



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Abena Oppong-Asare MP  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

10 January 2022

Dear Abena,

Thank you for your questions concerning clause 81 of the Finance Bill and your wider questions about general compliance in UK Freeports.

As you are aware, clause 81 extends existing excise penalty powers so that it can apply to excise goods stored in customs sites of Freeports and also, separately, to excise goods imported under the 'Authorised Use' procedure. However, this does not mean the Government expects significant levels of non-compliance, rather it ensures that the Government has the tools to tackle non-compliance if it should arise.

The UK plays a key role in tackling cross-border illegal activity and this is not going to change. Freeports are commonly used across the globe, and we have learned from these examples to build upon our current expertise to make sure cross-border illegal activity is minimised.

To ensure goods within customs sites of a Freeport remain under customs control and the sites are robustly secured, both the customs site operators and businesses operating in the customs site will need to be authorised by HMRC. Compliance checks on goods within customs sites will also be carried out by HMRC and Border Force. Customs site operators must also adhere to strict requirements to ensure sufficient security and controlled access to goods. Businesses located within a Freeport tax site are not entitled to any special customs, excise or VAT treatments unless they overlap with an approved customs site. Freeport tax sites are assessed separately before designation to make sure that they are compliant with published

requirements contained in the Bidding Prospectus. Freeport bidders were required to set out the steps they will take to secure their customs and tax sites against illicit activity as part of their bids, in line with guidance provided by the Freeports bidding prospectus.

The Government introduced legislation that allowed the first Freeports to begin operations. Freeport tax sites have been designated in Humber, Teesside, Thames and Freeport East, and Freeport customs sites have been designated in Teesside and Thames. The government is continuing to work with all other prospective Freeports to enable them to begin operations from early this year. We also remain committed to establishing Freeports in Scotland, Wales, and Northern Ireland as soon as possible.

The Government fully intends to evaluate the impact of Freeports. As set out in its response to the International Trade Committee in June 2021, the Government intends to publish its monitoring and evaluation (M&E) strategy for Freeports in Spring 2022. The Government will also provide an annual update to keep the Committee informed of the progress of Freeports with evidence from the M&E process, with the first report due in November 2022.

I am copying this letter to the Chairs and other members of the Public Bill Committee and depositing a copy of this letter in the Library of the House.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Helen Whately', with a large, sweeping flourish at the end.

**Helen Whately**  
Exchequer Secretary to the Treasury