



# TAXREP 17/14

## (ICAEW REP 48/14)

### ICAEW TAX REPRESENTATION

#### SIMPLIFICATION OF INTRASTAT

Comments submitted on 7 April 2014 by ICAEW Tax Faculty in response to HMRC consultation document *Simplification of Intrastat* published on 21 January 2014

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## INTRODUCTION

1. ICAEW welcomes the opportunity to comment on the consultation document [Simplification of Intragat](#) published by HM Revenue & Customs (HMRC) on 21 January 2014.
2. We should be happy to discuss any aspect of our comments and to take part in all further consultations on this area.
3. Information about the Tax Faculty and ICAEW is given below. We have also set out, in Appendix 1, the Tax Faculty's Ten Tenets for a Better Tax System by which we benchmark proposals to change the tax system.

## WHO WE ARE

4. ICAEW is a world leading professional membership organisation that promotes, develops and supports over 142,000 chartered accountants worldwide. We provide qualifications and professional development, share our knowledge, insight and technical expertise, and protect the quality and integrity of the accountancy and finance profession.
5. As leaders in accountancy, finance and business our members have the knowledge, skills and commitment to maintain the highest professional standards and integrity. Together we contribute to the success of individuals, organisations, communities and economies around the world.
6. The Tax Faculty is the voice of tax within ICAEW and is a leading authority on taxation. Internationally recognised as a source of expertise, the faculty is responsible for submissions to tax authorities on behalf of ICAEW as a whole. It also provides a range of tax services, including TAXline, a monthly journal sent to more than 8,000 members, a weekly newswire and a referral scheme.

## KEY POINT SUMMARY

7. Most businesses regard the Intragat reporting requirements as an unnecessary burden from which they gain no benefits. Unless there are good and compelling reasons why the collection of this data is needed in this form, we believe that the requirements should be reduced to a minimum, subject to complying with the UK's obligations under EC law. In the absence of a clear and compelling case for the data, the UK should discuss at EC level whether the requirements are actually necessary and if they could be simplified further.
8. From the options given in the consultation document, we recommend the adoption of Option One, SIMSTAT, as it is generally more difficult for a business to identify arrivals than dispatches.
9. SIMSTAT has the very significant benefit of removing the requirement to submit arrivals declarations for all businesses. As all businesses would be treated alike, there could be no argument that some businesses were gaining a competitive advantage over a direct competitor due to the removal of an administrative burden for some, but not all, businesses.
10. If it is not possible to abolish Intragat completely, then we recommend that declarations for dispatches be combined with EC Sales List forms for the businesses that are required to declare Intragat dispatches. No business would then be required to submit more than one form to declare its intra EC trade, although the option to submit separate declarations should continue to be available. Which form was required would depend upon whether or not the level of intra EC sales for a particular business was above or below the Intragat threshold.

11. As a business submitting Intrastat returns for dispatches must already be submitting EC Sales Lists, it should already have the VAT registration number of its EU customers readily available. The only additional pieces of information suggested at paragraph 2.3 of the consultation document are therefore the mode of transport and country of origin. It is unclear why these two pieces of information might be necessary and we therefore suggest that they be omitted from the reporting requirement if at all possible.
12. Some of the information currently required on Intrastat returns can be difficult to obtain, especially when shipping or similar agents are used to arrange transportation of the goods. The amount of information required in respect of each movement of goods should be reduced to the absolute minimum. In particular, the requirements to report delivery terms, net mass and supplementary units should be removed for all businesses.
13. We recommend that the nature of transaction code be simplified to merely indicate a positive or negative value.
14. Declarations on Intrastat returns should be restricted to sales. The present requirement to include details of transfers to overseas branches or subcontractors creates considerable difficulties for businesses, as many accounting systems are unable to produce the information required for Intrastat purposes in relation to transactions of this nature. In particular, details of goods sent for processing between different EU countries and returned or replacement goods should cease to be required for Intrastat purposes.

## MAJOR POINTS

15. HMRC is seeking views on possible changes to the Intrastat reporting requirements. The consultation paper suggests alternative options that are being considered. Whilst considering these options, we have also taken the opportunity to provide suggestions as to how the Intrastat burden could be reduced still further.
16. There are several instances where the Intrastat and VAT return declaration requirements are inconsistent. For example, businesses selling EU sourced excise goods which are transferred into bonded warehouses on first arrival into the UK are required to include the value of UK excise duty in box 9 of the VAT return, but exclude it from the Intrastat return. Such inconsistencies should be removed.
17. Consideration should be given to amalgamating the Intrastat dispatches and EC Sales List forms for businesses above the Intrastat dispatch threshold. This could be achieved by adding a section to the EC Sales List to show total sales to each other Member State analysed by commodity code. The total of this analysis could be reconciled against the total obtained from the existing part of the form. Such a change would completely remove the requirement to submit separate Intrastat dispatch forms. If this were combined with the removal of the requirement to complete arrivals forms, the abolition of Intrastat would be achieved.
18. Transfers of goods sent to sub-contractors for processing currently need to be recorded as dispatches for Intrastat purposes. Such goods normally remain the property of the sender. Many accounting systems can only register transactions as a sale or purchase, so a complex process is needed to make ensure that the data is captured for Intrastat purposes, possibly in the form of a spreadsheet. Such difficulties would be eliminated if transfers to sub-contractors were removed from the Intrastat requirements where the goods concerned have not been sold. Such goods are often returned to the UK after processing for subsequent sale to third parties, which may or may not form exports to customers in the EC or elsewhere.
19. Many accounting and data management systems do not identify all the transactions or information that need to be disclosed on Intrastat returns, with the consequence that some

manual intervention and reconciliation is required. This appears to the vast majority of businesses to be an unnecessary administrative burden. Any simplification of the data requirements would therefore be welcome.

- 20.** There is a balance to be struck between entitling the state to get information which it needs and being able to enforce it. Failure to furnish an Intrastat declaration, or to provide information requested by HMRC in connection with the administration of the Intrastat system, is currently a criminal offence and can attract a fine up to £2,500. We understand that HMRC generally issue a caution to a person who is liable to such a penalty. In theory, a person found guilty can also face imprisonment of up to two years. We believe that such penalties are excessive and disproportionate for a failure to provide statistical information. We therefore recommend that penalties for the Intrastat regime be decriminalised.

## RESPONSES TO CONSULTATION QUESTIONS

- 21.** ICAEW is not itself required to submit Intrastat declarations and does not use trade statistics data. As most of the specific questions asked in the consultation document directly relate to such businesses or users, we have included all our comments in the above sections, rather than provide answers to the individual questions included in the consultation document.

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## APPENDIX 1

### ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. **Statutory:** tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.
2. **Certain:** in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.
3. **Simple:** the tax rules should aim to be simple, understandable and clear in their objectives.
4. **Easy to collect and to calculate:** a person's tax liability should be easy to calculate and straightforward and cheap to collect.
5. **Properly targeted:** when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.
6. **Constant:** Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.
7. **Subject to proper consultation:** other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.
8. **Regularly reviewed:** the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.
9. **Fair and reasonable:** the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.
10. **Competitive:** tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

These are explained in more detail in our discussion document published in October 1999 as TAXGUIDE 4/99 (see [icaew.com/en/technical/tax/tax-faculty/~media/Files/Technical/Tax/Tax%20news/TaxGuides/TAXGUIDE-4-99-Towards-a-Better-tax-system.ashx](https://www.icaew.com/en/technical/tax/tax-faculty/~media/Files/Technical/Tax/Tax%20news/TaxGuides/TAXGUIDE-4-99-Towards-a-Better-tax-system.ashx) )