

EXPLANATORY MEMORANDUM TO
THE CUSTOMS (PREFERENTIAL TRADE ARRANGEMENTS AND TARIFF
QUOTAS) (US) (AMENDMENT) REGULATIONS 2025

2025 No. 753

1. Introduction

- 1.1 This Explanatory Memorandum has been prepared by HM Treasury, the Department for Business and Trade, and the Department for Environment, Food, and Rural Affairs, 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 James Murray MP, 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 Douglas Alexander MP, Minister of State for Trade Policy and Economic Security, confirms that this Explanatory Memorandum meets the required standard.
- 2.4 Oliver Phillips, Deputy Director for Trade in Goods at the Department for Business and Trade, confirms that this Explanatory Memorandum meets the required standard.

3. Contact

- 3.1 Rodolfo Barradas at HM Treasury, rodolfo.barradas@hmtreasury.gov.uk, can be contacted with any queries regarding the instrument.
- 3.2 The Tariff Implementation team at the Department for Business and Trade, tariff.implementation@businessandtrade.gov.uk, can be contacted with any queries regarding the preferential tariff and Rules of Origin (“RoO”) provisions in this instrument.
- 3.3 Darren Stretton at the Department for Environment, Food and Rural Affairs, darren.stretton@defra.gov.uk, can be contacted with any queries regarding the tariff quota administration provisions in this instrument.

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 United Kingdom (“UK”) from the European Union (“EU”).
- 4.2 The purpose of this instrument is to give effect to preferential Tariff Rate Quotas (“TRQs”) for goods imported from the United States of America (“US”) and the

related RoO requirements for determining qualifying goods. The preferential TRQs and related RoO requirements brought into effect by this instrument are necessary to ensure that the UK fulfils certain commitments under the General Terms for the United States of America and the United Kingdom of Great Britain and Northern Ireland Economic Prosperity Deal (“General Terms of the EPD” or “General Terms”), concluded on 8 May 2025.

- 4.3 This instrument amends the Customs Tariff (Preferential Trade Arrangements) (EU Exit) Regulations 2020 (S.I. 2020/1457) (“the Preferential Trade Arrangements Regulations”) and the Customs (Tariff Quotas) (EU Exit) Regulations 2020 (S.I. 2020/1432) (“the Tariff Quotas Regulations”) in order to create two new preferential TRQs for imports of beef and ethanol originating in the US. This instrument will also reduce the in-quota duty rate for high quality beef originating in the US and imported under the existing World Trade Organization (“WTO”) quota 05.4002.

Where does the legislation extend to, and apply?

- 4.4 The extent of this instrument (that is, the jurisdiction(s) 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 This instrument contains updates to tariff legislation.
- 5.2 This instrument introduces the below reference documents into Schedule 1 of the Preferential Trade Arrangements Regulations:
- a) “The United States Preferential Tariff”, which sets out the new preferential TRQs for beef and ethanol, and the reduced in-quota duty rate for the existing WTO quota 05.4002, as agreed in the General Terms.
 - b) “The United States Origin Reference Document”, which sets out the rules of origin applicable to imports from the US, in order to qualify for the new beef and ethanol TRQs.
- 5.3 This instrument also makes changes to the Tariff Quotas Regulations to provide for the new preferential beef TRQ to be administered using a “licence on demand” system based upon the presentation of a US-issued Certificate of Authenticity that certifies the origin of the goods. This is similar to the licensing approach used for the existing WTO country specific high quality beef quota (05.4002) to which the US has access.
- 5.4 Details concerning the beef TRQ will be inserted into Part B of the licensing table in Schedule 2 of the Tariff Quotas Regulations.
- 5.5 The General Terms of the EPD are available at www.gov.uk/government/publications/us-uk-economic-prosperity-deal-epd.

What was the previous policy, how is this different?

- 5.6 Sections 5.1-5.5 above set out the previous policy and the changes being made.

6. Legislative and Legal Context

How has the law changed?

Preferential Tariffs

- 6.1 Section 9 of the TCTA gives HM Treasury powers to implement preferential trade arrangements that His Majesty's Government in the UK agrees with the Government of a trading partner. HM Treasury can only exercise these powers on the recommendation of the Secretary of State further to section 9(3) of the TCTA. That recommendation has been given by the Secretary of State for Business and Trade.
- 6.2 Pursuant to the General Terms of the EPD, the UK will apply a lower import duty rate (a preferential tariff) than would otherwise be offered under the MFN rate. The preferential tariff rate is only available to goods that meet specific RoO requirements and the conditions attaching to the quota.

Tariff Quotas

- 6.3 Section 11 of the TCTA gives HM Treasury powers to establish TRQs. A TRQ allows a fixed volume of goods to be imported at zero duty or at a lower rate of duty than would be applied under the MFN rate of import duty. Section 11(6) gives powers to the Secretary of State to determine the licensing or allocation system that goods subject to a TRQ will be subject to.
- 6.4 In considering what provision to include in regulations made under section 11 of the TCTA, HM Treasury has had regard to a recommendation made to them by the Secretary of State for Business and Trade in accordance with section 11(7) of the TCTA.

Rules of Origin

- 6.5 Section 17 of the TCTA gives powers to HM Treasury to implement preferential RoO, which may only be exercised on the recommendation of the Secretary of State. That recommendation has been given by the Secretary of State for Business and Trade.

Why was this approach taken to change the law?

- 6.6 The TCTA gives primary powers for the UK to create its own customs regime, including a system of import duty rates, allowing import duty to be applied to chargeable goods entering the UK. Import duties (or tariffs) are the taxes that an importer needs to pay when bringing goods into the UK.
- 6.7 The Preferential Trade Arrangements Regulations set out the legislative mechanism through which the UK implements the preferential tariff and related rules of origin requirements that it has agreed with trading partners. Schedule 1 to the Preferential Trade Arrangements Regulations sets out the arrangements to which those Regulations apply, and the related reference documents that contain the corresponding preferential duty rates and rules of origin. This instrument will add the General Terms of the EPD, and related reference documents, to those Regulations.
- 6.8 The Tariff Quotas Regulations set out the legislative mechanism through which the UK implements and administers tariff quotas deriving from the UK's WTO commitments. They also set out the legislative mechanism for administering preferential tariff quotas using a licence system.

7. Consultation

Summary of consultation outcome and methodology

- 7.1 No consultation in relation to this instrument has been undertaken. This is because it has been critical to secure the implementation of tariff reductions agreed by the UK and the US in the General Terms as quickly as possible, acting in the national interest to ensure that US tariffs are reduced expeditiously, protecting jobs in the sectors that are most directly affected by them and ensure that UK businesses are able to operate with certainty.

8. Applicable Guidance

- 8.1 Since the end of the Transition Period, the UK Global Tariff (“UKGT”) has applied to all goods imported into the UK unless an exception applies, such as a tariff relief or tariff suspension, goods imported from countries that have tariff-free access granted unilaterally, or as part of a preferential trade arrangement. Further guidance is available at <https://www.gov.uk/guidance/finding-commodity-codes-for-imports-or-exports>.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

- 9.1 A full Impact Assessment has not been prepared for this instrument. The position of existing legislation was 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 The General Terms secure preferential access for US imports from the UK of cars (subject to a 100,000 units quota) and their parts, steel, aluminium, and beef. The General Terms also provide that the UK will be accorded preferential treatment in respect of aerospace and pharmaceuticals should tariffs be applied by the US pursuant to on-going investigations under section 232 of the Trade Expansion Act of 1962 (“section 232 tariffs”).
- 9.3 In 2024, the UK exported nearly £7.7bn in cars alone to the US, which made up 41% of total UK car exports and 14% of total UK goods exports to the US.¹ Securing preferential access is vital for UK businesses, who have been vocal about the costs and uncertainty of recent tariffs. Further, securing preferential access helps protect sectors that employ over 320,000 people across the UK. Around 97% of the jobs in the industries protected by this deal are outside London, with around 176,000 in the Midlands and North of England.²
- 9.4 Under the General Terms, the UK will introduce two new quotas to provide tariff free access on 13,000 tonnes of US originating beef and 1.4 billion litres of US ethanol. The UK will also reduce the in-quota duty rate to zero for US originating beef under the existing WTO quota 05.4002.

Impact of beef quotas

¹ HMRC Overseas Trade Statistics April 2025

² Jobs in steel, automotive, pharmaceuticals and aerospace in the North East, North West, Yorkshire and the Humber, East Midlands and West Midlands. [ONS NOMIS BRES data, 2023.](https://www.nomisweb.co.uk/query/construct/summary.asp?mode=construct&version=0&dataset=189)
<https://www.nomisweb.co.uk/query/construct/summary.asp?mode=construct&version=0&dataset=189>

- 9.5 The 13,000-tonne beef quota represents approximately 1.5% of total UK beef supply.³ The quota volume also represents a very small proportion of total UK beef imports in 2024 (c. 4%).⁴ The UK imported around 300 tonnes of beef from the US in 2024 (£4.1m), equivalent to 0.1% of total UK beef imports from the world (290,000 tonnes). The UK's main import partners for beef were Ireland (148,000 tonnes, 51%), Brazil (23,000 tonnes, 8%) and Poland (20,000 tonnes, 7%).⁵ The 13,000-tonne quota represents the same volume the UK offered in acceding to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("CPTPP"). It is significantly smaller than the volumes agreed under the UK-Australia and UK-New Zealand Free Trade Agreements, under which Australia and New Zealand will benefit from tariff- and quota-free access to the UK market following relevant staging periods.
- 9.6 The existing smaller high quality beef quota (1,000 tonnes, shared with Canada) has not been used in recent years. The size of the quota is equivalent to 0.3% of UK imports and 0.1% of UK beef supply.
- 9.7 Any imports under the quotas will have to meet relevant UK import requirements, including the UK's sanitary and phytosanitary ("SPS") standards.
- 9.8 There are benefits for UK beef exports to the US under the deal: under the General Terms, the US will reallocate a portion of an existing WTO beef quota to the UK of 13,000 tonnes. This is expected to happen by January 2026. This means that UK producers will gain dedicated access to the US market through this quota, without competition from third countries. In 2024, the UK exported 489 tonnes of beef (£2.9m) to the US.

Impact of ethanol quotas

- 9.9 The ethanol quota is approximately equivalent to total UK ethanol imports in 2024, of which 78% originated from the US in volume terms.⁶ UK imports of ethanol have more than doubled since 2018, driven by imports from the US. Last year, the UK's largest import partners after the US were Brazil (5%, 69 million litres), the Netherlands (3%, 36 million litres) and France (3%, 36 million litres).
- 9.10 In the UK, ethanol (both imported and domestically produced) is primarily used for fuel. For example, it is used for blending with petrol to produce E10 petrol. There are other end uses, but they account for only small shares of ethanol consumption.
- 9.11 In 2024, the US produced 61 billion litres of ethanol, primarily for the US market, with 54 billion litres consumed domestically whilst a further 7 billion litres were exported.⁷ US ethanol is mainly produced from maize, with over 99% of the primary feedstocks used in US biofuel production being maize/maize derivatives.⁸ By comparison, the UK consumed 1,487 million litres of bioethanol in 2024.⁹ UK production of ethanol was 445 million litres, primarily from feed wheat, maize, and

³ HMG calculations from Agriculture in the UK

<https://www.gov.uk/government/collections/agriculture-in-the-united-kingdom>

⁴ HMRC overseas trade statistics, April 2025.

⁵ HMRC overseas trade statistics, April 2025.

⁶ HMRC overseas trade statistics, April 2025.

⁷ Source: USDA, Economic Research Service using data from U.S. Department of Energy, Energy Information Administration; U.S. Department of Commerce, Bureau of the Census; and USDA, National Agricultural Statistics Service.

⁸ U.S. Energy Information Administration | Monthly Biofuels Capacity and Feedstocks Update

⁹ Provisional statistics from <https://www.gov.uk/government/collections/renewable-transport-fuel-obligation-rtfo-statistics>

sugar beet residues, which makes up 50% of the estimated UK production capacity of 895 million litres.¹⁰ Last year, the UK exported 290 million litres of ethanol to countries including the Netherlands (53%), France (14%), and Belgium (10%).¹¹

- 9.12 We expect the uptake of the quota to be significant, although the extent to which this will be from additional imports, rather than from existing trade flows which are currently subject to the MFN rate, is unclear. Additional imports may further reduce the imports of ethanol from other countries (which are already small compared to imports from the US) or increase competitive pressure on UK ethanol producers.

Impact on businesses, charities and voluntary bodies

- 9.13 We expect no, or no significant, impact on businesses, charities, voluntary bodies, or the public sector in regard to the regulatory burden placed by this instrument.

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 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.

¹⁰ Source: <https://www.gov.uk/government/statistics/bioenergy-crops-in-england-and-the-uk-2008-2023/bioenergy-crops-in-england-and-the-uk-2008-2023#biofuels>

¹¹ HMRC overseas trade statistics, April 2025.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

- 11.1 The government regrets that this instrument breaches the convention that statutory instruments subject to the negative procedure should normally be laid before Parliament, and copies thereof provided to the Committee, at least 21 days before the instrument comes into force. As set out in the General Terms, the UK and US have committed to deepen our trade relationship based on mutual trust and a shared commitment to fair and reciprocal trade. The UK expects that, by bringing the General Terms into effect as soon as possible, there will be significant benefits for UK exporters to the US. Implementation before the normal 21 days have expired will ensure that US tariffs are reduced expeditiously, protecting jobs in the sectors that are most directly affected by them.

12. European Convention on Human Rights

- 12.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

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. However, it does amend legislation that was itself related to the withdrawal of the UK from the EU because withdrawal required the UK to replace the EU's customs regime with a UK-specific customs regime.