

# Japan and UK reach trade agreement

October 2020

---

## In brief

On 11 September 2020, Japan and the United Kingdom announced that they had reached an agreement in principle on the Japan-UK Comprehensive Economic Partnership Agreement. The agreement still needs to be signed and ratified by both countries in order to go into effect and replace the Japan-EU Economic Partnership Agreement for Japan-UK trade.

---

## In detail

On 11 September 2020, Japan and the UK announced that they had reached an agreement in principle on an economic partnership agreement (EPA). Currently, Japan and the UK enjoy free trade benefits under the Japan-EU EPA. However, that agreement will no longer apply to the UK following the end of the Brexit transition period on 31 December 2020. Once the Japan-UK EPA is signed and ratified by both countries, it will supersede the Japan-EU EPA for trade between Japan and the UK. Both countries have stated that they are working to have the new agreement ready so that it can go into effect on 1 January 2021.

While the full text of the Japan-UK EPA has not been revealed as of writing, the press release by the UK Department for International Trade indicates that 99% of British exports to Japan will be duty-free. Information from both governments also indicates that rules of origin will be relaxed for coats, knitwear, and biscuits, as well as certain automotive parts. The UK will also immediately eliminate duties on certain railcar and automotive parts, which it has not currently done under the Japan-EU EPA.

According to media reports, and consistent with the Japan-EU EPA, the UK will gradually remove customs duties on automobiles and ultimately fully eliminate them. Japan, meanwhile, will phase out customs duties on hard cheeses, eventually reaching zero duties. Furthermore, UK producers of beef, pork, salmon, and other agricultural products will see customs duties fall on their exports to Japan.

For businesses that trade between Japan and the UK, the new agreement will have major ramifications. Duty rates and rules of origin currently applicable to your product under the Japan-EU EPA may be different under the Japan-UK EPA. Hence, products imported into the UK or Japan that qualify for benefits under the Japan-EU EPA may not qualify once the Japan-UK EPA comes into effect. However, based on current reports from Japan, it is unclear whether EU origin parts will lose the benefit of cumulation under the new agreement. If those parts do not lose cumulation, it would be easier to qualify UK parts as originating.

### What you can do to prepare

Examples of specific actions to take include the following:

- Continue to monitor developments regarding the Japan-UK EPA to understand the impact on your business
- Model end-to-end supply chain to determine potential impacts of loss of duty-free benefits

- Work with suppliers to determine which materials will qualify as originating under the Japan-UK EPA

---

## Let's talk

---

For a deeper discussion of how this issue might affect your business, please contact:

**PricewaterhouseCoopers WMS Pte. Ltd.**

Kasumigaseki Bldg. 15F, 2-5, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-6015

[www.pwc.com/jp/e/customs](http://www.pwc.com/jp/e/customs)

Robert Olson  
Director

Masaru Ashino  
Senior Manager

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 276,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at [www.pwc.com](http://www.pwc.com).

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2020 PricewaterhouseCoopers WMS Pte. Ltd. All rights reserved.

PwC refers to the PwC network member firms and/or their specified subsidiaries in Japan, and may sometimes refer to the PwC network. Each of such firms and subsidiaries is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.