

Dame Meg Hillier MP  
Chair of the Public Accounts Committee  
House of Commons  
SW1A 0AA

Friday 13 January 2023

Dear Dame Meg,

**Customs Undervaluation Infraction**

**CASE C-213/19**

We are writing to you, further to the letter of 30 June 2022 from HM Treasury and HM Revenue and Customs, to provide additional updates concerning the Court of Justice of the European Union (CJEU) case C-213/19, regarding the undervaluation of Chinese imports over the period of 2011-17.

As you will recall, the CJEU judgment published on 8 March 2022 found against the UK on almost all liability points but did not agree with the European Commission's original claim that €2.7 billion (plus interest) of customs duty went uncollected, instead instructing them to recalculate this figure. As the European Commission did not produce the recalculation within a few months, the UK took a proactive approach by paying €678,372,885.63 (equivalent to £578,903,408.60) on 10 June 2022, which protected UK taxpayers from continued interest accrual on that amount. The UK received the European Commission's recalculation in October and, following this, Ministers have agreed a settlement to bring this longstanding case to a close.

Accordingly, today (Friday 13 January) the UK made a principal payment of €700,351,738.31 (equivalent to £620,597,466.85). This payment is in addition to the UK payment of 10 June 2022. The two payments of June 2022 and January 2023 taken together constitutes the full principal amount of €1,378,724,623.94 owed as part of this case, as agreed with the European Commission.

This figure includes two deductions. Firstly, a 20% cost of collection deduction. Secondly, the UK Government and the European Commission agreed that the UK share of the

remaining amounts due would be deducted from the final payment, including the deduction with regards to the amount paid in June 2022. Therefore, the principal amount for payment is a net figure. The respective share is 12.43% and is as referred to in Article 139 of the Withdrawal Agreement. The UK would have received this share back, even if it was not deducted, though deducting it now provides a cash flow benefit when compared to the usual EU process where it would be paid and returned a year after payment. Overall, this agreement provides a principal saving to the UK in the region of €0.5 billion compared to the original amount claimed by the Commission, taking into account that these two deductions would have been applied to that amount too.

As set out in our letter of 30 June, the liability is accounted for in the Consolidated Fund (CF) accounts. The payments made in June 2022 and January 2023, settling the principal liability, will be included in the Receipts and Payments Account of the CF 2022-23 Accounts with more detailed narrative disclosure made in the supporting notes. Any interest payment made during the financial year will be accounted for in the same manner. In addition, as policy owner of customs and related infractions, HMRC will include a separate narrative-based disclosure in its 2022-23 Annual Report and Accounts.

As the payment made on 13 January represents the remaining principal amount owed by the UK, this will be followed by an invoice and payment for the interest due on the principal amount. Given the age of the debt, interest is expected to be substantial and we estimate it to be similar to the total size of principle paid.

We recognise the importance of ensuring that Parliament has full sight of these payments. At this stage however, disclosing these payments and their amounts before they are completed risks hampering our ability to purchase the necessary Euros at good value for the taxpayer. Given these market sensitivities, we would ask that the contents of this letter are kept confidential until the transactions have completed.

We will write again in the coming weeks to confirm when that process has concluded and that a Ministerial Statement has been made detailing these payments to Parliament.



James Bowler

Permanent Secretary

HM Treasury



Jim Harra

First Permanent Secretary

HM Revenue and Customs