Undervaluation Fraud at UK Ports

Thank you for your letter of 20 June in which you asked for further clarifications on the Commission’s allegations of €2.7bn customs duty losses on undervalued Chinese textile imports.

The Government is clear that there is no requirement under EU law to use a particular system of controls to address suspected fraud, and that appropriate measures were in place to address undervaluation fraud risks at UK ports. The Government does not accept the allegations in the Court of Auditors’ December 2017 report, nor does it accept the Commission’s assessment of losses based on these allegations and OLAF’s methodology. As the allegations are subject to a formal infringement process, it would not be appropriate for the Government to comment further on the substance of the UK’s response to the Commission.

This is a complex case. The Government is fully aware of the financial implications of the Commission’s allegations. The Commission agreed a revised deadline of 22 June for responding to its Letter of Formal Notice and the UK delivered its detailed response to the Commission on time. The Commission will now consider the Government’s response but has not indicated the timescales for its reply. The Government will be working to resolve this matter as swiftly as possible, but is not
in a position to speculate whether the Commission may ultimately seek to refer this matter to the Court of Justice.

You asked about the Government’s own estimate of the financial implications. The Government does not accept the estimates of alleged fraud put forward by the Commission and does not believe it is liable as it took appropriate steps to tackle suspected fraud. It also does not accept claims concerning liability for VAT losses in other Member States due to the alleged abuse of customs procedure 42.

I am copying this letter to Nicky Morgan MP, Chair of the Treasury Committee; Meg Hillier MP, Chair of the Public Accounts Committee; Lord Boswell of Aynho, Chair of the House of Lords European Union Committee; Philip Aylett, Clerk to the Commons European Scrutiny Committee; Chris Johnson, Clerk to the Lords European Union Committee; Matthew Manning, Clerk to the Lords Financial Affairs Subcommittee; Les Saunders and Donald Harris, Department for Exiting the EU; and Frances Milsom, Nerys Levin and Barbara Armstrong, HM Treasury.

[Signature]

RT HON MEL STRIDE MP