



HM Revenue
& Customs

Non-Inventory Linked Ports and Airports

Consultation document

Publication date: 29 December 2014

Closing date for comments: 31 March 2015

Subject of this consultation:	This consultation exercise aims to assess the impact on industry of the introduction of electronic communications for presentation and customs clearance of goods at all UK airports and ports. The main driver for this change is the introduction of the Union Customs Code (UCC), EU Regulation 952/2013 on 1 June 2016 which requires all communication between customs authorities and economic operators, other than in exceptional circumstances, to be made using electronic data processing systems. The changes will also support the Government's Digital Strategy.
Scope of this consultation:	To determine the commercial impacts of a move from allowing the trade to use either electronic or paper systems for the presentation and customs clearance of freight to the mandatory use of electronic communications and data processing systems.
Who should read this:	All those involved in the import and export of non-EU (third country) goods into and from the UK, e.g. importer, exporter, airport or port operator, wharf operator, freight forwarder, agent etc.
Duration:	The consultation will commence on 29 December 2014 and end 31 March 2015.
Lead official:	Customs Directorate with Caroline Wilkins in the lead.
How to respond or enquire about this consultation:	<p>HM Revenue and Customs Alexander House Customs Directorate Customs Import Policy 10th Floor Central, Desk 47 21 Victoria Avenue Southend-on-Sea Essex. SS99 1AA</p> <p>caroline.wilkins@hmrc.gsi.gov.uk</p>
Additional ways to be involved:	<p>The contact details for any enquiries about the content, scope of the consultation is: Caroline Wilkins, Customs Import Policy</p> <p>This will be mainly a paper-based consultation exercise but there will be the opportunity for stakeholders to contribute their views through the Joint Customs Consultative Committee and its Customs Product and Process sub-group.</p>
After the consultation:	HMRC intends to publish the outcomes of the consultation along with any options appraisals in a consultation response document.

Getting to this stage:

The current position is that import and export documentation can be lodged using either a manual system or commercially approved electronic systems. However, to prepare UK trade for the implementation of the Union Customs Code (EU Regulation 952/2013) which enters into force on 1 June 2016 HMRC is conducting a public consultation to assess the impacts of moving to a fully electronic environment for the presentation and clearance of freight. The UCC requires all communication between customs authorities and economic operators, other than in exceptional circumstances, to be made using electronic data processing systems.

Previous engagement:

HMRC has already undertaken some initial fact finding with stakeholders and trade associations who whilst generally supportive of the move to wholly electronic communications have identified potential issues for some specific industry sectors.

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Foreword

Current UK policy allows both electronic and manual systems to be used for the presentation and customs clearance of non-EU (third country) freight at airports and ports. However, in order to:

- Support the Government's digital strategy to eliminate paper and manual processing;
- Prepare the UK for the introduction of mandatory electronic data processing systems as required under the Union Customs Code (UCC) entering into force in 1 June 2016; and
- Assist in the shaping of the future customs business model in support of the strengthening of controls to protect the UK border, ensure the correct tax is paid at the correct time and reduce smuggling opportunities.

We are seeking to introduce a wholly digital solution for the clearance and presentation of goods at UK airports and ports.

I urge you to participate in this consultation exercise so that your views are reflected in any decisions reached by HMRC.

William Williamson,
Director Customs, HM Revenue and Customs.

1. Executive Summary

Issue

From 1 June 2016 the Union Customs Code (UCC) Regulation EU 952/2013 enters into force. One of the major changes is that all communications, unless there are exceptional circumstances, between customs and economic operators will have to be made using electronic data processing systems. Most large airports and ports already customs clear goods electronically, but the UK currently has a substantial number of airports and ports that are customs approved for importing and exporting goods but who do not have this electronic capability, known as inventory linking. The customs presentation, arrival and departure of goods using these airports and ports is currently undertaken using manual, paper based procedures. This will no longer be a lawful method following the introduction of the UCC.

Summary

HMRC is undertaking this consultation exercise to scope the impact on those businesses operating non-inventory linked airports, ports and wharfs, and those operators moving goods through non-inventory linked locations.

2. Introduction

Background

HMRC requires ports and airports to be approved when they are involved in the movement of non-EU goods across UK borders. Historically, all customs procedures and clearances were made using paper based procedures although gradually many ports and airports have moved to use commercially provided electronic systems.

The electronic clearance of goods from the airport and port is known as inventory linking. Inventory systems are provided to the airport and port operator by commercial companies known as Community Systems Providers (CSPs). As well as fast and efficient customs clearance, inventory linking provides commercial benefits in reducing costs and speeding up the movement of goods through the airport or port. For customs, it provides benefits in greater visibility for the control of goods and allows an electronic link to our declaration processing system, which saves significant resources as we do not have to key paper release documents into our systems.

Customer Population

Currently, in the UK there are 191 approved locations for the clearance of import freight. 128 of these airports and ports continue to use total or partial manual paper based procedures to report and clear the arrival of 'non-EU' goods. The 128 manual locations account for 11% of all freight imported to the UK from outside the EU. This freight accounts for 37% of the total value of imported goods (non-EU).

For exports there are currently 170 approved locations for the clearance of export freight, 116 of these airports and ports continue to use total or partial manual paper based procedures to report the departure of 'non-EU' goods. The 116 manual locations account for 20% of all freight exported from the UK for destinations outside the EU. This traffic accounts for 19% of the total value of exports from the UK to countries outside the EU.

3. Initial Assessment of Impacts

Through initial fact finding exercises HMRC has identified some preliminary impacts related to these proposals. It is envisaged that the consultation exercise will provide further clarity on these impacts to inform the options appraisal and identification of a preferred solution.

Summary of Impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	+/-	+/-	+/-	+/-	+/-
Economic impact	Not known at present, the trade consultation exercise will inform HMRC of the impact.				
Impact on individuals and households	N/A				
Equalities impacts	N/A				
Impact on businesses and Civil Society Organisations	N/A				
Impact on businesses and third sector	<p>Cost of access to existing CSP systems or using alternative electronic means. Exact implications are not known and will form part of the publication consultation exercise.</p> <p>128 import and 116 export locations will need to be inventory linked. The average cost of a CSP badge is £1000 per annum. However, we envisage that:</p> <ul style="list-style-type: none"> - Most companies will already have direct access via an agent. - For those not wanting to pay an annual fee some CSPs charge per release. <p>It will be a commercial matter which charging structure provides best value for money based a company's operating model.</p>				

	These new costs will be off-set by the reduction in the cost of not using the manual process.
Operational impact (£) – [HMRC or other]	HMRC resource savings for not having to process manual documentation, in 2013 there were 453,000 import and 86,712 export movements of this nature.
Other impacts	N/A

4. Summary of Consultation Questions

General Questions

1. Are you involved in international trade at the moment?
2. If so in what capacity? For example, importer, exporter, port operator, wharf operator, freight forwarder or clearing agent
3. How do you currently arrive and/or depart your goods to customs?
4. Is this via a Community Systems Provider (CSP) at the airport or port, via an agent or via a paper procedure? Please explain.
5. What advantages can you see from the introduction of an electronic inventory system at the locations you operate from?
6. What costs do you see resulting from the introduction of an electronic inventory system at the locations you operate from?
7. Do you feel the commercial benefits of a move from manual to electronic processes would outweigh the costs? If not, what changes could be made to offset the costs?
8. Are there specific types of operations or goods which you feel would be negatively impacted by the move to an electronic solution? Could you explain why you believe this to be the case?
9. What alternatives can you suggest for these types of location/ traffic?

Airport/Port/Wharf Operators

10. What is the nature of the traffic at your approved premises? Imports, Exports, Both?
11. Does your airport, port or wharf offer a Direct Trader Input (DTI) (to HMRC) service to your customers
12. Do the operators within your airport, port or wharf use DTI to submit their customs declarations – if so which systems do they use?

13. Do you receive electronic data on the goods arriving/ departing at your airport, port or wharf from carriers?
14. If this is not via an electronic inventory system, how is this data received/ processed?

Carriers

15. Do you receive electronic data from your clients (3rd country origin)?
16. Do you provide electronic manifests to your freight forwarders/agents?
17. How is this provided, for example, email, PDF?
18. Do you currently have electronic links into an airport or port inventory system?
19. If so, is this at just one airport or port and using one CSP provider or at multiple sites and does the use of multiple locations cause any operational difficulties?

Freight Forwarders/Agents

20. Do you operate at various locations airports and ports in the UK?
21. Do you currently have a DTI badge?
22. Do you currently have more than one badge? If so does the requirement to hold multiple badges cause you any operational difficulties? If so could you explain what these are?
23. Do you operate currently at airports and ports that do not have inventory linking?
24. What format do you receive your manifests from the shipping/airline/carrier operator?
25. If they are electronic do you key these onto your own system? Key them via a CSP or transfer the details onto paper and transmit to the NCH?
26. If using a manual procedure to the NCH, what costs does this present for your business currently?

27. If using a manual procedure to the NCH, what benefits can you see from moving to an electronic solution?
28. If using a manual procedure to the NCH would costs do you envisage would be incurred from moving to an electronic solution?
29. If using a manual procedure to the NCH, do you feel these costs would outweigh the benefits? Why?
30. If using a manual procedure to the NCH, what additional features could be included within the proposals that would offset these costs?

5. The Consultation Process

This consultation is being conducted in line with the Tax Consultation Framework. There are 5 stages to tax policy development:

- Stage 1 Setting out objectives and identifying options.
- Stage 2 Determining the best option and developing a framework for implementation including detailed policy design.
- Stage 3 Drafting legislation to effect the proposed change.
- Stage 4 Implementing and monitoring the change.
- Stage 5 Reviewing and evaluating the change.

This consultation is taking place during stage 1 of the process. The purpose of the consultation is to seek views on the policy design and any suitable possible alternatives, before developing a specific proposal for reform.

How to respond

A summary of the questions in this consultation is included at chapter 4.

Responses should be sent by 31 March 2015

By e-mail to caroline.wilkins@hmrc.gsi.gov.uk or

By post to:

NILP Consultation Responses
HM Revenue and Customs
Alexander House
Customs Directorate
Customs Import Policy
10th Floor Central, Desk 47
21 Victoria Avenue
Southend-on-Sea
Essex. SS99 1AA

Or by fax to: 03000 594291

Telephone enquiries: 03000 594068 (from a text phone prefix this number with 18001)

Paper copies of this document or copies in Welsh and alternative formats (large print, audio and Braille) may be obtained free of charge from the above address. This document can also be accessed from [HMRC Inside Government](#). All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

When responding please say if you are a business, individual or representative body. In the case of representative bodies please provide information on the number and nature of people you represent.

Confidentiality

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Revenue and Customs (HMRC).

HMRC will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Consultation Principles

This consultation is being run in accordance with the Government's Consultation Principles. [If you wish to explain your choice of consultation period, this is the place. Also, if you are holding additional meetings or using alternative means of engaging, please mention this here].

The Consultation Principles are available on the Cabinet Office website: <http://www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance>

If you have any comments or complaints about the consultation process please contact:

Oliver Toop, Consultation Coordinator, Budget Team, HM Revenue & Customs, 100 Parliament Street, London, SW1A 2BQ.

Email: hmrc-consultation.co-ordinator@hmrc.gsi.gov.uk

Please do not send responses to the consultation to this address.

Annex A: List of stakeholders consulted

Joint Customs Consultative Committee (JCCC) Members:

- Association of Freight Software Suppliers (AFSS)
- Association of International Courier and Express (AICES)
- Automated Customs and International Trade Association (ACITA)
- British Chambers of Commerce (BCC)
- British International Freight Association (BIFA)
- British Ports Association (BPA)
- British Retail Consortium (BRC)
- Chamber of Shipping (COS)
- Chartered Institute of Logistics & Transport (CILT)
- Community System Providers (CSPs)
- Confederation of British Industry (CBI)
- Customs Air Transport Consultative Group (CATICG)
- Customs Practitioners Group (CPG)
- Food and Drink Federation (FDF)
- Freight Transport Association (FTA)
- Institute of Chartered Shipbrokers (ICSB)
- Railway Industry Road Haulage Association (RHA)
- Royal Mail Society of Motor Manufacturers and Traders (SMMT)
- UK Aerospace Industry Customs Group (UKAICG)
- UK Major Ports Group (UKMPG)
- UK Warehousing Association (UKWA)

Joint Customs Consultative Committee (JCCC) Customs Product and Process Sub Group Members

Public Consultation via Customs Information Paper publicity

The previous impact assessment work consulted the following stakeholders:

Association of Freight Software Suppliers (AFSS)

British International Freight Association (BIFA)

British Ports Association (BPA)

British Telecom (BT)

Chamber of Shipping (COS)

Community System Providers (CSP)

Annex B: Relevant (current) Government Legislation

Regulation 2913/92 Establishing the Community Customs Code.

Title III, Chapter 1 – Entry of Goods into the Customs Territory of the Community, articles 36a – 53 and

Title V – goods leaving the Customs Territory of the Community, articles 182a – 183

Regulation 2454/93 laying down provisions for the implementation of Council regulation no 2913/92 establishing the Community Customs Code.

Part I, Title VI – Introduction of Goods into the Customs Territory, articles 181b – 197

Part II, Title VI – Goods Leaving the Customs territory of the Community, articles 842a - 843

Customs Controls on Importation of Goods Regulation 1991 (SI 1991/2724)

Customs (Presentation of Goods for Export) Regulations 2003 (SI 2003/467)