

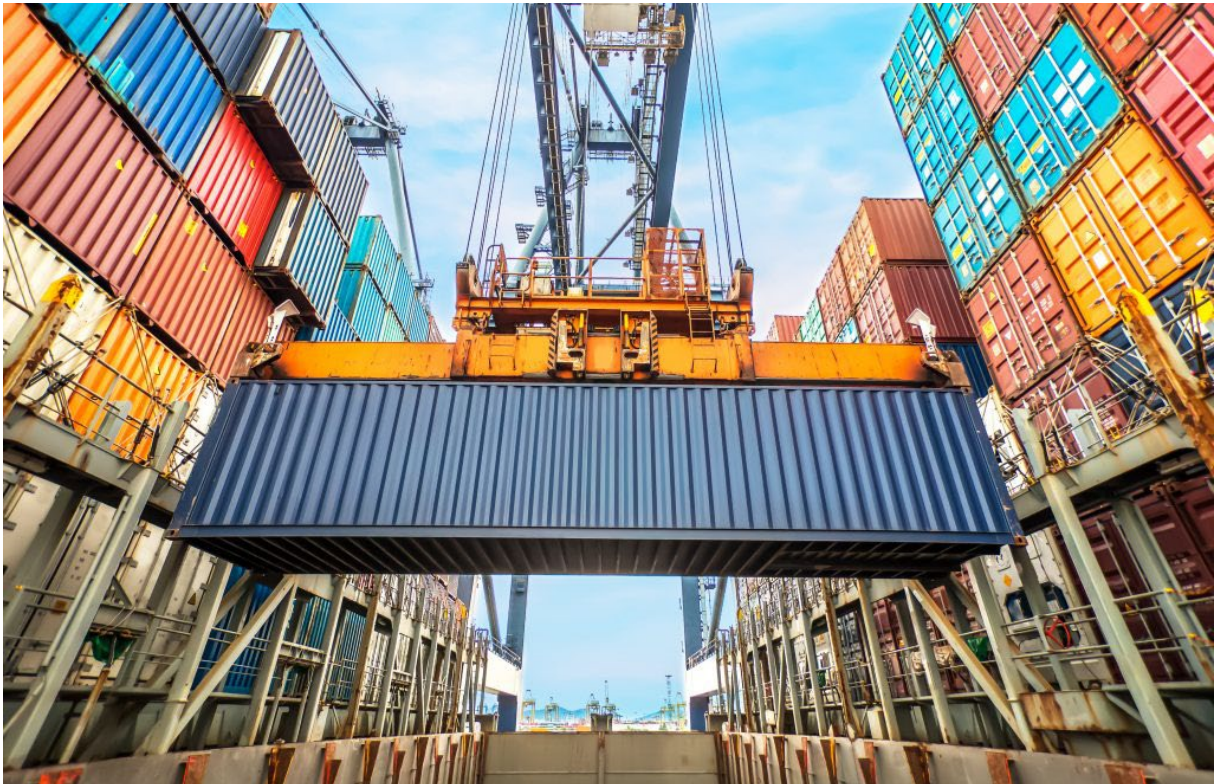
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UK faces hefty EU bill following Chinese customs fraud

The UK “failed to fulfil” its obligations under EU law to combat fraud and collect the correct amount of customs duties and VAT relating to undervalued imports of textiles and footwear from China, the European Court of Justice has ruled.

BY CAROLINE WADHAM 8 MARCH 2022



In its final ruling, published on 8 March, the court ruled that the UK had “failed to fulfil its obligation under EU legislation on control and supervision in relation to the recovery of own resources under EU legislation on customs duty and VAT”.

The failures date from 2011 to 2017, when the UK was a member of the European Union.

Today's ruling stems from a complaint made by the European Anti-Fraud Office (OLAF) which said the UK did not follow recommendations to reduce the amount of undervalued footwear and textile imported from China to be sold on the European market.

In 2007, 2009 and 2015, the European Anti-Fraud Office (OLAF) asked member states to monitor imports, carry out customs checks and "take adequate safeguarding measures" relating to textile and footwear goods sold from China by shell companies (companies that exist only on paper and have not offices or employees to help reduce the amount of footwear and textile items sold which were not subject to the appropriate customs controls. However, it said the UK released products for sale without conducting appropriate customs controls.

As a result, a "substantial proportion" of the customs duties due were not collected or made available to the European Commission.

The court upheld OLAF's complaint and said that the "United Kingdom has failed to fulfil its obligations under EU law by failing to apply effective customs control measures or to enter in the accounts the correct amounts of customs duties and accordingly to make available to the Commission the correct amount of traditional own resources in respect of certain imports of textiles and footwear from China".

It also concluded that the UK government had not provided EU officials with the necessary information to calculate the amount of money owed.

However, the court disagreed with OLAF's claim for a €2.7bn (£2.24bn) payment from the UK government to cover the EU's losses. The court said the office's calculations did not meet the "requisite legal standard" and asked for the charge to be recalculated.

An HMRC spokesman said: "We will consider the judgment in full and respond in due course to the European Commission. Throughout, we've made the case that we took reasonable and proportionate steps to tackle the fraud in question and that the Commission vastly overstated the size and severity of the alleged fraud.

"The UK has always and continues to take customs fraud very seriously and evolves its response as new threats emerge."