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ALL YOU NEED TO KNOW ABOUT UK IMPORT TAX AND DUTY

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The trade relationship between Malaysia and the United Kingdom has flourished over the past 26 years, reaching a significant value of around €5.6 billion. As both nations continue to ease trade barriers, we're seeing more opportunities for Malaysian businesses to expand into the UK market.

For businesses exploring these prospects, understanding the UK import tax, customs charges, and duty rates is essential to keep operations smooth and cost-effective.

This article will provide you with all the UK import duties and taxes that Malaysian businesses need to be aware of when importing goods into the UK.

Type of Import Duties and Import Taxes

Customs duties and import taxes in the United Kingdom are under the purview of Her Majesty's Revenue and Customs (HMRC). This authority primarily enforces 2 types of duties and taxes on goods imported into the UK:

1. Customs Duties
2. Value Added Tax

Customs Duties

HMRC applies customs duties to imported goods valued above GBP 135. These duties typically range from 0% to 25% of the goods' value, with the exception of gifts.

Gifts valued between GBP 135 and GBP 630 incur a customs duty rate of 2.5% or less, while gifts exceeding the GBP 630 threshold are subject to higher rates, determined by their specific commodity codes.

Refer to the table below for clarity:

Type and Value of Goods
Any goods under GBP 135
Not applicable
Gifts worth GBP 135 to GBP 630
2.5% (lower for some goods)
Gifts above GBP 630 and any other goods above GBP 135
Depends on the country of export and the type of goods. Refer to the commodity code to find exact rates here UK Integrated Online Tariff. Look up commodity codes, duty and VAT rates - GOV.UK (trade-tariff.service.gov.uk)

Applied Rates

2.7x faster and simpler customs clearance in the United Kingdom.



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Value Added Tax (VAT)

Imported goods in the country typically incur a standard 20% VAT rate. However, certain products like health items, fuel heating, and child car seats are taxed at a 5% VAT rate.

While essential items like most food, books, and children's clothing are VAT-exempt, it's important to note that their sale must be reported on your VAT return. Additionally, gifts valued below GBP 39 are also exempt from VAT.

In summary, here's the VAT charges:

VAT Rates
Applied Goods
Standard rate 20%
This applies to most services and goods
Reduced rate 5%
This applies to some goods and services such as health products, fuel heating and car seats for children
Zero rate 0%
This applies to most food, books and clothes for children

Besides, HMRC also levies 2 other types of duties and taxes based on some situations:

1. Anti Dumping Duty
2. Excise Tax

Anti Dumping Duty

Anti-dumping duty is charged on imported goods intentionally priced lower than similar products in the UK.

This duty is enforced by the UK government to protect the local businesses from unfair overseas competition. The exact rate of anti-dumping duty varies based on the goods and the importing country but can reach up to 50% of the imported goods' value.

Excise Tax

Excise Tax is a duty that applies only to imported liquor and tobacco products, but the way charges are imposed varies for each category.

Alcohol Duty

Alcohol duty is determined based on the type of alcohol, strength of alcohol, or 'alcohol by volume' (ABV). Here's a list of alcohol duties for all types of products

Type of alcohol	Strength (ABV)
Rate per litre of pure alcohol	
Beer	At least 3.5% but less than 8.5%
GBP 21.01	
Beer, cider, wine, spirits or other fermented products	Less than 3.5%
GBP 9.27	
Beer, cider, wine, spirits or other fermented products	At least 8.5% but less than 22%
GBP 28.50	
Beer, cider, wine, spirits or other fermented products	More than 22%
GBP 31.64	
Sparkling cider	At least 3.5% but less than 5.5%
GBP 9.67	
Sparkling cider	At least 5.5% but less than 8.5%
GBP 24.77	
Still cider	At least 3.5% but less than 8.5%
GBP 9.67	

Wine, spirits and other fermented products	At least 3.5% but less than 8.5%
GBP 24.77	

All kinds of tobacco and alcohol products, whether for commercial use, gifts, or personal effect, will be subject to excise tax. Shipments will be seized if they are:

- Spirits more than 35 centiliters without a UK duty stamp
- Cigarettes or hand-rolling tobacco without UK health warnings or fiscal marks

Tobacco Duty

Different rates apply to different kinds of tobacco. Here's how each category of product is taxed

Tobacco Product
Rate
Cigarettes
16.5% of the retail price with an additional GBP 5.89 on a packet of 20
Cigars
GBP 3.68 on a 10g cigar
Hand rolling tobacco
GBP 10.53 on a 30g packet
Other smoking tobacco and chewing tobacco (eg. pipe tobacco)
GBP 4.85 on a 30g packet
Tobacco for heating
GBP 1.82 on a typical packet

Calculating Duties and Taxes

Calculating Customs Duty

There are 2 ways to calculate customs duty: CIF or FOB.

To determine which to follow, you'll need to refer to the term specified in your shipping agreement.

Once that's clear, identify your goods' commodity code on the UK tariff trade site, and check the applicable customs duty and VAT rates. Then, multiply the values of goods by the customs duty rate stated.

Here's an example:

Goods
2000 units of umbrella
Commercial Value/unit
GBP 5
Commodity Code
6601 1000 00
Custom Duty (stated on UK Tariff Trade Site)
4%
VAT Rate
20%
Assumed Insurance and Freight Cost
GBP 500

CIF (Cost, Insurance and Freight)

If you're following the CIF calculation, note that CIF takes into account the value of goods, insurance and freight.

To begin, add the total value of your shipments, which is GBP 10,000 in this case, to the insurance and freight cost, which is GBP 500. This gives you a total CIF value of GBP 10,500.

Next, multiply the total CIF value by the customs duty rate of 4% from the UK tariff trade site, resulting in customs duties of GBP 420 applicable to your shipment.

In total, your shipment will cost GBP 10,920.

Calculation formula:

CIF x Goods Duty Rate = Customs Duty

Calculation breakdown:

- Calculate the Total Value of 2000 Umbrellas:

GBP 5 x 2000 = GBP 10,000

2. Add the Total Value of 2000 Umbrellas with the insurance and freight cost to get the CIF Value:

$$\text{GBP } 10,000 + \text{GBP } 500 (\text{Insurance and Freight Cost}) = \text{GBP } 10,500$$

3. Calculate the Total Import Duty Rate:

$$\text{GBP } 10,500 \times 4\% = \text{GBP } 420$$

FOB (Freight On Board)

If FOB is the term applied to your shipment, note that it does not take into account the insurance and freight costs.

Hence, to calculate, just multiply the total value of your goods, GBP 10,000 in this case, by the duty rate specified in the UK trade tariff, which is 4% for this item. This results in customs duties of GBP 400 for your shipment.

Calculation formula:

$$\text{FOB value} \times \text{Goods Duty Rate} = \text{Customs Duty}$$

Calculation breakdown:

1. Calculate the Total Value of 2000 Umbrellas.

$$\text{GBP } 5 \times 2000 = \text{GBP } 10,000$$

2. Calculate the Total Import Duty Rate.

$$\text{GBP } 10,500 \times 4\% = \text{GBP } 400$$

Calculating Value-Added Tax (VAT)

To calculate VAT, multiply the value of your shipment, either CIF or FOB depending on your shipping agreement's terms, by the VAT rate specified on the UK tariff trade site.

Continuing from the previous example, umbrellas have a VAT rate of 20%. The calculation will be as follows:

CIF
FOB
GBP 10,500 x 20% = GBP 2,100
GBP 10,000 x 20% = GBP 2,080

Duties Threshold and Exemption

By now, you know that the UK enforces several types of import duties on shipments. Each duty has its own calculation method and exemption rules. For UK customs duty regulations, the de minimis threshold for commercial shipments is set at £0, meaning all goods are subject to UK customs charges.

For personal shipments, however, there is a duty threshold of £135. Goods valued below this amount are exempt from customs duty, while those above it are charged accordingly. Gifts, too, have specific exemptions. Items valued between £135 and £630 incur a 2.8% duty rate.

When it comes to UK import VAT, exemptions apply only to gifts under £39 and many children's items, including food, books, and clothing. Additionally, certain free trade agreements can provide duty exemptions, although currently, no agreement exists between Malaysia and the UK.

Duties and Taxes Payment Method

Typically, UK customs will notify your chosen courier service of the applicable UK import tax and customs duty charges, so you won't need to handle the calculations manually.

However, to expedite the clearance process, you can request a copy of the shipping invoice from your supplier before the delivery and inform your courier in advance about the charges, enabling them to clear the payment before the shipment arrives in the UK.

Other than paying through a courier, there are several ways to pay import duties and taxes.

A duty deferment account

A duty deferment account allows you to make one single transaction in a month for multiple consignments and allows you to delay payment for customs duty, excise duty and VAT.

However, you'd need to register for a [duty deferment account](#) to use this transaction method.

Additionally, [Great Britain](#) and [Northern Ireland](#) have different ways to apply for a duty deferment account.

A cash account

If you have access to the [Customs Declaration Service](#), you can use a cash account to manage UK import tax and customs duty payments. Through a cash account, you will be able to:

- Make payment into your cash account.
- Authorise your agent to use the account on your behalf.
- Pay import duties and taxes from the cash account, in the order of when you made the declarations.
- Withdraw funds from your cash account.

General guarantee account

The 3rd option you have is to pay through a [general guarantee account](#). A general guarantee account allows you to:

- Provide multiple guarantees from the same account, rather than needing to provide separate guarantees.
- Continue importing goods into the UK and pay the amount due later, once the amount is agreed upon.

You can use a general guarantee account to pay:

- Customs duty
- Import VAT
- Excise duties
- Amounts due under the UK Agricultural Policy
- Anti-dumping or countervailing duties
- Quotas

Immediate payments

Lastly, there's immediate payments, which can be made in 2 different ways via the Customs Declaration Service or CHIEF.

To pay through the Customs Declaration Service, you'll require the Customs Declaration Service Immediate (CDSI) reference number, which you'll receive during your declaration process. This reference number typically starts with 'CDSI,' followed by a combination of 12 numbers and letters. Be sure to provide an accurate CDSI reference number to avoid any delay in customs clearance. As for CHIEF, it is an option available for a Direct Input Trader (DTI) agent only.

Remember, UK import duty is only one part of the process. You may also need licenses for certain imports, especially for excise goods. If this sounds overwhelming, DHL Express is here to support you. Our team helps businesses handle customs paperwork and clearance, making international shipping to the UK as smooth as possible. Whether you're dealing with [import duties Vietnam](#) or [import duty Australia](#), DHL Express ensures that your shipments comply with local regulations and are cleared quickly. Open a business account today for a hassle-free experience.

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Do I have to pay duty on items shipped to the UK?	▼
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