

Summary: Intervention & Options

Department /Agency: HM Revenue & Customs	Title: Impact Assessment of Intrastat Simplification	
Stage: Options	Version: 2.0	Date: 14 July 2008
Related Publications:		

Available to view or download at:

<http://www.hmrc.gov.uk/ria/>

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What is the problem under consideration? Why is government intervention necessary?

Trade in goods between EU Member States is captured by the Intrastat system. The current EC legislation requires Member States to capture 97 per cent of total trade from VAT registered traders by value. The administrative cost to business of meeting this requirement is estimated to be £18.2 million per annum.

Government intervention is required to influence the revision of EC legislation to achieve a substantial reduction in this administrative burden.

What are the policy objectives and the intended effects?

To introduce a revised methodology for the capture of Intrastat data that will reduce the administrative burden on business whilst at the same time maintaining an acceptable level of data quality.

The current proposal from the Commission is for a reduction of the percentage of trade for arrivals (imports) only. A new Option 4 has been added to reflect this.

What policy options have been considered? Please justify any preferred option.

1. Reduce the percentage of total EU trade to be captured from the current 97 per cent to 95 per cent.
2. Reduce the percentage of total EU trade to be captured from the current 97 per cent to 90 per cent.
3. Introduce a Single Flow system, collecting data on one flow only (either dispatches or arrivals).
4. Reduce the percentage of arrivals trade to be captured from the current 97 per cent to 95 per cent, whilst maintain dispatches (exports) at 97 per cent.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? Three years after the implementation of the revised EC legislation or in order to tie in with the timetable of the Commission's own review if this is different.

Ministerial Sign-off For SELECT STAGE Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

Jane Kennedy

.....Date: 20 July 2008

Summary: Analysis & Evidence

Policy Option: 1

Description: Reducing Percentage of Trade Captured to 95 per cent

COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' This option would reduce the number of traders within the Intrastat system by raising the Exemption threshold to capture only 95 per cent of trade. The administrative one-off cost of introducing this system and the ongoing costs would be nil for those affected who would no longer need to submit Intrastat declarations.
	One-off (Transition)	Yrs	
	£ 0	0	
	Average Annual Cost (excluding one-off)		
£ 0		Total Cost (PV)	£ 0
Other key non-monetised costs by 'main affected groups' Some loss of detailed data and data quality.			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' It is estimated that 13,500 traders would no longer need to submit Intrastat declarations which would reduce the administrative burden by £3.5m per annum. Since 2005 costs have risen but the Intrastat population has fallen, the 2007 benefits are approximately the same as 2005.
	One-off	Yrs	
	£ 0	0	
	Average Annual Benefit (excluding one-off)		
£ 3.5m		Total Benefit (PV)	£
Other key non-monetised benefits by 'main affected groups' There are no other key non-monetised benefits.			

Key Assumptions/Sensitivities/Risks The current Intrastat system provides a method of both monitoring and tackling Missing Trader Intra-Community VAT fraud within the EU. Therefore, careful consideration will need to be given to the fact that reducing the quality of Intrastat statistics might diminish the effectiveness of the anti-fraud monitoring.

Price Base Year 2007	Time Period Years	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £
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What is the geographic coverage of the policy/option?	United Kingdom			
On what date will the policy be implemented?	Not Known			
Which organisation(s) will enforce the policy?	HMRC			
What is the total annual cost of enforcement for these organisations?	£ No Added Costs			
Does enforcement comply with Hampton principles?	Yes			
Will implementation go beyond minimum EU requirements?	No			
What is the value of the proposed offsetting measure per year?	£ N/A			
What is the value of changes in greenhouse gas emissions?	£ 0			
Will the proposal have a significant impact on competition?	No			
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)	
Increase of	£ 0	Decrease of	£ 3.5m
		Net Impact	£ 3.5m - decrease

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Summary: Analysis & Evidence

Policy Option: 2

Description: Reducing Percentage of Trade Captured to 90 per cent

COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' This option would reduce the number of traders within the Intrastat system by raising the Exemption threshold to capture only 90 per cent of trade. The administrative one-off cost of introducing this system and the ongoing costs would be nil for those affected who would no longer need to submit Intrastat declarations.
	One-off (Transition)	Yrs	
	£ 0	0	
	Average Annual Cost (excluding one-off)		
£ 0		Total Cost (PV)	£ 0
Other key non-monetised costs by 'main affected groups' Some loss of detailed data and data quality.			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' It is estimated that 22,500 traders would no longer need to submit Intrastat declarations which would reduce the administrative burden by £5.5m per annum. Since 2005 costs have risen but the Intrastat population has fallen, the 2007 benefits are approximately the same as 2005.
	One-off	Yrs	
	£ 0	0	
	Average Annual Benefit (excluding one-off)		
£ 5.5m		Total Benefit (PV)	£
Other key non-monetised benefits by 'main affected groups' There are no other key non-monetised benefits.			

Key Assumptions/Sensitivities/Risks The current Intrastat system provides a method of both monitoring and tackling Missing Trader Intra-Community VAT fraud within the EU. Therefore, careful consideration will need to be given to the fact that reducing the quality of Intrastat statistics will diminish the effectiveness of the anti-fraud monitoring.

Price Base Year 2007	Time Period Years	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £
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What is the geographic coverage of the policy/option?		United Kingdom	
On what date will the policy be implemented?		Not Known	
Which organisation(s) will enforce the policy?		HMRC	
What is the total annual cost of enforcement for these organisations?		£ No added costs	
Does enforcement comply with Hampton principles?		Yes	
Will implementation go beyond minimum EU requirements?		No	
What is the value of the proposed offsetting measure per year?		£ N/A	
What is the value of changes in greenhouse gas emissions?		£ 0	
Will the proposal have a significant impact on competition?		No	
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium Large
Are any of these organisations exempt?	No	No	N/A N/A

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)	
Increase of £ 0	Decrease of £ 5.5m	Net Impact	£ 5.5m decrease

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Summary: Analysis & Evidence

Policy Option: 3

Description: Single Flow

COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' The Single Flow option would almost certainly require the UK to reduce its Exemption Threshold in order to capture sufficient data for Community purposes. Without knowing the level of the revised threshold it is not possible to quantify what the costs would be.
	One-off (Transition)	Yrs	
	£ TBA	0	
	Average Annual Cost (excluding one-off)		
	£ TBA		Total Cost (PV) £
Other key non-monetised costs by 'main affected groups' Some loss of detailed data and data quality.			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' The Single flow option would take some traders out of the Intrastat system because they are not involved in making sales within the EU. The number cannot be quantified at present.
	One-off	Yrs	
	£ TBA	0	
	Average Annual Benefit (excluding one-off)		
	£ TBA		Total Benefit (PV) £
Other key non-monetised benefits by 'main affected groups' There are no other key non-monetised benefits.			

Key Assumptions/Sensitivities/Risks Before introducing a Single Flow system, the current high level of Intrastat asymmetries problems will need to be resolved. Asymmetries are differences in the trade data collected by one member state and the corresponding data collected by their trading partners. Moving to single flow will reduce monitoring of MTIC fraud.

Price Base Year 2007	Time Period Years	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £
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What is the geographic coverage of the policy/option?		United Kingdom	
On what date will the policy be implemented?		Not Known	
Which organisation(s) will enforce the policy?		HMRC	
What is the total annual cost of enforcement for these organisations?		£ No added costs	
Does enforcement comply with Hampton principles?		Yes	
Will implementation go beyond minimum EU requirements?		No	
What is the value of the proposed offsetting measure per year?		£	
What is the value of changes in greenhouse gas emissions?		£ 0	
Will the proposal have a significant impact on competition?		Yes/No	
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium Large
Are any of these organisations exempt?	No	No	N/A N/A

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)	
Increase of £ TBA	Decrease of £ TBA	Net Impact	£ TBA

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Summary: Analysis & Evidence

Policy Option: 4

Description: Reducing Percentage of Trade Captured to 95 per cent for Arrivals Flow Only

COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' This option would reduce the number of traders within the Intrastat system by raising the threshold to capture only 95 per cent of arrivals trade. The administrative one-off cost of introducing this system would be nil for those affected who would no longer need to submit Intrastat arrivals declarations.
	One-off (Transition)	Yrs	
	£ 0	0	
	Average Annual Cost (excluding one-off)		
£ 0		Total Cost (PV)	£
Other key non-monetised costs by 'main affected groups' Some loss of detailed data and data quality.			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' It is estimated that 8.400 traders would no longer need to submit Intrastat arrivals declarations which would reduce the administrative burden by £1.9m per annum. Since 2005 costs have risen but the Intrastat population has fallen, the 2008 benefits are approximately the same as 2005.
	One-off	Yrs	
	£ 0	0	
	Average Annual Benefit (excluding one-off)		
£ 1.9m		Total Benefit (PV)	£
Other key non-monetised benefits by 'main affected groups' There are no other key non-monetised benefits.			

Key Assumptions/Sensitivities/Risks The current Intrastat system provides a method of both monitoring and tackling Missing Trader Intra-Community VAT fraud within the EU. Therefore, careful consideration will need to be given to the fact that reducing the quality of Intrastat statistics will diminish the effectiveness of the anti-fraud monitoring.

Price Base Year 2007	Time Period Years	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £
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What is the geographic coverage of the policy/option?		United Kingdom		
On what date will the policy be implemented?		Not Known		
Which organisation(s) will enforce the policy?		HMRC		
What is the total annual cost of enforcement for these organisations?		£ No added costs		
Does enforcement comply with Hampton principles?		Yes		
Will implementation go beyond minimum EU requirements?		No		
What is the value of the proposed offsetting measure per year?		£ N/A		
What is the value of changes in greenhouse gas emissions?		£ 0		
Will the proposal have a significant impact on competition?		No		
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)	
Increase of	£ 0	Decrease of	£ 1.9m
		Net Impact	£ 1.9m decrease

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Evidence Base (for summary sheets)

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

There are currently around 32,500 traders on the UK Intrastat register who are required to submit Intrastat declarations; about 20 per cent of all VAT registered traders with EU trade. This generates an administrative burden on business which has been assessed at £18.19m (0.36 per cent of the total burden from HMRC).

The impact for the options was analysed using data on the total value of trade for each flow by trader from Intrastat and VAT submissions.

Option 1

The 2007 threshold would have been £685,000 instead of £260,000. Around 13,500 smaller business traders exempted from Intrastat giving a total burden reduction of about £3.5m (only affecting traders below the new threshold).

Option 2

The 2007 threshold would have been £2m instead of £260,000. Around an additional 22,500 traders exempted from Intrastat. Total burden reduction of about £5.5m (only affecting traders below the new threshold).

Option 3

Requirement to declare arrivals removed. Around an additional 14,500 arrivals business traders exempted from Intrastat. On current UK threshold, about 9,000 arrivals and dispatches traders now only declare dispatches. Maximum burden reduction about £9m. However, the dispatch threshold would probably be lowered in order to provide suitable information to calculate the missing arrivals for all Member States; so many smaller dispatches traders could have to start submitting. A lower threshold would reduce the net burden reduction, **possibly even resulting in an increase.**

Option 4

The 2007 threshold for arrivals traders would have been £685,000 instead of £260,000. Around 8,400 smaller business traders exempted from Intrastat giving a total burden reduction of about £1.9m (only affecting traders below the new threshold).

There are no specific impacts by gender, race, disability or human rights.

Insignificant impact on sustainability and carbon – most traders submit electronically but assumed a small number of traders will stop submitting Intrastat declarations by paper.

The proposals in Options 1, 2 and 4 will remove an obligation for some small and medium traders, but measuring the exact impact would require an additional burden to collect more information. The impact from Option 3 is not known at this time.

See previous consultation document, 'Intrastat: Consultation on Proposed Changes', June 2007, pages 9-11 for more detail:

http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageLibrary_ConsultationDocuments&propertyType=document&columns=1&id=HMCE_PROD1_027623

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	Yes	No
Sustainable Development	Yes	No
Carbon Assessment	Yes	No
Other Environment	Yes	No
Health Impact Assessment	Yes	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	Yes	No
Rural Proofing	Yes	No

Annexes

There are no annexes. Please refer to the consultation document that accompanies this Impact Assessment.