



## **The Federation of Sport and Play Associations**

Response to “Customs Bill: legislating for the UK's future customs, VAT and excise regimes” published by HM Treasury

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## Contents

About the FSPA .....	3
Request for responses from HM Government .....	3
Operational impacts .....	4
Fiscal border process.....	6
Employing intermediaries.....	7
Costs.....	8
Need for further information .....	9
Contact information.....	10

## About the FSPA

As the national trade body representing 13 associations, the FSPA serves the interests of over 500 manufacturers, wholesalers and distributors of sports and play equipment, clothing and apparel.

With nearly 100 years at the heart of the sports and play sector and as the largest trade body in Europe, we work with our members to promote the industry.

Our aims are to

- Support our sports and play companies with vital and unique business services
- Promote the UK sports and play sector as a whole
- Represent – we are the voice of the UK sports and play industries
- Collaborate with key partner agencies and government on behalf of the industry

The FSPA is an umbrella body which leads and supports its associations. These associations cover businesses involved in the play industry, sporting goods trade and the golf sector. This means that member companies get services which are tailored to their specific industry's needs.

The FSPA represents a wide range of businesses, ranging from small family run businesses to large multi-national corporations with multi-billion dollar turnovers.

## Request for responses from HM Government

In its paper entitled "Customs Bill: legislating for the UK's future customs, VAT and excise regimes", HM Government requested responses that would allow it to shape the future customs arrangements within the United Kingdom as it prepares for its departure from the European Union. This response looks to ensure that the views of the sport and play industries are fully considered during the process of drafting the UK's future customs legislation. Specifically, this paper addresses the areas HM Government called for specific feedback regarding.

## Operational impacts

HM Government posed the following questions.

If your business is part of an EU supply chain, including on the island of Ireland, how will the preparations for a new standalone customs regime affect your operations? Are you considering any changes to your current way of doing business including sourcing and trade activities? In your response please provide some detail on the time-sensitivity of your supply chain.

Owing to the vast differences within the membership of the FSPA, different businesses will clearly take different approaches. Larger businesses with the capability to dynamically adapt supply-chains are likely to remove the UK for goods previously imported from outside the UK from supply-chains involving the Republic of Ireland to remove the fiscal risk of paying customs duty or import VAT twice. Smaller members may however not have this option, and would be looking for guidance from HM Government for duty relief schemes that will remove the UK tax liability for goods traveling to the Republic of Ireland. Regarding time-sensitivity of supply chains, FSPA members are constantly adapting to ensure that they keep up-to-date with innovations in technology and changes to consumer tastes, and as such, need to be in a position to quickly react and fulfil that demand. As such, anything that places barriers in the way of a dynamic supply-chain would not be welcomed by the FSPA.

How long will your business need to prepare for the two broad approaches to a future customs relationship, as set out in this paper and the Future Partnership Paper and the contingency scenario? Please provide some detail on the changes you expect to make.

It is very difficult to say for certain how long any business will need to prepare for the two customs models presented in the paper. This is because there is not sufficient detail to answer this question with any certainty. We have however provided comments regarding these three models below.

The **highly streamlined customs arrangement** looks to introduce customs controls for trade into and out of the UK. This would include the introduction of customs controls, but not necessarily at the border.

As mentioned above, ease of doing business is a critical concern for all FSPA members. To this regard, it is important that any new processes that are introduced are not burdensome on members, and are also easy to comply with. The FSPA welcomes HM Government's stated aim of ensuring that a waiver is obtained for border security declarations, as this would help to ensure that business flows smoothly.

The FSPA notes that HM Government is examining AEO as a method of ensuring that supply-chains are secure. To this regard, the FSPA would welcome clarity regarding whether it considers that all parties in the supply-chain (consignor, consignee, and freight agent) must hold AEO in order to accelerate trade through borders, or whether simply using a freight forwarder who holds AEO is sufficient. If all parties require AEO, support must be given to simplify the application and

authorisation process, and awareness must be given to business so that they can ensure that customers and suppliers in the EU are prepared.

Regarding how much time is needed to prepare for these changes, FSPA members who currently only trade within the EU will need to up-skill in order to understand the burden that customs compliance will place on those businesses. To this regard, HM Government needs to embark on a concerted campaign of education and training to ensure that these businesses have the requisite skills. FSPA members who currently trade with countries outside of the EU will be in a better position as these businesses should understand the requirements of international trade, however, these businesses will probably need to also increase the resource available within the business to manage the additional workload. Members with no customs experience will need support in order to trade after the date of departure.

The **new customs partnership** looks to provide an innovative approach to customs control which would see the UK collecting duties on behalf of EU member states. This would potentially see two or more duty rates applied, dependent on the final destination of the goods. To manage this, FSPA members would need to make significant investments in IT systems to effectively manage goods from a customs perspective.

Key considerations for the effectiveness of this model for FSPA members is whether the direct shipment rules for free trade agreements would be broken by sending goods to the UK, and on to the EU. This is vital as if it a direct shipment rule is deemed to be broken, the duty rate on footwear into the EU could increase significantly, making the landed cost of the product uncompetitive in the EU market. For this reason, it is likely that larger members will remodel supply-chains to remove the UK and avoid paying additional duty.

For smaller members, the cost of tracking goods is likely to be significant, and it may well be the case that the cost of paying duty may simply be considered a cost of doing business with the EU, making UK products less competitive.

Regarding preparation times, it is again difficult to ascertain how long business will need to prepare for this model as the paper does not contain sufficient information as to how the new customs partnership will work. Until this information becomes available, it would not be possible for FSPA members to understand how long they will need to prepare.

The **contingency arrangements** look to prepare for a situation where no special customs arrangements are made and the UK trades as a third-country with the EU. This model is not desirable for FSPA members as it raises multiple barriers to trade. In terms of preparation time, the comments made previously regarding preparation apply, and business would need to make significant investments to ensure compliance.

## Fiscal border process

HM Government posed the following questions.

If your business already trades outside the EU, what examples of best practice should the UK consider when designing its own border processes to achieve trade that is as frictionless as possible?

The FSPA has no specific comments regarding this point.

How can the government employ technology to best effect to ensure traffic and trade flows smoothly?

The FSPA has no specific comments regarding this point.

What can ferry operators, ports, train operators and terminals do to help traffic flow smoothly?

The FSPA has no specific comments regarding this point.

## Employing intermediaries

HM Government posed the following questions.

When and why would you consider using a freight forwarder or other intermediary to facilitate the trade of your business? Does this decision differ for non-EU and EU trade? Please provide further details on your engagement with intermediaries.

Most FSPA members who are involved in international trade employ intermediaries to complete customs declarations to complete at least some part of the customs process. Generally speaking, the bigger the member, the more likely it is that some of the customs functionality will be completed "in-house". For current trade with the EU, the customs capability of the freight agent is not a consideration owing to the fact that no customs formalities are required. This is likely to change, and individual members may select agents dependent on a number of factors that will be determined when the future relationship with the EU becomes clearer.

If frontier customs formalities are required, this will become another area where members will be required to provide information to the freight agent, which will add complexity to the process and in cases may delay consignments. Flexibility of freight agents and competency with customs procedures may therefore soon become a factor in members' selection processes.

Does your business have the necessary skills in-house to comply with a customs regime without employing an intermediary?

As per the previous answer, FSPA members who are currently involved with customs formalities may have the skills, but it is difficult to fully answer this without knowing the future direction of the UK's customs relationship with the EU.

As an intermediary (such as a customs broker or freight forwarder), what is your assessment of the opportunities and risks to your business arising from the changes proposed in this paper?

The FSPA has not responded to the question as its members are traders, and not intermediaries.

As an intermediary, how do you see the market for your services developing as a result of the changes in this paper? Will you make changes to your business in response?

The FSPA has not responded to the question as its members are traders, and not intermediaries.

## Costs

HM Government posed the following questions.

Do you anticipate additional costs for your businesses in adapting to the changes in this paper?  
How could those costs be reduced?

FSPA members who will have to undergo customs formalities will undoubtedly see additional costs of completing customs declarations, and checking that those declarations are accurate. In addition, many members may feel the impact of the punitive tariffs that are employed within the sector.

The FSPA welcomes any measures to reduce the costs that will be incurred by its members. To this regard, the FSPA welcomes the introduction of measures such as self-assessment for customs duty, and any other simplification that reduces the amount of customs intervention required, and the cost of administration.

Would you consider seeking external expert advice to help your business understand costs under a new customs regime?

This would depend on the individual FSPA member to determine whether it deems it appropriate to appoint external advisors. The FSPA however calls on HM Government to ensure that it offers good quality advice to businesses involved in international trade.

Do you expect to have to make one-off investments into new IT systems or hire staff in order to adapt to the new customs regime?

Again, this would be a decision for the individual members of the FSPA to determine, however, it is anticipated that members will have to adapt to ensure that they remain compliant with the law – this may include significant investments in IT and staffing.



## Need for further information

HM Government posed the following question.

What information would be helpful from government as you prepare for changes? When would you need this information?
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The FSPA requests that HM Government provides sufficient information for its members to plan for the impact of the United Kingdom exiting the European Union in sufficient time for those plans to be implemented prior to the end of the transition period.

FSPA members pressing concern is to understand the direction that the UK plans to take its customs regime in. To this regard, FSPA members would like HM Government to categorically state which of the models proposed in the paper the preferred model is. This would allow members to better visualise the direction of travel.

Following this, the UK and EU should state that the preferred model referenced above is achievable, and should commit to working towards this. In addition, clarity regarding what existing free trade agreements that UK business benefit from will be available post-Brexit should be provided.

The length of any transitional period should be agreed, and an understanding of what is required of FSPA members should be provided as soon as possible. The FSPA would not welcome two changes; the first to prepare for the transitional period, and a second as the future trading relationship with the EU is implemented. To this regard, the FSPA welcomes this stated goal in the customs paper, and reiterates that the certainty that this would provide is vital for its members.

## Contact information

For further information, please contact Jane Montgomery, Managing Director of the Federation of Sport and Play Associations.

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