

Committee on Finance, Public Expenditure and Reform, and Taoiseach

Meeting of 25 May 2017

Opening Statement by Niall Cody, Chairman of Revenue

Good morning and thank you, Chairman, for giving me the opportunity to make this short opening statement. As your invitation specifically refers to Brexit and Customs, I will focus on giving a brief overview of Revenue's role and work underway and I am accompanied today by Tony Buckley, who is the Assistant Secretary responsible for Customs and by Michael Colgan, who heads the Revenue Brexit Unit.

Revenue's role is to serve the community by fairly and efficiently collecting taxes and duties and implementing customs controls. In relation to Brexit, Revenue is participating in the inter-Departmental work coordinated by the Department of An Taoiseach and the Department of Foreign Affairs & Trade and we work very closely with the Department of Finance, who determine fiscal policy. Revenue's focus is on the fair and efficient implementation of possible tax and customs outcomes, post Brexit.

As you know, negotiations between the EU and the UK are at their opening phase. The outcome and practical implications for trade and industry will not be known for some time. To be clear therefore, and contrary to recent media reports, Revenue is not negotiating with Her Majesty's Revenue and Customs (HMRC) on post-Brexit arrangements and Revenue is not looking for sites for customs posts.

In the context of Revenue's overall role and responsibilities, we are engaged in assessing the potential impact of Brexit for Irish traders. Our role involves the data-based assessment of the potential practical impacts of Brexit. While we do not prejudge the outcome of the political negotiations, for practical reasons our planning is based on the full range of possibilities, including that customs controls or processes will apply between Ireland and the UK.

Our data indicates that there are some 12,000 businesses in Ireland exporting to the UK, and over 60,000 importers. In addition, an unknown number of businesses regularly move goods in transit across Northern Ireland and across the UK. Most of these businesses are unfamiliar with Customs procedures, because at present customs controls do not apply to such movements. Through the Customs Consultative Committee and in our meetings with representative bodies, we are listening to the concerns of these business and traders.

While it is not possible at this stage to provide detailed guidance, we are advising these traders and transport operators making long-term plans to assume that customs procedures of some form will apply post Brexit. As soon as we have a reasonable sense of what is needed, we will provide clear, relevant and appropriate information to support business and trade.

Under EU Treaties, customs policy is a competence of the Commission. The law governing customs, the Union Customs Code, was introduced in 2016. The administration of controls is a matter for national administrations, provided that the systems in use satisfactorily address any risk to the EU. At present, we are ranked 2nd in the EU for ease of customs procedures, so we have a track record of minimising the customs burden. To put this in some context, Revenue processes around 1.4 million customs declarations every year. Of these 53% are imports and 47% exports, and around 57,000 transit arrangements. Exports are generally checked only for safety and security reasons and in 2016, less than 0.5% of export declarations were checked. Customs checks mainly apply to imports. In 2016, 6% of import declarations were checked and less than 2% were physically checked. The vast majority of these checks were carried out in approved warehouses and other premises, with a very small number at a port or airport.

The low level of import checks is the result of pre-authorisation of traders, advance lodgement of declarations and an extensive system of post-clearance checks, including customs audit, which are carried out at traders' premises. "Authorised Economic Operators" (AEOs) have a special status in the system and under agreed protocols are allowed to operate greatly simplified customs procedures. There are

currently 133 AEOs and these account for 82% of all imports and 89% of exports. It will be very important that the bulk of trade continues to be through AEOs after Brexit.

The new Customs Code opens the possibility for smaller traders to receive this authorisation and we expect the number of AEOs to rise sharply, perhaps by a factor of 10, with the addition of a wide range of traders, including smaller businesses. The Union Customs Code envisages the development of paperless customs systems, managed entirely on the basis of electronic processing. Revenue's objective is to facilitate trade by maximising the free flow of goods, we are aiming to have the most advanced systems possible and we will continue to maximise the simplification provided for within the Union Customs Code.

It is clear that managing the volume of trade will be one of the biggest challenges post Brexit. Approximately 1 million roll-on roll-off units arrive at our ports each year, over 90% of them from the UK. Traffic with Northern Ireland is also significant, with about 1 million HGVs and 1.3 million LGVs moving in each direction annually. We are looking at the latest technology to provide us with a system that can clear goods in seconds and facilitate their free flow.

Clearly, the operation of customs post Brexit and the resulting impact on business will be defined to a great extent by the terms of the Brexit agreement. Apart from tariffs or other restrictions that may apply, the implementation of customs procedures alone will create an additional cost to Irish business, affecting some sectors more than others. Revenue's challenge and focus is to minimise the cost and facilitate trade by providing efficient solutions, tailored to the needs of business sectors, and by supporting business with clear and timely information, advice and guidance.

To summarise for the Committee what Revenue is doing in preparation for Brexit:

- we are studying the implications and assessing the options provided for under the new Union Customs Code

- we are identifying key issues to the Article 50 Task Force through the communication channels managed by the Department of An Taoiseach and the Department of Foreign Affairs
- we are working on scaling up our Customs IT infrastructure, to ensure that we can deal with the anticipated increase in customs declarations, and
- we have deployed additional staff to prepare for Brexit and will scale up this resource allocation as necessary.

And finally, to summarise what we are not doing, Revenue is not

- prejudging the outcome of the negotiations, which is a political matter, nor
- are we negotiating with HMRC on post-Brexit arrangements, and
- we are not looking for sites for customs posts.

Thank you and we will try and answer any questions you have.