



HM Revenue
& Customs

Customs Vision for 2020

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Foreword from Jim Harra, Director
General Business Tax, HMRC

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Foreword from Jim Harra, Director General Business Tax, HMRC



International trade is key to the growth and productivity of the UK economy. Facilitating the UK's international trade, supporting export led growth, ensuring the safety of our borders and citizens, collecting the tax and duties due and keeping pace with changes in the way goods are purchased and shipped around the world is the mission of UK customs. For our compliant customers, we want to be a swift and seamless service. For those that do not comply, we want to crack down hard to ensure a fair and level playing field for importers, exporters and the domestic market.

In step with all parts of government, customs faces a tough and demanding five years with many challenges. Customs will become smaller and must be more responsive to customer needs. To do this it must become more efficient, modernise its digital offering, maintain and develop its professionalism and work collaboratively with key stakeholders across government and in industry.

The Customs Vision for 2020, sets out our ambition for the UK's customs service, and identifies the key enablers that will support our strategic decision making over the next five years. Delivery of the Customs Vision for 2020 will increase our revenue yield, drive down tax avoidance and evasion, make it easier for customers to comply with their customs obligations and support businesses to grow by aligning customs and industry processes wherever possible.

The UK can be proud of its customs service, regarded by many industry commentators as one of the best in the world. The Customs Vision for 2020 sets out our future intention to deliver service excellence and a quality customer experience in balance with our regulatory, tax compliance and safety responsibilities to maintain the UK as an excellent place for international traders to do business.

A handwritten signature in black ink, appearing to read 'J Harra'. The signature is stylized and cursive.



Vision Statement

By 2020 the UK will be recognised globally as having the world's leading Customs authority for facilitating legitimate trade whilst protecting our society and growing our economy.

The purpose of this document is to set out for all stakeholders the Customs Vision for 2020. Realising our Vision will support the UK's long-term growth and prosperity, whilst creating a more secure border and trading environment. We want to be a customs service that

- is taken into account by multi-nationals when taking decisions on where to base their customs clearance operations in the EU;
- is recognised by Small and Medium Enterprises (SMEs) and large businesses as a customs authority that supports them and makes it easier for them to expand their businesses into import and export markets;
- operates seamless procedures and processes for all taxes payable at import and export;
- wherever possible does not intervene in legitimate supply chains, providing a seamless and friction free experience to compliant customers and exemplary customer service;
- drives out unfair competition created by fraud, smuggling and non-compliance;
- is flexible and pro-active, and responds with agility to changes in the international movement of goods;
- helps customers to get things right first time through the provision of high quality services and IT;
- is professional, acts with integrity and invests in new skills;
- is recognised by HM Government (HMG) and users as the UK's premier provider of 'international trade in goods' statistics.

About UK Customs

Our services

The UK customs authority has a long tradition of offering a first class service to international traders based in the UK. We focus on:

- supporting economic growth to build UK prosperity by facilitating legitimate trade;
- protecting the UK border and citizens from illicit trade and safety and security threats;
- operating a fair and effective regulatory environment;
- efficiently collecting the taxes that pay for the services - health, education, law enforcement, pensions - that UK citizens expect; and
- collecting, analysing and disseminating accurate and timely trade statistics for use by government, citizens and businesses.



Our structure

HMRC is the UK's Customs authority. With its partner Border Force, HMRC ensures that customs control at the border or inland is carried out in a way that balances the twin aims of facilitating trade and securing the border. The delivery of the ambition in the Vision depends on HMRC and Border Force working in partnership on a broad range of sometimes competing priorities. We commit to this collaboration in terms of customer engagement, resource deployment, technological advancement and international negotiation.

Our performance

Over the last decade we have delivered a strong performance in achieving UK policy aims internationally, increasing safety and security in a proportionate way, reducing costs and improving processes and facilitation for compliant customers. Examples include:

- negotiating the EU Union Customs Code to meet the UK's needs and ambitions;
- deploying the World Customs Organisation (WCO) SAFE Framework of Standards;
- delivering a step change in our enforcement of the UK's control of strategic goods and the illicit brokering of arms; ranging from our international outreach work to high profile successful criminal investigation and record seizures at the UK border;

- implementing UN and EU sanctions to counter proliferation and limit conflict;
- e-enabling Intrastat declarations, removing 90 million paper declarations a year;
- building strong international relationships through the successful delivery of international research projects;
- delivering the customs input to a hugely successful London 2012 Olympic Games and the Glasgow Commonwealth Games in 2014;
- providing the customs input to the negotiation and implementation of international Treaties and Agreements in pursuit of the UK government's ambitions for trade and cultural benefits, humanitarian aid, disaster relief and technological advancement, for example increasing the European Space Agency presence in the UK.

International trade

International trade is one of the major contributors to the UK's economy. The UK is the world's seventh largest economy and the second largest in the EU. International trade is currently worth over £700 billion a year to the UK economy. The UK's economic and social wellbeing depends significantly on the effective and smooth operation of customs processes to regulate and manage the movement of freight. To that end customs:

- **Collects over £34 billion revenue a year:** nearly £25 billion import VAT, over £6 billion excise duties on imports, and around £3 billion Customs Duty.
- **Suspends or** relieves just under £4.5 billion of customs duty at import a year to support the UK economy and make UK businesses competitive in the global market.
- **Maintains a register of 170,000 international traders.**



- Handles over **50 million declarations** a year - **99 per cent** of them electronically.
- **Clears 92 per cent** of goods in less than **5 seconds**.
- **Processes 80 per cent** of all import and export licences electronically.
- Clears in excess of **200 million items** of imported **postal packages** a year.
- Has approved over **400 trusted traders** (Authorised Economic Operators).
- Provides over **200 on-line customs tools and guides** targeting support to new and existing importers and exporters.
- Manages an **award-winning** web-tool that enables users to access and develop bespoke international trade statistics product www.uktradeinfo.com

International trade (continued)

Customs is **an international activity**, in which cooperation with other countries' customs authorities and a strong international framework for the import and export of goods are essential. For a number of years, the international customs agenda has focused increasingly on simplification and cost reduction to reduce burdens on business and streamline global trade.

At the international level, the World Customs Organisation (WCO) leads the development of global standards, facilitates cooperation between its 180 members and supports capacity building to help raise standards across the global customs environment. For the EU, customs policy and legislation is agreed and set at the EU level.

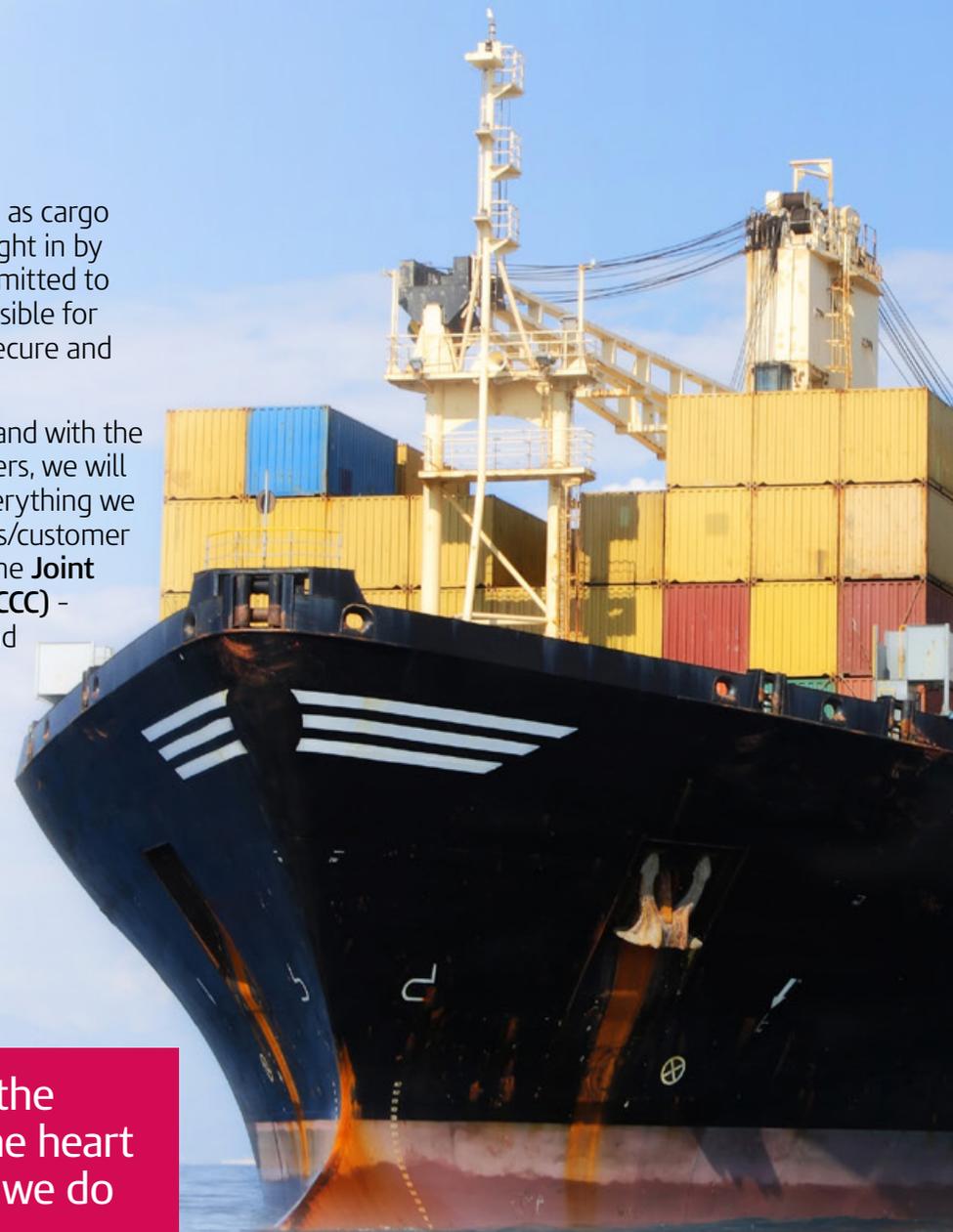
Effective engagement in the international agenda enables UK Customs to influence decisions, shape international frameworks and, crucially, play a leading role in the development of EU legislation with which the UK and other Member States' customs authorities must comply. It is also an opportunity to learn from others, share best practice and to encourage others to adopt the approaches and systems that will support UK trade. Strong and effective international engagement is central to the realisation of our Vision to become recognised as the leading customs authority globally for trade facilitation.

Although most goods arrive in the UK as cargo and express packages, some are brought in by international passengers. We are committed to delivering the smoothest passage possible for passengers, whilst delivering a safe, secure and effective border.

To deliver customs control effectively, and with the support of citizens and business partners, we will place the customer at the heart of everything we do. There is a well-established customs/customer engagement framework in the UK - the **Joint Customs Consultative Committee (JCCC)** - which brings together government and industry representatives to discuss strategic change opportunities and provide a forum for the UK customs authority to account for its actions and policies.



We will place the customer at the heart of everything we do



How we are doing

UK customs is regarded highly both nationally and internationally. We are:

- Ranked **fifth** for the efficiency of customs services in the World Bank Logistics Performance Index 2014.
- Regarded **positively** by UK SMEs and their representatives when performing our activities.
- Given a **top class** performance mark by the OECD for trade engagement.
- Acknowledged by the Joint Customs Consultative Committee as the **best** EU customs authority for consulting with customers.
- Exceeding across all indicators with a top ranking in the World Economic Forum Global Enabling Trade Report 2014.
- Exceeding against OECD Trade Facilitation Indicators for border agency co-operation, advance rulings and appeals procedures.

However, the fast moving, time critical world of international trade doesn't stand still. Nor can our response to the challenges this extraordinarily complex environment throws up. Our customers demand continuous improvement and increasingly higher levels of quality against a backcloth of profound changes to the way goods are purchased and shipped around the world. We must change and adapt to current and emerging challenges so that the services we offer continue to deliver and improve, competing with, and beating, the best in the world.



Why we need a Vision for 2020

Facilitating legitimate trade

The UK faces significant changes to its internal and external environments. We must maintain the investment and job-creating growth that this country needs in the years to come to ensure the UK is competitive and open for business.

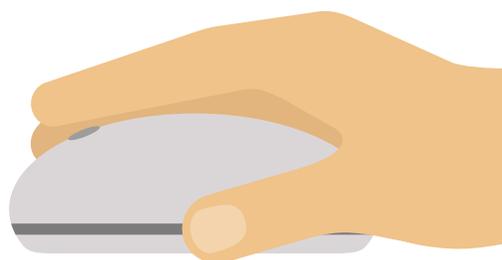
Key **economic** drivers for change include the:

- expansion of the EU Single Market;
- World Trade Organisation Trade Facilitation Agreement, which is potentially worth £1 billion to the UK economy and includes a range of measures to support effective customs procedures and coordinated border management;
- EU-US Free Trade Agreement, which could be worth up to £5 billion to the UK economy;
- emergence of major new global trading partners, such as, Brazil, Russia, India, China, South Africa and other countries with fast developing export based economies;
- massive growth of internet trade, especially business to consumer on-line shopping with 15.9 million internet shoppers in the UK in 2015 which presents new challenges both to the facilitation of trade and prevention of fraud;
- increasing numbers of international trade prohibitions and restrictions;

- increasing complexity of international supply chains for manufactured and processed goods; and
- development of mutual recognition agreements between the EU and other major trading blocks to facilitate legitimate trade.

Protecting Society

We expect international trade to increase by **15 per cent over the next 5 years**. The UK has a target to increase the number of exporters by **100,000** by 2020 from a baseline of 108,000. Against this projection for growth the UK faces the risk of increasing attacks from **organised criminal gangs** (drugs, tobacco and firearms), threats from **terrorism** and legal obligations to control **prohibited and restricted goods** and **collect revenue** that is due. As a result, customs is under increased pressure to balance competing priorities, find new ways to simplify procedures, develop new statistical products, increase compliance, tackle fraud and improve our ability to tackle criminal activity and reduce safety and security threats. At the same time, customs must facilitate legitimate trade, increase its fiscal contribution to the UK economy and minimise costs and burdens to both business and government.



15.9 million internet shoppers in the UK in 2015

Achieving our Vision

Achieving our Vision will require a challenging programme of reform and investment. The key enablers are:

Shaping the international environment

We will seek to influence the future direction of customs policy and legislation at international level. Our aim is to ensure that the rules and regulations governing the EU Customs Union and the standards set by the World Customs Organisation and other international bodies continue to support the realisation of the UK Customs Vision. This will require a strong UK voice, robust, evidence-based policy positions and effective coordination with like-minded customs administrations. We will work closely with our international partners, in the EU and globally, to set the direction for international



customs as well as the specifics of new and amended legislation and standards. We will use the opportunities presented by the World Trade Organisation Trade Facilitation Agreement and capacity building programmes to extend the UK's thinking and influence. At the EU level, we will continue to press for improvements to the functioning of the Customs Union, whilst maintaining current competence boundaries. For trade statistics, we will continue to negotiate with Eurostat to simplify and redesign processes to reduce impacts and burdens.

Legal and policy framework

Our policies, interventions and communications will be focused on our customers and will be designed to help them comply.

By 2020 we will have implemented the **Union Customs Code (UCC)**. The UCC is a complete re-write of EU level customs law and it will become applicable from May 2016. It will provide a modern electronic environment for customs and business that has to balance the need to facilitate and simplify requirements to minimise burdens for legitimate trade while introducing necessary measures in key areas to improve compliance, tackle fraud and ensure safety and security. The UCC gives us opportunities to test changes in the way we do things. By 2017, we will work with our industry partners to prototype new customs business process such as the movement of goods within Temporary Storage and the way we manage guarantees in respect of customs debt.

The UCC legislation will help us drive our digital programme of change and deliver the associated

benefits. It also provides greater flexibility in the use of certain customs duty suspense regimes, such as processing and warehousing, and our customers will benefit from these changes as it brings them cash flow advantages. Customers who are **Authorised Economic Operators (AEO)** will benefit from being able to receive customs simplifications restricted solely to AEOs, for example guarantee reductions. The UCC introduces new requirements in respect of safety and security measures. These will improve data quality to enable enforcement agencies to apply more timely and sophisticated risk assessment which will focus intervention activity on the areas of greatest risk.

Coordinated border management

Customs is not the only UK regulatory body working at the UK border. With our **partner agencies**, we will deliver greater co-ordination of all border management activities to reduce barriers and costs. Our aim is to deliver seamless processing to minimise disruption and cost to compliant businesses while intervening with precision where necessary to counter threats to society in all forms (including organised crime, attacks on home markets, terrorism, safety of goods). Traders should perceive there to be a transparent and straightforward engagement with government that increases precision in logistics planning by providing visibility and certainty that when goods are cleared they are available for removal. Importers and exporters should tell HM Government only once about their goods and they should get an integrated response. For passengers, we will consider new ways and places for passengers to declare their goods.

Manages an award-winning web-tool that enables users to access and develop bespoke international trade statistics products



Digital

Digital trends, economic competition and the growth in international trade will drive our customs IT modernisation programme. We will use customer focused and high quality IT, with strong front end credibility controls, to help our customers make full and accurate declarations first time and provide a quality customer experience. Beginning in 2017 we will replace our current declaration processing system known as **CHIEF (Customs Handling Import Export Freight)**. The new system will be a key enabler to our Coordinated Border Management ambition. It will be web compatible, provide more visibility of government control to our customers and will be more responsive to change.

For the first time the Customs control of the **postal international supply chain** will be e-enabled. This will move over 200 million import consignments to automated risk assessment and fiscal control, which will release resources to focus on high risk elements of the supply chain.

The new declaration processing system will also be the technology platform to launch our **Single Window ambition** so that customers only have to engage with one gateway into government for their border related needs.

For passengers we will establish the viability of a digital solution to the current paper-based VAT Retail Export Scheme.

We will carry out a **review of intelligence and targeting operations** with a view to replacing legacy systems.

Authorised Economic Operator

Understanding our customers is at the heart of our Vision. We will work collaboratively with our customers - the vast majority of whom wish to be compliant - to provide products and services that promote compliance. Authorised Economic Operator (AEO) is our trusted trader scheme for customers importing from and exporting to countries outside the European Union. We will promote and develop AEO so that it provides real benefits for trusted traders and allows us to offer greater levels of facilitation. This will allow us to focus our enforcement and intervention activities on non-compliance and threats.



Capability

To deliver our Vision we must maintain a professional and highly skilled workforce. Our staff are our greatest asset and key to delivering our Vision. Across government approximately 5,000 people work in customs from front-line operational staff, to those developing simple and effective law and policies; collecting, analysing and disseminating trade statistics; and those working overseas with partners. The UK is rightly proud of its customs workforce and this capability is already recognised by our customers,

external auditors and other customs services, who come to us for capacity building and advice. However, efficiencies, demographics and changes to how global supply chains operate mean that we must **re-skill and refresh** our workforce to maintain our enviable reputation. We will develop the outline and cost for a **fully accredited, professional learning** experience for customs staff. There will be clear career paths for customs professionals and more frequent exchanges between organisations, for example between front line and policy roles, or between customs and the private sector.



Industry capability is equally important. HMRC is committed to supporting customer learning and development. Intermediaries, especially freight agents, are an essential component in the international supply chain. There are approximately 2,000 freight agents operating in the UK from large multinationals to Small and Medium Enterprises, offering a range of services to importers, exporters and carriers of goods, including customs clearance. Their knowledge and expertise is essential to delivering our Vision. At present, this market is unregulated and, whilst most freight forwarders offer a quality and reliable service, it is important for importers and exporters to have confidence in the services provided. We will work collaboratively with the freight forwarding industry to look at options for **regulating this market**.

Benefits and success measures

By 2020, compliant customers will see:

- an environment that supports growth into overseas markets;
- a reduction in their compliance costs and administration burdens;
- a single face of government at the border;
- fewer unnecessary interventions by UK government agencies working at the border;
- more upfront support to get things right first time;
- greater visibility and certainty of the regulatory requirements of the international supply chain;
- more benefits for trusted traders;
- the alignment of customs and commercial systems wherever possible; and
- the ruthless pursuit of the non-compliant so that customs control is seen as fair, equitable and effective.

For government, the benefits will also include:

- a clear link between efficient and effective customs control and economic growth;
- a reduction in the tax gap and maximisation of revenue yield;
- cost reductions for government agencies operating at the UK border;
- improvement in customer satisfaction as demonstrated through international benchmarks;
- greater influence on the agenda of the European Commission, the World Customs Organisation, the G7, G8 and G20 on trade facilitation discussions and agreements;
- improved hit rates for goods subject to intervention;
- real time digital links between government agencies working at the UK border;
- the holistic management of customers across all taxes; and
- a strong customs succession and capability plan.

£4.5 billion
of tax relieved or suspended at
import each year to support UK
businesses and the UK economy

Delivering our Vision

Delivering the Vision will require careful planning and strong governance. It will also require partnership. We will need to work closely with other government departments, our customers and industry partners, utilising digital innovation and making best use of the capabilities of our people. Collaboration sits at the heart of our Vision. Without it we will not be able to provide the customs service that our customers and stakeholders demand. Our success and progress will be measured against the key outcomes of:

- Delivering a fair and robust tax and customs administration
- Delivering operational success
- Improving our performance on a continuous basis.

People that work in customs are passionate about what they do. They understand the value of their work to the UK economy and a safe and fair society. As a service, we recognise the need to change and have both the potential and capability to do so. The UK Customs Vision for 2020 reflects our ambition and confidence that we can deliver the best that public services have to offer and make a major contribution to the UK's growth, security and prosperity. For more information on UK Customs please visit the HMRC pages on GOV.UK