

## Summary: Intervention & Options

<b>Department /Agency:</b> <b>HM Revenue &amp; Customs</b>	<b>Title:</b> <b>Impact Assessment of relaxing the requirement to complete a valuation declaration (C105)</b>	
<b>Stage:</b> Implementation	<b>Version:</b> 1	<b>Date:</b> 14 December 2007
<b>Related Publications:</b>		

**Available to view or download at:**

<http://www.hmrc.gov.uk>

**Contact for enquiries:** Peter Knights

**Telephone:** 01702 361933

**What is the problem under consideration? Why is government intervention necessary?**

Importers are required to provide a completed valuation declaration of particulars (C105) with their customs entries when the value of the imported goods exceeds a threshold limit of £6,500 per consignment.

The C105 is no longer considered to be a worthwhile document for the purpose of customs controls in the United Kingdom and the continued completion of the form places an unnecessary burden on importers or their representatives. In the future, HMRC want to relax the requirement for a valuation declaration to be completed for 99% of all import entry declarations.

**What are the policy objectives and the intended effects?**

To reduce unnecessary burdens on business, by a reduction in form-filling requirements. The revised procedures will result in cost saving benefits for importers and their agents.

**What policy options have been considered? Please justify any preferred option.**

Option 1 - No change to the requirement for a Form C105 to be completed when the threshold limit of £6,500 is exceeded.

Option 2 - Relieving importers of the burden of routinely completing a valuation declaration for every customs entry by applying existing EC regulations more flexibly in the future.

This is the preferred option and will yield a greater cost benefit in reducing the admin burden on importers and their clearing agents.

**When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?** A review will be undertaken as part of the work to develop the implementing provisions for the Modernised Customs Code (EU Customs law). This work will be completed by year end 2009.

**Ministerial Sign-off** For final proposal/implementation stage Impact Assessments:

***I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.***

Signed by the responsible Minister:

Jane Kennedy.....Date: 9 March 2008

## Summary: Analysis & Evidence

**Policy Option: 2**

**Description: Relax the requirement for a valuation declaration form to be routinely completed for all customs entries.**

<b>COSTS</b>	<b>ANNUAL COSTS</b>		Description and scale of <b>key monetised costs</b> by 'main affected groups'  There will be a small amount of time spent by traders familiarising themselves with the new process. There will be negligible costs to HMRC of publicising the change in procedures and updating guidance.
	<b>One-off</b> (Transition)	<b>Yrs</b>	
	<b>£ Negligible</b>	1	
	<b>Average Annual Cost</b> (excluding one-off)		
	<b>£ Nil</b>		<b>Total Cost (PV)</b> <b>£</b>
Other <b>key non-monetised costs</b> by 'main affected groups'			

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>		Description and scale of <b>key monetised benefits</b> by 'main affected groups'  Removing the requirement for these declarations from 99 per cent of importers will result in savings of around £5-7m per annum once all traders are aware of the change.
	<b>One-off</b>	<b>Yrs</b>	
	<b>£ Nil</b>		
	<b>Average Annual Benefit</b> (excluding one-off)		
	<b>£ 5-7m</b>		<b>Total Benefit (PV)</b> <b>£</b>
Other <b>key non-monetised benefits</b> by 'main affected groups'			

**Key Assumptions/Sensitivities/Risks** The range reflects the fact for the majority of customs declarations submitted electronically, the C105 is rarely physically presented, although the business is required to retain it at their premises. Also there is uncertainty as to the extent to which freight agents' fees will change.

Price Base Year 2007	Time Period Years	<b>Net Benefit Range (NPV)</b> <b>£</b>	<b>NET BENEFIT (NPV Best estimate)</b> <b>£</b>
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What is the geographic coverage of the policy/option?	UK			
On what date will the policy be implemented?	1/4/08			
Which organisation(s) will enforce the policy?	HMRC			
What is the total annual cost of enforcement for these organisations?	£ Negligible			
Does enforcement comply with Hampton principles?	Yes			
Will implementation go beyond minimum EU requirements?	No			
What is the value of the proposed offsetting measure per year?	£ N/A			
What is the value of changes in greenhouse gas emissions?	£ Negligible			
Will the proposal have a significant impact on competition?	No			
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A

<b>Impact on Admin Burdens Baseline</b> (2005 Prices)		(Increase - Decrease)	
Increase of	£ 0	Decrease of	£ 4-6m
		<b>Net Impact</b>	<b>£ decrease of 4-6m</b>

Key: Annual costs and benefits: Constant Prices (Net) Present Value

## Evidence Base (for summary sheets)

### 1. Rationale for Intervention

The C105 is an official form on which the importer (or their agent) records information about the valuation of the imported goods in a single consignment for customs duty and import VAT purposes. The form also provides certain information that can be useful for the post importation audit process.

EC Regulations require that a declaration of particulars, relating to the customs value, shall accompany the customs entry made in respect of imported goods. A valuation declaration is required if the value of the consignment exceeds a threshold limit of EUR 10,000 (£6,500).

In the past, the C105 provided useful information for front-end checks undertaken by Customs at ports and airports where the entry documentation would be manually scrutinised. However, HMRC controls have now moved away from the ports and are now risk based with checks made post-importation, taking into account the perceived risk. Thus, the usefulness of the information contained on the C105 has diminished for the purpose of front-end controls.

### 2. Policy Objective

To relieve importers of the burden of routinely providing information about their importations on a C105 by apply existing Regulation more flexibly, resulting in a reduction in form-filling requirements.

### 3. Options

#### Option 1. No change to the requirement to complete a Form C105

This would require importers to continue to routinely complete and retain, at their registered place of business, a copy of a valuation declaration for every customs entry where the value of the imported goods exceeds the legal threshold limit of £6,500 per consignment.

#### Option 2. Relax the requirement on importers to routinely complete a Form C105

The valuation declaration is no longer considered a useful document that can be relied upon to provide sufficient information to target meaningful post-importation audit checks. For this purpose, the information currently provided by importers on the C105 has become somewhat redundant in its entirety.

Customs now focus their checks on a risk-based approach, and the C105 does not add sufficient to the information on which this is based to warrant its retention.

In future, a business will only be required to complete a C105 if HMRC check their customs import entry declaration as part of a post-importation audit. Businesses will be given up to 28 days from receiving notice of the audit to collect the information required and submit the C105 to HMRC.

A substantial reduction in the number of registered General Valuation Statements (C109) will also form part of these measures.

This is the preferred option as the combined effect will be a reduction in the administrative burden on importers and their clearing agents whilst maintaining a degree of flexibility for HMRC to request a C105 prior to undertaking a post importation audit check.

#### **4. Expected Impact**

Option 1 – importers and their agents would continue to complete form C105 for imports where the value of goods exceeds £6,500. There would be no savings.

Option 2 – In 2005, approximately 1.15 million import declarations were made where the value of the goods exceeded the £6,500 threshold and the trader did not hold a relevant General Valuation Statement. These imports would require a C105 to be completed and held at the business's premises if the customs entry declaration was made electronically.

Evidence from HMRC's Standard Cost Model (SCM) suggests that in 2005 it took businesses around 30 minutes to deal with a valuation declaration internally, equivalent to a cost of approximately £6. The SCM distinguishes whether or not a business is likely to out-source the task to a third party, although in this case the end cost is similar. For the small proportion of businesses that have to complete a C105 on request, a slightly higher time of 45 minutes to complete the form has been assumed. The information required is largely held by businesses already for their own purposes.

Removing the requirement for a significant proportion of these declarations will result in a saving of between £4-6 million against the administrative burden baseline in 2005 prices, and a compliance cost saving of £5-7 million (using the latest estimate of the number of declarations). The range reflects the fact that HMRC have taken into consideration that with the vast majority of customs declarations being submitted electronically, the C105 is rarely physically presented, although under current rules they still have to be completed and retained in the business's records for production during an audit. The range also reflects the fact that when a business out-sources its customs work, fees are often for a package of obligations (as well as the freight shipping itself). In these circumstances HMRC feels the C105 is a relatively small part of the overall package, and hence the fees charged for the package are unlikely to change significantly, and so have taken this into account when estimating the savings.

HMRC estimates that implementing and publishing these changes will cost under £10,000.

HMRC does not expect these changes to have an impact on yield or risk assessment, as the information contained on the C105 plays no major part in the intelligence gathering process leading to further audit checks being undertaken.

#### **5. Consultation**

The JCCC, Duty Liability sub-group, were informed of the proposed changes at their meeting on 27 June 2007. No strong objections to the changes proposed were raised during the debate.

#### **6. Implementation plan**

The revised procedures will be introduced on 1 April 2008.

A formal announcement is to be made to the Joint Customs Consultative Committee in a JCCC information paper. The JCCC forum is made-up of several groups who represent business rather than parties interested in Customs. Of these, the British Chamber of Commerce, the Simpler Trade Procedures Board (SITPRO) and British Retail Consortium have a special interest in the smaller firms. Within the transportation arena, many of the groups, e.g. Road Haulage Association, represent both large and small firms.

Further information will be given on the HMRC web site; the Notice Board on the HMRC entry-processing computer (CHIEF); the Business Link web site and via other publicity media.

## **7. Competition and Small Firms Impact Test**

This measure removes a declaration requirement that potentially affects all businesses with the international trade sector. It does not alter the amount of tax or customs duties paid. As such it will not have an impact on competition, or a disproportionate negative impact on small businesses.

## Specific Impact Tests: Checklist

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	No
Disability Equality	No	No
Gender Equality	No	No
Human Rights	No	No
Rural Proofing	No	No