

Committee(s):	Date:
Public Relations and Economic Development Committee	24 April 2018
Subject: Brexit legislation: Trade Bill and Taxation (Cross-Border Trade) Bill	Public
Report of: Remembrancer Report Author Philip Saunders	For Information

Summary

This report provides a brief summary of the Trade Bill and Taxation (Cross-Border Trade) Bill.

Recommendation

Members are asked to:

- note the report

Main Report

Background

1. The EU (Withdrawal) Bill was reported to PRED in February 2018. This report summarises two further Bills that form part of the current set of Brexit legislation. There are connections between the Trade Bill and the Taxation (Cross-border Trade) Bill in that they are both intended to ensure that the necessary tools are in place to deliver an independent trading framework for the UK outside of the EU.

Trade Bill

2. The Bill, which is progressing through the House of Commons, provides for the implementation of existing EU-third party international trade agreements upon the UK's departure from the EU. The Trade Bill includes a power for the Government to implement any changes to domestic law which will be necessary for the UK to meet obligations flowing from EU free trade agreements. The Bill does not make arrangements for entirely new international trade agreements.
3. The Bill is limited in scope and contains little of direct interest for the financial services sector. This is primarily because existing EU free trade agreements contain only very limited arrangements in relation to financial services.
4. The Trade Bill aims to enable the UK to provide continuity in its existing trade and investment relationships with third countries. The Bill will provide

Government with the powers to make any changes to domestic legislation that are necessary to ensure these agreements, once signed by both parties, are fully implemented and can be ratified.

5. Of interest to the City in its capacity as a port health authority, during the Bill's Commons stages the Government was challenged about future arrangements on food safety standards. Minister Greg Hands said "We are absolutely clear that all existing commitments on standards and regulations will remain when those agreements are transitioned. That is in line with our clearly articulated principle that our intent is to transition solely the existing effect of the agreements". The City proposes to follow up through correspondence with the Minister and further discussions at official level.
6. As part of the City's activity on the EU (Withdrawal) Bill but related to trade matters, Brexit minister Steve Baker offered reassurance that that the cost of mandatory veterinary checks on imported food and animal feed are fully recoverable.

Taxation (Cross-Border Trade) Bill

7. Currently VAT and excise rules are largely harmonised by rules at the EU level. This means, for example, that the rules for when the tax becomes chargeable, what the rate of VAT is, who has to pay it, and what VAT businesses can recover are currently set at EU level.
8. Often referred to as the Customs Bill, the Taxation (Cross-Border Trade) Bill provides a mechanism for a customs regime largely based on the existing EU rules and deals with tariff-related aspects of the UK's future trading framework that are covered by existing treaties. VAT and excise are two examples of areas where the Bill will allow existing regimes to continue to function whatever the outcome of the Brexit negotiations. The proposals also provide flexibility to amend the VAT arrangements between the UK and EU.
9. More broadly on matters that directly relate to customs duties, the Bill would, for example, permit the UK to impose additional duty in the event of a dispute with another country (where allowed under international law) and would allow the UK to create a duty preference system to decrease the duty paid on imports from developing countries.
10. The Bill will create a new authority, the Trade Remedies Authority, to manage the UK's trade remedies function.

Conclusion

11. At the time of writing, the two Bills are the subject of an impasse between the Government and anti Brexit Conservative MPs who support a move to oblige the Government to join a customs union with the EU. An amendment to the Customs Bill initiated by Anna Soubry (Con) has gathered limited cross-party support which, if expanded and realised, could lead to a defeat for the Government. The Government is unlikely to proceed without further negotiations with its backbenchers.

12. These two Bills are part of a suite of Brexit legislation that is intended to create a framework that enables existing UK-EU arrangements, albeit with some functional changes, to be established as part of UK law after the UK leaves the EU. The Trade Bill and Customs Bill are at close to completing their stages in the Commons and will move to the Lords over the coming weeks. Further thematic Bills on matters including fisheries and immigration will be introduced over the forthcoming year.

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