

Good afternoon Senators and many thanks for the invitation to attend today's meeting of your Committee. My name is Gerry Harrahill, I am a Revenue Commissioner and the Director General of Customs. I am joined today by my colleague Celine O'Neill who is a Principal Officer in our Brexit Policy and Legislation Branch. I welcome the opportunity to brief the Committee on the operation of customs checks since 1 January.

In the interests of time, I have included as an Appendix to my Opening Statement some additional information on Revenue's preparations for Brexit and some of the challenges experienced since the beginning of the year. I hope this is helpful.

It's now almost 20 weeks since the practical impacts of the UK being outside of the EU's Customs Union and Single Market have taken effect. In this time stakeholders across a range of sectors – the haulage and logistics sector, importers, exporters, consumers, and State Agencies – have had to adjust to the biggest change in how we trade with the UK in almost 30 years. Since 1 January trade with the UK takes place under the terms agreed in the EU-UK Trade and Cooperation Agreement (TCA). This means that, where goods once moved freely between the two jurisdictions, so much so that businesses may not have even considered themselves as importers or exporters previously, businesses and State Agencies alike are dealing daily with the reality of Brexit. That reality means that customs formalities apply to all goods, irrespective of the cost, value, or origin of the goods, imported from and exported to Great Britain. Those formalities also apply to EU goods moving through the UK, either using the transit procedure or from a distribution center in Great Britain.

In practical terms this means that all goods require a customs declaration and some goods will require additional documentary or physical controls when they arrive in Ireland. Tariffs may also be payable if the conditions of the TCA are not met, as well as whatever VAT is payable. All import controls, including the payment of customs duty and VAT, must be completed before the goods can be released for free circulation. Unfortunately, complying with these formalities, as well as the additional time taken to move through the port, has impacts on businesses in terms of additional costs, longer lead in times, etc. This is the reality of trading with any third country. For our part, we have tried to and will continue to work with trade to minimise these impacts by streamlining our processes in as far as is possible. However, even with maximum efficiency, there will remain impediments to the free flow of trade with Great Britain that didn't exist before 1 January last.

I want to acknowledge the significant preparations undertaken by the majority of businesses in advance of Brexit. Testament to this is that, of the approx. 115,000 freight movements into Dublin Port since 1 January, 82% have been green routed on arrival meaning they passed freely through the port without the need for any additional interaction with Revenue or any other State Agency. Approx. 10,000 freight movements have arrived in Rosslare from Great Britain and on average 85% of those movements were green routed.

Trading with a third country, especially for businesses that previously traded solely within the EU, is complex and I would like to take the opportunity to expand on this. Prior to Brexit, most goods imported to Ireland from a third country were shipped by LoLo (containerised Lift-On Lift-Off sea movements) and Air. These goods were then placed into temporary storage facilities while the customs formalities were completed. While this allowed Irish businesses some additional time to complete all the import formalities, including the submission of documents, paying tariffs, etc. it also meant that goods were not released for free circulation for a number of days.

The post-Brexit landscape is very different. The majority of third country goods arrive in Ireland by RoRo (Roll-On Roll-Off) ferry to supply the just-in-time market. It would be unacceptable for those businesses to have to wait several days before they can remove their goods from Irish ports. Consequently, Revenue introduced a system, the Customs RoRo Service, to facilitate and support legitimate trade. This allows for the completion of customs formalities before the trucks and trailers board a ferry. As a consequence, certain import controls can be conducted in advance of the arrival of the goods and trade can then flow efficiently through the Ports on arrival in Ireland. When paperwork or physical checks are necessary on arrival, we can optimise the efficiency of procedures. The system also provides a direct channel of communication with the haulage sector, reuses data in as far as is possible and gives visibility to all stakeholders at each step of the process before, during and after the ferry journey.

Revenue appreciates the challenges involved in complying with the import formalities within the tight timeframes associated with the just-in-time model and will continue to support those businesses experiencing difficulties. We have had excellent engagement with trade representative bodies, both directly and through stakeholder forums organised by the Department of Transport, and this valuable feedback is being used by Revenue and the other agencies to improve our

services with work already underway to enhance the functionality of the Customs RoRo Service. I want to acknowledge, in particular, the very positive engagement we have had in recent months with the Irish Road Haulage Association, following a meeting with the Joint Committee on Transport and Communications Networks on January 22nd last.

It is important to be clear that we will never be able to achieve a situation where 100% of consignments are green routed at arrival. Some goods will always require additional documentary or physical checks, for example live animals or products of animal origin, as required in EU law. It is equally important to note that if declarations aren't submitted in advance, 100% of goods movements arriving in Ireland would have to be red routed to ensure compliance with import formalities. This is part of our obligation as guardians of the Single Market and the Customs Union. That is what provides the basis for the confidence of our EU partners in allowing Irish goods unfettered access to the European markets.

In terms of experiences over the first four months post-Brexit, Revenue had its own challenge in the first 10 weeks of 2021 in terms of the durability of our Automated Import System (AIS), through which trade makes its import declarations. Apart from scheduled maintenance downtime, which is a normal feature of systems support, we unfortunately experienced performance degradation issues which impacted trade and business, sometimes on an intermittent basis. This caused frustration and delay for business for which Revenue apologised. More importantly, Revenue prioritised bringing greater stability to the system in conjunction with our IT partners and I am pleased to be able to say that the system is highly performant since mid-March because of the improvement and stabilisation measures we implemented. We continue to prioritise the performance of Customs IT systems.

Unfortunately, some businesses were not as prepared for Brexit as they needed to be because the necessary preparations were not completed and, in some instances, weren't even started in advance of 1 January. For some, this was because of the late stage at which the Trade and Cooperation Agreement was finalised and a misunderstanding that an Agreement would mean no customs formalities, or because of a lack of clarity on what the UK formalities would entail after 01 January or because of an understandable focus on meeting the immediate challenge of Covid-19. These reasons for less than ideal preparation were not unique to Ireland – they were similar to the experiences in many EU countries. Once 1 January had passed, trying to adapt your business

model in real time for something that had already happened, was going to be extremely challenging. However, Revenue has been steadfast in our engagement with business and trade over the last four months and will continue to support and assist business in any way that we can.

While businesses have made enormous progress in adapting to the new requirements in the four month period, we need to be aware that other businesses, who because of significant stockpiling or perhaps because they have been closed due to Covid-19 may encounter similar challenges when the economy reopens over the coming months. There is also a need for businesses to prepare to comply with the UK formalities that, although delayed, will be introduced from October onwards. Revenue, and I know the other State agencies, will continue to work with trade to help in those preparations.

Finally, I just want to reiterate that Ireland is a member of EU Customs Union and the Single Market and the UK is not, this permanently changes the nature of trade between both jurisdictions with resultant impacts on costs, trade disruption and changes in trading patterns. Revenue's role is to implement customs controls and to protect the Single Market and Ireland's place in the Single Market and we aim to do this in as fair, efficient and effective a manner as we possibly can.

Subject to our duty under Section 851A of the Taxes Consolidation Act of confidentiality in relation to any individual taxpayer, I am happy to address your concerns and questions.

Thank you.

Appendix

Summary of first four months experience post UK departure from the EU

In terms of the adjustment to the new trading relationship, the following are areas that have given rise to some challenges for trade and business and are areas where Revenue has focused their support and outreach efforts:

- 1) Assisting businesses to improve their understanding of customs formalities applying to 3rd country trade.
- 2) Supporting business to become familiar with and use the functionality in the Customs RoRo Service.
- 3) Providing clarity on documentation requirements including pre-notification and/or supporting documents required by relevant State Agencies.
- 4) Working with importers to ensure sufficient funds in the payer's Revenue account to cover import duties and minimise the possibilities for delays.
- 5) Encouraging businesses to avail of Postponed Accounting and to claim preferential duty rates when entitled to do so – a valid claim for preferential tariff treatment for imports from GB into Ireland can be made only where the goods are of UK origin.
- 6) Working with businesses to understand the challenges posed by using GB distribution hubs and duty liabilities arising.
- 7) Providing information on Returned Goods Relief (RGR) – a type of treatment that allows EU goods that were temporarily exported from the EU to be brought back into the EU without having to pay import duties – and the process around claiming the relief.
- 8) Importing of vehicles (including via NI): Guidance was provided to support the legitimate trade in the import of used cars from GB and NI, and to counteract the threat posed by abusive routing of cars imported into Ireland from GB through NI.
- 9) Building resilience in Revenue's Automated import System (AIS) to ensure continuity of service to trade and business.

Trade Engagement

From 2018 Revenue had a sustained and clear focus on awareness raising with business and trade, complemented by ongoing support and advice to businesses to get and be Brexit ready. Our primary objective was, that to the greatest extent possible businesses would be ready to successfully deal, from 1 January 2021, with the entirely changed framework of trade with the UK that came about from their decision to leave the EU.

In 2018 Revenue commenced a direct engagement campaign with trade to set out the actions they needed to take to be ready to trade with the UK after the UK left the Single Market and the Customs Union. The subsequent Protocol on Ireland and Northern Ireland ensured continued free movement of goods on the island of Ireland but trade with Great Britain would be trade with a 3rd, or non-EU, country to which customs formalities would apply.

We expanded our engagement during 2019 to include nationwide seminars with speakers from other key Departments also participating. We set out for businesses the key preparatory steps they needed to take, highlighting in particular the importance of understanding the role of all players in the supply chain, the importance of each player being aware of their role and being able to discharge that role given the integrated nature of supply chains.

From February 2020, when the UK formally left the EU, our engagement programme intensified further, with a continuing focus by Revenue on the importance of being able to complete the customs formalities required as a result of Great Britain being outside the Customs Union and Single Market. Revenue wrote directly to the 90,000 plus Irish businesses that had traded with the UK in 2019 and 2020. We followed this up by a direct telephone campaign to some 15,000 businesses that we identified as likely to be most impacted by the new trading environment.

In October 2020 we hosted 17 technical webinars to bring businesses through various specific topics including, importing and exporting goods, the process involved in transiting through Great Britain, and Rules of Origin. Approx. 2,000 businesses joined the live webinars and since then the recordings, which are available on the Revenue website, have been viewed almost 24,000 times.

Over the same period, this direct and focused engagement was complemented by engagement with thousands of individual firms and businesses and with key business stakeholders, trade representative bodies across the importer, exporter and haulage sectors, as well as with ferry operators.

Since 1 January 2021, our engagement with trade and business has continued at both the level of the individual business and at trade representative body level with Revenue participating in 27 events with 5,700 participants to date. These engagements have been extremely positive, and

Revenue has been able to work with businesses in identifying solutions to their specific issues and to help mitigate some of the impacts of the UK's departure from the EU.

Revenue will continue to work with trade and business, on both a collective and individual basis, to assist them in addressing the challenges and issues arising from the UK's departure from the EU. Revenue, through our Customs Service, and other State Agency officials are working on a 24/7 basis at Dublin and Rosslare ports and in Dublin Airport, and are available to assist and support businesses.