



HM Revenue
& Customs

Simplification of Intrastat

Summary of Responses
30 January 2015

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1. Introduction

- 1.1 The EU Commission's Statistical Office (Eurostat) commissioned a programme of work to look at the modernisation and simplification of the Intrastat system with the objective of substantially reducing burdens on business, whilst maintaining the usefulness and quality of the statistics for their users.
- 1.2 This consultation sought views on the key part of the Commission proposal, known as SIMSTAT (Single Market Statistics). This proposes a mandatory data exchange between member states to enable them to use another's dispatch (EU exports) data to compile their own arrival (EU import) figures. HMRC took the opportunity to explain what it thinks the impact of this proposal will mean in practice for both providers and users of data, and to ask for views on HMRC's own alternative proposals.
- 1.3 The Consultation document 'Simplification of Intrastat' was published on 21 January 2014, with all responses asked for by 8 April 2014.
- 1.4 For the purposes of this consultation HMRC offered two scenarios of how the SIMSAT proposal could be implemented in the UK:
 - the total removal of the requirement to submit arrivals data in line with the Commission's proposal
 - adapting the Commission's proposal by reducing the coverage for arrivals to somewhere around 90% to continue to meet national needs

HMRC also provided an alternative illustrative proposal of reducing the coverage for both arrivals and dispatches to 93% (currently 93% for arrivals and 97% for dispatches).

The Responses

- 1.5 A total of 86 responses were received, of which one came from a private individual. Responses were received from 11 data users; the rest were received from data providers. HMRC is very grateful to everyone who took the time to respond to the consultation.
- 1.6 Of the businesses who responded, the majority would be profiled as large businesses, both in terms of size (eg number of employees) or value and volume of EU trading. HMRC considered, therefore, that the SME sector was probably under-represented in the consultation.
- 1.7 The majority of those businesses who responded that are required to provide Intrastat declarations, told HMRC they were in favour of the total removal of the requirement to submit arrivals in line with the Commission proposal. However users preferred a reduction in coverage to both arrivals

and dispatches to maintain the quality and timeliness of the statistical data available.

1.8 Chapter 2 summarises the responses in more detail.

2. Responses

- 2.1 A total of 86 responses were received, of which one came from a private individual.
- 2.2 The majority of the businesses required to provide Intrastat declarations who responded were in favour of the total removal of the requirement to submit arrivals in line with the Commission proposal.
- 2.3 The majority of providers of Intrastat declarations who responded are profiled as large businesses. We only received a small number of responses from small or medium sized businesses. This should be taken into account when considering the responses.
- 2.4 Provided there was a suitable methodology on place, users preferred a reduction in coverage to both arrivals and dispatches to maintain the quality and timeliness of the statistical data made available.
- 2.5 The consultation asked 14 questions. This chapter provides a summary of the responses we received.

Responses to the consultation's questions

SIMSTAT

Q1a. If your business is required to submit dispatches declarations, will you be able to provide the additional data outlined above (Partner ID - VAT number, Mode of Transport, Country of Origin)?

- 2.6 The majority of respondents required to submit Intrastat declarations said they would be able to provide the extra information. Several pointed out that some of the information is required for other purposes (eg EC Sales Lists (ESLs) and VAT invoices) anyway.

"Concerning the Partner ID number (VAT registrations number), we are already required to collect this data for ESL purposes, on intra-EU B2B supplies, therefore, providing this information would not be an additional burden."

- 2.7 Some businesses were concerned regarding the additional burden this would create on exporters, with several respondents stating that providing country of origin could present a problem.
- 2.8 Several businesses said that although they will be able to provide the extra information this would entail an 'upfront' cost (eg an update to their software) to incorporate this information into their regular Intrastat data submission processes.

"The additional data fields in the dispatch declarations would require significant changes to reporting processes and substantial increases in the number of lines required on the return. This could have significant cost implications."

Q1b. If your answer to 1a was yes, how much of an extra time/effort would you consider it to be to provide the additional data?

(% where 100% is double present Intrastat effort/time)

2.9 Over 75% of responders identified an additional burden in providing this additional data. Over one third identified an additional burden of more than 50% on top of the time it takes to complete dispatches data at present.

Q2. If your business provides both arrivals and dispatches declarations, would the benefits of removing the requirement to submit arrivals data outweigh the additional reporting burden brought about by having to provide additional dispatches data?

2.10 Around three quarters of businesses responding to this question were of the opinion that the benefits of removing the requirement to submit arrivals data outweighed the additional burden of providing extra dispatches data.

"Removing the requirement to provide arrivals data would free up significant amounts of time, in one case approximately 3 to 4 staff days."

Assuming that businesses are given sufficient time to implement the relevant system changes, the removal of arrivals declarations would outweigh the additional reporting burden for dispatches."

Q3. If you are a user of trade statistics data, would you find it acceptable if HMRC used data provided by other member states to compile its arrivals data? Please detail any concerns and ideas for improvement.

2.11 The majority of users were against this option. Whilst some appreciate the benefit to businesses required to submit Intrastat declarations, users expressed concerns regarding the timeliness of the availability of data and relying on data from other EU member states could lower the quality of information available.

"We are in favour of reducing burden on businesses. However we have concerns over the quality of the arrivals data from other countries and the resources required to manage the data from a compilation point of view. Incomplete or delays to elements of the arrivals data may become an issue."

Q4. If you are a user of the data, how would you feel if there is a delay in publication of the statistics in order for the exchange of data with other member states to be carried out?

2.12 The majority of users expressed serious concern with the possibility of any delay in publication or availability of statistics. This ranged from commercial users of the data who use the data for analysis, research and reports; and Government Departments and Agencies who use the data, for example in the compilation of Balance of Payments statistics (ONS), as evidence for policy decisions and Ministerial briefings.

"This would be a huge backward step compared to the current, very timely delivery of trade statistics in the UK. For the purposes of market analysis and research, the earlier the publication the better."

Alternative simplification proposal: Reducing coverage

Q5. If you are a user of trade statistics data, would you find it acceptable if HMRC reduced the amount of data collected for either or both arrivals and dispatches? Please detail any concerns and ideas for improvement, bearing in mind that HMRC will use a reliable estimation methodology to cover the reduction.

2.13 Generally users would find it acceptable if the amount of data collected was reduced although some said that it would only be acceptable if a suitable and robust method for estimating the missing trade is identified and assessed prior to implementation and the impact of this estimation is understood.

"The Intrastat coverage is currently very high compared with other surveys used in the compilation of official statistics and trade in goods estimates are considered extremely good quality because of this. A small reduction is unlikely to have a significant impact."

"[We are] not concerned with reducing the arrivals collection from 93% of trade to 90%. As long as a suitable method for estimating the missing trade is identified and assessed before proceeding, as with the recent reduction in the threshold."

2.14 Several users expressed concern on how a reduction in coverage would impact their particular area of interest. In particular, the loss of some company level, country level and commodity code data.

"One particular issue is how a new threshold would impact on trade figures against individual commodity codes which would remain active but which would lose some company level responses. This may produce data continuity issues particular rly for small sectors."

Q6. Of the four options given, which do you prefer and why?

2.15 Here we offered four alternative coverage reductions as an alternative to the Commission proposal:

- 93% for arrivals and 95% for dispatches
- 93% for both arrivals and dispatches
- 90% for arrivals and 93% for dispatches
- 90% for both arrivals and dispatches

2.16 Data providers expressed a preference for the options where fewer businesses are required to submit. The majority (around 80%) of responses were in favour of 90% coverage for both arrivals and dispatches. A number of businesses whose submission requirements would not change under these alternative proposals were in favour on the basis that this would generate a benefit for other businesses not having to submit.

2.17 Users preferred the options (93% or arrivals and 95% for dispatches, or 93% for both arrivals and dispatches) that collect the most data. This reflected concerns regarding the quality of available data under the different options.

Comparison of options

Q7. What simplification option do you prefer?

- **the EU Commission's SIMSTAT proposal (extra data requirement for dispatches with the possibility of all businesses not being required to submit arrivals data)**
- **the EU Commission's SIMSTAT proposal but meeting our national minimum data quality needs (extra data requirement for dispatches with the possibility of some businesses not being required to submit arrivals data)**
- **the alternative proposal to reduce the coverage of trade by value for either or both arrivals and dispatches**

2.18 The majority of respondents (over 65%) who are required to submit Intrastat declarations stated a preference for the option that would see extra requirements for dispatches with the possibility of all businesses not being required to submit arrivals data. There was some support (around 30%) for the reduction in coverage for both flows but very little support for the proposal that would see extra requirements for dispatches and the collection of a level of arrivals data to meet national requirements.

"Removing the requirement to submit arrivals data, which can be difficult to collect and we believe less accurate than dispatches data, would represent a considerable benefit to all businesses currently engaged in producing such information."

- 2.19 Several respondents who submit declarations, who were in favour of the option that offers the possibility of removing the requirement to provide arrivals declarations, stated that their arrivals trade was at such a level that the other options offering a reduction to the arrivals coverage would not offer them any reduction to their reporting burden.
- 2.20 Users prefer the options that maintain a level of coverage for both flows, either the SIMSTAT proposal supported by arrivals data to meet national requirements, or the alternative proposal of reduced coverage for both arrivals and dispatches.

Q8. Which of these impacts affected your choice?

- **exempting all businesses from the requirement to submit arrivals declarations**
 - **exempting more businesses from the requirement to submit Intrastat declarations**
 - **relatively quick implementation**
 - **loss of commodity code data**
 - **loss of country data**
 - **potential impact on quality checking**
 - **delays in publishing UK data (SIMSTAT)**
 - **other (please specify)**
- 2.21 The majority of businesses required to provide Intrastat declarations stated that the reduction to their burden affected their choices. Therefore the most popular impacts were 'exempting all businesses from the requirement to submit arrivals declarations' and 'exempting more businesses from the requirements to submit Intrastat declarations'. 'Relatively quick implementation' was also an impact that was taken into consideration.
- 2.22 Users took into account factors that affect the quality and timeliness of availability of the data. Therefore, impact on quality checking, delays in publishing data, loss of commodity code and country code data were the most common concerns for users.

Q9. Would you be opposed to the implementation of either of the suggested options below, at least in the short term?

- **reducing the coverage of trade by value for either or both arrivals and dispatches**
- **a 'Single Flow' system as described above**

Or are you open to either option?

- 2.23 Around two-thirds of those businesses required to submit Intrastat declarations who responded, stated they are not opposed to either. However, users of the data are generally against the single flow system.

Q10. Do you think any other options could be considered?

2.24 Several respondents suggested other options for consideration. Of these, the most popular suggestion (nearly 10% of respondents to this question) was to merge Intrastat and EC Sales List declarations.

Other suggestions included:

- a minimum transaction value of £1000 or a raising of the low value threshold
- use of box 7 and 8 data from the VAT declaration
- no declarations for distance sellers
- restrict Intrastat declarations to only declare transactions subject to an actual sale
- reduce the amount of data required (eg to no longer require the provision of Net Mass and Nature of Transaction data)
- simplify commodity-code information required - only collect to Harmonised System (HS) level (six digit)

Q11. Do you have any general comments related to burden reduction or Intrastat statistics?

2.25 Respondents that are required to submit Intrastat declarations took the opportunity to provide a range of comments. Some felt that the codes for Intrastat could be simplified or that too much low level data is collected and that providing commodity code and Net Mass information is problematic.

2.26 Other respondents took the opportunity to explain how they see Intrastat as a burden on business with little benefit to them.

"The time that we spend in preparing Intrastat is disproportionate to the benefit that we see as a business. We more or less employ somebody in a 0.5FTE role to fulfil our obligations."

2.27 One respondent was of the opinion that if coverage was reduced to 93%, whilst a number of businesses would be relieved from providing data, those still required will have a much higher burden and cost. Another business respondent felt that, whilst the other options might help small businesses, only the proposal that would remove the requirement to submit arrivals declarations would help medium and large businesses.

2.28 Several respondents felt that under the current system data is duplicated (eg they submit arrivals and their supplier submits dispatches) which would cease if member states only collected one flow. Some respondents felt there was a lack of uniformity on how data is collected, including submission deadlines, throughout the EU.

- 2.29 Some businesses commented that any reduction of the burden on submitting Intrastat declarations is welcome.

"Any reduction in data which has to be collected has to be good but it also has to be right. Any changes will also incur some form of costs mainly in IT development."

- 2.30 There were very few additional comments from users not covered in previous questions. However, one user took the opportunity to state they were generally in favour of reducing burden on business.

Assessment of Impacts

SIMSTAT proposal – removal of the requirement to submit arrivals

Q12. Do you have any comments on the indicative impacts and costs identified in the table of impacts for the increased data requirements if the SIMSTAT proposal is introduced?

- 2.31 Several business respondents felt that the increased data reporting requirement for dispatches would create an additional cost burden on businesses in terms of one-off IT costs and the additional workload for each return.

"We would want to avoid any additional burdens for exporters - many of our members are "small" companies and are trying to build their exports - as a Trade Association, we want to help them increase their exports and therefore would we wary of options which would increase their costs, such as this one."

- 2.32 However several business respondents questioned the assumption that this option would have a net increase in the burden on business. They felt the savings from no longer being required to submit arrivals declarations would outweigh any additional costs brought about by any increases to the amount of dispatches data required.

"We agree that the number of lines submitted would be increased due to the disaggregation brought about by the need for the three extra data elements but this would have little impact from our point of view as we currently collate the data at line level and our systems aggregate for us."

For our business, the removal of the requirement for arrivals would prevent further investment in systems and remove a massive administrative burden to our business."

SIMSTAT proposal (with additional data requirements) – reducing coverage for arrivals to 90% to meet national requirements

Q13. Do you have any comments on the indicative impacts and costs identified in the table of impacts for the increased data requirements if this modified SIMSTAT proposal is introduced?

- 2.33 Several respondents thought that this was the worst option as they would still be required to submit arrivals declarations as well as the increased burden of providing additional information for dispatches.

"This will be the worst option for our business. We will have extra costs in completing the extra data for the dispatch declaration but will still be required to complete the arrivals declaration."

Alternative simplification proposal: 93% coverage for arrivals and dispatches (used for illustrative and comparative purposes)

Q14. Do you have any comments on the indicative impacts and savings identified in the table of impacts for the alternative proposal?

- 2.34 Several business respondents thought this option would not create any additional burden on businesses. Some businesses were in favour of this proposal as it reduces the burden on small businesses. One business responded that this option unfairly benefits small business more than large business.
- 2.35 However some businesses pointed out that this will have no impact on them, in terms of burden reduction, as their trade would continue to be above the proposed revised coverage.

"It wont affect us due to the size of the company and volumes we dispatch and import. This solution means the business carries on as we are, so there are no additional costs or IT requirements."

3. Next steps

- 3.1 HMRC has carefully considered the responses made to the consultation document. The suggestions, concerns and criticisms received during the consultation process will be fully taken into account in the continuing negotiations with the EU Commission. This exercise, therefore, has provided valuable assistance in helping HMRC to understand the key issues and concerns for both data providers and users.
- 3.2 HMRC remains committed to reducing burdens specifically for exporters and SMEs. The SIMSTAT proposal as it presently stands offers only burden increases for this group, with additional collection of new data fields.
- 3.3 However things have moved on since the consultation took place, the EU Commission having agreed to listen to the concerns of member states. A new project will be starting in the next few months looking at alternative proposals that could provide real reductions across the board, whilst maintaining the quality and timeliness of the data. HMRC will be lobbying for the UK option (reducing the coverage for both arrivals and dispatches to 93%) to be one of the alternative proposals. Therefore, it is by no means certain at this stage that any one approach to Intrastat simplification will be adopted.
- 3.4 The mandatory exchange of dispatches data between member states will need a robust and secure data exchange system to be in place. Pilot testing of this system is due to take place during 2015 and will be evaluated in 2016 before any decisions over implementation are made.
- 3.5 HMRC will keep affected businesses and users informed of progress on any SIMSTAT developments.

4. List of stakeholders consulted

Agriculture and Horticulture Development Board
Amazon
A Poortman Ltd
Asda
ASOS
Association of Accounting
Association of Chartered Accountants of England & Wales
Association of Tax Technicians
Atomising Systems
Augusta Westland
BAE Systems (Operations) Ltd
Bedfont Scientific
Booker Ltd
Boots UK Ltd
BP International
Briggs Equipment UK Ltd
British Fluid Power Associations
British Universities Finance Directors Group
Brooks Crowhill Patternmakers
BskyB Group
BIS
Caterpillar
Chartered Institute of Taxation
Cherwell Laboratories
Chivas Brothers Ltd
Claire's European Services
CN Seeds
Cohline UK Ltd
Cummins Turbo Technologies
Debenhams
Defra
Dematic Ltd
Desso Ltd
Dixons Retail
Dyson
ExxonMobil
Finning UK Ltd
FW Thorpe PLC
GE Capital Europe Ltd
GlaxoSmithKline
Gradko Ltd
Guide London
HMRC KAI
Hewlett-Packard
ISSB Ltd
John Hogg Technical Solutions Ltd
LAS Aerospace

Lehmann Food Ingredients Ltd
Maltsters Association of GB
Marks and Spencers
Meridian Global Services
Michelin
National Farmers Union
Next Retail Ltd
Nutalls
ONS
Open University
OKI Ltd
Pethericks & Gillard
Pro-roll Ltd
Pryor Marking
Renolit
Saint-Gobain Ltd
Seckford Wines Ltd
Shaeffler Ltd
Siemens
Southampton Solent University
SP Developments
Straightpoint Ltd
Suma Wholefoods
Telefonica Europe PLC
Tesco
The Magic Touch
Timber Trade Federation
University of Cambridge
University of Leeds
University of Manchester
University of Nottingham
University of Oxford
University of Southampton
Vertu Corporation
Volvo Ltd
Whyte and Mackay
Wood and Trees
W Robinsons & Sons

One further response was received from an individual