

EXPLANATORY MEMORANDUM TO
THE STATISTICS OF TRADE (CUSTOMS AND EXCISE) (AMENDMENT)
REGULATIONS 2006

2006 No. 3216

1. This explanatory memorandum has been prepared by the Commissioners for Her Majesty's Revenue and Customs and is laid before Parliament by Command of Her Majesty.

2. Description

2.1 The instrument increases from £225,000 to £260,000 the threshold above which a business in the UK must provide supplementary declarations to HM Revenue and Customs for Intrastat, the system of Community statistics about trade in goods between Member States. The threshold, expressed in terms of annual value of intra-community trade, applies separately for arrivals and dispatches of goods.

2.2 The instrument also increases from £14,000,000 to £14,500,000 the threshold above which a business in the UK must provide additional information relating to "delivery terms" on a supplementary declaration.

2.3 The instrument amends the terminology used in the Statistics of Trade (Customs and Excise) Regulations 1992 (SI 1992/2790) ("the 1992 Regulations") to align it with that of the Council Regulation (EC) No 638/2004 (OJ No L 102, 7.4.04, p 1) ("the establishing Regulation").

2.4 The instrument amends the 1992 Regulations to enable the Commissioners to make directions prescribing the format for Intrastat declarations submitted electronically.

3. Matters of special interest to the Joint Committee on Statutory Instruments

None.

4. Legislative Background

4.1 The Community provisions governing Intrastat are the establishing Regulation and Commission Regulation (EC) No 1982/2004 (OJ No L 343, 19.11.04, p 3).

4.2 Article 10(1) of the establishing Regulation requires Member States to define each year thresholds expressed in annual values of intra-Community trade at or below which a business is exempt from providing any Intrastat information.

- 4.3 Article 12 (1) of the establishing Regulation requires Member States to transmit the statistical value of goods to the Commission once a month. The UK uses the data collected relating to delivery terms in order to calculate the statistical value.
- 4.4 This instrument further amends the 1992 Regulations which make the existing Community provisions workable and enforceable in the UK. (The 1992 Regulations have been amended by a number of instruments; only 2004/3284 and 2005/3371 are relevant here.)
- 4.5 Regulation 3 amends regulation 3(1) and 3(2) to align the terminology used in the 1992 Regulations with that of the establishing Regulation, ensuring that there is no ambiguity between the Community and national instruments.
- 4.6 Regulation 3 also amends regulation 3(2) in order to increase the threshold above which traders make Intrastat declarations (supplementary declarations).
- 4.7 Regulation 5 amends regulation 4(2) of the 1992 Regulations to increase the threshold above which traders provide additional statistical information relating to delivery terms.
- 4.8 Regulation 6 inserts regulation 4(6A) enabling the Commissioners to make directions prescribing the format for Intrastat declarations submitted electronically.
- 4.9 Regulations 4 and 7 make consequential and necessary textual changes in light of the insertion of regulation 4(6A).

5. Territorial Extent and Application

This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- 7.1 Intrastat is a common framework for the systematic production of Community statistics relating to the trading of goods between Member States.
- 7.2 The thresholds above which a business is required to provide Intrastat declarations and additional information on delivery terms have been increased to ensure that the United Kingdom continues to capture within the Intrastat system the required percentage of trade with other Member States. The effect of these increases is to reduce the number of traders required to submit Intrastat declarations (supplementary declarations) and contain the number providing information on delivery terms for Intrastat.

7.3 In addition, the terminology used in the 1992 Regulation has been aligned with that of the establishing Regulation. The effect of this amendment is to ensure there is consistency in interpretation.

7.4 The other amendment enables the Commissioners to make directions to prescribe the format of Intrastat declarations submitted electronically.

7.5 No major policy changes in the United Kingdom result from this Instrument.

8. Impact

A Regulatory Impact Assessment is attached to this memorandum.

9. Contact

Margaret Kingston at HM Revenue and Customs Tel: 01702 366576 or e-mail: Margaret.Kingston@hmrc.gsi.gov.uk can answer any queries regarding the instrument.

Regulatory Impact Assessment of proposal to increase the exemption threshold for Intrastat reporting

1. Purpose and intended effect of proposal

1.1 The Policy Objective

The objective of this proposal is to reduce the number of traders who are required to complete Intrastat declarations.

1.2 Background

VAT registered traders are required to declare the value of their intra-EU trade in goods on their VAT returns. In addition, traders with an annual intra-EU trade above a specific exemption threshold (applied independently to arrivals and dispatches) are required to provide more detailed monthly Intrastat statistical returns.

EC regulation 638/2004 requires Member States to review annually the threshold at or below which businesses involved in intra-EU trade in goods are exempt from providing Intrastat declarations.

The value of the threshold is reviewed annually to:

- Maintain the percentage coverage of the value of intra-EU trade required by Community legislation; and
- **Ensure that the number of businesses required to submit monthly information is kept to a minimum.**

The UK has made small increases to its threshold since Intrastat was introduced when the Single Market was created in 1993.

However, the revised EC regulation implemented in 2005 reduced the required coverage for Members States to 97 per cent.

Initially the accession of 10 new Member States made trading patterns difficult to estimate but the UK is now in a position to increase the threshold by just over 15.5 per cent from £225,000 to £260,000.

1.3 Rationale for government intervention

This change is required in order to ensure that only the minimum number of traders is required to complete Intrastat declarations, whilst still maintaining the coverage required by EC regulation.

2. Consultation

We have not consulted the providers of the statistical information as the change will result in a benefit to the businesses affected.

As far as the users are concerned, the change maintains the coverage required by the EC regulation. Trade below the threshold will continue to be estimated as it is now, so we will continue to account for all trade in our outputs.

3. Options

3.1 Do nothing

If this option were adopted there would be no change in the number of people who have to complete the Intrastat forms.

3.2 Increase the threshold

Under this option a greater number of people will not have to complete the Intrastat forms.

4. Implementation and Delivery plans

The threshold applies on a calendar year basis so businesses within the Intrastat system are familiar with the annual review. Those who are likely to fall below the threshold or come within the system for the first time are identified where possible from the figures in Boxes 8 and 9 of their VAT returns and are notified individually.

At the same time the businesses themselves should be monitoring their trade for the calendar year just ending to identify if their annual EU trade in goods has exceeded the threshold set for the following year. If it has they must submit statistical returns throughout the following year.

The change will be publicised to providers of the statistical information by a Business Brief. In addition traders signed up to the free email alert service 'uktradealert' provided by SATU will receive an electronic notification of the change. (Around 30 per cent of businesses in the Intrastat system are signed up to receive alerts.)

5. Costs and benefits

5.1 Costs

There are no costs envisaged – businesses currently completing Intrastat declarations will simply cease to submit them.

5.2 Benefits

The effect of this increase will be to reduce the number of businesses required to submit monthly information by around 2,300 whilst maintaining the percentage coverage required by Community legislation. The figures from the Standard Cost Model have been used in the following estimates.

The administrative burden baseline for Intrastat has been assessed as £17.7m. The saving made by this change has been estimated to be around £0.450m, which represents a reduction in the trader population of about 6.5%.

Large businesses will not be affected by this change. It will impact smaller businesses with an annual turnover in EU trade from the current threshold (£225,000) to the proposed threshold of £260,000. The average cost of Intrastat for

small businesses that are currently obliged to submit Intrastat returns is around £200 per annum.

Other sectors are not affected by this change.

6. Small Firms Impact Test

This measure will take people out of the reporting regime. Its only impact will therefore be to reduce the administrative burden on those firms that no longer have to complete the forms. The measure will impact on smaller businesses with an annual turnover in EU trade from the current threshold (£225,000) to the proposed threshold of £260,000.

7. Competition Assessment

The filter test has been applied and this change has no impact on competition.

8. Enforcement, sanctions and monitoring

As a result of this change fewer businesses will be required to comply with Intrastat submission. This represents a reduction of the burden and therefore no sanctions are required to deal with non-compliance.

The traders who are still required to comply will be monitored to ensure that the coverage required by the EC Regulation is maintained and there is no reduction in the quality of data provided to the statistical users.

9. Post Implementation Review

A review will be undertaken 1 year after implementation to ensure the benefit assumptions linked to this change have had the intended effect.

10. Recommendation

To increase the threshold for Intrastat reporting to £260,000.