



GOVERNMENT SERVICES

Administrative
Burdens – HMRC
Measurement
Project

Report by Tax Area
Part 12: Excise Duties

20 March 2006
Restricted – Commercial

TAX



HMRC

**Administrative Burdens -
HMRC Measurement Project
Report by Tax Area
Part 12: Excise Duties**

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KPMG LLP
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1 How to use this report

This report should be read in conjunction with the main report on the Administrative Burdens - HMRC Measurement project. Both reports seek to give an overview of the model that has been built to measure the tax administrative burden for UK business. The reports give examples of some early analysis of areas of high burden, outline how the model was built and the size and format of the resulting data framework.

Like the UK tax system the model is large and complex. Thus the reports can only give a flavour of the model's full potential. The detailed analysis looking at specific pieces of tax regulation, the setting of the baseline and targets, how to link the administrative burden to the full range of impact assessments and wider policy initiatives will be done by HMRC as it takes the model forward, using the data framework.

For ease of reference, the main report is hereafter referred to as Volume 1 and this report, by tax area, is hereafter referred to as Volume 2.

1.1 Volume 1

Volume 1 is a good starting point for an overview of the model and the dynamics of the tax administration burden for UK business. The main body of Volume 1 provides a brief description of the background to the model, how the model was built, some examples of early analysis at a total level and a summary of the overall themes arising from business interviews. This report uses, from time to time, technical terms set out in the Standard Cost Model. The Glossary to Volume 1 seeks to give a practical explanation of each term.

There are a series of Annexes to Volume 1:

- **Annex A** is a detailed description of the methodology and how the model was applied in practice
- **Annex B** provides an example of the guide used to interview businesses
- **Annex C** provides a summary of the overall themes arising from interviews with businesses. The focus is on issues that do not relate to one specific tax but were raised in the context of interviews on many different subjects
- **Annex D** addresses demarcation issues: what regulation is included in the model and what is not

1.2 Volume 2

Volume 2 should be read in conjunction with Volume 1 for details of key terms used in the model and early analysis.

Volume 2 is in 28 Parts, one for each of the tax areas, described in further detail below. Volume 2 gives an overview of the administrative burden, early analysis and business feedback for each tax area. Volume 2 can only give a flavour of the model's potential. It

is already clear that the early analysis may prompt further questions. The further detailed analysis looking at specific pieces of tax regulation will be done by HMRC as it takes the model forward, using the data framework.

The tax areas are:

Part 1	Aggregates Levy	Part 15	Inheritance Tax
Part 2	Air Passenger Duty	Part 16	Insurance Premium Tax
Part 3	Capital Allowances	Part 17	Intrastat
Part 4	Capital Gains Tax	Part 18	Landfill Tax
Part 5	Climate Change Levy	Part 19	Pensions
Part 6	Construction Industry Scheme	Part 20	Petroleum Revenue Tax
Part 7	Corporation Tax	Part 21	Stamp Duty
Part 8	Customs	Part 22	Stamp Duty Land Tax
Part 9	Double Tax Treaties	Part 23	Stamp Duty Reserve Tax
Part 10	EC Sales List	Part 24	Tax Credits
Part 11	Employer Taxes	Part 25	Tax Management Provisions
Part 12	Excise Duties	Part 26	Tonnage Tax
Part 13	Gaming Duties	Part 27	Value Added Tax
Part 14	Income Tax for Businesses	Part 28	Withholding Tax

1.3 **Table conventions**

The early analysis in the reports is based on tables of monetary amounts and percentages derived from the data framework. These tables look at the administrative burden in a number of ways, at different levels of detail and for different areas of tax (some large, some small), to give examples of how the model can be used. This means that different measurement units are used for the monetary amounts and percentages, depending on which aspect of the model is being looked at. For example, some tables show monetary amounts to the nearest £ million and percentages in whole numbers. Other tables use different conventions. The overarching aim is that a monetary amount or percentage is shown and that the tables are as helpful as possible.

The underlying data held in the data framework is extremely detailed and has been rounded up to prepare the tables. Due to complex roundings not all the tables, as presented, will add up to the total shown on the table.

A dash ‘-’ in the tables indicates a genuine zero value. By contrast, the figure ‘0’ indicates a negligible number in the context of that table.

2 **Executive summary**

The administrative burden of Excise Duties (as a tax area) is £49m, 0.9% of the total burden placed on business.

The burden is made up as follows:

	£000	%
Internal costs	20,727	42.24%
Acquisition costs	28,343	57.76%
External costs	-	-
Total burden	49,070	100.00%

Although a very complex area of tax, there is no market for intermediaries. This reflects the fact that Excise is very fragmented, very industry specific, affects a relatively small number of businesses and, to operate effectively, requires real integration into the core supply chain in a business. All of this means that it is not cost effective or practical for intermediaries to be involved.

This is different to many other tax areas. Another difference is the very high level of acquisition costs. This reflects the high level of investment, by business, in software or labels to help manage the requirements.

Goods liable to excise duties are alcohol, tobacco products, hydrocarbon oils and many products either derived from, or containing, these materials. Thus the businesses affected by this area are industry specific. The duty is generally a once only charge, usually related to weight or quantity. The duty is paid to HMRC by businesses when the goods are produced, sold or imported. Excise is one of the oldest regimes in the tax system and many of the requirements on business have been established for many years. Excise regulation has a large number of IOs in it. This is partly due to the fact that it affects multiple industries but also because over time a number of contingent IOs have developed to provide for a wide range of different potential circumstances for business.

The administrative burden is a function of price and quantity. Excise Duties, as a tax area, has both price and quantity driving different areas of high burden. Some are driven by high quantity: the number of occurrences. An example of this is the labelling of tobacco products. Some are driven by a relatively high price: the impact on the individual businesses affected. An example of this is the mineral oil return.

Excise impacts on goods going through complex supply chains within a business. Thus changes in tax regulation may have a wider impact than simply the tax administrative burden or tax yield: there may also be knock-on implications for the wider supply chain.

Three themes have emerged from looking at UK tax regulation in total as possible areas for HMRC to consider: this is the burden created by change, the burden created by complexity and the burden created by 'grit in the system', that is how HMRC responds at an operational level to its customers.

Change: The administrative burden for Excise includes a high level of acquisition costs. Some interview feedback indicates that if there are changes in regulation that require changes to these areas (software, labelling), there are considerable knock on issues for business.

Complexity: It is clear that Excise is very complex. The regulation has many sources, there are many IOs, and it seeks to cover a huge number of different possible events. HMRC have already identified that some of this complexity may not, in itself, add to the overall administrative burden but it is still a good area to consider for simplification. This would create a simpler environment for business to operate in and should thus allow resource to be focussed on the areas of greater significance.

Grit in the system: If the tax system is complex, this puts ever greater focus on operational issues – how HMRC works with its customers. Feedback from business interviews suggests a number of areas where HMRC could look at how it handles some of the complexities and how this impacts on its customers. Particular themes that run through the interviews with business are that many procedures seem unduly complex, too much is added on rather than relying on existing systems within business and some suggestions for greater use of online filing.

3 Introduction

3.1 Background

See Volume 1 Section 3.1.

3.2 Overview of regulation affecting the private sector

3.2.1 Description of the scope and objectives of tax area

The goods liable to excise duties are alcohol, tobacco products, hydrocarbon oils and many products either derived from, or containing, these materials. The duty is generally a once only charge, usually related to weight or quantity. It is collected from producers, distributors and importers of excise goods. Duty must be paid over to HMRC when the goods are produced, sold or imported, unless a business has permission to defer or suspend the amount due to a later time. The regularity of submission of the returns to HMRC is specific to each return.

Excise covers a very wide range of different industries: beer, wine and made wine, cider and perry, spirits, denatured alcohol, tobacco and mineral oils. This makes it difficult for the initial analysis that follows to draw any meaningful conclusion that applies to all industries. The comments are thus very much at an overview level on the dynamics of the Excise regulation.

As outlined in Volume 1, the burden is determined by the combination of price and quantity. Excise is a very diverse tax area. As will be seen from the initial analysis below, some of the burden arises from a relatively high price rather than quantity. For example, there is a relatively high price, but low population, for the various returns used for recording duty due for areas such as mineral oil and tobacco.

By contrast, some of the burden arises because the IOs occur a very large number of times. The key example here is the administrative burden to UK business of complying with the requirement to put duty markings on tobacco products (cigarette packets).

Excise has a mix of UK and European legislation. The vast majority of burdens arise from UK Statutory Instruments, although certain European regulations and directives have been published to harmonise the excise rules across the EU.

Overall Excise is an extremely fragmented area of tax regulation, with many industry specific issues.

3.2.2 Summary statistics relating to the regulations included within the scope of the measurement exercise

Table 1: Number of Regulations, HMRC Forms, Information Obligations and Data Requirements by Tax Area

Tax Area	Number of sources of regulations	Number of forms	Number of Information Obligations	Number of Data Requirements
Excise Duties	70	38	378	625
HMRC Total		279	2,692	6,614

Excise is one of the oldest regimes in the UK tax system. Many of the requirements on business have been established for many years. The Excise legislation has a large number of IOs in it, nearly 14% of the total IOs. This is partly because it covers a great many different industries, all of which need different provisions. It is also because it seeks to cover a wide range of circumstances. This means that a number of contingent obligations have developed over the years, as different contingent occurrences have been legislated for. This in turn means that a large number of record keeping requirements have been legislated for, to ensure the business can evidence compliance with the IOs in question.

The result is a very fragmented and complex set of regulation. However as it applies to very different industries, in practice, individual businesses do not have to comply with, or understand, all of the IOs in this tax area at any one time.

Other trade related areas are dealt with in this volume, namely:

- VAT (see Part 27 of Volume 2)
- Customs (see Part 8 of Volume 2)

3.3 Approach and methodology

3.3.1 Overall methodology

See Volume 1 Section 3.2 and Annex A.

3.3.2 Major methodological issues specific to tax area

3.3.2.1 IO analysis

The regulation is divided into two categories:

- general excise regulation which is applicable to all three product areas: alcohol, tobacco and hydrocarbon oils
- regulation which is specific to each product area

3.3.2.2 Population

The population used depends on the type of IO. Some IOs are populated by the number of businesses affected, such as the wide range of excise returns. These populations have been estimated on an industry specific basis. The IOs relating to labelling of tobacco produce are populated by the number of occurrences (that is, sales of tobacco products). For the purposes of the model this is assumed to be some 3.9 billion transactions a year.

3.3.2.3 Segments

The nano segment is not considered significant enough for the purposes of the model for Excise. Thus no nano segment has been created.

4 Administrative burden on business

4.1 Overview

4.1.1 Summary of the administrative burden results

Table 2: Administrative burden – overview

Tax Area	Total administrative burden	
	£m	Share of HMRC total
Excise Duties	49	1%
HMRC Total	5,100	100%

The administrative burden of excise duties is 1.4% of the total burden placed on business.

4.2 Administrative burden by type of Information Obligation

Table 3 shows the number of IOs analysed by type of IO and the administrative burden for each type of IO. As set out in Volume 1 Section 3.2.2, the model uses 13 IO types, each of which represent a particular process. They are thus very helpful in seeing the overall dynamics in the tax system.

Table 3 uses the terminology in the SCM; please refer to Volume 1 – Glossary for a practical explanation of each term.

Table 3: Burden by Information Obligation type

Information Obligation type	Admin burden £000	Share of total admin burden for tax area	Number of IOs	Share of total IOs for tax area
Keeping commercial emergency plans and programmes updated, etc ...	15,168	30.91%	75	19.84%
Statutory labelling for the third parties	14,494	29.54%	4	1.06%
Returns and reports	11,733	23.91%	31	8.20%
Providing statutory information for third parties	3,695	7.53%	39	10.32%
Applications for permission for or exemption from	2,856	5.82%	18	4.76%
Notification of activities/registration	540	1.10%	79	20.90%
Applications for authorisation	242	0.49%	54	14.29%
Applications for subsidies, grants, allowances or credits for ...	205	0.42%	29	7.67%
Cooperating with audits/inspections of ...	131	0.27%	27	7.14%
Entry in a register	3	0.01%	10	2.65%
Framing complaints and appeals	2	0.00%	5	1.32%
Carrying out inspections of ...	1	0.00%	7	1.85%
Application for Guidance	-	-	-	-
Total	49,070	100.00%	378	100.00%

HMRC total	5,100,094		2,692	
Share of HMRC total	0.96%		14.04%	

The top IOs by administrative burden are ‘keeping commercial emergency plans and programmes updated’. This is different to the position for UK tax regulation as a whole (see Volume 1). This presumably reflects the complex record keeping requirements needed to evidence the large number of contingent IOs referred to in 3.2 above.

Excise is the only tax area with the IO type ‘statutory labelling for third parties’. This primarily covers the markings required on tobacco products. As outlined in 3.3.2, this is an area where the burden is driven by a very high population, rather than because the burden on an individual transaction basis is particularly high.

Thus Excise has considerable variety, within the tax area, on what drives the high areas of burden.

4.3 Administrative burden by origin of Information Obligation

The tables that follow split down the administrative burden by the original classifications set out in the SCM. Full details are given in Volume 1, Annex A.

Table 4.1: Administrative burden by origin of Information Obligation

Tax Area	International, no domestic discretion (A)				
	1: EU Regulation	2: EU Directive	3: Other Int'l	Total	Share of HMRC Total
	£m	£m	£m	£m	
Excise Duties	-	-	-	-	-
HMRC Total	766	842	-	1,608	32%

Table 4.2: Administrative burden by origin of Information Obligation (cont'd)

Tax Area	International, domestic discretion (B)				
	1: EU Regulation	2: EU Directive	3: Other Int'l	Total	Share of HMRC Total
	£m	£m	£m	£m	
Excise Duties	-	6	-	6	0%
HMRC Total	-	97	1	98	2%

Table 4.3: Administrative burden by origin of Information Obligation (cont'd)

Tax Area	Domestic (C)	
	Total	Share of HMRC Total
	£m	
Excise Duties	43	1%
HMRC Total	3,394	67%

As noted above, Excise Duties have a mixture of UK and EU legislation.

Table 4.3: The vast majority of IOs arise from UK Statutory Instruments, although certain EU legislation has been adopted to harmonise the Excise Duties rules across the EU. Although the greater number of IOs must conform with the guidance laid out in EU legislation, the EU legislation does not actually compel the UK regulation to be set out or operate in a particular way. For this reason the IOs have been included in category C, as the UK has a wide authority to determine how the actual regulation is applied to business at a UK domestic level.

Table 4.2: There are a small number of IOs with origin B where the EU legislation sets out details of what the UK must legislate for. However, the legislation does not set out details of the specific requirements to be enforced on business.

4.4 Administrative burden by business size

Table 5 shows the administrative burden broken down by business size.

Table 5: Burden by business size

Tax Area	Total administrative burden					
	Nano £m	Micro £m	Small £m	Medium £m	Large £m	Total £m
Excise Duties	-	3	3	5	38	49
HMRC total	1,216	1,952	925	364	642	5,100

How the table is derived from the model

As outlined in Volume 1 Section 3.2.3.2 – the administrative burden is a function of price and quantity. Thus the burden shown in a particular size segment is driven by the number of businesses affected by the IOs in that size segment as much as by the price for that size segment.

As outlined in Volume 1 Section 3.2.3.1, considerable efforts have been made to ensure the population numbers are not unreasonable at a total level. As outlined in Volume 1 Section 3.2.3.1 and Section 3.3, the allocation of total population to segment populations has been done using a generic model. This means that the segment population in the model may be out of line with the segment population in practice. This means that Table 5, the analysis of the burden by size segment, needs to be interpreted with care.

Interpreting the table

It is not easy to interpret these numbers. This is an area where detailed analysis using the underlying data framework may be helpful, as HMRC take the model forward. In particular, the wide range of IOs and industries affected mean that analysis at the IO level is most appropriate.

Table 5 suggests that the burden mainly falls on large business. This primarily reflects the type of industry affected. The businesses most affected are oil and tobacco businesses. All these fall into the large business segment.

There are, however, some IOs that affect the smaller segments. These are mainly in the various alcohol related sectors, for example smaller independent brewers or cider makers.

4.5 Administrative burden by most burdensome Information Obligations

Table 6 below shows the top ten IOs by total burden, together with an analysis of price between its three components: internal cost, external cost and acquisition cost. For a full explanation of these items please see volume 1, Section 3.2.2 and Annex A.

Table 6: Top 10 obligations by total administrative burden

	Total administrative burden	Internal cost	External cost	Acquisition cost
Information Obligation	£000	£000	£000	£000
Markings on tobacco products	14,493	2,931	-	11,562
Completing records of consignment of goods to another member state	5,181	2,366	-	2,815
Mineral oil excise duty returns	4,951	151	-	4,800
Arrival of non-EU excise goods into an excise warehouse	3,205	390	-	2,815
Return of the Accompanying Administrative Document by the consignee to the consignor	3,019	205	-	2,815
Accompanying documents required to move excise goods in duty suspension	2,852	2,682	-	170
Removal of goods from an excise warehouse	2,438	2,438	-	-
Tobacco excise duty returns	1,798	70	-	1,728
Use of Simplified Accompanying Document	1,145	975	-	170
Use of the Accompanying Administrative Document	959	789	-	170
Total	40,041	12,996	-	27,045
Share of total for tax area	81.60%	62.70%	-	95.42%
Total for tax area	49,070	20,727	-	28,343

This table highlights a key theme of the findings: the ‘long tail’ of the tax administrative burden. This is very clear at a total level, for the whole of the UK tax system. For Excise, ten IOs account for 88% of the burden. This means that 278 IOs account for 12% of the burden.

As Excise covers so many different industries it is difficult to draw any meaningful conclusions from this table that covers all industry sectors.

The top ten IOs either reflect a very high population (for example, tobacco labelling or the IOs involving the Administrative Accompanying Documents which affect all movement of excise goods within the UK and EU) or a relatively high price (for example, mineral oil and tobacco returns). The Administrative Accompanying documents do, of course, apply to alcohol. However, it is interesting to note that the top ten does not include any IOs exclusively relating to alcohol, even though the alcohol IOs affect a larger number of individual businesses than the other IOs in Excise.

The reason the burden is high for mineral oil excise duty returns and markings on tobacco products is very different:

- the individual burden of each label on a tobacco product is extremely low. However, it is multiplied up by a very large population (effectively the number tobacco products sold, by item – around 3.9 billion). This results in a high total.
- the population for a mineral oil return is low. However it is multiplied up by a high price, because the individual burden of a mineral oil return is extremely high. As a general rule these returns are required to be submitted to HMRC every month, although the frequency may vary in specific circumstances with HMRC agreement. As can be seen the key reason for the high cost of the mineral oil return is the acquisition cost (essentially software).

The split of the total Excise burden between internal costs, external costs and acquisition costs is discussed in 4.6 below.

4.6 Administrative burden by administrative activity and forms

Table 7 analyses the administrative burden into the three component price parts (internal costs, external costs and acquisition costs). It also analyses internal costs between the 16 administrative activities set out in the SCM. Table 7 uses the description of administrative activities in the SCM. A practical interpretation of those activities is given in Volume 1 – Glossary.

The first part of the table analyses internal costs. The second part of the table analyses the total burden into the three component parts of price.

Table 7: Summary of burden by standard activity type

Activity	Form-filling related		Non form-filling related		Total	
	£000	%	£000	%	£000	%
Familiarisation with the Information Obligation	9	0.04%	19	0.09%	27	0.13%
Information retrieval	499	2.41%	4,041	19.49%	4,540	21.90%
Assessment	196	0.95%	563	2.72%	759	3.66%
Calculation	422	2.04%	295	1.42%	718	3.46%
Presentation of figures	740	3.57%	3,173	15.31%	3,913	18.88%
Checking	222	1.07%	393	1.89%	614	2.96%
Correction	61	0.29%	191	0.92%	252	1.22%
Description	154	0.74%	3,089	14.90%	3,243	15.64%
Settlement/payment	5	0.02%	3	0.01%	7	0.04%
Internal meetings	106	0.51%	32	0.15%	138	0.67%
External meetings	84	0.40%	19	0.09%	102	0.49%
Inspection by public authorities	0	0.00%	140	0.68%	141	0.68%
Correction resulting from inspection by public authorities	-	-	-	-	-	-
Training	-	-	0	0.00%	0	0.00%
Copying, distribution, filing, etc.	80	0.38%	5,430	26.20%	5,510	26.58%
Reporting/submitting information	80	0.39%	683	3.29%	763	3.68%
Internal total	2,657	12.82%	18,070	87.18%	20,727	100.00%

		Share of total burden %		Share of total burden %		Share of total burden %
Internal total	2,657	5.41%	18,070	36.83%	20,727	42.24%
Acquisition costs	4,804	9.79%	23,539	47.97%	28,343	57.76%
External costs	-	-	-	-	-	-
Total burden	7,461	15.20%	41,609	84.80%	49,070	100.00%

It may be helpful to look first at the table that analyses the total burden between the three components of price. This shows that internal costs are some 29% of the burden and acquisition costs some 71% of the burden. There are no external costs.

Although a very complex area of tax, there is no significant market for intermediaries for the purposes of modelling. This reflects the fact that Excise is very fragmented, very industry specific, affects a relatively small number of businesses and, to operate effectively, requires real integration into the core supply chain in a business. All of this means that it is less cost effective or practical for intermediaries to be involved.

This is different to many other tax areas. Another difference is the very high level of acquisition costs. This reflects the high level of investment, by business, in software or labels to help manage the requirements.

Table 6 above shows that by far the greatest burden to business of dealing with the mineral oil return is acquisition costs. This is the software acquired or developed to make the preparation of the return more efficient. There are generally no significant 'off the shelf' software packages available for Excise. This means that business must invest in costly bespoke systems building and tailoring the software to their needs. If there is a change in the regime that requires a change in the software, there is a big incremental cost.

Table 6 also shows that the greatest burden to business of dealing with tobacco labelling is acquisition costs. This reflects the costs incurred by business on the labels used for each packet.

Table 7 shows that most of the burden in Excise does not relate to forms. This is a combination of the burden of labelling tobacco products and the burden of the document retention requirements, none of which is categorised as form filling.

4.7 **Administrative burden by Information Obligations to third parties**

Table 8: Breakdown of administrative burden of obligations to third parties

Tax Area	Total administrative burden			
	Obligations to third parties	Share of HMRC total	All other obligations	Share of HMRC total
	£m		£m	
Excise Duties	4	0%	45	1%
HMRC Total	892	17%	4,208	83%

There are several obligations within excise duties to provide information to third parties. These obligations, however, relate to only 5% of the total excise burden. This is because the obligations to third parties mainly relate to relatively infrequent requirements.

5 Other findings

This section summarises the feedback recorded from businesses interviewed as part of the project work. It therefore represents those businesses' views rather than the views of HMRC or KPMG.

5.1 Irritations

Some businesses highlighted the amendments to approvals as particularly burdensome. Approval is required for any change, no matter how small and this creates the requirement to notify HMRC. For example, if an individual wishes to purchase and store an additional barrel of excisable product, approval is required to record the change in storage facilities. According to business the need for all these approvals gives rise to multiple correspondence with HMRC.

Some tobacco companies highlighted marking of products, especially cigarette packets, as a major irritation. Due to a change in HMRC requirements, one business had to update its markings, resulting in approx £200,000 worth of stock being replaced because it had not been sold by the deadline date. According to the feedback, it also causes significant delays and costs in the manufacturing process. Applying tax stamps to cigarette packets, according to each individual EU Member State requirements, apparently slows production by approximately 30%. For instance the positioning of tax stamps for different countries creates confusion and manufacturing difficulties.

Other businesses raised the issue of mid-month reporting for excise purposes. For excise purposes and only those purposes, a business has to produce a mid-month to mid-month report (15th month A to 14th month B). All commercial and other operations run on a calendar month basis and so the industry is left with a reporting date for HMRC purposes only.

A mineral oil business thought that HMRC should dispense with the storage loss analysis for duty purposes. It said it is "an antiquated exercise and HMRC spend too much time in discussion with businesses trying to prove losses". Most oil companies operate within a 0.35% tolerance limit, which should be adequate for HMRC. One oil company has a person devoted full time to the issue.

Some businesses criticised the movement guarantee process. One alcohol company found it "a pain to set up" involving the form being passed to the local office then to Glasgow for another form to be completed, before finally being approved. All in all this took six weeks. Other businesses criticised the "slow paper process" within HMRC to "close down" shipments and related papers, which then delays the release of any guarantee. Some businesses have 100% utilisation of guarantees and this delay effectively curtails any additional shipments.

One business specifically mentioned the 'Returned Goods Policy' as costly and burdensome. It finds that goods exported outside the EU are difficult to re-import. This is especially costly as the re-imports, according to one business, carry 52% import duty.

It has found that there is no ‘customs procedure code’ at import that allows this kind of re-import. In order to work around this, the business employs five to six people in its returns section to check, process and ensure accuracy and traceability of the shipments.

Some businesses have commented that their dealings with HMRC are “slow and sometimes ineffectual”. Some criticised the lack of effective communication and lack of sharing of experience and knowledge. Some businesses mentioned that they used to have an HMRC representative on site who could make decisions as issues arose. This was considered extremely efficient. They now consider any HMRC contacts as “too remote” from the actual operation. Furthermore, some businesses have highlighted the lack of clear and prescriptive guidance from HMRC regarding procedures and practices. Businesses feel they are required to draw their own conclusions from current notices and legislation and make operating decisions based on these judgements, even where there is uncertainty.

5.2 Simplifications

Some businesses requested a more open partnership between the excise industry and HMRC. HMRC should, it is argued, provide business with greater trust to operate in a compliant manner. For instance, one business said they were “happy to account for goods and pay for any failure to comply and duty on any losses incurred”. HMRC must, business says, acknowledge that large excise businesses operate in a highly secure and compliant environment. Some businesses considered that HMRC “have not kept up with the pace of change in this area” and should be able to use new documentation required for corporate governance purposes, for example under Sarbanes Oxley S404 requirements, to help them gain assurance.

Business has suggested that the approvals process needs amending. Less paperwork and perhaps more checks by HMRC would make a good simplification. For example, within the distillation industry there used to be representatives from HMRC actually based at the distillery. Most businesses would be happy, given an ongoing good relationship with HMRC, for more checks (which currently are quite infrequent) thus providing them with more certainty.

One business suggested filing approvals electronically. They thought it would also be beneficial for trade and HMRC to share web-based approval files, which could also provide expiry alerts.

One business, which had difficulty with its movement guarantee, asked why this guarantee could not be combined with the premises or deferment guarantee. This would remove the separate application process. Moreover, it believed that the application process should be carried out by one HMRC office.

There were comments made by businesses on the very high initial capital outlay in acquiring software to suit the excise industry. Given the benefit to compliance of sound and secure systems, business suggested a Government grant could be offered to help acquire software and then train users.

One business highlighted the problem with claiming drawback on spoilt spirits. According to the business, incidents must currently be reported within 24 hours or it will lose any duty paid. However, it may take longer than 24 hours to discover the incident. Therefore the business suggested a longer deadline for these claims, for example 14 days.

Finally, some businesses mentioned that it would be very helpful if they could submit forms and returns online. For example, one business hoped that it might be possible to make the AAD process electronic.

5.3 Examples of best practice

One business noted that after HMRC changed the reporting method for the disposal of spoilt beer, it saved the time of two additional people and “the job now only takes a few minutes”.

There was a strong view expressed by some businesses that Government requirements were just a “bolt on” to what would be normally be thought of as good business or accounting practices. This implies that many requirements are not additional burdens. For instance, in the distillation industry, it is accepted that the information required by HMRC is largely just good practice.

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