

Regulatory Impact Assessment of proposal to increase the exemption threshold for Intrastat reporting

1. Purpose and intended effect of proposal

1.1 The Policy Objective

The objective of this proposal is to reduce the number of traders who are required to complete Intrastat declarations.

1.2 Background

VAT registered traders are required to declare the value of their intra-EU trade in goods on their VAT returns. In addition, traders with an annual intra-EU trade above a specific exemption threshold (applied independently to arrivals and dispatches) are required to provide more detailed monthly Intrastat statistical returns.

EC regulation 638/2004 requires Member States to review annually the threshold at or below which businesses involved in intra-EU trade in goods are exempt from providing Intrastat declarations.

The value of the threshold is reviewed annually to:

- Maintain the percentage coverage of the value of intra-EU trade required by Community legislation; and
- Ensure that the number of businesses required to submit monthly information is kept to a minimum.

The UK has made small increases to its threshold since Intrastat was introduced when the Single Market was created in 1993.

However, the revised EC regulation implemented in 2005 reduced the required coverage for Member States to 97 per cent.

Initially the accession of 10 new Member States made trading patterns difficult to estimate but the UK is now in a position to increase the threshold by just over 15.5 per cent from £225,000 to £260,000.

1.3 Rationale for government intervention

This change is required in order to ensure that only the minimum number of traders is required to complete Intrastat declarations, whilst still maintaining the coverage required by EC regulation.

2. Consultation

We have not consulted the providers of the statistical information as the change will result in a benefit to the businesses affected.

As far as the users are concerned, the change maintains the coverage required by the EC regulation. Trade below the threshold will continue to be estimated as it is now, so we will continue to account for all trade in our outputs.

3. Options

3.1 Do nothing

If this option were adopted there would be no change in the number of people who have to complete the Intrastat forms.

3.2 Increase the threshold

Under this option a greater number of people will not have to complete the Intrastat forms.

4. Implementation and Delivery plans

The threshold applies on a calendar year basis so businesses within the Intrastat system are familiar with the annual review. Those who are likely to fall below the threshold or come within the system for the first time are identified where possible from the figures in Boxes 8 and 9 of their VAT returns and are notified individually.

At the same time the businesses themselves should be monitoring their trade for the calendar year just ending to identify if their annual EU trade in goods has exceeded the threshold set for the following year. If it has they must submit statistical returns throughout the following year.

The change will be publicised to providers of the statistical information by a Business Brief. In addition traders signed up to the free email alert service 'uktradealert' provided by SATU will receive an electronic notification of the change. (Around 30 per cent of businesses in the Intrastat system are signed up to receive alerts.)

5. Costs and benefits

5.1 Costs

There are no costs envisaged – businesses currently completing Intrastat declarations will simply cease to submit them.

5.2 Benefits

The effect of this increase will be to reduce the number of businesses required to submit monthly information by around 2,300 whilst maintaining the percentage coverage required by Community legislation. The figures from the Standard Cost Model have been used in the following estimates.

The administrative burden baseline for Intrastat has been assessed as £17.7m. The saving made by this change has been estimated to be around £0.450m, which represents a reduction in the trader population of about 6.5%.

Large businesses will not be affected by this change. It will impact smaller businesses with an annual turnover in EU trade from the current threshold (£225,000) to the proposed threshold of £260,000. The average cost of Intrastat for small businesses that are currently obliged to submit Intrastat returns is around £200 per annum.

Other sectors are not affected by this change.

6. Small Firms Impact Test

This measure will take people out of the reporting regime. Its only impact will therefore be to reduce the administrative burden on those firms that no longer have to complete the forms. The measure will impact on smaller businesses with an annual turnover in EU trade from the current threshold (£225,000) to the proposed threshold of £260,000.

7. Competition Assessment

The filter test has been applied and this change has no impact on competition.

8. Enforcement, sanctions and monitoring

As a result of this change fewer businesses will be required to comply with Intrastat submission. This represents a reduction of the burden and therefore no sanctions are required to deal with non-compliance.

The traders who are still required to comply will be monitored to ensure that the coverage required by the EC Regulation is maintained and there is no reduction in the quality of data provided to the statistical users.

9. Post Implementation Review

A review will be undertaken 1 year after implementation to ensure the benefit assumptions linked to this change have had the intended effect.

10. Recommendation

To increase the threshold for Intrastat reporting to £260,000.

Declaration

Regulatory Impact Assessment of proposal to increase the exemption threshold for Intrastat reporting.

Statement of Ministerial Approval

I have read the regulatory impact assessment and I am satisfied that the benefits justify the costs.

Signed by the responsible Minister:
DAWN PRIMAROLO MP
PAYMASTER GENERAL

DATE 08/01/07