

Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach

Brexit: Matters relating to Customs, Trade and Tariffs.

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Thank you Chairman for the opportunity to contribute to your Committee's work.

Our familiarity with the benefits of the EU Single Market and the Customs Union, fully operational since 1 January 1993, is such that most of us now take these benefits for granted. Citizens and businesses alike have forgotten about the constraints of tariffs and Customs obligations between this country and the UK; indeed many of our citizens have never known them.

There are two elements to a Customs Union – the removal of tariffs between countries, and the creation of a Common External Tariff. Many of the potential difficulties which we will encounter post Brexit relate to the latter; to our obligations as one of the remaining 27 EU member states to police the EU Customs Union borders.

I regret to say that we must now speak of these difficulties with growing certainty that they will emerge. Perhaps the clearest indication amid all the uncertainty of Brexit is that the future relationship between the EU and the UK will involve the UK's departure from the Customs Union, provided that there is no change in UK government after the election on 8 June. Indeed the ruling Conservative Party election manifesto signals an intention to engage with the World Trade Organisation in fixing external tariffs post Brexit.

As an all-island of Ireland body, Chartered Accountants Ireland recently surveyed members in business, working both north and south of the Border, to gauge their readiness for the reintroduction of tariffs between Ireland and the UK. The businesses we spoke to were concerned about the higher prices which the reintroduction of tariffs will entail. By definition, tariffs are protectionist and the whole idea of a Customs Union is to promote the commercial interests of the Union members at the expense of those outside of it.

But we also found that Irish business was concerned about other aspects of the reintroduction of tariffs – their paperwork, their payment and their policing. Businesses reported little clarity on how customs arrangements might operate following the termination of the Article 50 period. Relatively few understood that the enforcement of border controls for the Customs Union, however implemented, needed to be separated from political promises of future trade agreements between the UK and the EU, and between the UK and the rest of the world.

Many businesses in Ireland lost or downgraded their customs expertise post 1992 on the introduction of the Single Market. There were suggestions that delays in clearing customs could for practical purposes eliminate cross-border trade between the North and the South. And every effort should be made to sustain the advantages of a Common Transit Area. This would enable goods to be shipped from Ireland to Mainland Europe via the UK without customs penalties. The focus of this study was on the movement of dutiable goods, the implications of border controls and road closures on people, as had been a feature of the Border for so many years of our history, were not considered.

Ireland will be obliged to put in place a Customs system with the UK which will preserve the integrity of the Customs Union. The creation of a system of customs paperwork, payment and policing which does the least harm to Irish business can be designed and implemented by the Revenue Commissioners, working in cooperation with the UK tax authority HM Revenue and Customs, and operating with the approval of the EU Institutions.

This is not a trivial task. Commissioner Irwin signalled to this Committee last week that the introduction of customs controls post Brexit would result in a tenfold increase in the volume of Customs administration. If the matter were one of a simple increase in volume, we could all cope. The real challenge is to facilitate Customs administration for the many businesses exclusively importing from or exporting to the UK which have to deal with Customs obligations for the first time. For them, this is tantamount to the introduction of a new tax. My organisation, Chartered Accountants Ireland, is willing to work with such businesses and with the revenue authorities in meeting their Customs obligations.

To further complicate the matter, I do not need to remind members of this Committee that Brexit is largely unprecedented. Because the nature of the land border to be created for Customs is virtually unique, Ireland will be under intense scrutiny from our EU partners to get our Customs controls with the UK both watertight and legally valid.

Nor do we have much time. It may be possible to establish transitional Customs arrangements with the UK. But transitional arrangements are unlikely in the absence of agreement on the stated EU priorities in the Brexit negotiations published last Monday on areas such as citizens' rights and existing EU Budgetary commitments.

Chairman, that is why your Committee having this debate even before formal Brexit negotiations between the EU and the UK commence is particularly timely and appropriate. I look forward to participating in this morning's discussion.

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ENDS

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