

An Independent Customs Regime – call for evidence

Response by the Chartered Institute of Taxation

1 Executive Summary

- 1.1 The Chartered Institute of Taxation (CIOT) is the leading professional body in the UK for advisers dealing with all aspects of taxation. We are a charity and our primary purpose is to promote education in taxation with a key aim of achieving a more efficient and less complex tax system for all. We draw on the experience of our 19,000 members, and extensive volunteer network, in providing our response.
- 1.2 As many of the questions require specific trader or intermediary import details, the CIOT has only responded to the questions where relevant feedback was provided to it. Each response has the consultation question number annotated for ease of reference.
- 1.3 The feedback received regarding the Simplified Customs Declarations Process ‘SCDP’ was that for many businesses and their advisers, delaying the timing of processing the full import declaration would end up taking additional time to carry out a retrospective exercise compared to complying with the full declaration process at the time of import.
- 1.4 HMRC could provide greater certainty for transit registration applications i.e. if you are accepted for one transit process and have evidence of compliant trading, this could provide ‘in principle’ pre-approval for other transit options.
- 1.5 The CIOT would like HMRC to consider that new border taxes may be introduced in the future so new systems, processes, border innovations, should be designed so that they can easily adapted to accommodate new tax measures.

2 About us

- 2.1 The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it –

taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.

- 2.2 The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.
- 2.3 The CIOT draws on our members' experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.
- 2.4 Our members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.

3 Introduction

- 3.1 We refer to the consultation document: [Call for evidence: An Independent Customs Regime](#) published on 7 February 2022.
- 3.2 We welcome that the government is consulting in order to consider views on how to modernise the UK's customs systems which aligns with its ambition for the UK border to be the most effective in the world, in terms of openness, dynamism and capacity to advance the UK's status as a leading hub for international trade in goods.
- 3.3 Our stated objectives for the tax system include:
 - A legislative process that translates policy intentions into statute accurately and effectively, without unintended consequences.
 - Greater simplicity and clarity, so people can understand how much tax they should be paying and why.
 - Greater certainty, so businesses and individuals can plan ahead with confidence.
 - A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented).
 - Responsive and competent tax administration, with a minimum of bureaucracy.

4 Chapter 2: About your business

- 4.1 Question 1: What type of business are you? (eg retailer, freight forwarder, fast parcel operator, haulier, etc.) and where are you based in the UK? (England, Scotland, Wales, NI, other)
- 4.2 Professional body based in England with members from the UK.

- 4.3 Question 2: What is the size of your business (eg micro (0 to 9 employees), small (9 to 49 employees), medium (50 to 249 employees), large (over 250 employees)) and, broadly, how many movements do you make per year? If you are a trade representative body, please state your membership size.
- 4.4 The CIOT is a medium sized employer with over 19,000 members. The CIOT's syllabus for the Chartered Tax Adviser examinations includes customs duty, tariff, transit and import/export procedures.
- 4.5 Question 3: How long has your business been importing or exporting goods, or supporting traders to import/export if you are an intermediary?
- 4.6 The CIOT itself is not an importer, however many of our members specialising in indirect tax either advise importers or are working for taxpayers that are importers.
- 4.7 Question 7: Do you use the Simplified Customs Declarations Process 'SCDP' (previously known as CFSP) for importing goods? Before this CfE, were you aware of SCDP (or CFSP)? Have you considered using SCDP for import and discounted it?
- 4.8 Not applicable to the CIOT itself though some of our members are aware of SCDP, using it or advising on it.
- 4.9 Question 8: Do you use Transit? Before this CfE, were you aware of Transit? Have you considered using Transit and discounted it?
- 4.10 Not applicable to the CIOT itself though some of our members are aware of transit, using it or advising on it.
- 4.11 Question 9: Are you an authorised consignor, authorised consignee or both?
- 4.12 Not applicable to the CIOT itself though some of our members are authorised consignor/authorised consignee/both or advising on it.
- 4.13 Question 11: How does using SCDP or Transit help or hinder coordination with other import processes, for instance Safety and Security declarations, or the movement of specific commodity groups with their own enforcement regimes, for example SPS goods?
- 4.14 The CIOT received feedback that some taxpayers did not use the SCDP for imports from the EU into GB when it was available in 2021, as it was seen as more administratively efficient to complete the full customs declarations at the time of import rather than having to carry out a bulk retrospective administrative exercise later in the year; this also meant that any administrative/compliance problems were highlighted in real-time so that they are not replicated over a period of months. One member mentioned that it was thought to be a more difficult task to obtain missing data months after the date of import rather than in real-time. The same members providing this feedback do not use the current SCDP available for GB imports from IE, or GB imports from NI, for the same reasons.

5 Chapter 3: Customs Intermediaries

- 5.1 Question 12: In your experience, do you agree that there is sufficient capacity within the customs intermediary sector? If not, please provide evidence.
- 5.2 We have had feedback from some members specialising in VAT who work in advisory firms with no in-house/outsourced customs specialist, that their roles have evolved and they now have an increasing amount of customs-based work.

- 5.3 Some of this has been due to a lack of customs specialist resource though with the deep interaction between VAT and customs processes for importing and exporting, VAT specialists with import/export clients have had to increase their own awareness of customs processes in order to continue to provide VAT compliance and consulting services to their existing client base. For VAT advisers with clients operating in both GB and NI post EU exit, they must understand three sets of import/export compliance rules, NI-EU, GB-EU and GB-NI in order to provide the taxpayer with the right support.
- 5.4 We received feedback from an independent customs intermediary that he has had to regularly turn down work as he is operating at full capacity.
- 5.5 We have had feedback from an in-house VAT specialist that the increase in post EU exit customs work has meant that they have had to recruit several in-house customs staff.

6 Chapter 4: Simplified Customs Declarations Process (SCDP)

- 6.1 Question 24: Do you think there is a good level of awareness of SCDP (or under its old acronym, CFSP) amongst those traders that could benefit from it? Please explain your answer.
- 6.2 Our feedback, mainly from VAT advisers that also deal with imports, or in-house VAT specialists, is that although there is an awareness of SCDP, it was largely not used. This was due to importers already being familiar with non-EU import processes and wanting to avoid having to deal with any arising compliance issues months after the time of import; it was thought to be administratively more efficient to deal with issues and compliance at the time that they arise.
- 6.3 Question 25: If you use SCDP, please explain its value, providing evidence if possible. If you do not use SCDP, please explain why.
- 6.4 As mentioned in our response at point 4.14, the members that provided feedback on SCDP were already familiar with importing from outside of the EU prior to 1 January 2021, so they chose to complete full declarations for EU imports from the outset of the changed procedures due to the perceived difficulties in carrying out a bulk administrative reconciliation exercise months after the date of import.
- 6.5 One member who decided not to use SCDP commented that in retrospect, it had been the right decision to have taken as there ended up being subsequent difficulties with the postponed VAT accounting ('PVA') rules as in February 2021 (several weeks after the date of exiting the EU), HMRC updated its [guidance](#) stating that imports from the EU that were known as going to be put to a non-business use could not use the PVA scheme and must be declared at the time of the import.

Please note that 'non-business use' for the purposes of a PVA import has two meanings: type (a) the import is used in a business but due to the use in an onward supply that is paid by deemed non-business income for VAT purposes (e.g. grant/funding etc) the import is also 'non-business'; or, type (b) non-business as used for private use. Prior to leaving the EU, all type (a) imports from the EU were accounted for in the VAT return as acquisitions and acquisition VAT so this was an unexpected change causing additional administration, process changes and staff training for affected taxpayers. If this had also been combined with using SCDP, it would have been an even more complicated exercise.

- 6.6 Due to the removal of PVA for the import of non-business goods (type a), we received feedback from one member that for a large and complex business where many staff are able to order products for import from

outside the UK, it is most administratively efficient and compliant to use a single process for importing, both for the business and the freight agent, hence neither PVA (for eligible business imports) nor SCDP are used.

7 Chapter 5: Transit

- 7.1 Question 46: On which aspect(s) of the Transit process do you seek advice and guidance, and where do you get this from?

The feedback received by the CIOT from indirect tax advisers (as opposed to solely customs advisers) was that the majority of the advice/support was provided at the registration stage for the various transit options available.

- 7.2 Question 47: How could HMRC improve its current Transit guidance and communications to make it the main source of information you would refer to?

For the feedback received, GOV.UK was the main guidance source for transit registration.

- 7.3 Question 51: Which sectors do your Transit customers fall under? Please provide proportions of your total customer base if possible.

From the feedback received, the main sectors where advisers provide support to taxpayers were: manufacturing, wholesale, retail and education. We do not have data on the percentage breakdown.

- 7.4 Question 54: Are there aspects of the Transit process that could be improved or simplified? Please provide details.

We have received feedback that there could be greater certainty for transit registration applications i.e. if you are accepted for one transit process and have evidence of compliant trading, this should provide 'in principle' pre-approval for other transit options. There can be costs involved setting up guarantees and this sometimes has to be done without knowing whether HMRC will accept the application.

8 Chapter 6: Further suggestions

- 8.1 Question 58: Are there any further suggestions that you have for how the UK customs system could be reformed?

- 8.2 The CIOT would like increased simplification for importers using the postponed VAT accounting scheme by expanding PVA to taxpayers importing goods used in the business deemed as non-business use for VAT purposes (i.e. type (a) not type (b) private use as described in point 6.5 above). As stated in [HMRC guidance](#), PVA can be used if it is not known at the time of the import whether the goods will be used for business or non-business use, so it is allowable in part though would be difficult point for HMRC officers to prove on inspection.

- 8.3 In April 2021, HMRC clarified that bodies using a VAT refund scheme, listed in section 33 to the VAT Act 1994, could use PVA for importing goods used for non-business purposes, though it is not clear why this must be restricted. Note that pre-EU exit, many affected taxpayers had histories of compliant VAT accounting for acquisition VAT for the same category of goods and they continue to self-assess VAT on imported services as reverse charges when such services are used in the business but deemed non-business use for VAT purposes.

- 8.4 This simplification would only reinstate the same VAT accounting treatment that was in place for EU acquisitions of goods used in a business but deemed non-business for VAT purposes.

- 8.5 For transparency, although the CIOT is a charity it is not an importer so is unaffected by any change in the PVA position.
- 8.6 The CIOT would like HMRC to consider that new border taxes may be introduced in the future, e.g. carbon border tax or other green tax measures, so new systems, processes, border innovations, should be designed so that they can easily adapted to accommodate new taxes. We received feedback about the Canadian carbon border tax, and although the goods cross the border efficiently, there have been difficulties experienced in post import audit compliance such as data gaps in records and difficulties obtaining evidence from initial suppliers in chain transactions, when your supplier is further down the chain; efficient border processes in a future border would seek to minimise the risks in post import audit.

9 Acknowledgement of submission

- 9.1 We would be grateful if you could acknowledge safe receipt of this submission, and ensure that the Chartered Institute of Taxation is included in the List of Respondents when any outcome of the consultation is published.

The Chartered Institute of Taxation

9 May 2022