

Summary: Intervention & Options

Department /Agency: HM Revenue & Customs	Title: Reduction in admin burdens from minor improvements in Customs processes	
Stage: Implementation	Version: 1	Date: 7 June 2008
Related Publications:		

Available to view or download at:

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

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

HMRC has targets to reduce the administrative burden that it places on compliant businesses. As part of its work to achieve its targets, HMRC has reviewed aspects of its Customs processes, and identified improvements that could be made. The improvements relate to the production of the EUR2 Movement certificates (which must be issued and produced by businesses in support of claims to reduced or nil preferential rates of customs duty) and the production of additional statements required by HMRC to support the preferential origin of goods which are being imported.

What are the policy objectives and the intended effects?

The aim of the policy is to reduce administrative burdens by reducing the number of forms required and by the replacement of paper certificates with declarations of origin which can be transmitted electronically.

The changes will not affect HMRC's ability to enforce the preferential trade regime, and in particular, its ability to ensure that importers hold the necessary proof of preferential origin, or for it to require that importers must produce additional evidence to support the preferential origin of the goods they are importing in cases where HMRC has reasonable doubts.

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

Option 1 - Do not implement changes - with no benefit for UK exporters

Option 2 - Replace all EUR2 forms with declarations of preferential origin which UK exporters can insert on invoices or other commercial documents, and reduce the number of occasions on which additional statements are required to only those cases where HMRC has reasonable doubts as to the preferential origin of the goods.

Option 2 is the preferred as it will result in reductions in administrative burdens placed on UK businesses.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? Compliance costs are usually reviewed one to three years after the policy has been implemented.

Ministerial Sign-off For final proposal/implementation stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs

Signed by the responsible Minister:

Jane Kennedy.....Date: 7 June 2008

Summary: Analysis & Evidence

Policy Option: 2	Description: Implement admin burden saving initiatives
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COSTS	ANNUAL COSTS	Description and scale of key monetised costs by 'main affected groups'	
	One-off (Transition) Yrs		
	£ neg		
	Average Annual Cost (excluding one-off)		
	£ 0	Total Cost (PV)	£ neg
<p>Other key non-monetised costs by 'main affected groups' There will be minor familiarisation costs as a result of the changes, but these are not expected to be significant. Also, businesses making minor changes to invoice templates may incur costs.</p>			

BENEFITS	ANNUAL BENEFITS	Description and scale of key monetised benefits by 'main affected groups' Administrative savings to exporters from no longer having to complete and issue 5-10,000 paper EUR2 forms each year. Savings to importers in having to provide additional statements in cases of reasonable doubt only, instead of every import declaration on which preference has been claimed.	
	One-off Yrs		
	£ 0		
	Average Annual Benefit (excluding one-off)		
	£ 53-90k	Total Benefit (PV)	£53-90k
<p>Other key non-monetised benefits by 'main affected groups'</p>			

<p>Key Assumptions/Sensitivities/Risks</p> <p>Savings assume that businesses do not continue to produce the forms "just in case".</p>

Price Base Year 8	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?	UK
On what date will the policy be implemented?	Spring/Summer 2008
Which organisation(s) will enforce the policy?	HMRC
What is the total annual cost of enforcement for these organisations?	£ Negligible
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?	£ Negligible
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 £ 50-80k	Net Impact £ 50-80k

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

Evidence Base (for summary sheets)

This is an IA for two small measures which reduce the administrative burdens on UK importers and exporters dealing with the system of preferential origin for goods involving third countries under the European Community's preferential trade arrangements.

Proposal 1 – Replacement of EUR2 Movement certificates

Current situation

Currently if a business wishes to import to or export from a country that is subject to one of the EC's preferential trade agreements, EUR1 and EUR2 movement certificates must be issued and produced in support of the claims for reduced or nil rates of Customs duty. UK importers have to obtain these certificates, and where the arrangements are reciprocal UK exporters also have to issue the documents.

The form and nature of the certificates (which certify the preferential origin of the goods covered by them) are laid down in EC legislation – Commission Regulations or European Council Decisions – which are directly applicable in and are binding on the UK.

The EUR2 is a simplified version of the Form EUR1 for low value consignments with a value not exceeding £1850. The certificate does not have to be stamped by the customs or other governmental authority in the exporting country.

Proposed change

The proposed change means that rather than producing and issuing a certificate, UK exporters will be able to include a simple declaration of origin on the invoice or other commercial document. This can then be transmitted electronically to customers in the overseas country.

The change reflects amendments which have been gradually made over a number of years to the origin rules and requirements in the EC's preferential trade arrangements. UK exporters must issue these declarations in order for their overseas customers to benefit from a preferential rate of duty upon importation of the goods concerned.

The requirement to issue a declaration can not be abolished completely, as the preferential rules of origin and associated documentary requirements are laid down in directly applicable EC legislation and we will face infractions proceedings for not implementing it. Furthermore, the legislation requires that importers must be in possession of declarations to support their claims to the reduced or nil preferential rate of duty.

Expected Impact

Based on the number of forms printed, HMRC estimates that between 5,000 to 10,000 forms are issued by exporters each year.

While UK exporters will no longer be required to complete and issue EUR2 certificates, they will still incur a small administrative burden in inserting and signing (where required) a declaration in a format prescribed in EC legislation on the invoice or other commercial document. Provisionally, this is estimated to be around 20% of the previous burden of the EUR2 form, although the savings may be higher as the new declarations can be transmitted electronically.

Exporters will incur minor costs from having to change their invoice templates to incorporate the new declaration.

There will be very minor savings to HMRC from no longer having to print and supply these forms to exporters. HMRC will not be involved in the issue of the new invoice declarations.

SUMMARY OF ANNUAL COSTS/BENEFITS FOR UK EXPORTERS

Requirement	Admin Burden (2008 prices)
Previously: Issue 5-10,000 EUR2 certificates	£17-35,000
Now: Issue 5-10,000 invoice declarations	£4-7,000
Saving	£13-28,000

Proposal 2 – Reduction in the need for Importers to produce additional statements/documentary evidence to support the preferential origin of goods

Current situation

Under the provisions of the EC's preferential trade arrangements, many of which are reciprocal, certain goods may be imported into the Community at reduced or nil rates of customs duty, if they are produced in accordance with the appropriate rules of origin. A certificate (proof of origin) issued by a competent government authority in the exporting country provides evidence that these rules have been met.

The origin protocols in the preferential trade agreements concerned also provide that the customs authorities in the importing country may require that the import declaration is accompanied by a statement from the importer to the effect that the products meet the conditions for preferential tariff treatment.

Currently, an additional statement/evidence of origin is not required in respect of every preference import declaration. HMRC selects less than 10% of preference import declarations for documentary check. In no more than 10% (probably less) of those cases the Department calls for an additional statement or further proof of preferential origin – in around 10,000 -15,000 cases at most per year.

Proposed change

In the summer of 2007 HMRC concluded that it would be appropriate to change its practice and to apply risk –based principles which mean that importers will be required to provide additional statements/evidence only where we have reasonable doubts about the preferential origin of the goods covered by the import declaration. We estimate that this is in around 1,000 cases at most per annum. Where HMRC has reasonable doubt, importers will be given 14 days in which to produce the statement/evidence concerned. This is believed to be ample time to produce the evidence, and should mean that businesses do not continue to produce the evidence 'just in case'.

Expected Impact

Moving to an approach that acknowledges the discretionary nature of the provisions in the origin protocols will mean that there will be around 9-14,000 fewer occasions where importers have to produce the additional statements.

SUMMARY OF ANNUAL COSTS/BENEFITS FOR IMPORTERS

Requirement	Admin Burden (2008 prices)
To provide statements on 10 – 15,000 occasions	£44,000 – 66,000
To provide statements on 1,000 occasions	£4,000
Saving	£40,000 – 62,000

Consultation

The trade has been advised in the Joint Customs Consultative Committee Duty Liability Sub-Group of the reduction in the number of occasions on which additional statements/proof of preferential origin will be required, and of the replacement of Forms EUR2 with invoice declarations.

Implementation plan

The final stage of the replacement of Forms EUR2 with invoice declarations will take place in the summer of 2008, when it is anticipated that the need for Forms EUR2 to be produced will finally be removed from the EC's preferential trade agreements. Implementation of the new risk-based approach for requiring additional statements/evidence of origin will be fully implemented in mid 2008.

Competition and Small Firms Impact Test

The changes potentially affect all businesses with the international trade sector. It will not have an impact on competition, or a disproportionate negative impact on small businesses.

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	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	No
Disability Equality	No	No
Gender Equality	No	No
Human Rights	No	No
Rural Proofing	No	No