



HM Treasury

Customs Bill:

legislating for the UK's future
customs, VAT and excise regimes



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and excise regimes

Presented to Parliament by
the Financial Secretary to the Treasury
by Command of Her Majesty

October 2017

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Foreword

As the UK leaves the EU we are seeking a new, deep, and special partnership with the European Union.

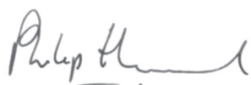
Investment and trade are crucial to that future relationship, and in pursuing options for a new customs arrangement with the EU, the Government will be guided by what delivers the greatest economic advantage to the UK and by three strategic objectives: ensuring UK-EU trade is as frictionless as possible; avoiding a 'hard border' between Ireland and Northern Ireland; and establishing an independent international trade policy.

A key part of this new partnership will be a new agreement on customs. The UK wants a customs arrangement with the EU that facilitates the freest and most frictionless trade in goods possible, and which, crucially, avoids a hard border and any physical border infrastructure on the island of Ireland.

This White Paper sets out the government's approach to legislating for a future customs regime, and to creating a framework that supports intra-European trade. As well as providing for implementation of a negotiated settlement with the EU – our preferred outcome – the Bill will provide for a range of other possible outcomes. This White Paper therefore also sets out how the government would manage leaving the EU without an agreement on customs, in the event of no deal being reached.

It takes time to negotiate trade deals, and even more time to build new trading relationships; and adjusting to different customs, VAT and excise systems cannot happen overnight. So it makes sense to agree an interim implementation period, which will allow businesses both in the UK and the EU time to adjust to exit in a smooth and orderly way. Such an agreement should be reached as soon as possible in the negotiations to give businesses certainty and clarity about the future. How long the period is should be determined simply by how long it will take to prepare and implement the new processes and the new systems that will underpin our future partnership, but we are clear that 'cliff-edge' changes are in the interests of no-one, either here, or in the EU. That is why the UK will push hard to avoid them, and to ensure that businesses and citizens only have to adjust once to a new customs relationship.

The government will continue to engage closely with the devolved administrations, businesses and individuals, and the Crown Dependencies, ahead of the introduction of the Bill later this year, and I look forward to hearing your views.



Rt Hon Philip Hammond MP
Chancellor of the Exchequer

Executive summary

On 23 June 2016, the UK voted to leave the European Union (EU). As the UK looks to forge new and ambitious trade relationships with partners in Europe and around the world, there is the opportunity to build a stronger, fairer and more prosperous UK, and one that is more outward looking than ever before. Meanwhile, the government has been clear that while the UK is leaving the EU, it is not leaving Europe.

As the government set out in 'Future customs arrangements: a future partnership paper' ('the Future Partnership Paper') in August, in assessing options for the UK's future customs relationship with the EU, the government will be guided by what delivers the greatest economic advantage to the UK. It will also be guided by three strategic objectives: ensuring that UK-EU trade is as frictionless as possible; avoiding a hard border between Ireland and Northern Ireland; and establishing an independent international trade policy. In meeting these objectives, the government believes that it is in the interests of both the UK and the EU to have mutually beneficial customs, VAT and excise arrangements on cross-border trade. This will form a key part of the UK's ambition for its new strategic partnership with the EU.

The precise form of this agreement will be the subject of negotiation, but whatever form those arrangements take, and whatever the mechanism to deliver them, the UK will need to set its own customs (and VAT and excise) arrangements to facilitate the flow of trade across its border. While the government has looked at precedents set by agreements between other countries, it is not seeking to replicate another country's model and will pursue the approach that works best for the UK.

In order to avoid any cliff-edge as the UK moves from the current relationship to the future partnership, people and businesses in both the UK and the EU would benefit from a time-limited interim implementation period that allows for a smooth and orderly transition.

The government is keen to explore with the EU a model for an interim implementation period which would ensure that businesses and people in the UK and the EU only have to adjust once to a new customs relationship. The government has been clear that it believes a model of close association with the EU Customs Union for a time-limited interim implementation period could achieve this, and it would be helpful if this principle were agreed early in the process to provide certainty for businesses and individuals in both the UK and the EU.

The rules governing customs are mostly in EU law that is directly applicable in the UK, which means that domestic customs legislation has been largely unnecessary. Since current UK customs legislation is insufficient to create a standalone customs regime, leaving the EU will mean that the UK will require new domestic legislation.

As the UK leaves the EU, the government will keep UK law as consistent as possible with EU law, responding to business requests for continuity and certainty. In the longer term, and depending on the outcome of the negotiations with the EU, the government will want to consult on possible changes to this law that will help UK businesses, but now is the time to help businesses by providing continuity with the existing rules where possible.

The land border with Ireland is a unique case. The UK and Ireland are bound together by a shared history, culture and geography. The relationship between the two countries has never been better or more settled than today, thanks to the strong political commitment from both governments to deepen and broaden our modern partnership. The UK has been clear that there

will be no return to the borders of the past. The government welcomes the EU's commitment to the Belfast (Good Friday) Agreement, and to look at creative solutions to avoid a hard border for the movement of goods. In line with these shared objectives, the UK government has published a Northern Ireland-Ireland position paper that outlines nine key principles on which to base a future customs arrangement at the Northern Ireland-Ireland land border. These include aiming to avoid any physical border infrastructure on either side of the border between Northern Ireland and Ireland, preventing new barriers to doing business within the UK, including between Northern Ireland and Great Britain. The Government has made clear that the answer to avoiding a hard border between Northern Ireland and Ireland cannot be to impose a new customs border between Northern Ireland and Great Britain.

While the UK hopes and expects to achieve a negotiated settlement that is in the interests of all parties, it is only prudent that the government prepares for every eventuality. In addition to providing for most negotiated outcomes, the Customs Bill will give the government the ability to operate a standalone customs regime and ensure that VAT and excise legislation operates effectively, if the UK were to leave the EU without a negotiated settlement. Leaving the EU without a negotiated settlement is not the government's preferred outcome, but it is essential that the UK is prepared for all possible outcomes on customs, VAT and excise arrangements.

1 Purpose of this White Paper

1.1 In the Future Partnership Paper, the government set out two ambitious approaches which most closely meet its objectives for the UK's future customs relationship with the EU. The Future Partnership Paper also explained that, regardless of the outcome of these negotiations, the UK will need to legislate for a new customs regime to be in place by March 2019 that can give effect to whatever arrangements are agreed with its European partners, including a time-limited interim implementation period. The UK will also need to legislate for a new customs regime if there is no negotiated settlement. In addition, whatever the outcome of the negotiations, the UK will need to make changes to the cross-border rules for the VAT and excise regimes, following the UK's exit from the EU.

1.2 New domestic legislation is due to enter Parliament later this autumn which will provide for most negotiated outcomes, as well as a contingency scenario. This Bill will be referred to in this paper as the 'Customs Bill'. The purpose of this White Paper is to set out the government's approach to the Bill. It sets out how the current customs, VAT, and excise regimes operate for cross border transactions, why the Bill is necessary, and what the Bill will contain.

1.3 This is also an important opportunity to continue the government's engagement with stakeholders. Since the referendum, government ministers and officials have met with over 250 businesses, ports, airports and other organisations involved in international trade to discuss customs, VAT, and excise. Following publication of the Future Partnership Paper, HM Treasury and HM Revenue and Customs have undertaken a comprehensive programme of roundtables with key sectors and industries to inform the policy design of its future customs relationship with the EU, and to collect evidence to support the UK's negotiations.

1.4 The government is committed to continuing this engagement throughout the legislative process, and Chapter 6 of this White Paper gives more details of its approach. Chapter 6 also asks a set of questions of stakeholders, which build upon those already asked by the Future Partnership Paper. The government welcomes responses to these questions and the content of this White Paper via email (CustomsStakeholders@hmtreasury.gsi.gov.uk) and post (Customs White Paper Responses, HM Treasury, 1 Horse Guards Road, SW1A 2HQ). While there is no deadline for providing feedback, responses before 3 November 2017 are encouraged.

2 Introduction and context

2.1 Free and fair trade is fundamental to the prosperity of the United Kingdom and the world economy. The UK's trade with the world is equivalent to over half the UK's GDP. The UK will therefore need customs, VAT and excise arrangements that support this trade.

2.2 The UK has always been a leading voice for free trade. Outside the EU, the UK will have freedom to continue to push for more open global trade, supported by strong global institutions like the World Trade Organisation (WTO).

2.3 Given the widespread benefits to growth, prosperity, jobs and consumer choice, the UK continues to be committed to international trade and investment. Free trade is linked to many jobs and can lead to higher wages and a growing economy. It also allows businesses to benefit from the transmission of ideas, talent and technology across borders. The government recognises that some areas and sectors may benefit from trade liberalisation more than others, while some people feel left behind. The government will work with all stakeholders to ensure the benefits of trade can be widely felt and understood, managing the transition brought about by changes in the trade environment.

2.4 Global value chains have seen the price of goods fall, and variety and consumer choice increase, raising standards of living. Foreign investment in the UK creates jobs, offering financial security to people across the UK. This is why, as the Prime Minister has said, the UK will continue to pursue and advocate for free trade – under a fair and proportionate rules-based system – as the UK negotiates its future trading relationship with the EU and the rest of the world.

2.5 The government is exploring options for both the future relationship with Europe and trade with the rest of the world. The UK's approach to future customs arrangements with the EU will be a critical building block of its independent trade policy.

The current customs, VAT, and excise regimes

The EU Customs Union

2.6 Up until the UK leaves the EU, it will continue to be a member of the EU Customs Union and will continue to apply EU law on customs. The rules for the EU Customs Union are governed by EU law, with customs policy being an exclusive competence of the EU. Membership of the EU Customs Union means that:

- goods moving between the UK and other EU Member States are not subject to customs duty, quotas or customs processes (including the need to provide customs declarations); and
- Member States apply the EU's Common External Tariff (i.e. the same rates of customs duty) and its quotas and customs processes to goods moving between the EU and non-EU countries. The EU negotiates trade agreements, including tariffs, on behalf of all Member States.

2.7 As the UK leaves the EU it will also leave the EU Customs Union. To achieve its objectives for trading independently with both the EU and the rest of the world, the UK will need to establish a new customs arrangement outside of the EU Customs Union.

2.8 Gibraltar and the other Overseas Territories are not part of the EU Customs Union and set their own tariffs on goods entering their territory. However, trade in goods with the EU and

imports of goods from the UK in particular via the EU will remain a priority issue for Gibraltar. The other Overseas Territories will also have a keen interest in future EU customs arrangements for their exports to the EU single market. The UK government will continue to involve their governments to ensure that their priorities are taken into account and work with them on any consequences of this Bill as appropriate.

Customs, VAT, and excise

2.9 At present, customs duty may be chargeable when goods are imported into the UK from a non-EU country. Import VAT and excise duty may also be due. This depends upon a number of factors, such as the nature, value and origin of the goods. EU regulations set out the customs procedures which apply when goods arrive into the UK from a non-EU country.

2.10 The UK has operational discretion as to how those rules are enforced, within a risk management framework audited by the EU. The UK operates an efficient customs regime for trade with non-EU countries with the objective of facilitating trade, maximising revenues by reducing error, avoidance and evasion, and maintaining security. HMRC takes fraud extremely seriously and, as a matter of course, monitors and responds to all new potential threats. The UK starts in a strong position. It maintained 5th place globally in the World Bank logistics performance index in 2016.

2.11 Goods moved by businesses between EU Member States are not subject to routine customs controls. Many business sectors in the UK operate complex supply chains which can involve components crossing borders between EU Member States multiple times during the production process. Time-dependent supply chains (such as fresh foods, medical goods, e-commerce, or just-in-time manufacturing employed by, for example, the automotive industry) have benefitted from the absence of routine customs controls in intra-EU trade, because they are particularly sensitive to administrative burdens and delays caused by customs procedures.

2.12 There is a high degree of harmonisation of VAT rules across the EU, including for cross-border trade in goods and services. These VAT rules are normally set by EU Directives which, unlike EU customs law, are not directly applicable, and which have been implemented in the UK by domestic law, for example the VAT Act 1994. VAT is payable on the goods that businesses bring into the UK, though the accounting treatment differs depending on whether the goods come from an EU Member State or a non-EU country. The harmonised rules also enable some simplifications for goods and services moved between EU Member States, and are supported by IT systems (such as the VAT Mini One Stop Shop and the EU VAT refund system), administrative cooperation and data exchange.

2.13 Rules for movements of excise goods (alcoholic products, tobacco products and oils) are also normally set by EU Directives and implemented by domestic law in the UK, for example by the EU Alcohol Structures Directive, as implemented in the Alcoholic Liquors Duty Act 1979. Businesses can move excise goods in duty suspension and can reclaim any domestic excise duty paid on goods that are not consumed in that Member State.

2.14 Currently, EU rules mean that individual travellers arriving in the UK from the rest of the EU do not have to pay any VAT, customs or excise duties on goods they bring into the UK for their personal use. These travellers can use the blue channels when passing through customs. Individual travellers coming from outside of the EU can bring in a certain amount of goods for their own use up to the personal allowances limit without paying customs duty, VAT or excise duty. They make their declaration by going through the green channel. Those with goods over their personal allowance have to declare this on arrival in the UK by using the red channel or red-phone point and pay the VAT and excise duties due.

2.15 The tax treatment of goods sent to UK customers in the form of small parcels differs depending on whether the parcel is sent from the rest of the EU or outside of the EU. It also depends on who sends the parcel and who receives it. Currently, the sender of a parcel in another Member State is responsible for paying VAT and excise duties due on the parcel (as set out in the table below). No customs duty is payable on parcels sent from within the EU, and where the VAT is paid depends on the distance selling rules. UK excise duty, however, has to be paid on all excisable goods sent to the UK by parcel.

Table 2.A: Current arrangements for goods sent as small parcels from the EU to the UK

	Customs	VAT	Excise
Business to business	No customs duty is payable	VAT is accounted for by the receiving business through their normal periodic VAT return	Excise duty is payable on all excisable goods and is accounted for by the business using one of two schemes
Business to consumer	No customs duty is payable	VAT is accounted for in the seller's country unless the distance selling threshold is exceeded, in which case the seller must register and account for VAT in the UK	Excise duty is payable on all excisable goods and is accounted for by the receiving business using one of two schemes
Consumer to consumer	No customs duty is payable	No import VAT is payable	Excise duty is payable on all excisable goods and is accounted for by a UK representative of the sender when the goods are delivered.

2.16 The sender of a parcel from a non-EU country is not responsible for VAT and excise duties due on the parcel (as set out in the table below). Instead, the recipient of the parcel is liable for the taxes and duties. This is collected by the delivery firm (either Royal Mail or courier) along with their handling fee. The taxes collected are remitted to HMRC.

Table 2.B: Current arrangements for goods sent as small parcels from non-EU countries to the UK

	Customs	VAT	Excise
Business to business	No customs duty is payable on parcels below £135 ^a	No import VAT is payable on parcels valued at £15 or less ^{a, b}	Excise duty is payable on all excisable goods
Business to consumer	No customs duty is payable on parcels below £135 ^a	No import VAT is payable on parcels valued at £15 or less ^{a, b}	Excise duty is payable on all excisable goods
Consumer to consumer	No customs duty is payable on parcels below £135 ^c	No import VAT is payable on gifts valued at £39 or less ^c	Excise duty is payable on all excisable goods

^a There is no allowance for commercial consignments of alcohol, tobacco, perfume and eau de toilette so customs and import VAT are payable on all commercial consignments of these goods.

^b Commercial consignments sent to the UK from the Channel Islands do not benefit from relief of import VAT.

^c Gifts of alcohol, tobacco, perfume and eau de toilette below £39 are also subject to quantitative limits if no customs or import VAT is to be payable.

Current legislative position

2.17 Most of the law governing the administration of the EU Customs Union is contained in the Union Customs Code (UCC) and its delegated and implementing acts. As an EU Regulation, the UCC is directly applicable in the UK, meaning that it is automatically given legal effect in the UK. This is why there is only limited domestic legislation governing certain aspects of the current customs regime, which is primarily contained in the Customs and Excise Management Act 1979 (CEMA).

2.18 EU law provides the framework for VAT and excise rules across the EU. These rules are normally set by Directives, which are not directly applicable in the UK, and are implemented in the UK by domestic Acts of Parliament, such as, the VAT Act 1994 and the Tobacco Products Duty Act 1979.

3 The Customs Bill

Why is new domestic legislation necessary?

3.1 The authority to charge customs duty is currently contained in the European Communities Act 1972 (as amended), which will be repealed by the European Union (Withdrawal) Bill (EUWB). The EUWB will convert the body of existing EU law into domestic law and preserves the laws made in the UK to implement EU obligations. The powers in the EUWB to deal with deficiencies arising from withdrawal and to implement the withdrawal agreement cannot be used to impose or increase taxation, which includes customs duties, excise or VAT. Therefore, the UK will need new primary legislation, irrespective of any agreements reached between the UK and EU, to create a standalone customs regime, and to amend the VAT and excise regimes so that they can function effectively after the UK has left the EU. To allow business and government to prepare for the UK leaving the EU, the Customs Bill, and the secondary legislation made under it, must be in place with sufficient notice to support the implementation of a new, standalone regime and ensure that the excise and VAT regimes function effectively on the day the UK leaves the EU.

Approach to legislation

3.2 The Customs Bill will need to allow the customs, VAT and excise regimes to be amended to accommodate changes that are necessary or appropriate in consequence of the UK's withdrawal from the EU with or without an agreement. This includes if the negotiations result in close association with the EU Customs Union for a time-limited interim implementation period. The government hopes and expects that a positive deal can be reached, so this paper refers to the scenario of the UK leaving the EU without a negotiated outcome on customs, VAT and excise arrangements as a contingency scenario.

3.3 For VAT and excise it is usual practice for primary legislation to set out a 'framework', and for secondary legislation to be used to set out rules concerning administration, collection and enforcement. This is the approach that the government will also be taking to the new customs regime. This is also necessary to give the UK the flexibility to adapt the regimes in response to future developments, for example, negotiations with the EU, international agreements, or changes in trader behaviour and compliance.

3.4 The government is committed to ensuring that Parliament has due scrutiny of the secondary legislative programme and that businesses have as much notice as possible of the contents of secondary legislation to prepare for EU exit. The government commits to working with the devolved administrations on any implications for them as a consequence of this Bill and any changes to customs, VAT and excise practices.

3.5 As discussed in Chapter 6, the government sees engagement with businesses and other interested parties as a key part of its policy development and preparations, and it is already engaging with stakeholders for this purpose. Chapter 6 asks for further information on how changes to the customs, VAT and excise regimes may impact businesses. Wherever possible, the government will also formally consult on the planned content of draft secondary legislation.

3.6 The impact of aspects of this legislation on businesses will depend on precisely how changes to the customs, VAT and excise regimes are implemented in secondary legislation made pursuant to powers in the Bill, which will be shaped by the negotiations as they develop. The government will publish details, as appropriate, when decisions have been taken on how the regimes will operate in practice.

Links to other Bills

3.7 There are connections between the content of the Customs Bill and the Trade Bill. The Customs Bill will make provisions relevant to a new UK tariff, including the power to set customs duty, set quotas and preferences, and set out additional tariff-related provisions and how they will be administered. This will include, for example, the tariff applicable to developing countries (unilateral preferences) and in connection with UK trade remedies and disputes post-EU exit. This will allow us to impose trade remedy measures including anti-dumping duties, anti-subsidy duties and safeguard measures, where deemed appropriate following an investigation.

3.8 There are additional border activities undertaken as part of official controls which, while vital to the UK's trade, safety and security, are not directly related to the collection of customs duty. These include the regulation of cross-border movements of large sums of cash, tackling counterfeit goods, detecting firearms, explosives and narcotics, disclosure of information to other government departments for non-tax purposes and certain non-tax import and export controls, such as animal, public and plant health checks. The government will set out proposals in relation to these other areas in due course, working with devolved administrations as appropriate. These issues are not covered in the Customs Bill (although this legislation will contribute to the wider safety and security agenda, for example through providing powers for continued customs co-operation).

What the Customs Bill

4 contains

4.1 The Customs Bill does not presuppose any particular outcome from the negotiations with the EU. In response to feedback from stakeholders, and in order to provide continuity for business, the customs legislation will mostly be based on the Union Customs Code. The administration of the VAT and excise regimes will remain largely the same as today. The Bill may make provisions that allow for divergence from EU law where it is necessary to do so, or where there is a clear benefit to business to diverge from it and such divergence is consistent with whatever bilateral arrangements the government agrees with the EU.

Provisions to implement a customs regime

4.2 The Bill will allow the government to create a standalone customs regime by ensuring that, among other things:

- The UK can charge customs duty on goods (including on goods imported from the EU).
- The UK can define how goods will be classified to establish the amount of customs duty due (known as the nomenclature).
- The UK can set and vary rates of customs duty, specify where goods are subject to quotas and where goods are relieved from duty.
- The UK can determine the additional territories forming part of a customs union with the UK.
- The UK can vary or suspend duty at import in certain circumstances.
- HMRC can request and collect tax-related information from declarants and store and share it as appropriate.
- The UK can establish a new UK tariff and set out additional tariff-related provisions, for example the tariff applicable to developing countries (unilateral preferences), and will have a new arm's length body to conduct trade remedies investigations.

4.3 Further details on trade related policy can be found in the publication "Preparing for our future UK Trade Policy".

4.4 It will allow the UK to accommodate the transition to a new regime by ensuring:

- Where appropriate, existing treatments of traders or goods (for example, existing authorisation or customs status granted as a result of EU law) can continue under UK law.
- Most tax-related negotiated outcomes and the smooth facilitation of trade can be accommodated.
- Appropriate mechanisms are in place to transition existing trade remedy measures, where they are relevant to UK companies.

4.5 The Customs Bill will also make provision for consequential amendments to be made to CEMA, which will continue to form an important part of the customs regime and will work alongside and in conjunction with the Customs Bill.

Provisions to make changes to the VAT and excise regimes

4.6 The Bill will allow the VAT and excise systems to continue to function whatever the outcome of the negotiations. So, for example, the Bill will give the government:

- The flexibility to give effect to an agreement with the EU on supplies or movements in progress on the day of EU exit and enable supplies or movements of goods and services by businesses and individuals to continue as freely as possible thereafter.
- The flexibility to deal with VAT on movements of goods and services between the UK and EU.
- The flexibility to allow HMRC to adapt IT systems, for example the Excise Movement and Control System, for UK internal excise duty suspended movements.
- The flexibility to vary the UK information sharing obligations to give effect to any new agreement about the continued exchange of information with EU Member States to tackle avoidance and evasion.

Delegated powers

4.7 As noted above, for tax matters it is usual practice for secondary legislation to be used to set out rules concerning administration, collection and enforcement of tax, and for primary legislation to establish a framework around which these rules will be based. The Bill will contain appropriate delegated powers, and in some cases amend existing powers, to allow the government to be able to deliver certain aspects of a negotiated outcome.

4.8 These powers will be proportionate to achieving the UK's objectives, set out above, for its future customs, VAT and excise regimes. Without appropriate delegated powers, it may not be possible to give effect to the outcome of the negotiations within parliamentary timescales, which could damage the UK's negotiating position.

4.9 Delegated powers will be included in the Bill to ensure that:

- The government has the flexibility to make future amendments regarding customs duty. This will allow the UK's customs regime to keep pace with future developments in trade, trader behaviour and international agreements. It will also allow the government to implement simplifications to the regime that it is not possible to implement immediately on EU exit.
- The Bill gives the government the flexibility to make appropriate amendments to primary legislation if this is required by the outcome of the negotiations with the EU and ensures that the government can use secondary legislation to implement negotiated agreements.

The Customs Bill in 5 practice

5.1 In assessing the options for the UK's future customs relationship with the EU (and therefore, how the government uses the powers in the Customs Bill), the government will be guided by what delivers the greatest economic advantage to the UK, and by three strategic objectives:

- Ensuring UK-EU trade is as frictionless as possible;
- Avoiding a hard border between Ireland and Northern Ireland; and
- Establishing an independent international trade policy.

5.2 The Future Partnership Paper set out two approaches to the UK's future customs arrangements with the EU that most closely meet these objectives. The Customs Bill provides for the UK to implement that tax-related elements of one of these two options, the 'highly streamlined customs arrangement. As explained below (paragraph 5.14), additional primary legislation may be required to implement the 'new customs partnership' option, reflecting the detail of the agreement with the EU. This is in keeping with the approach the government is taking to other aspects of the future partnership with the EU, which will require legislation to implement negotiated outcomes. The Customs Bill will not undermine safety and security outcomes at the border.

5.3 While the government hopes and expects to achieve a negotiated settlement with the EU, it is only prudent that it prepares for every eventuality. The Customs Bill will give the government the powers needed in a scenario where the UK leaves the EU without a negotiated agreement on customs arrangements, referred to here as a contingency scenario. This is not the government's preferred outcome to the negotiations. However, it is essential that the UK is prepared for all possible outcomes on customs arrangements.

Seeking a negotiated outcome

Providing certainty: an interim implementation period

5.4 As the government set out in the Future Partnership Paper, investors, businesses and citizens in the UK and across the remaining 27 Member States, as well as those from third countries, need to be able to plan ahead. To avoid any cliff-edge as the UK moves from the current relationship to a future partnership, people and businesses in both the UK and the EU would benefit from a time-limited interim implementation period that will allow for a smooth and orderly transition. The government believes it would help both sides to minimise unnecessary disruption and provide certainty for businesses and individuals if this principle is agreed early in the negotiations.

5.5 The government is keen to explore with the EU a model for an interim implementation period which would ensure that businesses and people in the UK and the EU only have to adjust to a new customs relationship once. This could be delivered through a continued close association with the EU Customs Union after the UK has left the EU via a new and time-limited customs union between the UK and the EU Customs Union. This would be based on a shared external tariff and without customs processes and duties between the UK and the EU. The length of this period needs further consideration and will be linked to the speed at which the implementation of new arrangements could take place.

5.6 The government will do whatever is necessary to prepare for EU exit, including bringing forward further legislation if required. The Customs Bill would allow the government to implement certain interim arrangements to be agreed in negotiation with the EU, including the model described above.

Traders

5.7 As set out in the Future Partnership Paper, the government has considered two broad approaches to a future customs relationship with the EU that most closely meet the objectives set out above. How the UK proceeds will depend on negotiations with the EU, but the two models provide different approaches, and a range of subsequent choices that will affect the UK's customs arrangements.

A 'highly streamlined customs arrangement'

5.8 The first of these is a 'highly streamlined customs arrangement' between the UK and the EU, which, while introducing customs formalities to UK-EU trade, would seek to minimise these additional requirements as far as possible. This would consist of facilitations that would deliver a range of different benefits. Below are examples of the ways the government would seek to facilitate trade across the border. The government will look to explore these and broader facilitations with the EU.

5.9 The government will look to simplify the requirements for moving goods across borders, for example:

- negotiating a continued waiver from the requirement to submit entry and exit summary declarations for goods being moved between the UK and the EU, removing a time-sensitive administrative requirement.
- remaining a member of the Common Transit Convention (CTC), which simplifies border crossing for goods in transit, meaning that goods do not need to complete import and export declarations each time they cross a new border.

5.10 The government will look at options to reduce the pressure and risk of delays at ports and airports, for example by:

- negotiating mutual recognition of Authorised Economic Operators (AEOs), enabling faster clearance of AEOs' goods at the border, the Government will seek mutual recognition of AEOs with the EU.
- bilateral implementation of a technology-based solution for roll-on, roll-off ports which could consist of pre-arrival notification of consignments on a port IT system, linked to customs declarations and vehicle registration numbers so that vehicles were not required to stop at the border, enabling traffic to flow smoothly.

5.11 The government would look to contribute to the wider safety and security agenda, for example by negotiating customs co-operation, mutual assistance and data-sharing which replicates existing levels of UK cooperation with other Member States to reduce revenue and security risks to the UK, and improve targeting of inspections, reducing delays for legitimate traders.

5.12 The government would look to reduce the time and costs of complying with customs administrative requirements through exploring the viability of unilateral measures, primarily in respect of imports, for example:

- simplifications for business, such as self-assessment to allow traders to calculate their own customs duties and aggregate their customs declarations

- speeding up some authorisation processes, for example through increased automation and better use of data, and in the longer-term streamlining authorisation requirements to reduce complexity, such as in relation to the UK's existing framework of duty suspensions and reliefs
- making existing domestic simplified procedures easier for traders to access, in a way that is compatible with the UK's international obligations, in order to reduce the requirements traders need to comply with for their goods to be cleared at the border.

5.13 The government would look to reduce the time and costs of complying with customs administrative requirements through exploring the viability of unilateral measures, primarily in respect of imports, for example:

- simplifications for business, such as self-assessment to allow traders to calculate their own customs duties and aggregate their customs declarations
- speeding up some authorisation processes, for example through increased automation and better use of data, and in the longer-term streamlining authorisation requirements to reduce complexity, such as in relation to the UK's existing framework of duty suspensions and reliefs
- making existing domestic simplified procedures easier for traders to access, in a way that is compatible with the UK's international obligations, in order to reduce the requirements traders need to comply with for their goods to be cleared at the border.

5.14 Further details of the specific facilitations that the government would seek to put in place are set out in the Future Partnership Paper. The Customs Bill will make provisions that would allow the government to implement these facilitations, insofar as they relate to the collection of customs duty, and the government is engaging with a variety of businesses alongside other potential users to develop the detail of this proposal. As discussed below, the government will set out proposals in relation to certain issues not related to the collection of customs duties (such as the provision of safety and security information) in due course.

A 'new customs partnership'

5.15 The second model is a 'new customs partnership' with the EU. The government believes that the UK and the EU should jointly consider innovative approaches that could support UK-EU trade outside of a customs union arrangement, while still removing the need for customs processes at the border.

5.16 One potential approach the UK intends to explore further with the EU would involve the UK acting in partnership with the EU to operate a regime for imports that aligns precisely with the EU's external customs border, for goods that will be consumed in the EU market, even if they are part of a supply chain in the UK first. The UK would need to apply the same tariffs as the EU, and provide the same treatment for rules of origin for those goods arriving in the UK and destined for the EU.

5.17 By mirroring the EU's customs approach at its external border, the UK could ensure that all goods entering the EU via the UK have paid the correct EU duties. This would remove the need for the UK and the EU to introduce customs processes between them, so that goods moving between the UK and the EU would be treated as they are now for customs purposes. The UK would also be able to apply its own tariffs and trade policy to UK exports and imports from other countries destined for the UK market, in line with the aspiration for an independent trade policy.

5.18 Further detail on this approach is in the Future Partnership Paper and, as it sets out, the government recognises that this is an innovative and untested approach that would take time to

develop, implement and negotiate with the EU. The government is keen to explore this approach with businesses and other stakeholders to understand the practical complexities involved in making it work, and whether it could achieve the Government's objectives as set out in paragraph 5.1.

5.19 Given that this is an innovative and untested approach that would need to be discussed further with the EU and businesses, the Customs Bill could not be drafted to specifically provide for the implementation of this outcome. Should negotiations conclude that future customs arrangements with the EU should follow this model, further domestic primary legislation may be required.

The movement of goods by individuals via travel or post

5.20 The Bill provides the necessary powers to implement a negotiated solution on goods carried by passengers or sent as small parcels. The government's aim is to ensure that people travelling between the UK from the EU can continue to carry on as they do now, and that the movement of goods as small parcels, via Royal Mail and fast parcel operators, continues to operate effectively. This will maximise fluidity, protect revenues and guard against an increase in tax evasion.

The Northern Ireland-Ireland land border

5.21 The UK government and the EU recognise the unique economic, social and cultural circumstances of the land border between Northern Ireland and Ireland, and will work together to secure the best possible outcome from negotiations as part of a UK-EU deal. The UK government, EU and Irish government all share the aim to avoid a hard border.

5.22 In line with these shared objectives, the UK has already published a Northern Ireland and Ireland Position Paper. The paper set out nine key principles on which to base a future customs solution. These include aiming to avoid any physical border infrastructure; preventing any new barriers to doing business within the UK, including between Northern Ireland and Great Britain; and agreeing at an early stage a time-limited interim implementation period. Based on these principles, and in recognition of the unique circumstances of the Northern Ireland-Ireland land border, the UK government proposes two creative solutions to explore with the EU, as outlined in the Future Partnership Paper. The Northern Ireland and Ireland Position Paper also sets out that the UK will seek to ensure that individuals travelling to the UK from the EU, and vice versa, can continue to travel with goods for personal use as freely and as smoothly as they do now.

5.23 Under the highly streamlined customs arrangement, the UK believes it would need to go still further to agree specific facilitations for the Northern Ireland-Ireland land border. A cross-border trade exemption acknowledges that many of the movements of goods across the land border are by smaller traders operating in a local economy, and they cannot be properly categorised or treated as economically significant international trade. The cross-border trade exemption would ensure that smaller traders could continue to move goods with no new requirements in relation to customs processes at the land border. In 2015, over 80% of north to south trade was carried out by micro, small and medium-sized businesses.

5.24 For those businesses not eligible for an exemption, the UK will explore how to ensure that administrative processes could be very significantly streamlined, including for 'trusted traders' on either side of the border. This could, for example, allow for simplified customs procedures, such as reduced declaration requirements and periodic payment of duty.

5.25 The alternative option of a new customs partnership arrangement with the EU would remove the need for the UK and EU to introduce customs processes between them. This would enable the border between Northern Ireland and Ireland to continue to be seamless in relation

to customs. There would need to be a robust enforcement mechanism that ensured goods which had not complied with the EU's trade policy stayed in the UK.

A contingency scenario

5.26 While the government hopes for and expects a mutually beneficial outcome to negotiations, it is prudent for both government and businesses to plan for a contingency scenario, where the UK leaves the EU without a negotiated outcome on customs arrangements.

Traders

5.27 In this scenario, the Bill will make provision for the UK to establish a standalone customs regime from day one, including setting tariffs and quotas, and establishing a goods classification system in line with the government's WTO obligations. The UK would apply the same customs duty to every country with which it does not have a trade deal or otherwise provide preferential access to the UK market, such as schemes for developing countries. The level of this duty would be decided by the government, and set out in secondary legislation before the UK leaves the EU. Currently, for the EU as a whole, only around 30% of imported goods (in value terms) are subject to the Common External Tariff. On the whole, traders who already import from outside the EU should see no change in the customs declarations procedures for those imports.

5.28 Traders that currently trade only with the EU will be subject to customs declarations and customs checks for the first time. Traders would need to be registered, which will provide them with an Economic Operators' Registration and Identification System (EORI) number. Imported goods would be liable to customs duty and import VAT. Certain goods may require import or export licenses, and traders exporting to the EU would have to submit an export declaration.

5.29 The government is actively considering ways in which to mitigate the impacts on traders of such a scenario, and the Customs Bill will make provisions that would allow the government to implement such facilitations.

Preparing for a contingency scenario

5.30 The government is committed to developing solutions to the issues that implementing a new customs regime would raise, particularly in the areas, such as ro-ro ports and the Northern Ireland-Ireland land border, that are likely to be the most complex. The government is seeking the views of businesses and other stakeholders on these solutions.

Roll-on roll-off ports (Ro-ro)

5.31 Many of the UK's ports and airports already facilitate imports from, and exports to, non-EU countries, and are therefore familiar with ensuring customs formalities are completed. This means that the ports and airports likely to see the greatest change in a contingency scenario are those that currently only (or predominantly) deal with intra-EU trade.

5.32 The impact is likely to be greatest where goods are travelling in vehicles (e.g. HGVs, vans, etc.). This is partly because the time available for processing declarations is far shorter than goods arriving at container ports where there can be many hours between the ship docking and the goods being unloaded and then re-loaded onto a vehicle which then removes them from the port.

5.33 Most goods entering or leaving the UK on a vehicle (from or to the EU) go through a ro-ro port or terminal, which are typically characterised by the fluidity of trade. The government will work to ensure trade flows through the ports as seamlessly as possible. Vehicles and their occupants travelling from continental Europe currently undergo immigration checks but are not

subject to routine customs controls. In a contingency scenario where an interim period cannot be agreed, customs declarations would be required for UK-EU trade once the UK leaves the EU.

5.34 Because of the nature of the trade and the fact that the majority of ro-ro ports are space-constrained, it would not be desirable to hold vehicles for any amount of time in order for declarations to be lodged. Therefore, the Bill will enable the government to require that consignments are pre-notified to customs, as well as enabling the unilateral measures set out above in relation to the highly streamlined customs arrangement.

5.35 In this scenario, the government would need to be able to confirm that businesses have complied with customs obligations. The government will work closely with industry on what would be required.

5.36 As set out in the Future Partnership Paper, the UK will seek to negotiate continued membership of the safety and security zone. However, in a contingency scenario where the UK does not have membership, the carrier would be required to lodge a pre-arrival safety and security declaration for imports and exports.

5.37 Because customs declarations would also be required under a highly streamlined customs arrangement with the EU, the processes outlined above would represent a stepping stone to the technology-based solution set out in the Future Partnership Paper for roll-on, roll-off ports.

5.38 The principles underlying a contingency model for exports would be similar to those set out above for imports. It would not be desirable to hold vehicles for any length of time at ports to present goods to Customs for export. Therefore, presentation would take place inland as much as possible, and at the port there would be a means to confirm that goods have left the UK.

The movement of goods by air, maritime or rail freight

5.39 In a contingency scenario, goods imported from or exported to the EU via air or bulk/containerised maritime traffic would require customs clearance. As there are well-established processes in place in many airports and maritime ports which currently handle a mixture of intra-EU and non-EU traffic, the government expects customs arrangements at these locations for UK-EU trade to be broadly similar to how non-EU goods are currently handled.

5.40 Very little rail freight travels between the UK and continental Europe. Since rail freight routes came into existence after the lifting of customs controls for intra-EU traffic in 1993, the UK has not had to operate a customs regime for rail freight. The government expects the requirements for rail freight would be similar to other modes of transport. Declarations would be required for rail consignments, and the arrival of goods into the country would need to be notified to Customs in a contingency scenario.

The movement of goods by individuals via travel or small parcels

5.41 Under a contingency scenario, for goods carried by passengers or sent as small parcels, the government's aim is to avoid disruption, enable efficient and effective tax procedures and guard against an increase in tax evasion. For individual travellers entering and exiting the UK carrying goods (including across the border with Ireland), the tax processes will be kept as close as possible to what they are now whether they enter from the EU or the rest of the world (and similarly for exit).

5.42 This will, for example, ensure that people travelling to the UK from the EU can continue to carry on as they do now and if they do, they will not have to pay any UK tax on the goods that they bring back with them for personal use.

5.43 A contingency scenario would also mean changes to how tax is collected on goods sent as small parcels. It would not be appropriate to extend the current rules for low value parcels from non-EU countries to include parcels sent from the EU. Due to the EU's geographical proximity to the UK, allowing parcels valued £15 or less to be sent from the EU without VAT being payable would potentially undermine the UK high street in the same way as low value parcels sent from the Channel Islands did before the rules were changed in 2012. Applying the current rules for parcels sent from non-EU countries to all parcels would also increase the volume of parcels on which Royal Mail and fast parcel operators have to collect tax, and more UK consumers would have to pay tax when their goods are delivered. Instead, the UK is exploring alternative collection mechanisms, including technology-based solutions, to help collect the taxes due on parcels valued below £135 from the business selling the goods to minimise consumer burdens when the parcel is delivered.

The Northern Ireland-Ireland land border

5.44 The UK welcomes the clear commitment from the European Council and Commission to work on "flexible and imaginative" solutions to aim to avoid a hard border. Following the UK's exit from the European Union, including in a contingency scenario, the UK government will have flexibility to determine its own border arrangements for the purposes of goods movements, while remaining consistent with its international obligations. The UK government's clear priority in devising new border arrangements is to respect the strong desire from all parties and all parts of the community in Northern Ireland and Ireland to avoid any return to a hard border, and to maintain as seamless and frictionless a border as possible.

5.45 The nature of the border clearly means that all sides must aim for an agreed, reciprocal solution.

Other issues

Dispute resolution

5.46 In the event of a domestic dispute with HMRC over tax/duty, individuals and traders will still be able to seek reviews of decisions made by HMRC and appeal through the tax tribunal process as they do now. Where there is a 'relevant decision' in relation to customs charges, they can also request that HMRC conducts a formal departmental review of the decision. As part of the future partnership with the EU the direct jurisdiction of the European Court of Justice will end in the UK. The Department for Exiting the European Union has published 'Enforcement and Dispute Resolution: A Future Partnership Paper' on this subject.

Non-tax border issues

5.47 The fiscal aspects of the customs regime are only part of the ways in which the government controls the movement of goods across borders, so achieving the government's objectives in full will depend on other elements of the deep and special partnership and trading arrangements secured with the EU. The government recognises that this is an important issue for businesses, and continues to engage on this issue as part of its stakeholder engagement. The government will set out proposals in relation to these other areas in due course.

Stakeholder engagement on future customs, VAT, and excise policy

6

How the government has engaged with businesses on the future customs, VAT and excise regimes

6.1 The government believes that businesses from across the UK have an important role to play in the policymaking process. Since the referendum, the government has met with over 250 businesses, ports, airports and other organisations involved in international trade throughout the UK, including in Northern Ireland, Scotland and Wales, to discuss customs, VAT and excise. This engagement will help to inform effective policy development, and to deepen understanding of the impact of customs procedures on businesses.

6.2 Following publication of the Future Partnership Paper, HM Treasury and HM Revenue and Customs have undertaken a comprehensive programme of roundtables with key sectors and industries to inform the policy design of the future customs relationship with the EU, and to collect evidence to support the UK's negotiations. It has also sought written responses to the Paper from all those with an interest in the customs regime.

6.3 As part of this, the government has particularly valued discussions around: the two end state models set out in the Future Partnership Paper (including their implications for different business models); businesses' preferred arrangements for any interim implementation period; and the consideration being given to the contingency scenario. The contents of this White Paper reflect much of the feedback that stakeholders have provided. Wherever possible, stakeholders are encouraged to provide more feedback on these points in responses to this White Paper.

What businesses have told the government

6.4 The key points that business stakeholders have made clear that they want the government to take into account include:

- Support for an interim implementation period, with a clear sense of what the end state arrangements will be as early as possible;
- The need for as much continuity as possible with the current rules during any interim implementation period;
- the need to minimise administrative costs of new procedures whether it be filing declarations or holding goods;
- the impact of unexpected delays caused by new checks;
- the impact on particular sectors and on industries reliant on 'just-in-time' processes or getting fresh goods across borders quickly;
- the requirement to recruit and train new staff and the availability of agents to carry out the work particularly for SMEs, or for HMRC support; and
- the potential impact of customs procedures in Northern Ireland.

How the government will keep engaging with businesses

6.5 The government will continue to engage with stakeholders, including across the business community, following this publication, during the passage of the Customs Bill, and as negotiations on the terms of the withdrawal from the European Union (and on the future partnership with the EU) progress.

6.6 The government welcomes responses from businesses and consumers on the content of this White Paper. This will aid further policy development and allow the government to consider specific business and consumer impacts as the full detail of the new customs regime and changes to the VAT and excise regimes are laid out through secondary legislation.

6.7 In addition to the request for information contained in the Future Partnership Paper, the government is interested to hear about the following areas.

6.8 Operational impacts. For example:

- If your business is part of an EU supply chain, including on the island of Ireland, how will the preparations for a new standalone customs regime affect your operations? Are you considering any changes to your current way of doing business including sourcing and trade activities? In your response please provide some detail on the time-sensitivity of your supply chain.
- How long will your business need to prepare for the two broad approaches to a future customs relationship, as set out in this paper and the Future Partnership Paper and the contingency scenario? Please provide some detail on the changes you expect to make.

6.9 Fiscal border process. For example:

- If your business already trades outside the EU, what examples of best practice should the UK consider when designing its own border processes to achieve trade that is as frictionless as possible?
- How can the government employ technology to best effect to ensure traffic and trade flows smoothly?
- What can ferry operators, ports, train operators and terminals do to help traffic flow smoothly?

6.10 Employing intermediaries. For example:

- When and why would you consider using a freight forwarder or other intermediary to facilitate the trade of your business? Does this decision differ for non-EU and EU trade? Please provide further details on your engagement with intermediaries.
- Does your business have the necessary skills in-house to comply with a customs regime without employing an intermediary?
- As an intermediary (such as a customs broker or freight forwarder), what is your assessment of the opportunities and risks to your business arising from the changes proposed in this paper?
- As an intermediary, how do you see the market for your services developing as a result of the changes in this paper? Will you make changes to your business in response?

6.11 Costs. For example:

- Do you anticipate additional costs for your businesses in adapting to the changes in this paper? How could those costs be reduced?
- Would you consider seeking external expert advice to help your business understand costs under a new customs regime?
- Do you expect to have to make one-off investments into new IT systems or hire staff in order to adapt to the new customs regime?

6.12 Need for further information. For example:

- What information would be helpful from government as you prepare for changes? When would you need this information?

6.13 In your response, please provide detail on your business and how you trade. In particular the government will be better able to understand what the changes in this White Paper mean for your business if you provide details on:

- the size of your business
- the type of goods you trade
- how regularly you trade
- whether you import and/or export
- who you trade with (EU and/or non-EU countries)

6.14 The government is interested to hear from consumers about the following areas:

- Do you expect there to be changes in any of the following: range, availability, quality and price of goods and services? Please give details of any concerns, as well as any positive benefits you feel new customs arrangements may bring.
- Do you have any other concerns about new customs arrangements? What information would be helpful for you to have from government?

Box 6.A: Stakeholder responses

The government welcomes responses to these questions and the content of this white paper. These can be sent via email to CustomsStakeholders@hmtreasury.gsi.gov.uk, or alternatively via post to:

Customs White Paper Responses
HM Treasury
1 Horse Guards Road
SW1A 2HQ

While there is no deadline for providing feedback, responses before 3 November 2017 are encouraged.

A Glossary

Authorised Economic Operator (AEO)	AEO status is issued by customs administrations, and certifies that a business has met certain standards in relation to the security of their supply chain, their solvency, and their compliance with customs requirements.
Bill	A proposal for a new law or an amendment to an existing law that has been presented to Parliament for consideration. Once agreed and made into law, it becomes an Act.
Classification of goods (nomenclature)	The customs, import VAT, and excise treatment of different goods, including their liability to duty and import or export restrictions, depends upon their classification. Customs administrations classify goods according to their characteristics, such as the substances they are made from.
Clearance	Once goods have been 'cleared' by a customs administration, for example once applicable duty has been paid and any applicable checks have been carried out, they may circulate freely within a customs territory.
Common Transit Convention (CTC)	The signatories to the Common Transit Convention are the 28 EU Member States, the EFTA countries, Turkey, the former Yugoslav Republic of Macedonia, and Serbia. Membership allows use of the 'Common Transit' (CT) procedure, that allows the carriage of goods, on which duty has not been paid, between the EU and the common transit countries (and between the common transit countries themselves).
Consignment	A batch of goods destined for or delivered to someone. There is no fixed quantity/size of a consignment.
Customs declaration	How an individual or trader informs a customs administration of imports or exports.
Customs duty	A tax payable on goods imported or exported from one country to another. (See Tariff)
Customs union	A form of trade agreement whereby customs territories agree not to impose customs duties and other restrictions on all, or substantially all, of each other's goods, and to charge uniform customs duties and other restrictions on goods included in the customs union from customs territories outside of the union.
Direct applicability	Directly applicable EU law is automatically given legal effect in the UK by virtue of s 2(1) of the ECA

	1972, and should require no intervention from Member State authorities.
Duty suspension	Duty suspension schemes allow an individual or trader to defer duty on imports, or production in the case of excise duties, to a later date.
Excise Movement and Control System (EMCS)	An EU-wide digital mechanism for controlling the movement of duty suspended excise goods within the EU. It is applied through separate IT systems built and managed by each EU Member State.
EORI number	All EU businesses provide an Economic Operator Registration and Identification Number (EORI) to customs authorities when importing or exporting commercial cargo from or to third countries.
Excise duty	Excise duty is chargeable on certain goods, including alcohol, tobacco products, and hydrocarbon oils, on importation into the UK or production in the UK.
Facilitations	These are specific arrangements which simplify the requirements to move goods across the border; reduce the pressure and risks of delays at ports and airports; defer the point at which customs duties may be due; and/or reduce the costs of complying with the customs system generally.
Import VAT	Import VAT is levied on imported goods. VAT is charged on the importation of goods at the same rate as if the goods had been supplied in the UK.
Power	An ability granted to a minister or other office holder by an act of parliament, for example the ability to make secondary legislation.
Preferences	Tariff concessions available on certain imported goods from certain beneficiary countries, but not on others. Preferential rates may be 'unilateral' (and so not require reciprocity from beneficiary countries) or 'bilateral' (reciprocal, and arising through mutual instruments such as Free Trade Agreements).
Quota	A prescribed quantity of goods which may benefit from a particular tariff, or which may be imported or exported within a given period of time.
Roll-on, roll-off (ro-ro)	Ferry or train services designed to carry vehicles such as cars, vans and HGVs, that are driven on and off the ship/train rather than being lifted off. These services include ferries at Dover, and Channel Tunnel trains.
Rules of Origin	Criteria needed to establish the source of imported and exported goods. Their importance is derived from the fact that duties and restrictions on movement of goods often depend upon the source of the good.

Safety and Security Zone	Most goods brought into the customs territory of the EU must be pre-notified to customs authorities for safety and security risk analysis purposes. This requirement is waived for movements within the EU Customs Union and Norway and Switzerland, defined here as the Safety and Security Zone.
Secondary legislation	Legislation made on powers conferred by an Act of Parliament.
Tariff	How the tax payable on goods imported or exported from one country to another can be determined. (See Customs Duty)
Third country	A country external to a given customs territory.
Trade remedies	Trade policy tools which allow governments to take remedial action against imports which are harmful to domestic industry. An example is anti-dumping duties.
Union Customs Code (UCC)	This sets out the customs rules and procedures used within the EU. It came into force on May 1st 2016 and is supplemented by delegated and implementing acts.
VAT	Value Added Tax (VAT) is a tax borne by the final consumers of most goods and services in the UK, and it includes goods imported into the UK. It became operative in the UK in 1973.
VAT Mini One Stop Shop (VAT MOSS)	An EU system used by traders to report and pay VAT due upon sales of digital services to consumers in the EU.
World Trade Organisation (WTO)	A global international organisation dealing with the rules of trade between countries. At its centre are the WTO agreements, negotiated and signed by the bulk of the world's trading nations. The core principles of the WTO include non-discriminative, open, predictable, and competitive trade.

HM Treasury contacts

This document can be downloaded from
www.gov.uk

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