EXPLANATORY MEMORANDUM TO

THE CUSTOMS (TARIFF AND MISCELLANEOUS AMENDMENTS) (NO. 4) REGULATIONS 2026

2026 No. 572

1. Introduction

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

2.4 Malte Werner, Deputy Director for Trade Defence Strategy and Carbon Leakage at the Department for Business and Trade, confirms that this Explanatory Memorandum meets the required standard.

2.5 Benedict Collins, Deputy Director for Tariffs and Imports Policy and Systems at the Department for Business and Trade, confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Vyara Ruseva at HM Treasury can be contacted by email at the following address with any queries regarding the instrument: vyara.ruseva@hmtreasury.gov.uk.

3.2 Ria Carter at the Department for Business and Trade can be contacted by email at the following address with any queries regarding the tariff amendments set out in the instrument: tariff.implementation@businessandtrade.gov.uk. Alternatively, the department can be contacted by telephone: +44 (0) 20 4551 0011.

3.3 Alexander Keeler at the Department for Business and Trade can be contacted by email at the following address with any queries regarding the instrument: alexander.keeler@businessandtrade.gov.uk. Alternatively, the department can be contacted by telephone: +44 (0) 20 4551 0011.

3.4 Andreas Lendle at the Department for Business and Trade can be contacted by email at the following address with any queries regarding the amendments to the preferential trade arrangements set out in this instrument; tariff.implementation@businessandtrade.gov.uk. Alternatively, the department can be contacted by telephone: +44 (0) 20 4551 0011.

3.5 Brendan McMullan at the Foreign, Commonwealth and Development Office can be contacted by email at the following address with any queries regarding the Developing Countries Trading Scheme ("DCTS") changes set out in the instrument:

brendan.mcmullan@fcdo.gov.uk. Alternatively, the department can be contacted by telephone: +44 (0) 20 7008 5000.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument makes amendments to subordinate legislation previously made under the Taxation (Cross-border Trade) Act 2018 (“TCTA”), which provided for the United Kingdom’s Customs, Value Added Tax (“VAT”) 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:

- updates the reference document which establishes and maintains in force the system for the classification and standard duty rates of goods on import to the UK (the “Tariff of the United Kingdom”);
- includes provision that applies the standard duty rate to certain goods on import to the UK instead of preferential rates that would otherwise apply to the British Overseas Territories (“BOTs”) and preferential trade arrangements (“PTAs”) between the UK and other countries, as well as unilateral preferences under the DCTS; and
- makes transitional provisions.

4.3 The following regulations are amended to give legal effect to these changes:

- The Customs Tariff (Establishment) (EU Exit) Regulations 2020 (S.I. 2020/1430) (the “Establishment Regulations”);
- The Customs (Tariff-free Access for Goods from British Overseas Territories) (EU Exit) Regulations 2020 (the “BOT Regulations”);
- The Customs Tariff (Preferential Trade Arrangements) (EU Exit) Regulations 2020 (S.I. 2020/1457) (“the PTA Regulations”); and
- The Trade Preference Scheme (Developing Countries Trading Scheme) Regulations 2023 (S.I. 2023/561) (“the DCTS Regulations”).

Where does the legislation extend to, and apply?

4.4 The extent of this instrument (that is, the jurisdictions 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?

5.1 Taking account of the importance of steel production for the UK’s overall national security, this instrument is made to amend the tariff treatment of certain steel products entering the UK by increasing the applicable standard duty rate. It also applies the standard duty rate instead of preferential rates. These amendments are being made to support the viability of UK domestic steelmaking and ensure resilient and secure supply chains for the defence and critical national infrastructure sectors.

5.2 Furthermore, these amendments are being made against a continuing backdrop of global overcapacity in steel and an excess of steel products in the global market. This has undermined the viability of UK domestic steel production. Similar tariff measures on steel products have also been introduced in the United States of America, Canada, and the EU.

5.3 This instrument, therefore, contains the following amendments to the "Tariff of the United Kingdom" reference document and to the regulations listed in paragraph 4.3:

a. The standard duty rate of import into the UK for certain steel products in the "Tariff of the United Kingdom" reference document is amended to 50%. The format of this reference document is also amended to introduce a new annex, by reference to which it is set out where the 50% standard rate applies in place of preferential rates that would otherwise apply.

b. Regulation 4 of the BOT Regulations, to apply the standard rate to relevant steel products instead of the preferential tariff rates that would apply to the import of steel products from the BOTs.

c. Regulations 2, 3, and 4 of the PTA Regulations, to apply the standard rate to the relevant steel products instead of preferential tariff rates that would otherwise be available under the UK's PTAs. The existing preferences under arrangements with Ukraine continue to be applicable in place of the standard rate above. This reflects the UK's wider, long-standing commitment to provide Ukraine with unprecedented support during Russia's illegal invasion.

d. Regulation 7 of the DCTS Regulations, to apply the standard rate to the relevant steel products instead of the DCTS preferential tariff rate.

5.4 The instrument will also include transitional arrangements. These ensure the above amendments do not have an effect in relation to goods imported prior to 1 October 2026, in satisfaction of an obligation arising under a contract entered into before 14 March 2026 – the date on which the new 50% standard tariff rate was reported in the media.

5.5 A related negative instrument will be laid in the coming weeks to introduce certain country-specific and global quotas for UK steel imports, allowing for limited tariff-free import of steel products into the UK and making amendments to the application of tariff reliefs and special customs procedures to steel imports under section 19 of the TCTA (see para 6.9 for further details).

What was the previous policy, how is this different?

5.6 This instrument comes into force on 1 July 2026. Up until this date, most UK steel imports have been subject to additional import duties of 25% and tariff rate quotas ("TRQs") under the UK steel safeguard. The UK steel safeguard was a trade remedies measure transitioned into UK law following UK exit from the EU and intended as a temporary measure to allow UK producers to adjust to an increase in steel imports into the UK. The UK steel safeguard expires on 30 June 2026 and cannot be extended.

5.7 Given the importance of domestic steel production to the UK's national security interests, continuing threats to the UK steel sector's viability posed by global overcapacity in steel, and the steel measures imposed by key trading partners, these amendments increase the standard duty rate applicable to certain steel products. This is intended to support the viability of UK domestic steelmaking and ensure resilient and secure supply chains for the defence and critical national infrastructure sectors.

5.8 The amendments made in this instrument will apply to imports of all steel products which can be made in the UK, covering 100% of domestic production, across 20 product categories of steel. The previous UK steel safeguard applied to 96% of domestic production and did not apply to bright bar, wire, and stainless-steel categories, to which the amendments set out in this instrument apply.

6. Legislative and Legal Context

How has the law changed?

6.1 Section 8 of the TCTA gives HM Treasury the power to make regulations which establish and maintain in force the customs tariff. It is used to ensure that the UK has functioning Customs, VAT and Excise regimes and to set out the associated rules of, and exceptions to, the UK's customs tariff rates, which have applied since 1 January 2021.

6.2 Section 9 of the TCTA gives HM Treasury powers to implement PTAs that His Majesty's Government in the UK agrees with the Government of a trading partner country. The PTAs are set out in Schedule 1 to the PTA Regulations. Tariff free access for imports from BOTs are also implemented under section 9 of the TCTA.

6.3 Section 10 of the TCTA gives the Secretary of State powers to establish and make provisions for a unilateral trade preference scheme under which the rate of import duty applicable to goods, or any description of goods, originating from an eligible developing country is lower than the applicable rate in the customs tariff in its standard form. This is, in part, set out in the DCTS Regulations.

6.4 The Finance Act 2026 introduced amendments to section 8 of the TCTA. Section 8(9) of the TCTA, as amended, gives HM Treasury powers to apply standard rates of import duty specified under section 8 of the TCTA instead of preferential rates of import duty, including rates under preferential quotas, that would otherwise apply by virtue of provision made under section 9 or section 10 of the TCTA. Paragraphs 5.3 b-c) and 5.3 d) above set out the changes made to preferential tariff rates, including DCTS preferential tariff rates and preferential tariff rates for BOTs, pursuant to section 8(9) TCTA.

6.5 In considering the rate of import duty that ought to apply to goods in a standard case as defined under section 8(8) of the TCTA, HM Treasury have had regard to the matters set out in section 8(5) of the TCTA and the recommendation about the rate made to them by the Secretary of State for Business and Trade ("the Secretary of State") under section 8(6) of the TCTA. The Secretary of State has had regard to the matters set out in section 8(5) of the TCTA, as required by section 8(7) of the TCTA. HM Treasury and the Secretary of State have also had regard to other relevant factors, including national security, see paragraphs 9.1-9.8 for further details.

6.6 In considering the exercise of its functions under the TCTA to make the changes set out above, and in making the relevant recommendation, HM Treasury and the Secretary of State have had regard to the matters set out in section 28 of the TCTA. This provision requires regard to be had to relevant international arrangements to which the UK is a party.

Why was this approach taken to change the law?

6.7 The TCTA gives powers for the UK to create and maintain its customs regime, including a system of import duty rates, allowing import duty to be applied to chargeable goods entering the UK.

6.8 In order to implement the changes in paragraph 5.3 to 5.4 consistently with the existing customs regime, HM Treasury has decided to implement the measures via amendment or update to legislation and the relevant reference documents. As this results in increasing the rate of import duty applicable in the standard case, the amendments to legislation must be made following the made affirmative legislative procedure, as set out in section 32(2) of the TCTA.

6.9 As set out in paragraph 5.5, this instrument will be implemented alongside an accompanying instrument, which makes amendments to quotas and to the application of tariff reliefs under section 19 of the TCTA in respect of certain steel products. The accompanying instrument is subject to the made negative procedure, in accordance with section 32(6) of the TCTA. Both instruments will come into force on 1 July 2026.

7. Consultation

Summary of consultation outcome and methodology

7.1 The Department for Business and Trade engaged with steel stakeholders through the Steel Trade Measures: Call for Evidence, which was published on 4 July 2025 and remained open until 7 August 2025.[1] The call for evidence collated views from producers of steel, users of steel, business representative associations, and international governments and organisations.

7.2 The responses to the Call for Evidence identified that the viability of UK steel production continued to be under threat. Responses also highlighted that the protection afforded by the UK steel safeguard was insufficient. Whilst it provided some protection against import surges, the coverage had become increasingly divorced from the types and specifications of steel products produced in the UK. Steel producers also advised that steel safeguard quotas were too large and were therefore ineffective. Downstream users favoured less intervention and highlighted their need to access secure supply chains.

7.3 This evidence has informed the introduction of amendments to the steel tariffs regime through this instrument and the accompanying instrument. This instrument raises the standard duty rate to 50%, including where preferential rates would have applied to UK steel imports. The accompanying instrument will introduce TRQs with volumes that are substantially lower than those under the steel safeguard, with new quotas on product categories not currently covered by the safeguard. Taking account of the importance of steel production to the UK's national security these amendments are, therefore, intended to support the viability of UK domestic steelmaking and ensure resilient and secure supply chains for the defence and critical national infrastructure sectors, whilst allowing access to imports where necessary.

7.4 The Department for Business and Trade has continued to engage on the design of new steel measures via multiple industry engagements at official and ministerial level since the conclusion of the Call for Evidence in August 2025.

[1] Available at: https://www.gov.uk/government/calls-for-evidence/steel-trade-measures/steel-trade-measures-call-for-evidence.

8. Applicable Guidance

8.1 Since the end of the Transition Period, the UK Global Tariff standard rate of import duty has applied to all goods imported into the UK. In some cases, different rates of import duty may apply under tariff reliefs or suspensions, unilateral trade preference schemes, or preferential trading arrangements, except where regulations made under section 8(9) TCTA provide for the standard rate to apply instead.[2]

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 Changes to the UK's integrated tariff schedule are covered by an overarching Tax Information and Impact Note: https://www.gov.uk/government/publications/the-uks-integrated-tariff-schedule/the-uks-integrated-tariff-schedule.

9.2 Retaining domestic steel production in the UK is fundamental to the UK's national security interests, including ensuring domestic supply for critical national infrastructure and defence sectors. These amendments are expected to have a positive impact for UK domestic steel production by reducing import competition, ensuring the viability of UK steel production, and increasing security and resilience in UK steel supply chains.

9.3 However, the increase in the standard duty rate for certain steel imports, along with smaller quotas under the accompanying instrument, is likely to raise steel prices - although the scale of the price effects is uncertain. This is intended to increase steel production capacity utilisation in the UK and reduce import penetration, whilst continuing access to steel imports where those products can't be produced in the UK. This is a key concern for downstream users of steel products.

Impact on businesses, charities and voluntary bodies

9.4 The impact on UK businesses will vary by sector. While the amendments set out in this instrument and the accompanying instrument are expected to benefit UK steel production, they are also expected to have negative impacts on downstream businesses that use steel. The UK Steel Strategy, published on 19 March 2026 provides wider context on the policy intent for this instrument.[3]

9.5 While the quotas under the accompanying instrument have been designed to ensure that there is a sufficient supply of tariff free imports, the amendments in this instrument are likely to result in higher prices for steel products and an increase in costs for user industries. Given the wide range of steel products included in these amendments, many with very narrowly defined specifications, these impacts are likely to be specific to different users and user industries. These impacts will also depend on various factors, including the user's profit margins and ability to pass on costs, as well as the share of Small and Medium-sized Enterprises ("SMEs") within each sector. Outside of the steel and fabricated metals industries, there are likely to be impacts on the machinery and electrical equipment, aerospace, and automotive sectors. The largest user of steel, the construction industry, could also face an increase in costs. However, steel is a small share of its total costs.

[2] Further guidance is available at https://www.gov.uk/guidance/finding-commodity-codes-for-imports-or-exports.

[3] Available at: https://www.gov.uk/government/publications/steel-strategy.

9.6 This instrument does impact Small or Micro Businesses. The share of Small or Micro Businesses (under 50 employees) in the largest steel-using sectors is similar to that of the overall economy, while the share of these businesses in the wider steel industry is smaller. Small and Micro Businesses could not be exempted from the impacts of the measure, as doing so would present a circumvention route which could undermine the viability of UK steelmaking.

9.7 The measure is not expected to impact charities or voluntary bodies.

9.8 The impact on the public sector is likely to be an increase in the cost of steel procurement as a result of higher steel prices. Procurement of steel by central government departments makes up less than 5% of overall steel demand.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is in line with the 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 impacts of the measures legislated for in this instrument and the accompanying instrument will be closely monitored and a review will be carried out after the first 12 months to ensure they remain effective.

10.3 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 This instrument relies on section 8(9) of the TCTA, as recently inserted by the Finance Act 2026 (2026 c.11), which specifies HM Treasury has the powers to provide, in regulations, that rates of import duty in a standard case specified under section 8 may apply instead of preferential rates of import duty applicable through provision made under sections 9 or 10 of the TCTA. Taking account of the importance of steel production for the UK's overall national security, this is necessary to ensure the ongoing viability of UK steel production, as well as secure and resilient supply chains for the defence and critical national infrastructure sectors.

11.2 This instrument is intended to come into force in parallel with the accompanying instrument. That instrument will set out the amendments and updates to other legislation and relevant reference documents, which are made to work in tandem with the changes set out in this instrument.

12. European Convention on Human Rights

12.1 The Exchequer Secretary to the Treasury has made the following statement regarding Human Rights:
"In my view the provisions of The Customs (Tariff and Miscellaneous Amendments) (No. 4) Regulations 2026 are compatible with the Convention rights."

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 ("relevant European Union Acts"). It does, however, relate to the withdrawal of the United Kingdom from the European Union because withdrawal required the UK to replace the EU's customs regime with a UK-specific customs regime. This instrument amends the UK-specific customs regime.