and strengthen sector position</p>

➤ SMMT member support, signposting and services being developed

Thank you

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71 Great Peter Street, London SW1P 2BN
www.smmt.co.uk

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Questions and Answers

Please click on the hand symbol to raise your hand if you have a question.

Please ensure that you are connected to the audio to ask a question.

Alternatively, you can type your question.



Email: memberservices@smmt.co.uk with your questions after this session.

Slides emailed to participants after this session.