



THE FUTURE OF CUSTOMS DECLARATIONS

Issued 8 September 2023

ICAEW welcomes the opportunity to comment on the call for evidence regarding The Future of Customs Declarations published by HM Revenue & Customs on 29 June 2023, a copy of which is available from this [link](#).

For questions on this response please contact us at taxfac@icaew.com quoting REP 88/23.

This response of 8 September 2023 has been prepared by the ICAEW Tax Faculty. Internationally recognised as a source of expertise, the ICAEW Tax Faculty is a leading authority on taxation and is the voice of tax for ICAEW. It is responsible for making all submissions to the tax authorities on behalf of ICAEW, drawing upon the knowledge and experience of ICAEW's membership. The Tax Faculty's work is directly supported by over 130 active members, many of them well-known names in the tax world, who work across the complete spectrum of tax, both in practice and in business. ICAEW Tax Faculty's Ten Tenets for a Better Tax System, by which we benchmark the tax system and changes to it, are summarised in Appendix 1.

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KEY POINTS

1. ICAEW is grateful for the opportunity to provide written feedback to this call for evidence, further to the roundtable session held with HMRC and HMT on 16 August 2023.
2. We appreciate the acceptance of partial responses, and, on this basis, we have provided general comments below, with answers to specific questions where relevant.
3. We welcome the exercise to simplify customs declarations, particularly the consideration of data requirements that could be removed. A shorter declaration will save both traders and intermediaries time when preparing and submitting customs declarations, and ultimately save money for all businesses interacting with the UK border.
4. We would caution, however, against diverging too far from international standards. It may be a false economy to simplify the UK declaration if businesses ultimately need the data to make customs declarations in other jurisdictions.
5. Furthermore, it is crucial that no data elements are removed that will have an impact on providing sufficient evidence of export for the purposes of the VAT zero rate. We note that VAT and customs policy in relation to export evidence already differs. Work should be undertaken to ensure this policy is consistent and doesn't diverge further as a result of this exercise.
6. That being said, we note that there are currently a number of data elements that our members consider to be irrelevant and cutting down on data requirements wherever possible can only be a good thing, particularly where there are a number of parties in the chain and who are dependent on other parties for that data.
7. Based on feedback from members, we note that the transport section of the UK customs declarations is the section that tends to cause the most problems. Particularly where there are a number of parties involved in the transaction, the intermediary submitting the declaration may be notified of the goods arriving after they've arrived. The intermediary may then be reliant on the software supplier for the Unique Consignment Number (UCN). In addition, the requirement for data such as the lorry's licence plate or which crossing the lorry made may need input from another party. All of this can cause delays at the border.
8. Although this data collection should all be handled by pre-filing, often the lorry's licence plate may change, for example, if the tractor unit is changed due to a breakdown. The inclusion of this data seems redundant as only the Goods Movement Reference generated by the carrier via the Goods Vehicle Movement System allows the goods to flow through the border. Removing this data from the declaration may therefore increase the accuracy of the declaration.
9. Finally, we note that in some instances, where data elements cannot be removed, it may be equally beneficial to move the data element. For example, pallets don't always hold just one type of good and having to split the pallets (number of packages) and assign them to commodity codes takes time. This could be solved by making the number of packages entry header level rather than item level or allowing it to be a flexible data element (as per Questions 29 and 30).

ANSWERS TO SPECIFIC QUESTIONS

Question 13: On average, how long does it take for your staff to complete a customs declaration, and how does this vary by type or length of declaration?

10. Based on evidence provided by our members, we understand that the length of time it takes staff to complete a customs declaration can vary significantly. Whilst a simple 'vanilla'

declaration, which would typically be a single commodity code and single country of origin, can take a junior member of staff as little as 15 minutes to complete, more complex declarations can take several hours.

11. Examples of more complex declarations could include amalgamated shipments or mixed pallets, or where certain declaration lines need new licences.
12. To submit a declaration, a copy of all relevant documentation is required to be uploaded into the software. For declarations that need a licence, the licence upload will depend on the conditions attached to the tariff. If the API from the tariff is not feeding through to the software (which there are issues with), the software provider has to intervene or an alternative commodity code needs to be used,
13. As an example, commodity code 3003900000 is for medicaments containing two or more ingredients not for retail sale. The corresponding code for retail sale is 3004900000, but the CDS waiver does not work and it expects a Home Office Licence., which is not required. Where the import is of controlled drugs that do require a Home Office Licence, agents have to put them under 3004900000, even though they would never be available for retail sale, in order to upload the licence.
14. Errors with the data can also cause significant additional time to be spent on a declaration. Errors are usually regarding the weight/mass of the shipment. This is often missing data but can also be a case of a simple transposition error.

Question 14: How much do you charge per declaration, and how does this vary by type or length of declaration? How much do you charge for any other services you provide? What factors influence the price of the declarations and any other services that you offer?

15. We have not had time to conduct a detailed survey of our members regarding this question so the figures quoted below should be treated with some caution.
16. We understand that minimum fees for simple declarations start at around £50 per declaration.
17. The cost per declaration can vary quite significantly in line with the type, complexity and length of the declaration and it's not uncommon for the cost to reach £100 per declaration.
18. The fees our members charge for declarations are also usually dependent on costs charged to them by their customs software supplier. We note that software costs can range from £10 for a simple declaration to £25 for an inventory-linked declaration. Additional costs may be charged for additional services.

Question 21: When completing the data elements DE 6/5 gross mass and DE 6/1 net mass, do you find it easy to provide accurate information for both data elements, or do you sometimes use one figure to approximate the other?

19. We understand that gross mass is very often approximated based on net mass (and sometimes the other way around).

Question 50: Are there any further suggestions that you have?

20. We recommend it is considered whether technology could allow for the pre-population of import declarations based on the export declaration submitted in the country of export, whether that's through negotiating direct access to the exporting country's customs system, or through the trader (or their agent) uploading the relevant document to the Customs Declaration Service (CDS). Particularly for exports from the EU, it should be possible for the CDS to map the data included onto the corresponding import declaration.
21. Several members have questioned why we use Community System Providers (CSPs) in the UK and have suggested that removing the need to use CSPs to make customs declarations at inventory-linked locations would be a big simplification.

22. Along similar lines, making it easier to obtain CDS badges or removing the need to have them would simplify the customs declaration process and significantly cut costs for businesses interacting with the UK border.
23. Finally, several members have suggested that access to import/export data through the CDS portal needs to be improved. This would save traders, intermediaries and HMRC time and money.

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. Statutory: tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.
2. Certain: in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.
3. Simple: the tax rules should aim to be simple, understandable and clear in their objectives.
4. Easy to collect and to calculate: a person's tax liability should be easy to calculate and straightforward and cheap to collect.
5. Properly targeted: when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.
6. Constant: Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.
7. Subject to proper consultation: other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.
8. Regularly reviewed: the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.
9. Fair and reasonable: the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.
10. Competitive: tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

These are explained in more detail in our discussion document published in October 1999 as TAXGUIDE 4/99 (see <https://goo.gl/x6UjJ5>).