

<b>Title:</b> Impact assessment for the removal of safety and security requirements for exported empty units moved under a transport contract and inter-port transshipment exports <b>IA No:</b> N/A <b>RPC Reference No:</b> RPC-HMRC-5209(1) <b>Lead department or agency:</b> HMRC <b>Other departments or agencies:</b> Home Office, Border Force, HMT	<b>Impact Assessment (IA)</b>			
	<b>Date:</b> 01/07/2022			
	<b>Stage:</b> Final			
	<b>Source of intervention:</b> Domestic			
	<b>Type of measure:</b> Secondary Legislation			
<b>Contact for enquiries:</b> Samuel Popper				
<b>Summary: Intervention and Options</b>				<b>RPC Opinion:</b> GREEN

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANDCB in 2014 prices)	One-In, Three-Out	Business Impact Target Status
£338.6m	£338.6m	£-39.3m	Not in scope	Qualifying provision

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

- Safety and security (S&S) declarations are a type of customs declaration required for most imports and exports. They are used to gather information about goods entering and exiting the territory of the UK. The submission of S&S declarations is one element of our approach to border security. However, the submission of these declarations creates a burden for carriers.
- Following the UK's departure from the European Union (EU) the government has been considering options to develop a world-leading border, allowing us to balance the aims of trade flow and security. As part of this, we have been reviewing S&S requirements with the aim of reducing unnecessary burdens, and supporting businesses in a challenging economic environment. To this end we are removing trader burdens by permanently waiving S&S requirements for specific categories of goods movements, including exported empty units under a transport contract and inter-port transshipments.
- These are low risk movements where the provision of extra data through S&S declarations is not necessary. The removal of S&S requirements will not lead to increased border risks.
- HMRC is introducing this SI to amend existing legislation and remove these requirements.

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

- These waivers are intended to support businesses and the economy by removing declaration requirements on low risk exports and thereby helping make these movements as easy as possible, without compromising border security.
- As a result of this intervention costs for businesses will be reduced.
- These facilitations are considered by Home Office/Border Force to be for low risk movements, and the security risk is considered minimal relative to the administrative burden of S&S declarations.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**

- HMRC has considered whether non-regulatory policy options would achieve the desired outcome. However, as the requirement to submit an S&S declaration is set out entirely through legislation, it cannot be removed without a regulatory intervention to remove it. There are no non-regulatory policy options to achieve the desired outcome, which is the easing of a regulatory restriction. Other options have not been considered for this reason.

<b>Will the policy be reviewed?</b> It will not be reviewed. <b>If applicable, set review date:</b> N/A				
Is this measure likely to impact on international trade and investment?			Yes	
Are any of these organisations in scope?			<b>Micro</b> Yes	<b>Small</b> Yes
			<b>Medium</b> Yes	<b>Large</b> Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			<b>Traded:</b>	
			<b>Non-traded:</b>	

**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) that the benefits justify the costs.**

**Signed by the responsible Minister:**  **Date:** 05/07/2023

## Summary: Analysis & Evidence

## Policy Option 1

**Description:** Safety and security (S&S) declarations are part of the overall customs process and are used to assess information about goods entering and exiting the territory of the UK. This impact assessment (IA) relates to the removal of the requirement to submit S&S declarations for exported empty units moved under a transport contract and inter-port transshipments for consignments exiting GB, which will remove administrative burdens and minimise friction at the border. This will have cost savings for those involved in these movements. The analysis in this IA is based on the estimated volumes of S&S declarations that will no longer be required and the associated costs of submitting these declarations.

### FULL ECONOMIC ASSESSMENT

Price Base Year 2021	PV Base Year 2022	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 291.2	High: 385.9	Best Estimate: 338.6

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0	0	0
High	0	0	0
Best Estimate	0	0	0

#### Description and scale of key monetised costs by 'main affected groups'

S&S declarations for consignments exiting GB take the form of Exit Summary (EXS) Declarations. EXS declarations are submitted to HMRC either directly by the carrier or via an intermediary. There will be an almost immediate cost to intermediaries that provide these services: as EXS declarations are no longer being submitted for these movements, they will lose revenue, in direct relation to the amount saved by carriers from not paying submission fees. We assume that the cost to intermediaries will be less than the lost revenue once profit is taken into account

#### Other key non-monetised costs by 'main affected groups'

The removal of EXS for empty units and inter-port transshipments may lead to small one-off costs such as for web pages to be updated, and for carriers to familiarise themselves with the new rules. These are expected to be minimal.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	33.9	291.2
High	0	44.9	385.9
Best Estimate	0	39.4	338.6

#### Description and scale of key monetised benefits by 'main affected groups'

1. Removal of the requirement to submit an EXS for two categories of movements exiting GB:
  - a. Exports of empty units moved under a transport contract (approximately 775,000 per year).
  - b. Inter-port transshipments (approximately 180,000 per year).
2. The removal of these requirements comes with direct monetised benefit for these groups:
  - a. Reduced expense of collecting the necessary information to complete the declarations.
  - b. Reduced expense on submission fees charged by third parties to submit said declarations.

**Other key non-monetised benefits by 'main affected groups'**

- Removal of the risk of inter-port transshipments being rerouted to not come through GB.
- Ports and carriers may see reduced costs as they no longer need to check whether exported empty units are moved under a transport contract and inter-port transshipments have the correct documents.

Key assumptions/sensitivities/risks

**Discount rate**

3.5%

The input factors that will have the highest influence on the expected volume of movements are:

1. The assumed level of imports and exports in future years.
2. The assumed share of transit movements starting at an airport that are inter-port transshipments.
3. The share of empty units and inter-port transshipments of movements of goods overall.

The input factors that will have the highest influence on the quantified benefits to carriers are:

4. The estimated fees intermediaries charge carriers to submit S&S declarations.
5. The estimated expense of collecting the necessary information to complete the declarations.
6. The share of EXS declarations we estimate to be submitted via an intermediary as opposed to insourced.
7. Whether the cost of making an S&S declaration is estimated to be the same for empty unit movements and inter-port transshipments.

**BUSINESS ASSESSMENT (Option 1)**

<b>Direct impact on business (Equivalent Annual) £m:</b>			<b>Score for Business Impact Target (qualifying provisions only) £m:</b>
<b>Costs: 0</b>	<b>Benefits: 39.3</b>	<b>Net: -39.3</b>	
			-196.7

## Evidence Base (for summary sheets)

Problem under consideration and rationale for intervention

1. Safety and Security (S&S) declarations are a type of customs declaration required for most imports and exports. They are used to gather information about goods entering and exiting the territory of the UK. The submission of S&S declarations is one element of our approach to border security.
2. The UK's approach to S&S is in line with the World Customs Organisation's (WCO) SAFE Framework of standards, which requires the pre-arrival or pre-departure collection and risking of information for all consignments entering or exiting a territory. S&S pre-arrival declarations, referred to as Entry Summary (ENS) declarations, are used by Border Force to risk assess goods before they arrive in the UK. The risk assessment provides information for targeting dangerous goods, such as drugs, before arrival at the border. S&S pre-departure declarations, also referred to as Exit Summary (EXS) declarations, are used to gather information about goods leaving the territory of the UK. The measures discussed in this IA relate only to EXS declarations.
3. Following the UK's departure from the European Union (EU) the government has been considering options to develop a world-leading border, allowing us to balance the aims of trade flow and security. As part of this, the government has stated its intention to remove unnecessary administrative burdens that may cause disruption at ports and to supply chains, ensuring our border is as facilitative as possible whilst remaining secure.
4. Separately to this, British businesses and people have been hit by rising costs caused by Russia's war in Ukraine and in energy prices, as well as ongoing impacts to supply chains. The government has concluded it would be wrong to impose new administrative burdens and risk disruption at ports and to supply chains at this point, and has been reviewing S&S requirements with the aim of reducing unnecessary burdens, and supporting businesses in a challenging economic environment.
5. To this end, the government announced in April that new import controls on EU goods will no longer be introduced this year. Additional steps are being taken alongside this to ease existing burdens and facilitate trade at the border, whilst maintaining border security. To implement this, the government is introducing legislation to pause the introduction of new S&S import controls, implement three S&S facilitations for low risk movements, and make minor technical amendments to correct anomalies in S&S legislation.
6. The department has assessed the provisions within the SI and concluded that two of the proposed facilitations have direct benefits to carriers that fall within Better Regulation reporting requirements and are therefore analysed within this IA.

Note: we refer to 'carriers' in this document as a generic term to represent those who submit EXS declarations, which may in practice be a carrier, including hauliers, or a trader. Where this responsibility is outsourced to an intermediary this is made clear.

7. The two facilitations are:
  - i. **Empty units:** The removal of the requirement to submit S&S declarations for the export of empty containers, pallets and vehicles that are moved under a transport contract.
  - ii. **Inter-port transshipment:** Removes the requirement to submit a pre-departure S&S declaration for the outbound journey of an inter-port transshipment. This could be, for

example, where air cargo in Heathrow is transferred to a vehicle and driven out of the country via Dover because bad weather means a connecting flight has been missed.

8. These facilitations will remove differences between requirements for similar movements. The treatment of exported empty units moved under a transport contract will now be aligned with the treatment of exported empty units not moved under a transport contract (which already do not require the submission of an EXS declaration); and the treatment for inter-port transshipments will now be aligned with the treatment for intra-port transshipments (which already do not require the submission of an EXS declaration). These facilitations will therefore equalise treatment with similar low risk movements.
9. These facilitations are being introduced to support businesses and supply chains, help avoid friction and delays at the border and remove financial and administrative burdens. These are considered by Home Office/Border Force to be low risk movements and the security risk is considered minimal relative to the administrative burden of EXS declarations, particularly as the facilitations align treatment with similar movements where these declarations are already not required.
10. We expect that the facilitation removing the requirements for exported empty units under a transport contract and inter-port transshipments will introduce a net direct benefit to businesses of above £5m Equivalent Annual Net Direct Cost to Business (EANDCB), and therefore this IA is being completed.
11. The key industries affected by each measure differ and are set out below:
  - i. **Empty units:** this facilitation will most directly affect those involved in the export of empty units moved under a transport contract, including the logistics industry, the shipping industry, the road haulage industry and other industries.
  - ii. **Inter-port transshipment:** this facilitation will most directly benefit the airline industry who make the most frequent use of this method of moving goods into and out of GB, however the measure is not limited to the airline industry and this facilitation will be available for goods being moved by other modes of transport.
12. As S&S declaration requirements are set out in domestic legislation, only the government can intervene with legislation to amend existing legal requirements. There are no alternative non-legislative options to introduce these facilitations and reduce burdens for business.

### **Rationale and evidence to justify the level of analysis used in the IA (proportionality approach)**

13. EXS declarations are submitted in a limited number of circumstances, in the majority of circumstances the customs export declaration provides the information that would otherwise be contained in the EXS declaration. As such, any available information, insight and analysis tend to focus on the export declaration processes. Where there is no direct evidence available for EXS declarations, expenses and carrier behaviour are taken from export declarations as a proxy to inform this impact assessment.

### **Description of options considered**

14. The two primary options considered in order to meet this policy objective were to do nothing, or to legislate to remove the regulatory requirements in question.

#### Do nothing

15. If the 'do nothing' option was taken forward, these requirements would remain in place, and businesses would have to spend a disproportionate amount of time and money meeting

them, relative to the associated risk; as well as not aligning analogous requirements. This could have a detrimental impact on businesses and supply chains, particularly in the current challenging economic climate.

### Legislation

16. As set out above, the government is introducing facilitations to remove burdens for business and ensure our border is as facilitative as possible. S&S requirements are set out entirely through legislation and can only be amended via further legislation. The government is therefore proceeding with the option to introduce secondary legislation to amend these regulatory requirements to reduce regulatory requirements for traders.

### Non-legislative options

17. There are no non-legislative options to achieve the desired outcome.

18. HMRC has considered other ways in which the same outcome may be achieved but has concluded none of these would have any impact as the legislative requirement to submit an S&S declaration would remain in place.

HMRC has considered whether actions could be taken to incentivise a reduction in empty units leaving the UK, which would mean traders have to export fewer empty units and therefore complete fewer S&S declarations. The UK is a net importer of goods, meaning it imports more goods than it exports. This means the UK has a high proportion of empty units that need exporting, as units (such as containers, pallets and vehicles) arrive in the UK loaded with goods and the empty unit subsequently needs exporting back into the global supply chain. To reduce the number of exported empty units would require action to reduce the number of imports into the UK or prevent the export of empty units, i.e. altering the UK's balance of trade, which is beyond the scope of these facilitations. Further, the requirement to submit an S&S declaration for exported empty units would still exist, meaning the administrative burden would remain in place for those that do export empty units. This would not meet the objectives of this policy – which is to remove burdens on low-risk movements – and the option was therefore deemed not suitable.

### **Policy objective**

19. The aim of these measures is to reduce burdens for exporting where those requirements are not proportionate to the risk associated with these movements. As a result of the change current declaration requirements will be waived.

20. Indicators of success will be positive feedback from stakeholders, the smooth operation of ports at busy times in the case of outbound empty units, and the retention of inter-port transshipment as a revenue stream within GB for UK businesses that make use of this facilitation.

### **Summary and preferred option with description of implementation plan**

21. This change will be given effect by secondary legislation. The change to the regulation is the key requirement of the change. There will be no transitional arrangements.

22. The government will also update existing gov.uk guidance on S&S declarations, and the wider Border Operating Model, to reflect the change in requirements. Stakeholders, including ports, airports, and hauliers amongst others, will also be informed of the changes through HMRC's existing communication channels.

23. The arrangements will be operated by HMRC, and enforced at the border by Border Force, as is the case for current customs requirements.

## **Monetised and non-monetised costs and benefits of each option (including administrative burden)**

### One-off benefits

24. The removal of the EXS declarations for empty units moved under a transport contract and inter-port transshipments will not have any one-off benefits as the ongoing benefits due to the burdens being removed will have an immediate impact.

### Ongoing benefits

25. Businesses will be required to submit fewer EXS declarations. This will remove the burden of collecting and submitting the required information. Where they currently do so, they will also benefit from no longer having to pay fees to intermediaries to submit EXS declarations on their behalf. The methodology for assessing these benefits is set out below.

### Non-monetised benefits

26. Inter-port transshipments are often to short timescales meaning that the requirement to submit EXS declarations is costly for carriers. If the waiver was not introduced there is a risk that carriers would re-route shipments and not come through GB, which would cause a loss of revenue from the through traffic.

27. Ports and carriers may see reduced costs as they no longer need to check whether empty unit and inter-port transshipments have EXS declarations.

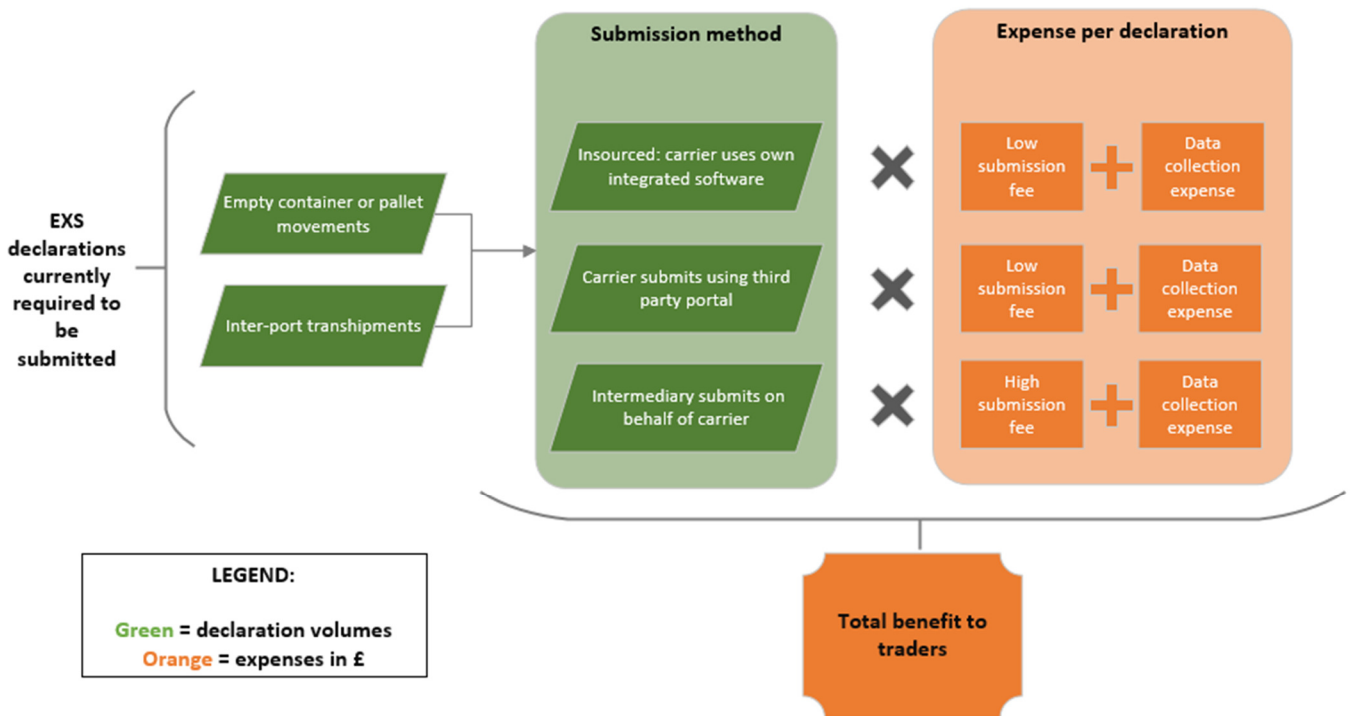
# Methodology for calculating benefits

## Summary

28. Our approach to estimating the quantified benefits to businesses is to estimate the likely volume of affected EXS declarations submitted per year and multiply this volume by the expected expense per declaration. The expected expense per declaration varies depending on the submission method used to submit. This is detailed in the flow diagram below and described in more detail in the sections that follow.

29. The baseline year for this estimate is the calendar year 2021, with figures either representing the calendar year 2021 or adjusted to be in line with 2021 import volumes.

**Figure 1: Process to estimate the overall benefit of EXS waivers**



## Volume of declarations

30. We estimate the volume of declarations for the two affected types of EXS movements:

- Empty units: Carriers currently submit EXS declarations for empty pallets, containers and vehicles moved under a transport contract out of GB. There is no specific indicator on an EXS declaration that separately indicates it is for the movement of an empty unit. However, carriers are obliged to provide an accurate description of the goods on the declaration form. Hence, the number of declarations on HMRC’s administrative data with the word “Empty” are counted as relating to empty unit movements.

Since EXS declarations for EU movements were only fully introduced in October 2021, an adjustment was made to the extracted data covering the period between October 2021 and April 2022 to provide an estimate for the full year.

**This gives an estimated 775,000 EXS from movements of empty units under a transport contract.**



- ii. Inter-port transshipments: The waiver only applies when goods are declared to a transit procedure, so we identify relevant transit movements to use as a proxy. We assume, based on conversations with industry stakeholders, that inter-port transshipments most frequently refer to movements when goods are flown to an airport and then transferred to a truck to be exported out of the country. We therefore start by counting the number of transit movements starting at a GB airport in 2021, using New Computerised Transit System data (scaled up to account for transit movements that are missing start location data).

It is possible that transit movements starting at an airport are not inter-port transshipments. For example, they may be air to air rather than air to truck. However, our understanding is that there would be little benefit to a trader of doing this (e.g. it would likely make more sense to make a point to point air to air journey rather than transiting through GB) and that there are relatively few non inter-port movements. In the absence of specific evidence, we therefore make a small allowance to reflect this possibility and assume that 75% are inter-port transshipments.

**This gives an estimated 180,000 EXS declarations from inter-port transshipments.<sup>1</sup>**

31. Summing these gives a **total volume of empty units under a transport contract and inter-port transshipments requiring an EXS declaration of 955,000 in 2021.**

## **Expense of submitting a declaration**

### **Declaration method**

32. The expense associated with collecting and preparing information necessary to submit a declaration, as well as any submission fees, will be removed due to the waiver. We have identified three main declaration methods that carriers currently use, with the expenses differing for each method:
  - i. *Intermediary*: Full use of an intermediary. This is where the carrier pays the intermediary to deal with all the paperwork associated with moving the goods or empty units. The intermediary will charge a fee for collating the information and submitting the EXS declaration to HMRC.
  - ii. *Portal*: Self-submission via a third-party portal. This is where the carrier collates the information themselves and then uses a third-party portal to submit the EXS. This will be typically used by carriers that have the skills but do not have the requisite system access to submit declarations in-house.
  - iii. *Insourced*: Self-submission via own integrated software: This is where the carrier has IT systems that are integrated with HMRC's customs platform(s) and submit their own EXS.
33. We assume that the submission methods used and associated expenses are the same for inter-port transshipments and empty units. So, we divide the overall volume of declarations by our estimates of the proportions submitted via each declaration type:
  - i. For the proportion using an intermediary, we use data from HMRC's administrative data on export customs declarations which have a field for whether the declaration

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<sup>1</sup> The estimate of EXSs from inter-port transshipments has changed slightly from the draft version of this impact assessment, due to us having an improved estimate of the volume of transit movements that are missing start location data.

was submitted by an intermediary. This indicates **88% of declarations are submitted using an intermediary, so 840,000 declarations.**

- ii. There is no indicator on customs or S&S declarations that indicates how the remaining 12% splits between those using a portal and those who use insourced methods. We assume that, of carriers who self-submit, any that submit 25,000 declarations or more per year are likely to be using insourced methods, and those submitting under that are likely to be using a portal. This threshold is based on commercially advertised portal services. However, it should be noted that the threshold used here has little impact on the overall results, as the self-submitting group only account for 12% of declarations in total.

We can then estimate the total customs declarations submitted by the two groups who are self-submitting:

- This indicates 24% of self-submitted declarations are submitted via a portal, or **3% of the total volume submitted via a portal, so 27,000 declarations.**
- The 76% of self-submitted declarations are estimated to be insourced equates to **9% of the total volume submitted via insourced methods, so 88,000 declarations.**

34. This is summarised in the table below:

Table 1: Volume of EXS declarations by submission method

<b>Declaration method</b>	<b>Proportion of declarations using this method</b>	<b>Total declarations using method</b>
Intermediary	88%	840,000
Portal	3%	27,000
Insourced	9%	88,000

#### Affected traders

35. Approximately 500 declarants submitted an EXS declaration in the reference period October 2021 to April 2022. Many of these will be intermediaries acting on behalf of multiple traders, therefore we count the number of unique consignor details on these declarations to estimate the total number of affected traders, which is 5,000.

36. We match the consignor details where possible to the Office for National Statistics' Inter-Departmental Business Register (IDBR), to estimate the share of EXSs accounted for by company size (Table 2). We note that not all declarations have been successfully matched to the IDBR. Figures have been scaled to exclude non-matches.

Table 2: Estimated EXS by company size

Company size	Volume of declarations	Share of total
Sole trader	10,000	1%
Micro (1-9 employees)	25,000	3%
Small (10-49 employees)	190,000	20%
Medium (50-249 employees)	140,000	15%
Large (250 plus employees)	590,000	62%

37. These figures indicate that medium and large companies account for the large majority of EXSs submitted.

**Submission expense**

38. We assume that expenses will be made up of two parts:

- i. **Data collection: the time taken for carriers to collect the data and prepare the information required for their chosen process.**
- ii. **Submission fees: the fee charged to carriers to submit declarations or the fee charged by CSPs over and above their annual licencing fee.**

***Data collection expense***

39. To estimate the time taken to collect, prepare and submit the necessary information we use unpublished HMRC survey data of customs intermediaries, for which the fieldwork was conducted in early 2022. The survey asked customs intermediaries how long it takes for them to complete export declarations (which request similar information to EXS declarations) on behalf of their customers, who we assume to be carriers.

40. It is important to note that this question asks for the total length of time between receiving a request and completing the declaration and therefore covers both:

- i. *Active* time: where the intermediary is directly working on completing a declaration and
- ii. *Passive* time: where the intermediary is not directly working on completing the EXS declaration, but time is nevertheless passing from when the customer requested the declaration. For example, if the intermediary has asked for further documentation from the customer in order to be able to submit, but can carry on with other tasks.

We are only interested in the *active* time element as *passive* costs are likely to be minimal.

41. The results are banded into ranges of times: *0 – 10 mins, more than 10 – 20 mins, more than 20 – 30 mins, more than 30 – 60 mins, more than 60 mins to a day and More than a day*. We estimate that the final two bands (*60 mins to a day and more than a day*) include a

significant element of passive time, and therefore we cap the related benefit for these at 60 minutes.

42. While the survey question asks how long the *intermediary* takes to complete the declaration, for our estimation of the benefits, we need to understand the time taken by the *carrier* to prepare the declaration before they send it to the intermediary. We therefore make an assumption on how long it takes the carrier to complete based on how long the intermediaries take.
43. To calculate an average time taken for carriers, we take the top end of each band and multiply by the share of respondents and sum the results. This gives an average time for data collection of **34 minutes per declaration**.
44. We choose the top end of the bands to account for the fact that intermediaries are likely to be experienced in submitting declarations, with automated software, which might mean they spend slightly less time completing the EXS declarations than the carriers spend preparing them.
45. The expense per declaration is based on the estimated time taken to collect the information pro-rata (from unpublished HMRC customs intermediaries survey data) against the hourly wage rate (including an allowance for overheads) of £16.90 for *book-keepers, payroll managers and wages clerks* in the HMRC Standard Cost Model.<sup>2</sup> This equates to 34 minutes of staff time, **to £9.60 per declaration**.
46. There may be variations in data collection time between the groups. However, there is little evidence as to how this would vary. For example, it could be argued that those who are using an intermediary would spend less time as they simply need to send the relevant documents to the intermediary who handles everything. But it could be argued that those with insourced systems spend less time because much of the process can be done automatically. Similarly, those who are self-submitting via a portal, while having to do all of the work themselves, may be more au fait with the process and therefore quicker than those who use an intermediary.
47. In the absence of any evidence on differences in data collection time, we assume it is the same across all the declaration methods. This is summarised in the table below:

Table 3: Estimated data collection time and associated expense

<b>Declaration Method</b>	<b>Data collection time (minutes)</b>	<b>Hourly Wage rate (£)</b>	<b>Data collection expense (£)</b>
Intermediary	34	16.90	9.60
Portal	34	16.90	9.60
Insourced	34	16.90	9.60

<sup>2</sup> HMRC's Standard Cost Model is used to assess the cost of tax policies, with wages for different occupation types based on the ONS's Annual Survey of Hour and Earnings. It includes a 30% uplift for overheads.

48. The estimate of time taken to complete has been discussed with policy experts in the department and checked against previous internal estimates.

#### *Submission fees*

49. We assume that the submission fee varies depending on the submission method used:

- i. For those using an intermediary, we again use unpublished HMRC survey data, which asked customs intermediaries for the *average base price charged to customers to submit export declarations*. These figures are presented in the following bands: *Up to £30, more than £30 - £40, more than £40 - £50, more than £50 - £60, More than £60*.

We take a similar approach to that for data collection time, taking the mid-points of each band, except for *more than £60*, which we assume to be £75, and weight these to each band's share of respondents, giving £37.47 average fee.

We have also conducted external research assessing commercially advertised prices for EXS declarations. The average fee across the two intermediaries we sampled was £25.

To calculate an average fee for those using an intermediary, we average the £37.47 from the survey and the commercial price of £25, giving **a submission fee of £31.20 for those using an intermediary.**

- ii. For those using a portal, we use the commercially advertised prices we were able to source, which was only from one intermediary, with a charge of £5. Comparative analysis of this intermediary with others, for other types of declarations indicates that they are slightly cheaper than the market average. The £5 is therefore adjusted upwards to bring it in line, giving **a submission fee of £6.70 for those using a portal.**
- iii. For those with insourced methods, we use the commercially advertised prices for two CSP providers. While insourced carriers will face other costs, such as for their own software, and annual charges to link to CSPs, these changes will not change their need for software and therefore not remove annual licensing fees and any other ongoing software costs. It is likely if they are submitting either empties or inter-port transshipments that they are a large operator and therefore also submitting other types of declarations, such as import declarations, for which they would need still need access to the relevant customs software. The advertised prices we saw for this service indicated **a submission fee of £0.40 for those using insourced methods.**

50. HMRC has engaged with several industry stakeholders regarding pricing. Many cannot give specific charge estimates as they may make up part of a wider package or be negotiated individually with each customer. The submission fees in this note are consistent with previous internal estimates. The submission fees are summarised in the table below.

Table 4: Fees by submission method

<b>Declaration Method</b>	<b>Submission fee (£)</b>
Intermediary	31.20
Portal	6.70
Insourced	0.40

## Results

51. To estimate the overall benefit to carriers we multiply the volume of affected EXS declarations for each submission method by that method's estimated expense per declaration, totalling £35.7m. This is shown in the summary table below. A full line by line breakdown of benefits and costs, is detailed in table 5 below.

Table 5: Summary of expense calculations

<b>Declaration Method</b>	<b>Estimated volume</b>	<b>Submission fee (£)</b>	<b>Data collection expense (£)</b>	<b>Total expense per declaration (£)</b>	<b>Estimated carrier benefit (£)</b>
Intermediary	840,000	£31.20	£9.60	£40.80	£34,300,000
Portal	27,000	£6.70	£9.60	£16.30	£400,000
Insourced	88,000	£0.40	£9.60	£10.00	£900,000
Total	955,000				£35,700,000

Note: figures for 2021

Note: figures may not sum due to rounding.

52. To understand the potential range of the benefits, we conduct sensitivity analysis using a Monte Carlo simulation. This tests the impacts of altering the key model assumptions, simulating several thousand different scenarios. The benefits have a 90% confidence interval in the range £31.0m to £40.9m.
53. The benefit of not expending resource and time on data collection is estimated to be £9.3m for 2021, with a range of £7.8m to £10.9m.
54. The benefit of not paying the submission fees is estimated to be £26.5m for 2021, with a range of £22.0m to £31.2m.
55. Note that the lower and upper figures of the ranges for the submission fees and data collection costs cannot be added together as they represent different scenarios that may be impossible to exist at the same time, due to dependencies of the assumptions within. When removing the EXS, if carriers make full use of intermediaries to submit their EXS the fees will be a higher proportion of the total cost compared to the scenario when a larger proportion of carriers make partial use of intermediary. Conversely, when carriers make full use of intermediaries their associated data collection and preparation time will be much lower.

### One-off costs

56. The removal of EXS declarations for the affected movement types may lead to some one-off costs. Although the requirements have been eased, this may nevertheless represent a cost to carriers and CSPs/ intermediaries to change their systems. In addition, they will need to familiarise themselves and their customers with the new rules and update web pages. These costs have not been quantified but are expected to be relatively small. This is due to the fact that there are only around half a dozen CSPs and a low number of intermediaries involved, and the cost for each of these is likely to be low: the new regulations should be quick to read and understand; and the policy is deregulatory.

### Ongoing costs

57. There will be an almost immediate cost to intermediaries or CSP software providers that provide these services: as EXS declarations are no longer being submitted for these movements, they will lose revenue from fees. As these businesses are not themselves subject to the regulatory requirement, this is not a direct cost and therefore not included in the EANDCB, as per RPC case history guidance.<sup>3</sup>
58. The intermediary and software provider revenue from fees totals £26.4m. We assume that this is not all profit, i.e. that intermediaries and software providers face costs to deliver their services. To estimate profit, we use the ONS's Annual Rates of Return of Private Non-Financial Corporations statistics, which show around a 15% profit rate for the service sector.<sup>4</sup>
59. Applying this to the £26.4m implies a cost to intermediaries and software providers of £4.0m for 2021, across empty units and inter-port transhipments.
60. As described in point 56, this cost is not classed as direct and therefore not included in the EANDCB.

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<sup>3</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/790060/RPC\\_case\\_histories\\_-\\_December\\_2016\\_volume.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/790060/RPC_case_histories_-_December_2016_volume.pdf), page 35

<sup>4</sup> Profitability of UK Companies, ONS, Published 28 April 2022.

<https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/datasets/profitabilityofukcompaniesreferencetable>

## Overall impact

61. To calculate the overall impact, we only include costs and benefits for directly affected businesses. As there are no direct costs due to the policy, the overall impact consists simply of the benefits, estimated to be £35.7m in 2021, with a 90% confidence interval in the range of £31.0m and £40.9m. A step-by-step calculation for costs and benefits is shown in the table on the next page.



Table 6: calculation of benefits and costs

Item	Empty units	Inter-port transhipments	Total
<b>Volume EXS</b>	775,000	180,000	955,000
<b>Share of EXS using an intermediary</b>	88%	88%	88%
<b>Volume using an intermediary</b>	682,000	158,400	840,400
<b>Data collection expense</b>	£9.60	£9.60	£9.60
<b>Submission fee</b>	£31.20	£31.20	£31.20
<b>Overall expense per declaration</b>	£40.80	£40.80	£40.80
<b>Total data collection expense</b>	£6,547,200	£1,520,640	£8,067,840
<b>Total submission fee expense</b>	£21,278,400	£4,942,080	£26,220,480
<b>Total carrier expense</b>	£27,825,600	£6,462,720	£34,288,320
<b>Share self-submitting</b>	12%	12%	12%
<b>(Of which, via portal)</b>	24%	24%	24%
<b>(Of which, insourced)</b>	76%	76%	76%
<b>Volume using portal</b>	21,885	5,083	26,968
<b>Data collection expense</b>	£9.60	£9.60	£9.60
<b>Submission fee</b>	£6.70	£6.70	£6.70
<b>Overall expense per declaration</b>	£16.30	£16.30	£16.30
<b>Total data collection expense</b>	£356,730	£82,853	£439,583
<b>Total submission fee expense</b>	£146,631	£34,056	£180,687
<b>Total carrier expense</b>	£356,730	£82,853	£439,583
<b>Volume insourced</b>	71,115	16,517	87,632
<b>Data collection expense</b>	£9.60	£9.60	£9.60
<b>Submission fee</b>	£0.40	£0.40	£0.40
<b>Overall expense per declaration</b>	£10.00	£10.00	£10.00
<b>Total data collection expense</b>	£682,702	£158,563	£841,265
<b>Total submission fee expense</b>	£28,446	£6,607	£35,053
<b>Total carrier expense</b>	£711,148	£165,170	£876,317
<b>Total data collection expense</b>	£7,600,000	£1,800,000	£9,300,000
<b>Total submission fees</b>	£21,500,000	£5,000,000	£26,400,000
<b>Sub-total carrier expense (total policy benefits)</b>	£29,100,000	£6,800,000	£35,700,000
<b>Net policy impact (benefits minus costs)</b>	£29,100,000	£6,800,000	£35,700,000

## Adjustments for future import levels

62. We assume that in future years, were the waiver not introduced, the volume of affected EXS declarations would increase in line with non-oil imports. This is based on the fact that empty units (which account for most of the estimate) are likely to be moved out of GB when goods have been imported using them. Therefore, assuming imports and exports remain in equal proportion, an increase in imports will lead to a nominal increase in movements of empty containers. We assume that the volume of inter-port transshipments would increase in line with imports in the same way, in the absence of any other evidence.
63. This is highlighted in table 6 below. Note that these figures have not been discounted as they are in the actual calculation of net present value. These have not been adjusted for price inflation.
64. To estimate lower and upper bounds from 2022 onwards, rather than reapply the simulation, we calculate variation using the 2021 simulated ranges as described above. We calculate the difference in the lower estimate from the central estimate, and the difference in the higher from the central estimate. We take the average of the absolute of these and then apply this uniformly (plus and minus) to the central benefit and cost estimates as shown in the table below. For benefits, the variation is 14%, for costs, 24%.

Table 7: Adjustment for future import levels

<b>Year</b>	<b>Non-oil imports adjustment</b>	<b>Volume of affected EXS declarations</b>	<b>Net impact</b>
2021 (baseline)	None	955,000	£35,700,000
2022-23	1.21	1,153,000	£43,400,000
2023-24	1.2	1,150,000	£43,200,000
2024-25	1.21	1,152,000	£43,300,000
2025-26	1.22	1,167,000	£43,900,000
2026-27	1.24	1,185,000	£44,600,000
2027-28	1.25	1,194,000	£44,900,000
2028-29	1.26	1,202,000	£45,200,000
2029-30	1.27	1,210,000	£45,500,000
2030-31	1.28	1,218,000	£45,800,000
2031-32	1.28	1,227,000	£46,100,000

Note: 2021 figures represent the calendar year 2021. The other years represent the months July to June, i.e. 12 month periods from when the policy is introduced, in July 2022.

## **Risks and assumptions**

65. EXS are submitted in a limited number of circumstances, so available information and evidence is limited. To inform this impact assessment, modelling assumptions have been made with varying degrees of uncertainty.
66. Empty units and inter-port transshipments do not have a specific indicator on EXS declarations. The volumetrics are therefore based on interrogation of HMRC administrative data and applying reasonable assumptions to it.
- i. Empty units are proxied by searching for the text entry of “Empty”
  - ii. Inter-port transshipments are proxied by estimating transit movements starting from airports and applying an assumption of how many of those are covered by this waiver.

## **Impact on small and micro businesses**

67. We do not foresee any direct ongoing costs arising from these facilitations, including on small and micro businesses (SMBs). However, we estimate, using the ONSs IDBR, that 47% of EXSs submitted for empty units are submitted by SMBs.
68. As many of those submitting EXSs are intermediaries, this suggests that SMBs may be indirectly impacted by lost revenue, an indirect cost as described in the ‘costs’ section.
69. This means that the costs described above may slightly more disproportionately affect SMBs compared to the benefits which are likely to disproportionately accrue to larger businesses. Nevertheless, it should be noted that the costs are overall, much smaller than the benefits, and are likely to only represent a small share of any intermediary's income. This is because the intermediary is likely to be arranging a wider logistics package of which S&S is a small part, and which will still be needed when S&S requirements are waived.
70. Overall, the direct impacts of these facilitations are beneficial to all businesses, including small and micro businesses. We do not foresee any disproportionate burden on these types of businesses because directly due to the regulation. It would therefore be inappropriate to provide exemption or mitigation for these businesses.
71. Small businesses are likely to spend a higher amount of time completing S&S declarations, as they may not have automated software. In addition, whereas a business who submits multiple similar S&S declarations would become more efficient over time, a small business may only submit an S&S declaration occasionally and not benefit. Therefore, SMBs may see a higher benefit from these facilitations.

## **Wider impacts**

72. Wider impacts related to potential indirect trade implications are set out in the applicable section below.
73. This measure will not directly impact individuals as the measures within are focused on businesses and commercial movement of goods. Consumers, and anyone in the supply chain, may see a small benefit in reduced costs of goods due to the lower cost of trade.
74. The competition assessment checklist has been completed for this measure as private industry, in the form of customs intermediaries and agents, support customers to complete S&S declarations. These measures will not limit the number or range of suppliers or impact the abilities or incentives for intermediaries to compete. Similarly, there will be no impact on the choices or information available to consumers. Therefore, no full competition impact assessment is required for this measure.

75. The environmental impacts are expected to be minimal, as we do not foresee the waiver having a significant impact on the volume of empty units, and the environmental impact of completing and submitting the declarations themselves is likely to be small.
76. The facilitations may have a small positive impact on Border Force enforcement capability as they will have less checks to perform. However, this is likely to be relatively small as the affected movements account for a low share of overall traffic, and were already deemed to be low-risk movements and therefore not a prioritised movement type by Border Force.

### **A summary of the potential trade implications of measure**

77. These facilitations are being introduced to support businesses and supply chains, help remove friction and delays at the border and remove financial and administrative burdens. This in turn supports UK trade flows and the attractiveness of our ports and airports.
78. The removal of costly EXS declaration requirements for inter-port transshipments reduces the risk that carriers re-route shipments and do not come through GB, helping support trade volumes.

### **Monitoring and evaluation**

79. HMRC will monitor the impact of these arrangements through ongoing engagement with affected businesses, and discussion of how the removal of these requirements has affected them.
80. HMRC will monitor the number of EXS declarations received, with the expectation that the volume received for these types of movements will reduce, implying success of the policy.
81. We will monitor the impact on flow through our existing arrangements with Border Force to monitor goods flow at the border.

# Annex A: Customs Intermediaries Survey:

## Wave 5

### Background and methodology

HMRC commissioned Ipsos to undertake research to understand the size and characteristics of the customs intermediary sector. Conducted over 5 waves between June 2020 and March 2022, the research explored the sector's preparations for EU Exit, the end of the transition period, and new customs processes that are in place. The research focused on customs intermediaries who already made customs declarations on behalf of traders (either in-house, through outsourcing to another customs intermediary, or a mix of both).

A telephone survey, based on a random probability sampling design, was undertaken with 257 customs intermediaries between 17 February and 22 March 2022.

The overall aim of the survey was to measure change in customs intermediaries' capacity and confidence in response to EU Exit policies, as well as to better understand the population in terms of structure and services provided to traders

The survey included questions on aspects of the customs declarations process such as time to complete declarations and the costs charged by intermediaries to submit declarations. Both of these are used in this Impact Assessment and the results are published here.

## Data tables referenced in the Impact Assessment

**Table A.1 Charge for completing customs declarations for average client – Wave 5**

	<b>Export declaration</b>	<b>Import declaration</b>	<b>Supplementary declaration</b>	<b>Simplified frontier declaration</b>	<b>Entry in Declarants records</b>	<b>ENS</b>
Up to £25	21%	5%	21%	28%	24%	24%
More than £25 to £30	7%	2%	10%	2%	3%	2%
More than £30 to £35	15%	6%	8%	10%	8%	10%
More than £35 to £40	3%	5%	8%	7%	4%	*
More than £40 to £45	10%	17%	6%	14%	9%	9%
More than £45 to £50	9%	13%	7%	5%	14%	10%
More than £50 to £55	8%	19%	7%	16%	10%	6%
More than £55 to £60	4%	4%	1%	2%	2%	-
More than £60	9%	20%	10%	8%	9%	12%
Don't know	3%	3%	8%	2%	5%	3%
We do not keep records on this	*	*	1%	1%	1%	3%
No Charge	12%	5%	14%	6%	11%	22%

Base (unweighted): Export declaration (168); Import declaration (149); Supplementary declaration (82); Simplified frontier declaration (66); Entry in Declarants records (52); ENS (81).

Q. How much does your business typically charge for completing customs declarations for your average client? - Figure is zero. \* Figure greater than 0 but less than 1%.

Caution: Low base under 100 for Supplementary declaration (82); Simplified frontier declaration (66); Entry in Declarants records (52); ENS (81).

**Table A.2 Average time taken to complete each type of customer declaration – Wave 5**

	<b>Export declaration</b>	<b>Import declaration</b>	<b>Supplementary declaration</b>	<b>Simplified frontier declaration</b>	<b>Entry in Declarants records</b>	<b>ENS</b>
Over 0 to 10 mins	27%	14%	21%	19%	21%	23%
Over 10 to 20 mins	19%	14%	13%	23%	15%	20%
Over 20 to 30 mins	14%	14%	14%	21%	13%	9%
Over 30 to 60 minutes	11%	15%	19%	12%	16%	14%
Over 60 mins to a day	23%	30%	21%	22%	24%	24%
Over a day	3%	5%	3%	2%	6%	1%
Don't know	3%	8%	8%	2%	7%	9%

Base (unweighted): All intermediaries who complete in-house: export declarations (168); import declarations (149); Supplementary declarations (82); Simplified frontier declarations (66); Entry in declarants records (52); ENS declaration (81).  
 Q. Typically how long does it take your business to complete each type of custom declaration for your average customer?  
 Caution: Low base under 100 for Supplementary declarations (82); Simplified frontier declarations (66); Entry in declarants records (52); Safety and security entry summary declaration (81).

## Previous survey waves & Publication

Fieldwork for the previous waves took place as follows:

- Wave 1 – 29 June to 1 September 2020 (piloted with 97 customs intermediaries between 29 June and 13 July 2020), 674 customs intermediaries
- Wave 2 – 10 November to 16 December 2020, 497 customs intermediaries (337 of whom had taken part in Wave 1)
- Wave 3 – 26 March to 6 May 2021, 473 customs intermediaries (298 of whom had taken part in earlier waves)
- Wave 4 – 23 September to 9 November 2021, 344 customs intermediaries (281 of whom had taken part in earlier waves)  
 Sizing exercise: Grossing and estimation

Waves 1 and 2 of the research have been published on gov.uk: Wave 1 in November 2020 and Wave 2 in March 2021. We plan to publish the final 3 waves in due course.