

## Summary: Intervention & Options

<b>Department /Agency:</b> <b>H M Revenue &amp; Customs</b>	<b>Title:</b> <b>Impact Assessment of Intrastat Simplification</b>	
<b>Stage:</b> Options	<b>Version:</b> 1.0	<b>Date:</b> 20 June 2007
<b>Related Publications:</b>		

### Available to view or download at:

<http://www.>

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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.

### 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).

Other options considered to date include stratified random sampling, classification simplification and combining Intrastat with EC Sales Lists (ECSL). Evidence shows that the costs are likely to exceed the benefits for these other options - see attached consultation document for details.

**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:

Dawn Primarolo

PAYMASTER GENERAL

Dawn Primarolo

## Summary: Analysis & Evidence

Policy Option: 1

Description: Reducing Percentage of Trade Captured to 95 per cent

<b>COSTS</b>	<b>ANNUAL COSTS</b>		Description and scale of <b>key monetised costs</b> 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.
	<b>One-off</b> (Transition)	<b>Yrs</b>	
	<b>£ 0</b>	0	
	<b>Average Annual Cost</b> (excluding one-off)		
<b>£ 0</b>		<b>Total Cost (PV)</b>	<b>£ 0</b>
Other <b>key non-monetised costs</b> by 'main affected groups' Some loss of detailed data and data quality.			

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>		Description and scale of <b>key monetised benefits</b> 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.
	<b>One-off</b>	<b>Yrs</b>	
	<b>£ 0</b>	0	
	<b>Average Annual Benefit</b> (excluding one-off)		
<b>£ 3.5m</b>		<b>Total Benefit (PV)</b>	<b>£</b>
Other <b>key non-monetised benefits</b> 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	<b>Net Benefit Range (NPV)</b> £	<b>NET BENEFIT (NPV Best estimate)</b> £
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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

<b>Impact on Admin Burdens Baseline</b> (2005 Prices)		(Increase - Decrease)	
Increase of    £ 0	Decrease of    £ 3.5m	<b>Net Impact</b>	<b>£ 3.5m - Decrease</b>

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

<b>COSTS</b>	<b>ANNUAL COSTS</b>		Description and scale of <b>key monetised costs</b> 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.
	<b>One-off</b> (Transition)	<b>Yrs</b>	
	<b>£ 0</b>	0	
	<b>Average Annual Cost</b> (excluding one-off)		
<b>£ 0</b>		<b>Total Cost (PV)</b>	<b>£ 0</b>
Other <b>key non-monetised costs</b> by 'main affected groups' Some loss of detailed data and data quality.			

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>		Description and scale of <b>key monetised benefits</b> 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.
	<b>One-off</b>	<b>Yrs</b>	
	<b>£ 0</b>	0	
	<b>Average Annual Benefit</b> (excluding one-off)		
<b>£ 5.5m</b>		<b>Total Benefit (PV)</b>	<b>£</b>
Other <b>key non-monetised benefits</b> 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	<b>Net Benefit Range (NPV)</b> £	<b>NET BENEFIT (NPV Best estimate)</b> £
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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?		£ Not applicable	
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

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

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

## Summary: Analysis & Evidence

Policy Option: 3

Description: Single Flow

<b>COSTS</b>	<b>ANNUAL COSTS</b>		Description and scale of <b>key monetised costs</b> 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.
	<b>One-off</b> (Transition)	<b>Yrs</b>	
	£ TBA	0	
	<b>Average Annual Cost</b> (excluding one-off)		
	£ TBA		<b>Total Cost (PV)</b> £
Other <b>key non-monetised costs</b> by 'main affected groups' Some loss of detailed data and data quality.			

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>		Description and scale of <b>key monetised benefits</b> 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.
	<b>One-off</b>	<b>Yrs</b>	
	£ TBA	0	
	<b>Average Annual Benefit</b> (excluding one-off)		
	£ TBA		<b>Total Benefit (PV)</b> £
Other <b>key non-monetised benefits</b> 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	Time Period Years	<b>Net Benefit Range (NPV)</b> £	<b>NET BENEFIT (NPV Best estimate)</b> £
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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

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

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.]

See attached consultation document, ['Intrastat: Consultation on Proposed Changes'](#), June 2007, pages 9-11

## 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	No	No
Small Firms Impact Test	No	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

## Annexes

There are no annexes. Please refer to the [consultation document](#) that accompanies this Impact Assessment.