An Independent Customs Regime: CIOT response to call for evidence

Indirect Tax

20 May 2022

As announced at the Autumn Budget in 2021, the policy teams at HM Treasury and HMRC ran a joint consultation looking at the UK's customs border. The call for evidence focused on three areas: the Simplified Customs Declarations Process; the customs intermediary sector; and transit facilitation. The CIOT responded.

The call for evidence 'An Independent Customs Regime' (tinyurl.com/yyh8rnxx) asked a wide range of questions, some of which were quite specific to industry or customs intermediaries, but as HMT and HMRC welcome partial responses, feedback on specific questions is still useful.

Simplified Customs Declarations Process

The Simplified Customs Declarations Process (SCDP) (tinyurl.com/bdhd5tyd) is a two-step procedure that allows taxpayers importing eligible goods to declare a reduced data simplified declaration at the time the product is imported, so that the goods can be moved efficiently, whilst delaying the obligation to declare the full import customs data to a later period. In 2021, this applied to movements of goods into Great Britain from the EU, though from 1 January 2022 it is only available for certain transactions between Ireland, Northern Ireland and Great Britain.

In the call for evidence, HMRC stated that in 2021, there had been more simplified declarations made at the border than full declarations. However, the feedback received by the CIOT was that for some businesses and their advisers, the two-stage process of the SCDP is perceived to take more time in the long run.

The retrospective exercise of reconciling transactions that had fallen within the simplified declaration at the time of making the later full declarations meant that the SCDP was often not used by larger businesses. But it was noted that the taxpayers

providing feedback to us were experienced in importing non-EU goods prior to leaving the EU and had engaged customs advisers; therefore, completing a full declaration at the time of import would be manageable.

We recognised that it would be a different experience for those taxpayers who, before the UK left the EU, only purchased goods from the EU and accounted for them by means of self-assessed acquisition VAT in the VAT return. This latter group of taxpayers would be declaring customs data for EU imports for the first time from the date that the UK left the EU. For these taxpayers, the use of SCDP would have been more attractive in order to ensure that the goods could be moved efficiently.

Customs intermediaries

Although most of the questions on customs intermediaries were specific to the sector, the CIOT received feedback on the question around customs intermediary capacity. Several VAT advisers who advise on import and export clients, but where their firm has no in-house customs specialists, said that their roles had evolved with an increasing amount of customs-based work. Sometimes this was due to a lack of customs specialist resource, though it was mainly due to the adviser previously dealing with all the acquisition and despatch work for their clients which had now changed to also requiring import and export procedural knowledge.

To continue to assist these clients, these advisers had to increase their own awareness of customs processes and outsource where a customs specialist was needed. For VAT advisers with clients operating in both Great Britain and Northern Ireland since Brexit, they had to understand three sets of import/export compliance rules – Northern Ireland-EU, Great Britain-EU and Great Britain-Northern Ireland – in order to provide the taxpayer with the right support.

We received feedback from an independent customs intermediary, stating that they have had to regularly turn down work as they are operating at full capacity. An in-house VAT specialist told us that they have had to recruit several in-house customs staff post-Brexit.

Transit facilitation

Again, the questions in the call for evidence about transit were mainly focused at service users. The CIOT would like to see greater certainty for taxpayers when

applying for transit registrations; for example, if you are accepted for one transit process and have evidence of compliant trading, this could provide an ‘in principle’ pre-approval for other transit applications. This would reduce the risk of incurring costs, such as bank guarantees, when it is not certain that a transit application will be accepted.

Anything else?

The call for evidence also asked for any other feedback to consider for the UK’s customs border. The CIOT would like HMRC to consider that new border taxes may be introduced in the future; therefore, any new systems, processes and border innovations that are developed as a result of the ongoing consultation should be designed so that they can easily adapted to accommodate new tax measures.

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