



Windsor Framework Democratic Scrutiny Committee

OFFICIAL REPORT (Hansard)

Regulation (EU) 2026/2108 Establishing the Union Customs
Code and the European Union Customs Authority and
Repealing Regulation (EU) No 952/2013:
Department for the Economy

15 October 2026

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 Cathal Boylan
- Mr Jonathan Buckley
- Mr Pádraig Delargy
- Mr Peter Martin
- Mr Eóin Tennyson

Witnesses:

Mr Warren Bell Department for the Economy

The Chairperson (Ms Ferguson): I welcome Warren Bell from the trade, innovation and priority sectors division, trade and Windsor framework branch, Department for the Economy. When you are ready, please brief the Committee.

Mr Warren Bell (Department for the Economy): Good morning, Chair and members. Thank you for the opportunity to give evidence to the Committee today. I am attending the session on behalf of Mark McGregor, who is on leave.

I should be clear at the outset that customs is an excepted matter and is not transferred to the Northern Ireland Executive. HM Revenue and Customs is the lead UK Department for customs policy, technical interpretation and implementation. The responsible UK Minister is the Financial Secretary to the Treasury. The Department for the Economy is supporting the Committee's scrutiny by providing the Northern Ireland and Windsor framework context. If members raise detailed customs policy, technical, operational or implementation questions that are not covered by the agreed evidence, I will take those questions back to HMRC and arrange for a prompt written response through the Committee Clerk.

The regulation replaces the existing Union Customs Code (UCC). At a high level, it modernises the EU customs framework through a new EU Customs Authority and EU customs data hub; stronger and more consistent risk management; simplified arrangements for trusted traders; and revised rules for e-commerce. The reforms will be introduced in phases over a number of years.

There are outstanding questions and answers, and I will deal with some of the general questions first. What is the impact of non-adoption of the UCC reforms in Northern Ireland? The UCC is one of the

key mechanisms that underpin Northern Ireland's access to the European Union market. Its application in NI helps provide assurance that goods entering the EU market via NI are subject to the same arrangements as elsewhere in the EU. That is a key part of the legal and operational framework and enables NI businesses to benefit from their unique dual market access with privileged access to both the UK internal market and the EU market. Therefore, as the EU customs framework evolves, NI's customs arrangements must remain responsive to those changes so that businesses can continue to benefit from dual market access. If the reforms did not apply in Northern Ireland, businesses might not be able to access those benefits, since aspects of the customs framework would operate differently in NI from elsewhere in the EU.

The second question is this: does the UCC take primacy over the UK customs arrangements in NI? If the UCC provides differently, does that apply? NI remains within the UK's customs territory. The Windsor framework was agreed to address the unique circumstances on the island of Ireland, including avoiding a hard border, while protecting NI's place in the UK internal market. As part of those arrangements, the UCC applies under the Windsor framework alongside bespoke UK-EU facilitations that simplify the UCC requirements for qualifying movements within the UK internal market. Customs arrangements in NI are therefore designed to give effect to the UCC while operating within the wider context of NI's position in the UK's customs territory and the arrangements agreed between the UK and the EU under the Windsor framework. The UCC reform will apply on the same basis. Where appropriate, individual elements of the reform will be subject to discussion between the UK and the European Commission as detailed arrangements are developed.

I come to the third question. The regulation provides for member states to maintain or conclude customs cooperation agreements with third countries, subject to EU safeguards: are those safeguards defined, and how is that to be done? The detailed operation of the provision, including any associated safeguards, is ultimately a matter for the EU to define and implement. However, in the context of Northern Ireland, we do not see the provision preventing the UK from concluding trade agreements that apply in NI. NI remains part of the UK's customs territory, and the Windsor framework already provides mechanisms to accommodate the interaction between EU customs requirements and the UK's independent trade policy.

In relation to the handling fee, the UK Government's explanatory memorandum (EM) states that more than 99% of distance sales are expected to be classified as "not at risk". What does the 99% refer to? The value, the volume and the number of consignments. The figure refers to 99% of the total number of items in parcels declared in NI annually. What types of goods or consignments comprise the remaining 1%? They are goods sent to consumers that would not be eligible to move under the UK carrier scheme as agreed in the Windsor framework. That would include goods that are subject to sanctions or trade defence measures, for example. Does the 99% include small parcels bought by consumers in Northern Ireland from businesses such as Shein, Temu and DHgate? If so, can it be taken that those parcels are unlikely to be affected? Yes, consumers in Northern Ireland can continue to purchase goods from any business outside the UK and the EU without paying a handling fee, so long as they are eligible to move "not at risk of entering the EU". The business the goods are sent from is not a determining factor in whether the goods are not at risk, which means that the vast majority of those goods will remain unaffected.

Who will receive the revenue generated by the handling fee? Any revenue generated from the handling fee in Northern Ireland will be retained by the United Kingdom. Approximately how much revenue is the handling fee expected to raise, and how much would Northern Ireland be charged to pay to the EU? We are unable to provide an estimate of revenue from the handling fee at this stage but reiterate that we expect that more than 99% of distance goods moving to Northern Ireland will not be subject to the fee. Ultimately, the amount of revenue raised from residual movements will depend on the commercial decisions of businesses moving those distance sales. Any revenue raised will not be remitted to the EU.

What is the current position on the proposed UK-EU Joint Committee declarations that relate to the handling fee, and what is the likely timescale? Is it a month, six months or two years? The Government have engaged with the EU to minimise impacts on consumers in NI arising from the EU's planned handling fee. The UK-EU joint declaration means that the EU handling fee will apply only to consumer parcels in the limited circumstances where they are considered "at risk of entering the EU", which significantly limits its impact in NI. The Council of the European Union approved the joint declaration on 5 October. From 1 November, only distance sales are "at risk of entering the EU" and will be charged the EU handling fee.

How does "at risk" work with specific reference to the handling fee? Consumer goods that are "at risk" and, therefore, subject to the handling fee are goods that are not eligible to move under the UK carrier scheme, as set out in the Windsor framework. HMRC has published guidance setting out the process for moving goods from businesses outside the UK and the EU to a private consumer under the UK carrier scheme. The guidance is available online on HMRC's website.

On stakeholder feedback, consultation responses were submitted to the Committee by the British Ports Association, the British International Freight Association and the Consumer Council. The Government recognise the point raised by stakeholders about the practical implementation of the reforms, particularly the importance of avoiding unnecessary burdens on trade. At the same time, the feedback recognises that the reforms aim to modernise the EU's customs framework through greater digitisation and simpler processes and may therefore create opportunities for Northern Ireland to benefit from more streamlined customs processes. It is agreed that the practical operation of the reforms will be critical to determining the overall effect in Northern Ireland. For that reason, the UK Government and the European Commission will continue to work jointly, as the detailed arrangements are developed, to ensure that existing Windsor framework facilitations and approaches are maintained, while enabling NI to benefit from the reforms. Stakeholder insight will play an important role in identifying practical issues, and businesses will continue to be engaged as the detailed arrangements are developed. HMRC will continue to engage with industry through our usual structures, including the joint customs consultative committee and its NI subgroup, to ensure that trade has the opportunity to provide direct feedback.

Question 12 was, "Please provide a summary of any relevant input received from trade bodies through DFE and HMRC engagement". The UCC reform is a long-term programme of change that will be implemented over a number of years. Many of the detailed operational arrangements are still to be developed, and engagement with businesses and trade bodies will continue as implementation plans become clear. In relation to the more immediate change, the approach to the handling fee, feedback from industry, including members of the joint customs consultative committee and its NI subgroup and the Consumer Council of Northern Ireland, has been broadly positive, particularly as the agreed position protects the vast majority of distance sales entering NI from the fee. HMRC will continue to work closely with businesses and representative bodies as the reforms are operationalised in the same way as it has engaged with stakeholders on the implementation of the handling fee.

What feedback has HMRC received from its ongoing consultation and engagement, particularly from those who responded to the Committee's Citizen Space survey? The Government will be happy to review and comment on the full feedback following the closure of the Citizen Space survey on 18 October.

Thank you, Chair. That concludes my oral evidence. I am happy to take questions.

The Chairperson (Ms Ferguson): Thank you, Warren.

Mr Martin: Thank you, Warren, for your presentation. I will stay on the 99% that you referenced. I have a letter that was sent to the Committee by the EU relations secretariat in the Cabinet Office. I will read it out:

"more than 99% of the total number of 'distance sales' into NI annually are expected to be classified as 'not at risk' and therefore to move into NI with no fee payable."

That is more or less what you said this morning. I want to explore that a little with you. Over the past number of years, we have had a level of global trade instability: would that 99% possibly change if the EU got into a trade war with China or the US? As you are probably aware, there have been a few changes in trade policy over the past number of years. Would that have an impact on that 99%?

Mr Bell: Global impacts can always have an impact on anything, and certainly they could have an impact on that statistic. It would be up to HMRC to clarify that further. Potentially, there is always a risk that global events will have an impact. I am happy to go back to HMRC for a more detailed response and get something in writing for you.

Mr Martin: The 99% seems to be something that the Cabinet Office is relying on, but my understanding is that that is based on the situation as it is. That was not a stretch question, because, as we know, there have been significant changes in policy around the EU and the US, in particular, over the past couple of years. Do you accept that if we — forget "we" — if the EU finds itself in a trade

war or even an escalation in trade barriers and taxation around imports, it is likely that the figure of 99% would — I will not use the word "skyrocket" — increase significantly?

Mr Bell: It is hypothetical, but, at the same time, that is the statistic that it has quoted with the current data that it has. I am happy to ask HMRC to forecast what it would predict in the likelihood of the events that you refer to.

Mr Martin: It is hypothetical only so far as it happened a year ago. It is not a stretch to suggest that it could happen again, given global events. That is my concern. There seems to be a lot of reliance on this 99%, but, given global geopolitics, my concern for Northern Ireland is that, because we are drawn in via the framework, if a country like China fell out with the EU or the US, which is another significant trade partner of Northern Ireland, that figure would rise significantly and people in Northern Ireland would pay a lot more for their Shein or Temu or whatever it might be. Perhaps you could raise that issue and get clarification on it. It is something that the Committee might want to write to the EU relations secretariat on — specifically the impact that sanctions or trade barriers, not even a trade war, with other countries would have on Northern Ireland with that figure rising.

Chair, you are looking at me quizzically.

The Chairperson (Ms Ferguson): Essentially, you want to find out whether an impact analysis has been done.

Mr Martin: Yes, of the EU falling out with the US or China. As I said, that is not a hypothetical; it has happened several times over the past number of years. I want to know what impact that would have on consumers in Northern Ireland who are pulled in via this reg and would, therefore, end up paying a lot more for their goods because of the protocol.

Are you OK with that, Marie?

The Committee Clerk: That is what the official said that he is going to do.

Mr Martin: As long as someone is going to do it, I am happy. If you can bring back some stuff on that, it would be great. I do not care who does it. That is fine.

Dr Aiken: Thanks very much, Warren, for your things. My first is on whether the UCC takes primacy over UK customs arrangements. Translating UK Government gobbledegook, the answer clearly is that it does. That is what those paragraphs mean. The UCC will change at various rates, and we already know from what is happening in Brussels that there are attempts to speed up part of the processes, the administration and the digitisation. As we are all subject to that, what indications will we get that the changes are coming through? Will we be notified, or will we just be told, "These are the changes to the UCC. You are already signed up to the UCC. This has happened"?

Mr Bell: DFE has regular engagement with HMRC on a number of matters. Any indications will come to HMRC, and those notifications will come to DFE. That is something that I will raise with HMRC. We have regular dialogue and engagement with it on all matters.

Dr Aiken: There have been two changes to the UCC in the past week, and I have seen nothing coming through to the Committee to indicate that there have been changes to the UCC. From the way that you are looking at me, Warren, I imagine that you were not aware of some of the changes to the UCC. It is absolutely vast. I do not think that people understand how broad it is, particularly on the digitisation and the speed with which customers need to be able to react to it. You can see that a lot of businesses in France and places like that are already complaining about the speed with which it is happening, and they are not being kept informed, and yet we have been told nothing. I have a concern that we are not being kept in the loop. If we are subject to the UCC — those four bullet points categorically say that we are — we are not being kept in the loop. If you are taking that back to HMRC or whomever it is, we need to know when we will be informed of the changes and the method for notifying people in Northern Ireland that the changes are happening and the speed with which they are happening.

You say:

"The UCC Reform ... the same basis. Where appropriate, individual elements of the reform will be subject to discussion".

Who decides on the "where appropriate"? Businesses might think that something is appropriate, but, bearing in mind the discussions that are going on between Whitehall and the EU at the moment, they might not think that. I want that highlighted, because I am nervous about the UCC taking primacy. We have already signed up to it, so we have absolutely no control over the implications of it.

I will go back to the 99% figure. I see from HMRC's figures on what was declared and things that had to do custom declarations that, around two years ago, it was about 1.5 million items. There has been no indication of the number of items that we are likely to do. Again, this is the first time it has said that it is referring to articles, because, every time that we have asked the question, we have been told only that it is around 99%. I would like to see a bit more analysis of that figure. If HMRC can quote that £10 million or £15 million of revenue has already been brought in through the Trader Support Service (TSS) and the rest of it — things that are deemed to be at risk — somebody, somewhere has more detailed figures than that. Asking the Committee to go, "The figure is around 90% and is expected to —" is not clear enough. If that 99% turns out to be 90%, we are talking about somewhere in the region of 10 million to 15 million articles coming across rather than one or two million, so I would like more data on that.

Mr Bell: I can ask HMRC for more clarification.

Dr Aiken: Somebody in HMRC knows what the figures are because of what is going through the TSS system. "Around 99%" is probably not particularly accurate. We are not good at data in Northern Ireland, but, at least, if HMRC know the data, it would be useful to have with the rest of it.

Finally, on the issue of third countries, the issue for us, of course, is that the EU treats our nation — the United Kingdom — as a third country, so, when it says that we will continue with the same issues with third countries and trading and all the rest of it, that does not answer the question. The first question was on primacy, and those four paragraphs make it clear that the UCC has primacy over UK customs law in the areas in which it applies, which, for us, means all of them. Again, if the UCC changes the rules and regulations relating to the deal with the rest of our nation, we will be stuck in a particularly invidious situation, because it is clear that, under the UCC, Great Britain is seen as a third country. I would not mind a fairly definitive statement from HMRC on that. It must have one.

Mr Bell: DFE will go back to HMRC to seek clarification.

Dr Aiken: You are lucky: you are getting answers out of HMRC. We have tried but not got them.

Mr Brooks: Something that we routinely get from the UK Government in analysing the effects of not adhering to a regulation and taking it on — it is the same here — is that part of it is our ability to benefit from dual market access. How big a risk is that to Northern Ireland, given Invest NI's contention that no dual market access opportunities have been realised?

Mr Bell: Dual market access is a huge benefit to business here. When it comes to non-adoption, the UCC is one of the key mechanisms that underpin Northern Ireland's —.

Dr Aiken: According to Phillip Brett, it is not.

Mr Brooks: It is a huge benefit to businesses here, but Invest NI says that no opportunities have actually been realised: how is that? We should be careful. I understand the arguments around this stuff, but the Department is saying that dual market access is a huge benefit to businesses here —

Dr Aiken: There is no evidence.

Mr Brooks: — yet its arm's-length body says that there is no evidence for that.

Mr Bell: I am not here to talk about dual market access. I know that we have examples of businesses that have highlighted the benefits of dual market access, and that has been highlighted both in DFE —

Mr Brooks: Invest NI is not aware of them.

Mr Bell: — and Invest NI. There are a couple of businesses.

Mr Brooks: A couple?

Mr Bell: I do not work for Invest NI, and I am probably out of my comfort zone here —

Mr Brooks: Fair enough.

Mr Bell: — but I have some knowledge of dual market access in the context of what we do for DFE and some of the things that we highlight for dual market access. It was mentioned in HMRC's response in terms of non-adoption and what the advantages are. Are you asking me what the implications would be if the regulation were not to be adopted?

Mr Brooks: Losing dual market access is routinely given as one of the risks of not adopting EU legislation. I am asking, from the Department for the Economy's point of view, how big a risk that is to businesses here, given that Invest NI says that no opportunities have been realised.

Mr Bell: In answer to your question on non-adoption, the UCC is one of the key mechanisms that underpin NI's access to the EU market. Its application to NI helps provide assurance that goods entering the EU market via NI are subject to the same arrangements as elsewhere in the EU. Its aim is to modernise the EU customs framework through greater digitalisation and simpler processes, which may create opportunities for NI businesses to streamline their processes. The third point is that, as the EU customs framework evolves, NI customs arrangements must remain responsive to those changes so that businesses can continue to benefit from dual market access. If the reforms were not to apply in NI, businesses might not be able to access those benefits, since aspects of the customs framework would operate differently in NI from how they would operate elsewhere.

Mr Brooks: I appreciate that that is what you are speaking to, and I understand the theory behind it. At times, we almost take it as read at the Committee that there are benefits, yet Invest NI does not seem to be able to quantify them, so, rather than just accepting something because it is down on a page, it is worth questioning that. I understand that there may be someone else who would be better placed to speak to it and will not push you further on it, but it is worth the Committee interrogating it a little more. We hear that there are benefits of dual market access. We hear people talking about them, and we read about them, but we need to hear the evidence. We are a few years down the line, yet Invest NI, one of the key bodies involved, has been unable to identify access opportunities.

Thank you very much; I appreciate that.

Mr Buckley: Thank you very much, Warren, for your presentation. I realise that you are reading somebody else's presentation, so it may be hard to answer some of the specifics. As I say that, my computer has crashed. Deep state actors.

David Brooks raised an interesting point. I know that you did not prepare the presentation, but, when officials or even the UK Government specifically mention that phrasing around dual market access, it is important that we are able to substantiate what that means in its totality. I served on the Economy Committee, so I understand that it is hard to give specifics. To date, Invest NI, the trade body, has been unable to identify any business that has identified dual market access as the sole reason for investment. Often, people talk about a suite of issues. I have received no information to date to show that any business has talked specifically about dual market access. We are keen to establish how that issue weighs against those who face trade disruption, particularly given the arrangements that are in place with their largest trading partner, which is GB.

On the specifics of low-value parcels and the heavy lifting on the 99% — I am sure that you are aware of this — I have had a lot of businesses that have had challenges with what constitutes being "at risk" and what ends up being classed as "at risk" goods and the impact that it has for them in cost and bureaucracy. What is your understanding of the type of low-value parcel that may be considered "at risk" under the code and the functions of the "at risk" and "not at risk" lanes into Northern Ireland?

Mr Bell: I have no details on specific parcels. Again, I am happy to take that and the other questions back to HMRC and ask for a detailed response.

Mr Buckley: OK. That is important. I need to better understand exactly what type of parcel it could encapsulate. As has been mentioned, it is easy to talk about political will. We are always being told at this Committee and others that there is the will, whether that is about aligning certain areas or not, but we have to deal with the specifics. My colleague Peter Martin mentioned at the start that we live in uncertain times globally because of economic sanctions or, indeed, warfare on the continent. We need to understand just how important those considerations are in how that perceived 1% could grow with every given action, whether it is on trade or other issues such as sanctions. I need to know specifically what constitutes an "at risk" parcel and therefore falls into that category. You do not have that information with you right now, but I would appreciate it if you could encourage the HMRC or other partners to elaborate on how that will impact on constituents as consumers day-to-day.

Mr Bell: Noted. Thank you.

The Chairperson (Ms Ferguson): No other members are wanting to ask questions. On behalf of the Committee, I thank you, Warren, for your presentation today.