

Global Britain Briefing Note

No 70

7th January 2011

EU Customs Duties

*The EU Customs Union is a relic from the 1950s. It is redundant.
The world beyond the EU, where there are
no significant customs unions, has moved on.*

As part of the EU Customs Union (which also includes a non-EU member, Turkey), the UK does not “own” the customs duties (also known as “tariffs”) it charges on imports of goods into the UK originating outside the Customs Union. The UK merely collects the customs duties on behalf of the EU and hands them over to “Brussels”, less a “handling fee” of 25% of the amounts collected. EU customs duties are a tax on British manufacturers and consumers.

In 2009, the UK charged £ 2.6 bn in customs duties, retained a quarter of that, £ 0.6 bn, as the handling fee, and handed over £ 2.0 bn to “Brussels” as part of the UK Gross Contribution. The £ 2.6 bn gross collected amounted to one half of one per cent of the total UK “tax take” of £ 515 bn in the tax year 2009/10.

Customs duties are only charged on imports of goods from outside the EU; moreover, many categories of goods – for example IT equipment – are exempt from duties. In 2009 the value of all UK imports (of goods, services, income & transfers) from outside the EU Customs Union was £304 bn. Over 90 per cent of that sum was tariff-free¹ (duties are not charged on imports of services, receipts of income or transfers). The value of UK imports of goods from outside the EU Customs Union in 2009 was £148 bn, so the average rate of customs duty charged on those imports of goods was under two per cent (1.76% to be exact: £2.6 bn divided by £148 bn).

A Swedish study published in the 1990s demonstrated that with customs duties so low, the costs of collecting them exceed the value of the amounts collected. An additional indirect regulatory burden falls on the importers, freight forwarders and shippers who have to apply customs duties – even those zero-rated – on the goods being imported.

The fact that EU customs duties are hardly worth collecting means that the EU Customs Union itself is now redundant. There is no point in having a customs union if the duties collected are insignificant. The world outside the EU has taken the point: there are simply no significant customs unions anywhere outside the EU².

1. See *Customs Duties: hardly worth collecting*, Global Britain Briefing Note No 33, 17th September 2004, www.globalbritain.org > Briefing Notes
2. See *Backing the Wrong Horse*, by Ian Milne, Centre for Policy Studies, December 2004

Global Britain

Lord Stoddart of Swindon
(Independent Labour)

Lord Pearson of Rannoch
(United Kingdom Independence Party)

Lord Willoughby de Broke
(United Kingdom Independence Party)

Lord Harris of High Cross (1924- 2006)
(Cross-Bencher)

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