



## Windsor Framework Democratic Scrutiny Committee

# OFFICIAL REPORT (Hansard)

Proposal for a Regulation Establishing the Union Customs  
Code and the European Union Customs Authority and  
Repealing Regulation (EU) No 952/2013:  
Department for the Economy

29 May 2025

NORTHERN IRELAND ASSEMBLY

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**Members present for all or part of the proceedings:**

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- Mrs Ciara Ferguson (Chairperson)
- Mr David Brooks (Deputy Chairperson)
- Dr Steve Aiken
- Mr Jonathan Buckley
- Mr Declan Kearney
- Mr Peter Martin
- Ms Emma Sheerin
- Mr Eóin Tennyson

**Witnesses:**

Mr Keith Brown                      Department for the Economy

**The Chairperson (Ms Ferguson):** I welcome Keith Brown, the head of trade regulation in the Department for the Economy. Keith, when you are ready, please make your presentation.

**Mr Keith Brown (Department for the Economy):** Thank you very much, Chair. Apologies for not getting the answers in writing to the Committee in advance. We were given them only last night. We had a quick conversation with HMRC yesterday evening. I will get the answers to you this afternoon.

I will not go back over the written assessment that we provided to you in April; instead, I will go straight to the questions. I note that there has been concern over the standard of evidence from the Department in the past and that the Committee has written to the Minister. We are now undertaking a review. The Minister will update you in June once the review has been completed. I am heading up the review, so, if you do not like it, do not blame me too much. *[Laughter.]* One element that has been identified — it is not rocket science — is that it is important to have closer working links with the UK Government. Especially for reserved and excepted matters such as this, it is exceptionally important that they support us. What HMRC did over the past few days, especially over the bank holiday by getting us some answers and then meeting us yesterday afternoon, was excellent. I will not be able to answer all your questions today, but I am happy to take away any that I cannot and deal with them afterwards.

I will run through your questions quickly. The Committee asked about the impact of the proposal. HMRC has said that it is a large legislative procedure that is likely to be subject to multiple revisions as the proposal goes through all the institutions. As has been noted, it has not gone through every one of them so far. Moreover, changing global events and various stakeholders moving things forward — for example, the reset between the UK Government and the EU — mean that the negotiations remain

ongoing. The regulation is not finalised, so I am unable to comment fully on the technical detail of the proposal, including its applicability in Northern Ireland. The UK Government are closely monitoring the progress of the package. They understand that any specific impacts on goods moving from Great Britain to Northern Ireland are key for the Committee.

Areas of particular focus include e-commerce and business-to-business parcels. HMRC would welcome the Committee's views on the potential impacts and benefits as the proposal progresses. HMRC's intention is to feed into the process at appropriate junctures and when there is the opportunity for it to do so, especially to ensure that Northern Ireland's interests are appropriately represented. It will engage with the EU on legislation as it progresses.

The Committee asked about benefits and costs. HMRC has noted that, as the process is ongoing, it is hard to assess benefits and costs other than in general terms. In our written assessment in April, we noted just the ones that the EU had highlighted. Again, it is not rocket science. The customs procedure will be strengthened, administrative burdens will be lessened, having central functions will reduce costs, and there will be greater coordination across member states. One item that is possibly of interest to us all is that a more level playing field will be created between e-commerce and traditional trade. That will be useful.

The Committee asked about costs from the EU's perspective. The EU customs data space will cost €600 million to develop and approximately €2 billion to maintain over a 15-year period, plus the creation of a customs authority will cost an additional €230 million over a 15-year period. It is anticipated, however, that that should create a reduction in costs across the member states and that the impact on SMEs will be minimal. If anything, it should be a benefit to them. There was no specific analysis done of the costs and benefits to Northern Ireland. Again, until the final proposal is developed, we will be unable to tell you anything further.

The Committee asked about red lane movements. HMRC has published trade statistics for the calendar years 2022 and 2023, while the statistics for 2024 are coming shortly. We will send you the links after the meeting. As is set out in the Command Paper 'Safeguarding the Union', the UK Government made this commitment:

*"80% of all freight movements from Great Britain to Northern Ireland will be treated as 'not at risk'".*

The Secretary of State for Northern Ireland has established the Windsor Framework Independent Monitoring Panel to scrutinise that guarantee. Although HMRC, once again, cannot elaborate on the potential impacts on red lane movements, that safeguard is in place.

The Committee asked about the movement of parcels. HMRC has noted that the reform package is ongoing, yet again. I am beginning to sound like a broken record: I apologise. The implementation of the customs reforms would not, however, remove facilitations brought into effect under the Windsor framework, such as the UK internal market scheme (UKIMS), which is available for business-to-business parcels to move without there being the need for tariffs and full customs declarations. On the second part of your question, I will make the same point again: the reform package is currently a proposal, and negotiations are ongoing.

Unfortunately, the answer to the Committee's question about low-value commerce movements is the same. There is no greater updated analysis available at the moment, but, once I have it, it will follow.

Again, it is the same answer on the status of the trust-and-check scheme, in that it is too early to provide specifics about it.

On the customs reforms package, there is a reference in the original briefing paper to how it strengthens the authorised economic operator (AEO) programme and takes it a step further. Apart from that, there is no further analysis available.

The Committee asked about stakeholder engagement. HMRC notes that the European Commission consulted on the regulation through its Have Your Say platform in 2022 and 2023. We will provide a link to that material as well, which will include the relevant policy submissions from UK stakeholders. Seven of the 86 responses to the call for evidence were from British-based businesses, with a further three responding to the Commission's proposal when it was published in 2023. In line with usual practice, the Government will continue to engage and consult on domestic policy changes that relate to customs. In my discussion with HMRC yesterday, I noted that its commitment to engaging with the main trading groups here will be beneficial. My team will facilitate that by looking at inputs through a

number of our departmental forums, such as the dual market access stakeholder forum and the Northern Ireland export forum. If we receive any views via that route, we will send them to the Committee.

The Committee asked about departmental engagement. HMRC has noted that, once it can, it will give us information on the impacts on goods entering Northern Ireland. The Union Customs Code no longer applies in Great Britain for non-duty matters, such as safety and security declarations. Under the border target operating model, safety and security declarations for EU imports were implemented on 31 January 2025. The UK Government regularly engage with the Commission through multilateral forums, such as the World Customs Organization (WCO), and they do so annually as part of the Trade Specialised Committee on Customs and Rules of Origin, which is a requirement under the UK-EU Trade and Cooperation Agreement (TCA). Traders must continue to comply with the UK's border target operating model until further notice.

The Government have paused delivery on the single trade window service in 2025-26. The pause is to give them an opportunity to take stock and further engage with traders, ports, software developers and other key stakeholders in order to better understand their future needs for the operation of the UK border.

Finally, the Committee asked about the need for consultation and to take into account the implications for Northern Ireland. Once again, HMRC notes that Northern Ireland Departments are part of the Windsor framework governance structures between the UK and the EU and, as such, will be involved through those structures on issues of relevance to the regulation. As I noted, we will continue to engage with our stakeholders. If we receive any specific views as the proposal develops, we will make sure that the Committee is informed of them.

**The Chairperson (Ms Ferguson):** Thank you, Keith. I will now bring in members.

**Dr Aiken:** Thank you very much indeed, Keith. I have a couple of rather technical questions, so I will understand if you do not know the answer. Has anybody looked at how the trusted trader scheme and the inputted lines of data marry with the changes to the EU customs code? Since 1 January, 49 new lines of code have been introduced on the EU side to do with EU custom declarations, but the trusted trader scheme is obviously not the same. We went through a world of hurt to get the trusted trader scheme up and running and to make the IT systems compatible so that the EU could read the data, meaning that we could build the level of trust. Is the implication that we are now heading towards another period in which they will not be compatible? Has anybody asked that question yet?

**Mr Brown:** I am unsure, but I will get you an answer from HMRC.

**Dr Aiken:** Yes, please. One change to the EU customs code that is coming is a change to the rules of origin definitions, meaning that different lines will have to be inputted in Northern Ireland for particular goods.

**Mr Brown:** Again, I will get you an answer from HMRC on that.

**Dr Aiken:** The logistics industry is raising a lot of concerns about the import control system 2 (ICS2). I do not know much about it, but I understand that, with the European customs code coming in, the industry will start using the red lane no matter what. Its concerns are around the difficulties with paperwork and the cost as a result of the €150 exemption being taken all the way down, so, unless that is sorted out, everything will probably end up going through the red lane.

**Mr Brown:** Once again, I will ask HMRC for its analysis of that.

**Dr Aiken:** Those are technical questions, but it is really important for people to understand what a fundamental change that will be if the two do not marry up.

I have asked this question of other people. Where does the primacy sit between EU regulation and UK regulation? We remain in the UK customs territory, but, in many respects, we are reporting through the EU customs code. Which has primacy? That relates directly to the Windsor framework, as the Secretary of State has said that 80% of goods will not be checked. How does he know?

**Mr Brown:** The proposal notes that a lot of downstream technical amendments and subsequent regulations have to be made. Until all those are delivered, it will be difficult to answer that question. I will ask HMRC, but I suspect that I will get a watch-and-see answer.

**Dr Aiken:** It is a fundamental change. You said that HMRC is more engaged. Do you have enough resources to deal with what is to happen?

**Mr Brown:** At present, yes. This is an excepted matter, which means that we have less and less chance of dealing with it anyway. HMRC has been very helpful.

**Dr Aiken:** You do not hear that often.

**Mr Brown:** You are right. *[Laughter.]* Sometimes there is friction, but, in this case, the HMRC team has been excellent. It has responded to us really quickly. It was happy to set up a meeting yesterday at short notice. That is reassuring.

**Dr Aiken:** Do you think that HMRC would like to talk to the Committee?

**Mr Brown:** That would be matter for HMRC, but I can certainly ask. That sort of relationship will improve the evidence that DFE officials can give to the Committee. One of our targets over the next six to 12 months is to start to build relationships with those teams in particular.

**The Chairperson (Ms Ferguson):** Are there any further questions from members?

**Mr Martin:** I have one, although my question will be pretty pointless, because I cannot find annex A to the document. Let me see whether I can find it.

Thank you very much for your evidence, Keith. I appreciate your candour on the timely sharing of information. You referenced at the start our having the information that we need to scrutinise stuff. I cannot find annex A, although I will ask for your view on what I have.

The proposal would also remove an existing exemption from customs duty for goods worth less than €150. The Commission's explanatory memorandum is at the start of annex A, which I cannot find. It would be good if some page numbers could be inserted for us for quick reference, because we have only one screen. I should have printed out the annex, but I did not. It states that that would close an existing customs loophole relating to the undervaluation of goods and would therefore increase EU customs revenue. I guess that that means that when, people send stuff, if something is worth €175, they bring it down to under €150 in order to get an exemption. Is that right so far?

**Mr Brown:** I presume that that is right. That is also my understanding.

**Mr Martin:** You may not know the answer to this, so I am happy for you to respond to the Committee in writing, but would the €150 threshold be completely gone? Was any consideration given to reducing it? Its complete removal would have a few impacts.

**Dr Aiken:** It is in the explanatory memorandum, if you need it.

**Mr Martin:** Was any consideration given to whether the €150 figure should be reconfigured, or did the EU simply feel, "We'll get rid of it completely, and that will increase customs revenue for us"?

**Mr Brown:** I am not sure. I will try to chase up the answer for you. I have not read anything about whether any consideration was given to doing that. I am aware that further discussions took place recently on an imposition of a €2 fee for small parcels coming from China. I presume that that is related in some way to the fact that moving parcels within the Union is not the issue.

**Dr Aiken:** *[Inaudible.]*

**Mr Brown:** Yes. I take your point. I agree with the analysis that the idea of just removing anything below €150 was to stop people gaming the system to a certain degree, but I will ask HMRC whether it has done any further analysis.

**Mr Martin:** Annex A might answer my question. I am not sure, but it would be great if you could ask HMRC that question and determine whether there has been any debate on altering the figure or whether the EU's view is just to get rid of the exemption because it will increase its customs revenue. Thank you, Keith.

**Mr Buckley:** The proposed new category for the trust-and-check traders scheme for the most reliable traders will require more data, more information and perhaps more bureaucracy. Is there a breakdown available of what the potential costs will be to businesses to gain such status?

**Mr Brown:** I have nothing on that. I will check whether the EU impact assessment contains anything. If so, I will highlight that to you. If not, I will ask HMRC to look at it. The intention is for the scheme to be more transparent so that traders can release goods into circulation without circumventing some of the customs controls. One would hope that it will be a more efficient scheme.

**Mr Buckley:** Sometimes "more transparent" can be code for more bureaucracy and more paperwork and therefore more costs.

**Mr Brown:** Indeed.

**Mr Buckley:** We need to bottom out the impact of that on consumers and businesses.

Have any concerns been raised about the creation of a data hub? That may be just a fancy phrase for the customs details that the EU already has, but is there any concern about data protection across the jurisdictions?

**Mr Brown:** I have seen nothing on that. Again, I can take that question away and discuss the issue of data sharing with colleagues. I believe that that is one of the elements that are not to come in for another few years. I am not sure whether an analysis has been done of that, but I will try to find out for you.

**Mr Buckley:** OK. This is probably a suck-it-and-see moment, but have there been any changes to the content of your submission to the Committee as a result of the UK-EU agreement last week? Are there any glaring changes?

**Mr Brown:** No. The only thing I would note is that, in my experience and in light of this bit of work, relations between us and the UK Government on EU matters are certainly a lot more friendly. I believe that they are also having closer discussions with their EU counterparts.

**Mr Buckley:** OK. The ability to talk has meant that relationships have changed. That is always good, and I welcome that. At this stage, however, have there been any glaringly obvious changes to the substance of your submission because of the agreement that was announced last week?

**Mr Brown:** No. Our submission has remained the same.

**Mr Buckley:** Thank you.

**The Chairperson (Ms Ferguson):** I will bring Peter back in to ask a further question, if that is OK, Keith.

**Mr Martin:** Keith, my question is on what we were talking about previously. I have now found annex A, which I should have printed out before I came to the meeting. There is a line in it, for introduction on 1 March 2028, that simply states:

*"Changes to various provisions of the UCC to allow for the withdrawal of the €150 exemption and introduction of optional simplified customs rates for online sales to consumers."*

You will not have it, but is that something that we can get our hands on to see what the optional simplified customs rates for online sales to consumers look like? That is of interest to us, because people keep buying stuff. My fear is that the withdrawal of the €150 exemption will impact on the money in people's pockets. Can you get that for us, or tell us where it is?

**Mr Brown:** Certainly. Again, I will ask HMRC for that for you.

**Mr Martin:** That is brilliant.

**Dr Aiken:** This is another technical question. I was told that a report will now have to be done on the carbon border adjustment mechanism (CBAM) as part of the customs code. Previously, officials did not bother and just said, "Not known", or whatever it happened to be, but everybody who will be exporting anything or moving it between Northern Ireland and GB or vice versa will now have to make a declaration under the carbon border adjustment mechanism. I do not have a clue what it is. Does anybody know? Can you give us a bit of information about it?

**Mr Brown:** My colleague who is sitting behind me today, Ali McSperrin, will be looking at that, so, no doubt, she will give you more information in future. At the moment, however, we do not have anything. What is promising, though, is that, under the reset that was mentioned —

**Dr Aiken:** There is supposed to be an alignment.

**Mr Brown:** — there will be an alignment of the two emissions trading schemes, and that will mean that the two CBAMs will come together.

**Dr Aiken:** I think that it was DB Schenker, which is German-owned, although there are other logistics companies involved, that said that it was looking at populating what is likely to be a new EU customs declaration form and the CBAM was in it. It was saying, "What am I going to put in there?", because companies are no longer allowed to put in "No information" or "Insufficient information". An actual figure has to be provided, or the customs declaration will not be accepted.

**Mr Brown:** The CBAM was due to come in fully at the end of this year, but it might leak into next year, given the reset. We might see a delay, which is a good thing, because the UK one was not due to come in until 2027. We should at least now have greater certainty of what the direction of travel is once the EU one is announced. It also applies only to certain sectors.

**Dr Aiken:** Yes, that is the other thing to say, because we do not know what sectors will be impacted on.

**Mr Brown:** The sectors did not even align under the two emissions trading schemes or the CBAM, so we will have greater certainty once it is announced. It is a weight off our minds, because it looked as though it would be complex and difficult to deal with.

**Dr Aiken:** If you are working on a ready reckoner or an idiot's guide, I would appreciate seeing it, please.

**Mr Brown:** We would appreciate it as well. We were hoping to have something towards the end of the year.

**Mr Martin:** Make sure that it is shared. *[Laughter.]* With a bit of luck, we might get it as well. That would be great.

**Mr Brown:** Our aim was to produce something internally towards the end of the year, after a lot of the negotiations had happened. Once we have done that, we will make sure to share it.

**Dr Aiken:** Thank you.

**The Chairperson (Ms Ferguson):** Thank you, Keith. We look forward to receiving answers to our questions in writing. Some further questions were posed here today, and we can forward them to you. Your written submission will also assist the Committee. Thank you very much.

**Mr Brown:** Thank you.