



ECASBA EUROPEAN SEMINAR 2023

BRUSSELS

20th JUNE 2023

CUSTOMS UPDATE

FRANK JANSSENS, ECASBA BRUSSELS REPRESENTATIVE

ECASBA European Seminar

Brussels -20 June 2023

Overview of the content of the presentation

1. UCC Implementation (Import/Export/Transit)
2. Wise Persons Group Report
3. UCC reform (=new UCC !)

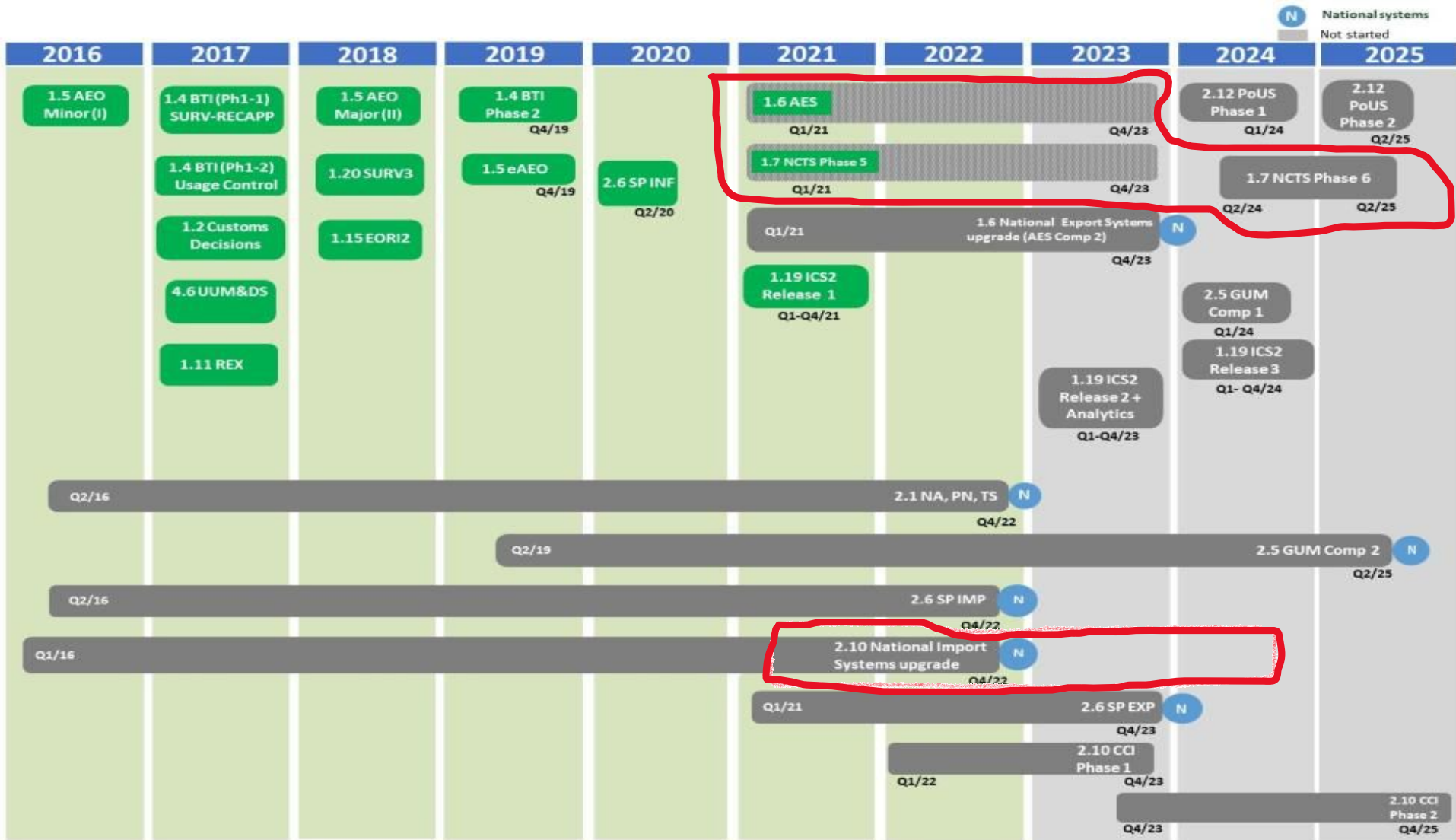
Frank Janssens

UCC Import System

Overview of the content of the presentation

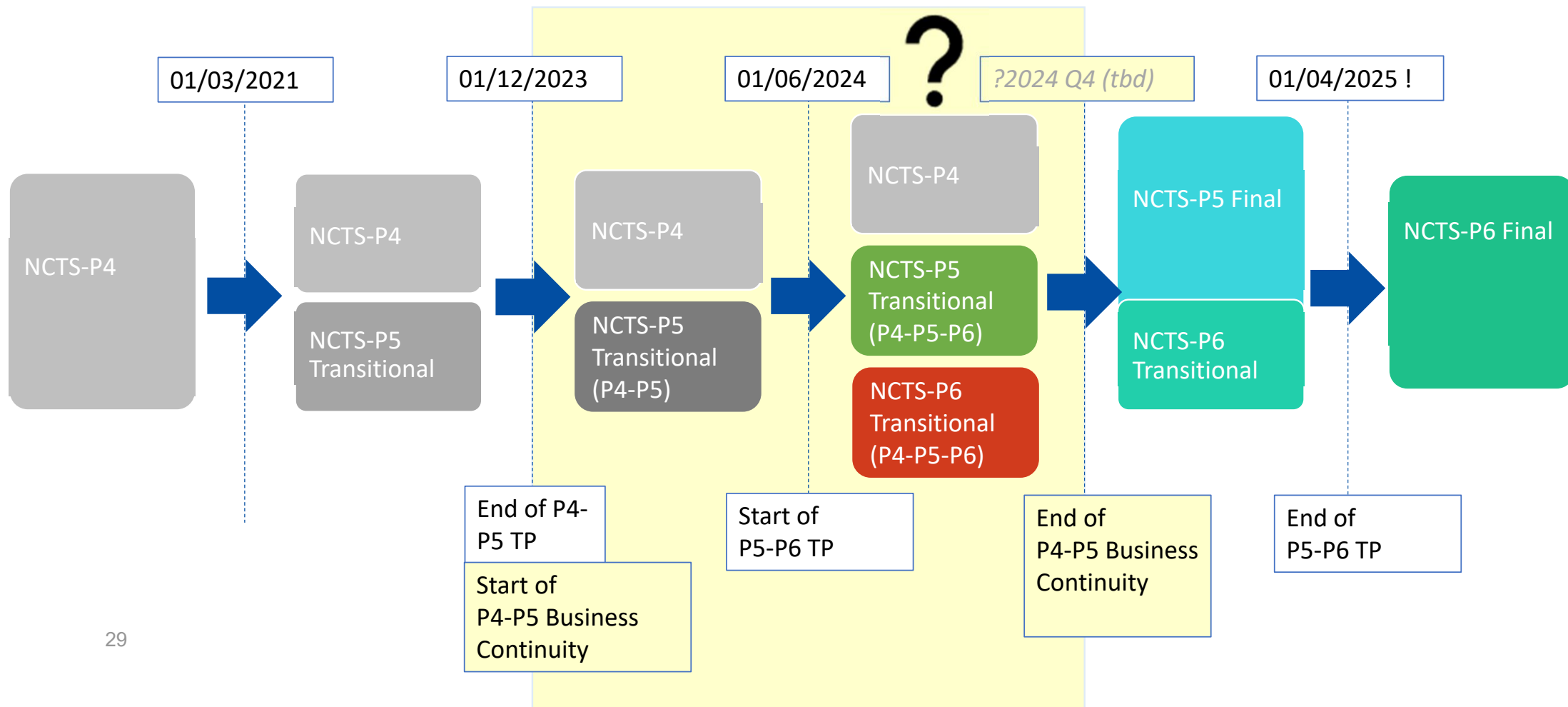
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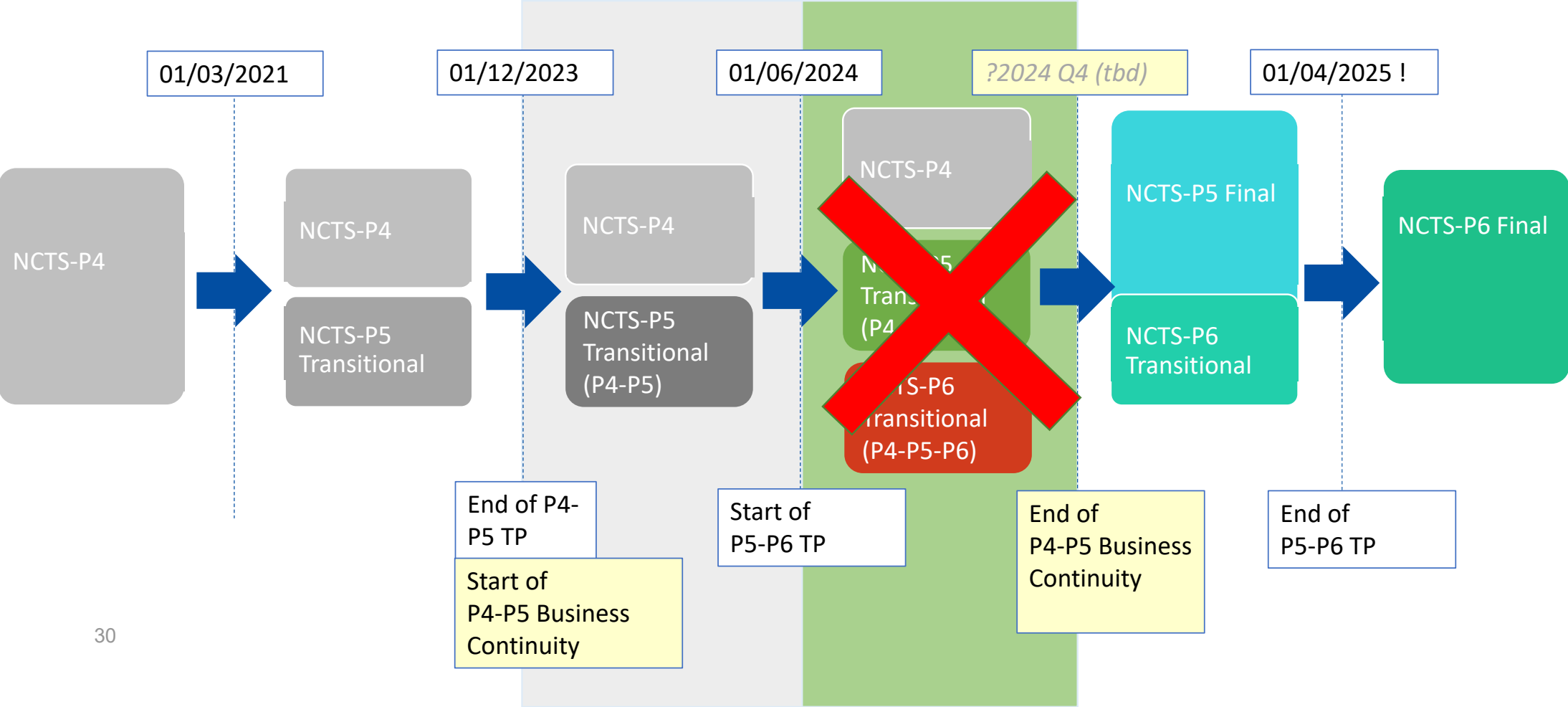


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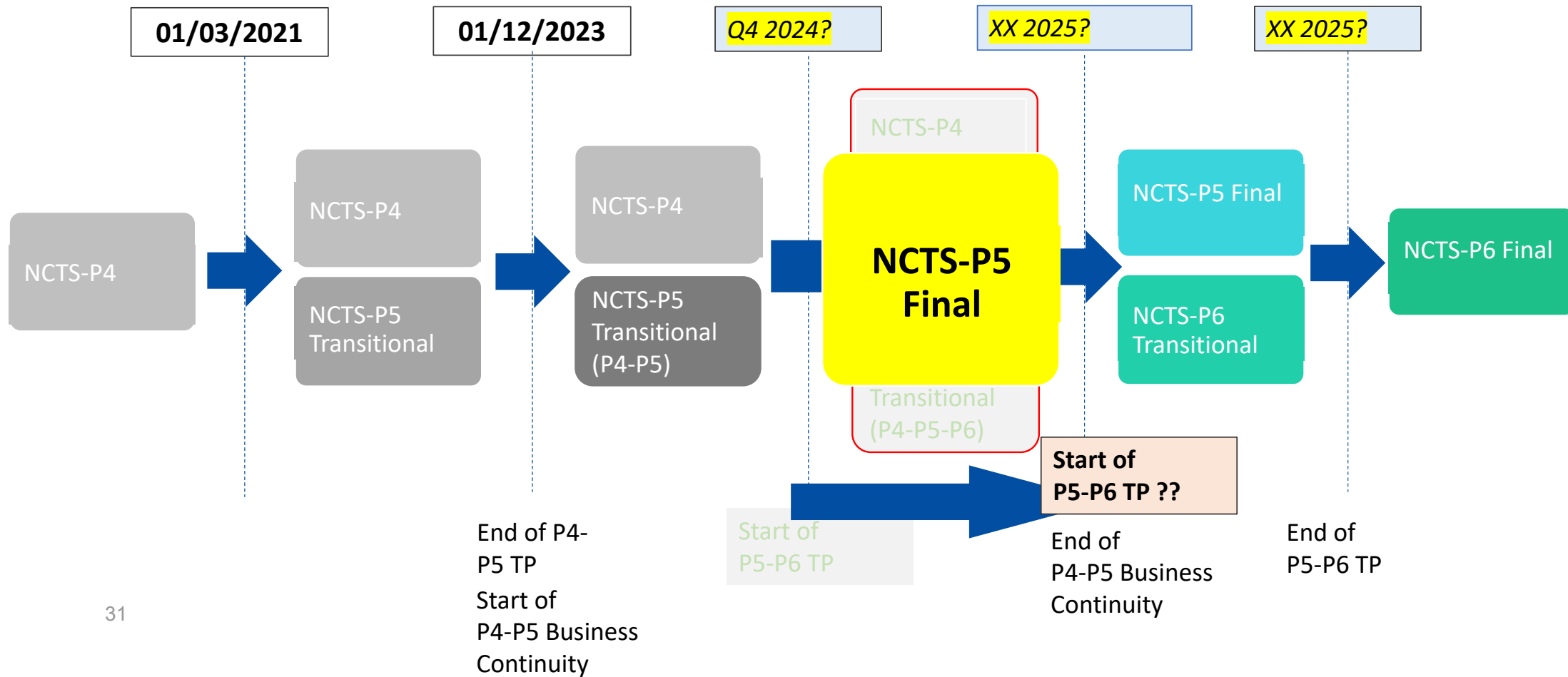
Impact of the running-over NA on the sequence



Impact of the running-over NA on the sequence



NA States due to coexistence of NCTS-P4 / NCTS-P5 / NCTS-P6 NAs – Problem Statement



1. Wise Persons Group on Challenges Facing the Customs Union



The WPG proposed 10 sets of measures to be implemented by 2030

1. The European Commission **by the end of 2022 tables a package of reforms, including of the Union Customs Code**, implementing the recommendations relating to processes, responsibilities and liabilities, and governance of the European Customs Union.
2. **Introduce a new approach to data**, focussed on obtaining **better quality data based on commercial sources**, ensuring it is cross-validated along the chain, better shared among administrations, and better used for EU risk management. Clarify which private actors must provide data, with costs for non-compliance. Provide businesses with **a single data entry point for customs formalities and a single window/portal**. Data to be stored and properly managed in a central data warehouse.
3. Setting up of a **comprehensive framework for cooperation**, including data sharing between European Customs, Market Surveillance Authorities and other Law Enforcement bodies and tax.
4. **A European Customs Agency** should be set up to provide EU value-added services to the Commission and the Member States.
5. Introduce a System-Based Approach centred on **a reformed Authorised Economic Operator scheme** expanded in scope, multi-layered and more effective, to better facilitate trade with trust.

The WPG proposed 10 sets of measures to be implemented by 2030

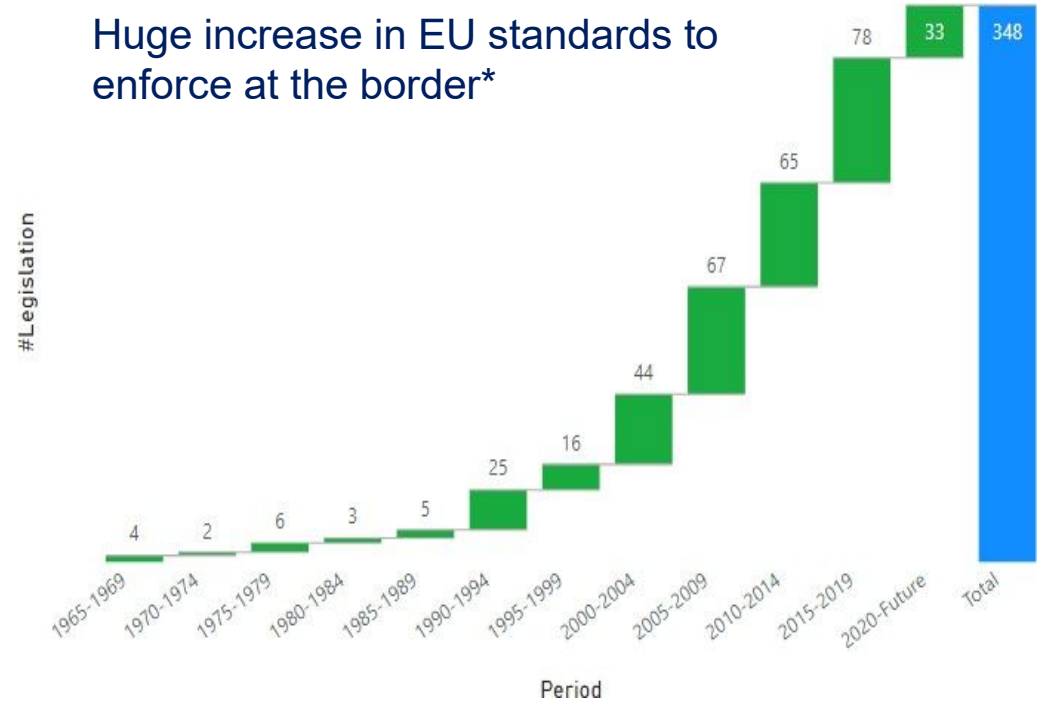
6. Introduce a **new ABC model** (Authorised, Bonded or subject to greater Control), in which operators would seek **Authorised Economic Operators status to gain commercial access to the EU market**. Failing this, **a bond to be provided**, against which the EU authorities may levy a significant charge for mis-declaration or rule breaches,. Small non-commercial consignments would continue under present processes, but without priority and subject to a level of controls that reflects their “non-trusted” status.
7. **Remove the customs duty exemption threshold of EUR 150 for e-commerce** and provide simplification for the application of Customs duties rates for low value shipments
8. A package of measures to green EU customs, **digitalise procedures, ensure that prohibitions and restrictions are properly implemented**, reform the World Customs Organization Harmonized System Nomenclature for the proper classification of environmentally friendly goods;
9. **Properly resourcing, upskilling and equipping customs administrations**, to ensure their full capacity to fulfil their missions.
10. Introduce an annual Customs Revenue Gap Report based on an agreed methodology and data framework to **better manage Customs revenue collection**.

2. Customs Reform

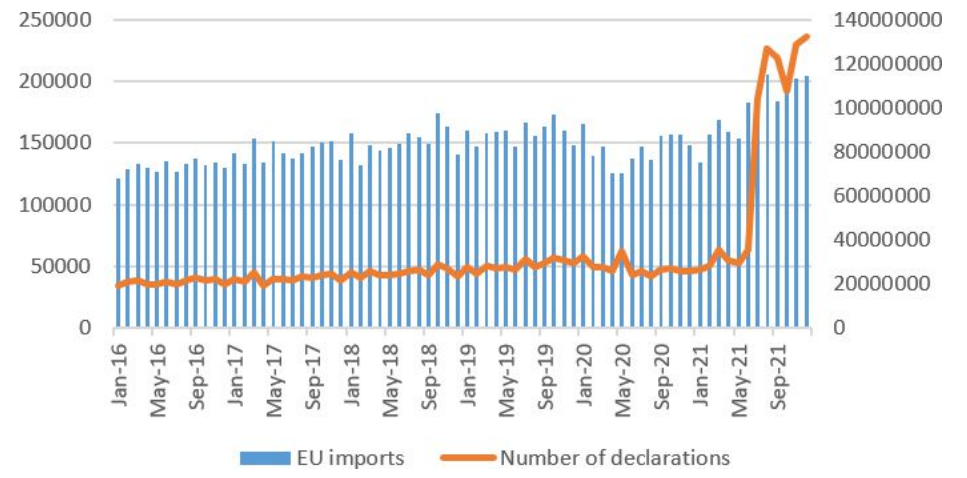
Mostly based on slides from the Trade Contact Group meetings on 24 May and 7 June 2023



Huge increase in EU standards to enforce at the border*



More and more items declared:



*Recent examples: CBAM, Deforestation, Digital Product Passport / Ecodesign, Product Safety directive, Firearms, Digital Services Act



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A new partnership with businesses

Today:

Businesses need to deal with...
...up to 27 national Customs administrations
...complex procedures, unclear responsibilities
...multiple interfaces and 111 separate IT systems

Reform:

- ✓ Simpler procedures with clear responsibilities
- ✓ Customs data to only one EU-level interface
- ✓ Trust & Check system with green lanes for particularly reliable traders
- ✓ Customs one-stop-shop for operations in EU27





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The UCC Reform contains 5 legal proposals



The 5 legal texts were adopted as official Commission proposal on 17 May 2023.

You can find them at : https://taxation-customs.ec.europa.eu/customs-4/eu-customs-reform_en

The new UCC will need a formal adoption by the European Parliament and the Council prior to publication and entering into force, The 5 legal proposals are:

1. **Communication from the Commission on Customs reform: Taking the Customs Union to the next level.**
2. **Proposal for a Regulation of the European Parliament and of the Council establishing the Union Customs Code and the European Union Customs Authority, and repealing Regulation (EU) No 952/2013**
3. **Proposal for a Council Regulation amending Regulation (EEC) No 2658/87 as regards the introduction of a simplified tariff treatment for the distance sales of goods and Regulation (EC) No 1186/2009 as regards the elimination of the customs duty relief**
4. **Proposal for a Council Directive amending Directive 2006/112/EC as regards VAT rules relating to taxable persons who facilitate distance sales of imported goods and the application of the special scheme for distance sales of goods imported from third countries**
5. **EU Customs Reform - Impact Assessment & EU Customs Reform - Summary of the Impact Assessment**

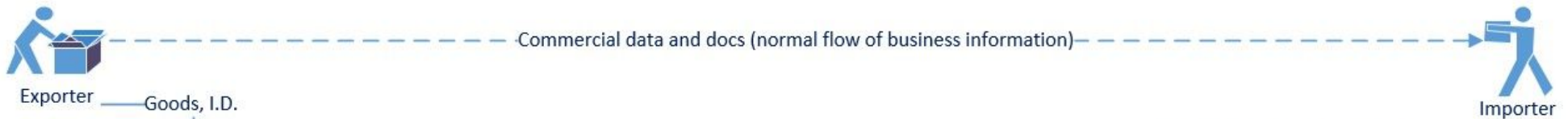
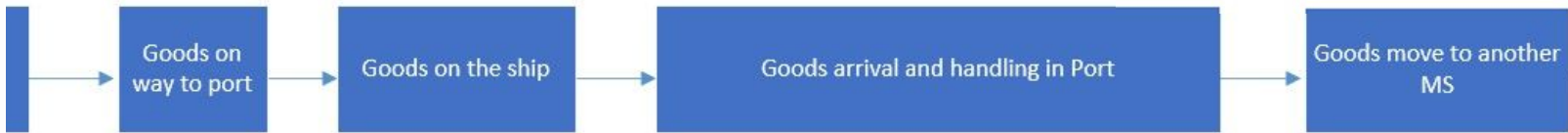


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customs in the real-world complexity of supply chains – illustration - a Trust and Check import by sea



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Straight delivery to importer under importer's self-release and guarantee waiver privileges. No need for Transit.

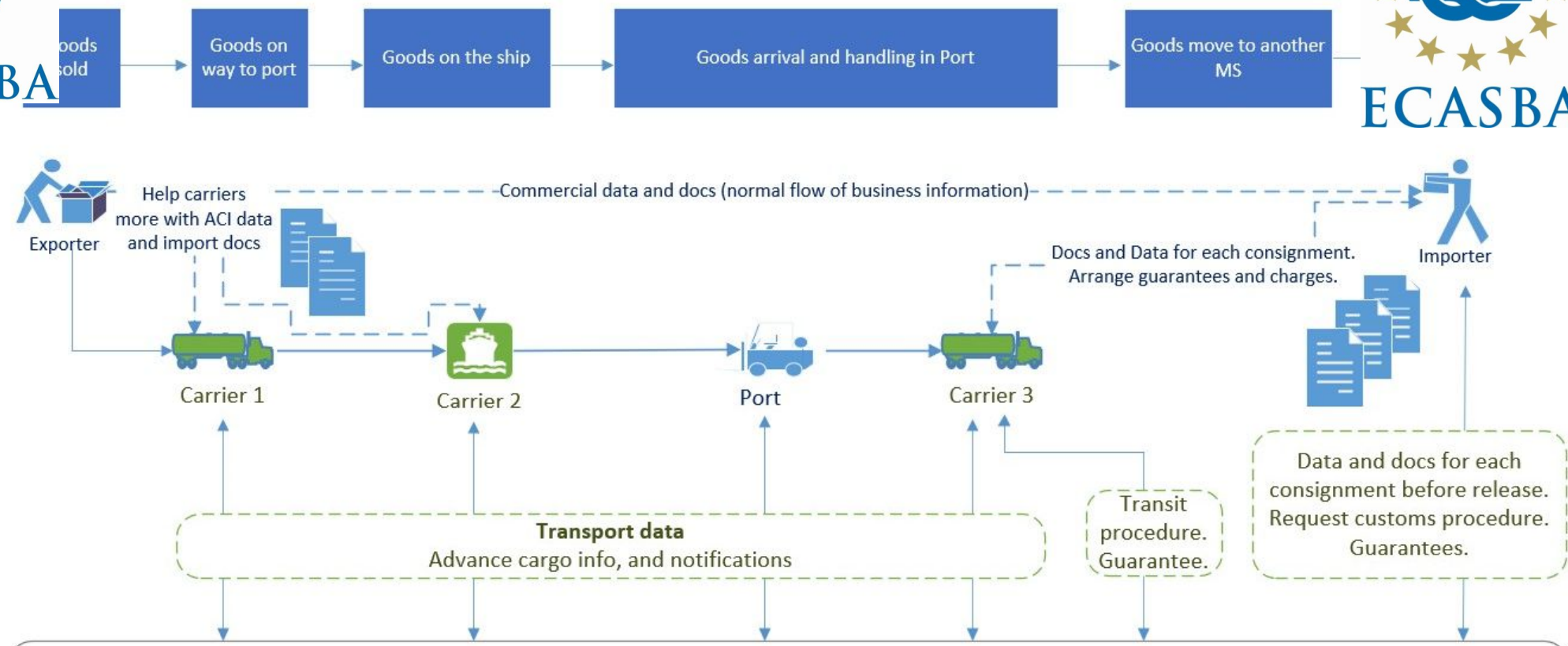


EU Customs Data Hub


Single EU customs process – one connection. Gets and connects data from those best placed to give it. Connects non-customs authorities, helps streamline checks, integrates with Single Window. Stores your permissions, docs and data and re-uses them. Co-ordinated by the EU Customs Authority. EU visibility for harmonised the performance of the customs union.




NON-Trust and Check perspective - maritime example



EU Customs Data Hub
 Per previous slide, single Hub for managing uniform customs processes and formalities.
 For the non-Trust and Check flow, the transport layer needs to ensure the data and documents needed for ACI are given, and the importer needs to give the full data and docs needed for release and duty calculation, and to request customs procedures case by case.
 Controls and mitigation measures in the supply chain are more likely.
 The pre-release transfer to the importer's MS needs a Transit and guarantee.



Other authorities



Customs

Practical

scenarios – importer
Trust and Check

perspective

Not Trust and Check

	<i>Trust and Check</i>	<i>Not Trust and Check</i>
Data for duties	Importer shares commercial data with Hub. Importer manages customs procedures in Hub. Data re-used (even for different consignments). Periodic self-assessment of duties.	Give all details per consignment per customs procedure for the calculation of the duty (single filing to Hub) before release
Data and docs for non-fiscal formalities	Co-operation frameworks → aim for account-based approach, re-using permissions. EU-SW if applies.	Give all docs per consignment (also fed by EU-SW where it applies)
Control planning and mitigation measures	Pre-warned if possible. Co-operation frameworks → aim to intervene, if needed, at easiest place. Control at border rare (e.g. hijacked consignment)	Signal only on arrival. Intervention/mitigation measures more likely. Control at border more common <-> risk
Release inbound	Carrier pings the Hub, which applies privileges. Typically automated (no flag, no pause).	Full data. Pause more likely because more data, docs, risks
Inter-MS transfer	Carrier pings the Hub, which applies privileges.	Needs a Transit and guarantee
Guarantee level	Generally not needed	Needed, and higher
Special procedures	Deemed to meet conditions	Need to prove condition met



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AEO



*UCC Article 25 Granting the status of **Trust and Check trader***

1. An importer or exporter, who is resident or registered in the customs territory of the Union, meets the criteria set out in paragraph 3 and has conducted regular customs operations in the course of that person's business for at least 3 years, may apply for the status of Trust and Check trader to the customs authority of the Member State where that person is established.
2. The customs authorities shall grant the status following consultation with other authorities, if necessary, and after having had access to the relevant data of the applicant for the last 3 years in order to assess compliance with the criteria in paragraph 3.
3. The customs authorities shall grant the status of Trust and Check trader to a person who meets all the criteria

T&C - criteria (Article 25)

- Resident or registered in EU customs territory, and regular customs operations over the last 3 years → apply in MS where established. If change of establishment MS → receiving MS may re-assess
- Absence of any serious infringement or repeated infringements of customs legislation and taxation rules and no record of serious criminal offences; [relating to economic or business activities]
- Demonstrate a high level of control of operations and of the flow of goods → allows appropriate customs controls and evidence that non-compliance has been effectively remedied; inform customs whenever compliance difficulties are discovered;
- Financial solvency, and appropriate security, safety and compliance standard
- Standards of competence or professional qualifications; employees instructed re use of Hub
- Inform customs of changes in corporate structure, ownership, solvency situation, trading models or any other significant changes in its situation and activities → customs re-assess



New additional criteria:

having an electronic system providing or making available to the customs authorities real-time all data on the movement of the goods and the compliance of the person referred to in paragraph 1 with all requirements applicable on those goods, including relating to safety and security and including where relevant **sharing in the EU**

Customs Data Hub:

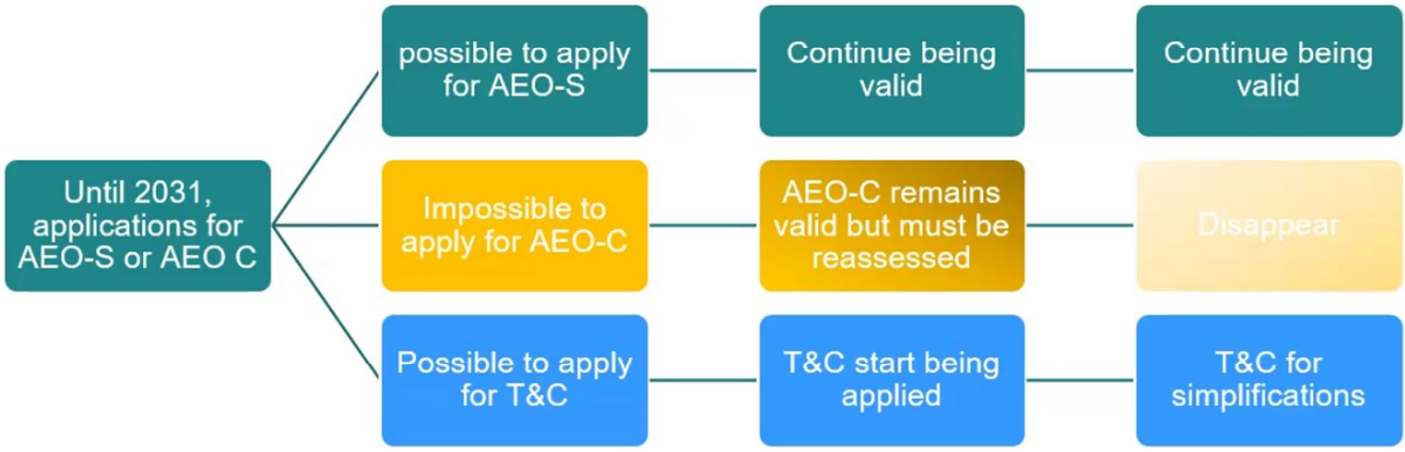
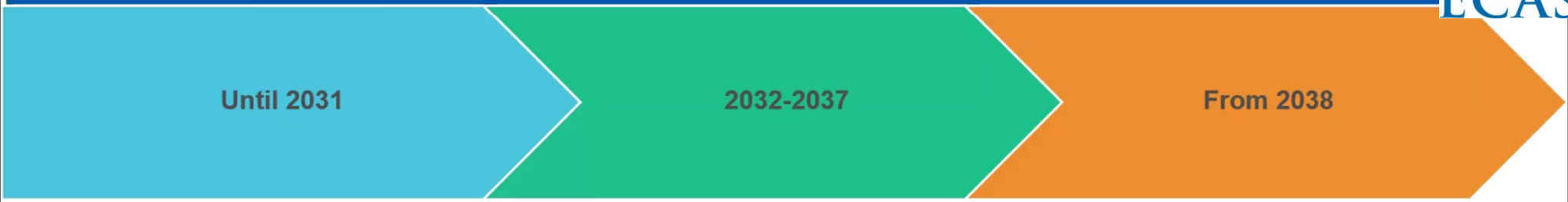
- i. customs records;
- ii. accounting system;
- iii. commercial and transport records;
- iv. their tracking and logistics systems, which identifies goods as Union or non-Union goods and indicates, where appropriate, their location;
- v. licences and authorisations granted in accordance with other legislation applied by the customs authorities;
- vi. complete records needed to check the correctness of the establishment of the customs debts.

Customs authorities may authorise Trust and Check traders:

- a) to provide part of the data on his or her goods after the release of those goods, in accordance with Article 59(3);
- b) to perform certain controls and to release the goods upon receipt of those goods at the place of business of the importer, owner or consignee and/or upon delivery from the place of business of the exporter, owner or consignor, in accordance with Article 61;
- c) to consider that it provides the necessary assurance of the proper conduct of the operations for the purposes of obtaining authorisations for special procedures in accordance with Articles 102, 103, 109 and 123;
- d) to periodically determine the customs debt corresponding to the total amount of import or export duty relating to all the goods released by that trader, in accordance with Article 181(4);
- e) to defer the payment of the customs debt in accordance with Article 188.



AEO to Trust and Check– transition



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UCC benefits for AEO v reform benefits for T&C

1. Authorisation needed to file declarations in MS of establishment
2. CC requires agreement by other MS and defining the perimeter
3. EiDR might still require customs intervention for release
4. Self-assessment in only theoretical
5. Transit still needed

1. MS of establishment responsible by default
2. All transactions of T&C managed by MS of establishment
3. Release on behalf of customs does not require customs intervention
4. Self-assessment is the rule
5. No obligation to place in transit



UCC Reform Temporary storage

Whereas (considerations)...

(36) The non-Union goods that are brought to the customs territory of the Union should be considered to be in temporary storage from the moment the carrier notifies their arrival until their placement under a customs procedure unless they are already placed in transit. To ensure appropriate customs supervision, this situation should be limited in time. **It should not last more than 10 days, except in exceptional cases.** If the importer needs to store the goods for a longer period, the goods should be in a customs warehouse, where the goods can be stored without time limit. **The existing authorisations for temporary storage locations should therefore be converted into customs warehouse authorisations if the relevant requirements are met.**

Article 86 Temporary storage of goods : ...

5. Non-Union goods in temporary storage **shall be placed under a customs procedure no later than 3 days after the notification of their arrival or no later than 6 days after the notification of their arrival in the case of an authorised consignee** as referred to in Article 116(4), point (b), unless the customs authorities require the goods to be presented. In exceptional cases, that time limit may be extended.

Article 87 Transitional provision in relation to authorisations for the operation of temporary storage facilities,

By the date established in Article 265(3), the **customs authorities shall reassess the authorisations for the operation of temporary storage facilities** to check whether their holders may be granted an authorisation for customs warehousing. If they may not, the authorisations for the operation of temporary storage facilities shall be revoked.

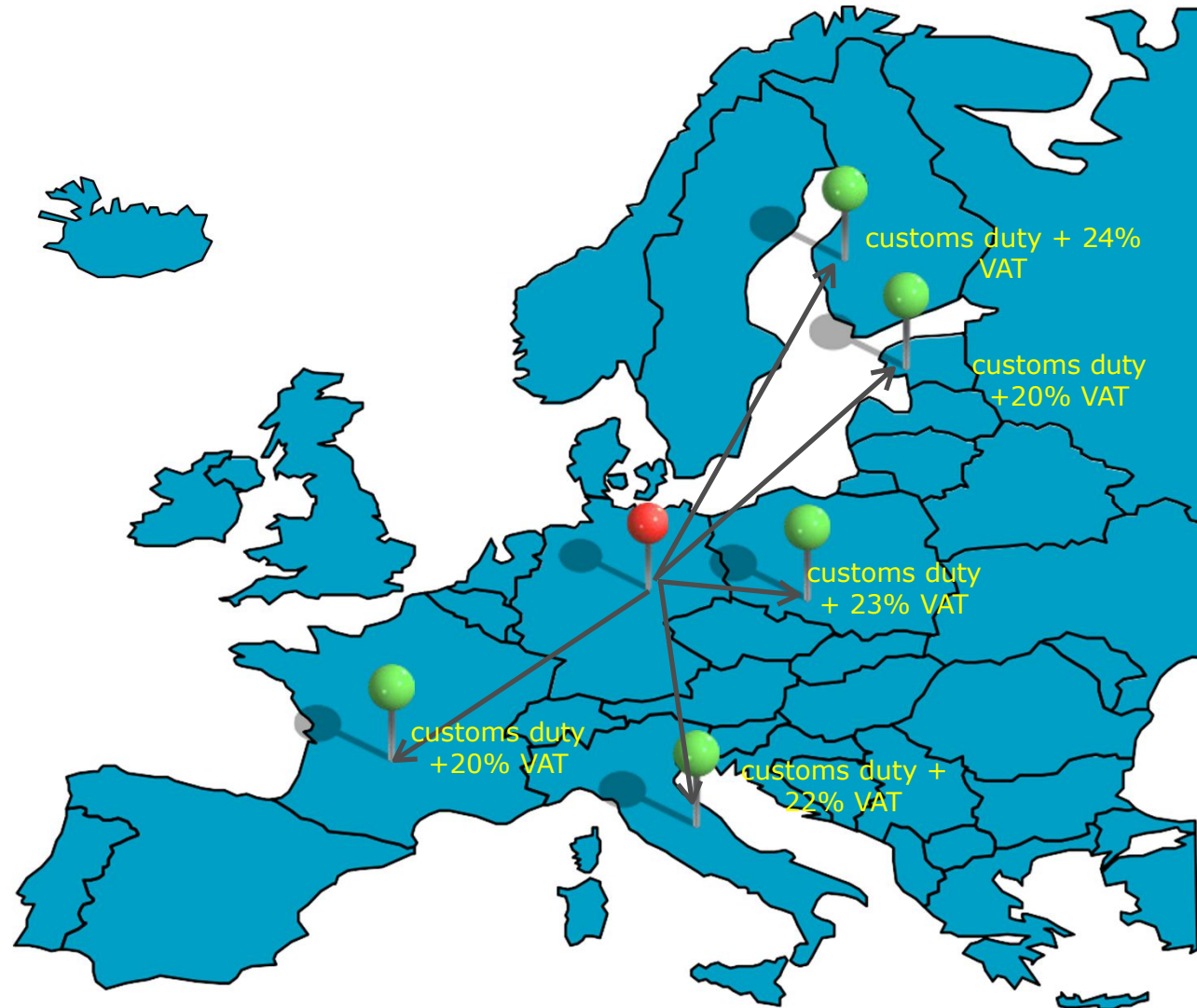


Representation – what changes?

	<i>Direct Representation</i>	<i>Indirect Representation</i>
Establishment	In the EU, except if represented person not required to be EU-established	In the EU, except if represented person not required to be EU-established
Financial liability	Importer	Representative, as becomes the importer
Non-financial liability		
T&C status	Can enjoy T&C benefits only if importer is also T&C	Can enjoy T&C benefits if authorised as such
Other changes	Conditions for provision of representation services in the EU determined by COM (DA)	

Calculation of VAT and duty due

- VAT and customs duty are charged at the time of supply >> the deemed importer (= IOSS registered supplier or deemed supplier) is liable for the collection of customs duty and VAT
- Customs duty rate
 - Simplified tariff treatment (0% / 5% / 8% / 12% or 17% duty rate) OR
 - Standard rules (erga omnes or preferential tariff rates)
- Simplified tariff treatment is used in combination with valuation and origin simplifications:
 - Customs value: transport costs are to be included up-to the final destination (customs value = tax base for VAT) [Art. 156(2)]
 - Origin: no need for proof of non-preferential origin [Art. 149(4)]
- VAT rate = MS where the transport ends (MS of consumption)
- No payment of VAT and customs duty at the border for IOSS goods



E-commerce: full alignment of customs & VAT rules and processes

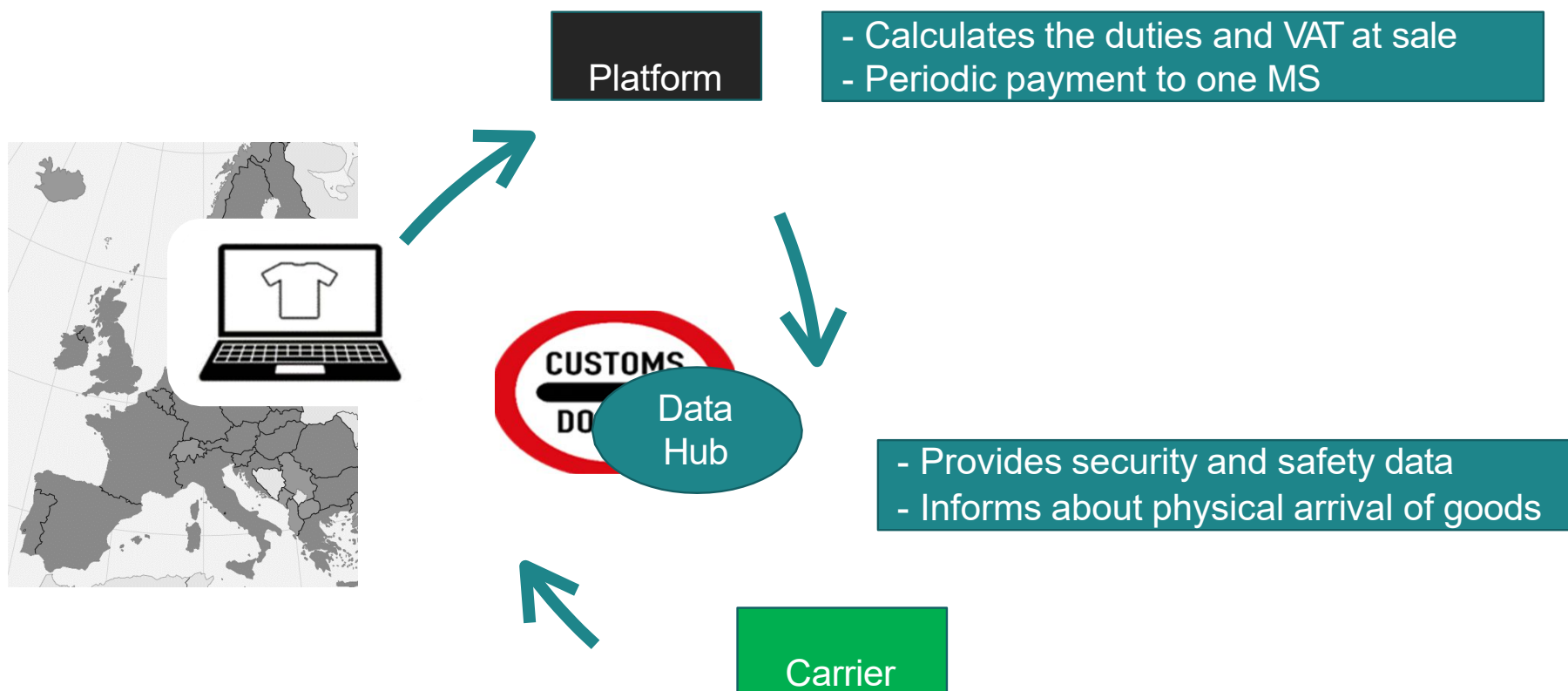
VAT

- De minimis threshold for commercial goods: **0€**
- Scope: business-to-consumer (**B2C**)
- Liability: supplier / **deemed supplier**
- Incurrence of VAT: at **acceptance of payment** (online order)
- Reporting and payment of VAT: **monthly** to the MS of identification

Customs

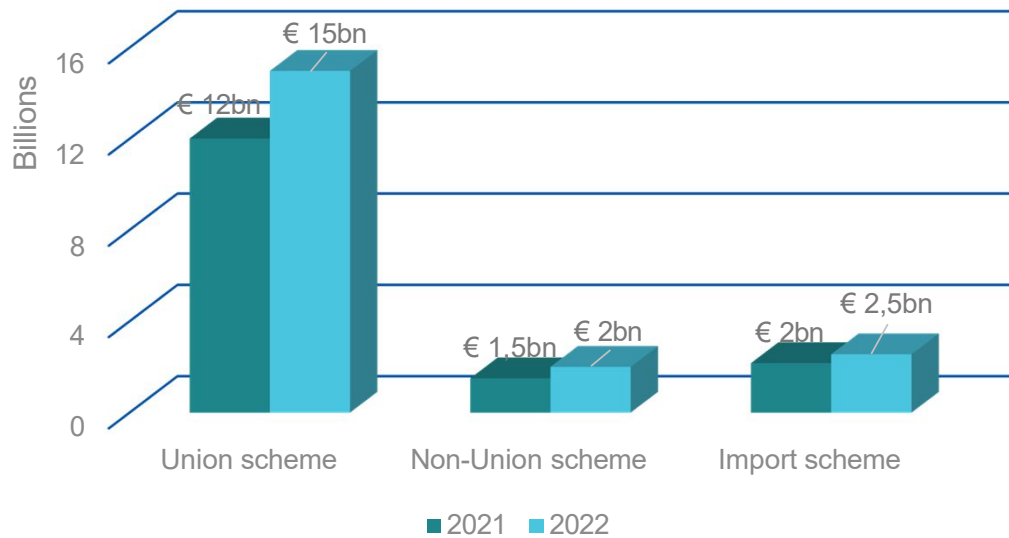
- De minimis threshold for commercial goods: **0€**
- Scope: business-to-consumer (**B2C**)
- Liability (fiscal & non-fiscal): **deemed importer**
- Incurrence of customs debt: at **acceptance of payment** (online order)
- Communication and payment of customs debt: **monthly** to the MS of establishment

E-commerce: the customs reform



VAT aspects

VAT e-commerce package results
(2021* vs 2022)



1. Evaluation of the VAT e-commerce package
2. Single VAT Registration (ViDA)



3. Removal of the EUR 150 threshold for the application of

- Deemed supplier
- IOSS
- Special arrangements

Revenue goes up, costs go down

Today:

- Customs collect **EUR 80 billion** annually: 24 billion Customs duties, of which **EUR 18 billion** Own resources, and **EUR 55 billion** in excise duties and VAT – but much is lost due to Customs fraud and undervaluation.
- Member States develop and maintain 111 separate IT systems – not cost-efficient.
- No customs duty below **EUR 150** threshold.



Reform:

- 1 Single Data system – savings for Member States and EU budget of **EUR 1-2 billion** per year.
- Estimated reduction of compliance costs for traders of more than **EUR 2 billion** per year
- E-commerce: additional **1-2 billion** per year from e-commerce (2021 VAT e-commerce reform already brings EUR 1.5 billion)
- Closing Customs Gap – **several billions** per year.
- Helping to tackle VAT fraud, currently **EUR 50 billion** per year.





Use Business Data



European Customs Authority



Pool expertise and knowledge

EU Customs Data Hub

Single Trader Interface

Cross-check information with partners

EU Risk Analysis

Risk signals for coordinated customs action



Work together



Market Surveillance and Law enforcement



security



prohibitions & restrictions



sanitary & phyto-sanitary



statistics



future tasks



National Customs



Control decision



National risk profiles



duty collection



authorisation



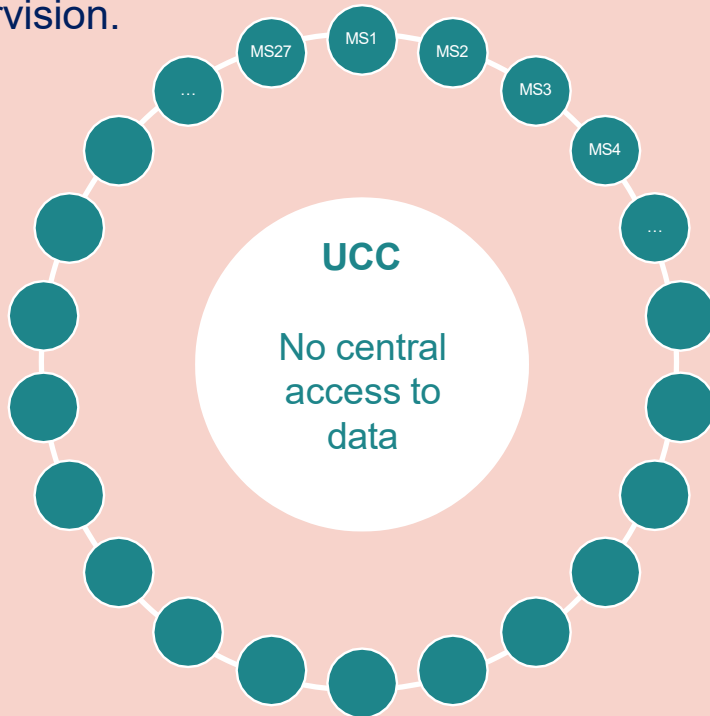
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Customs Data Hub

Today:

111 separate IT systems across 27 Member States.

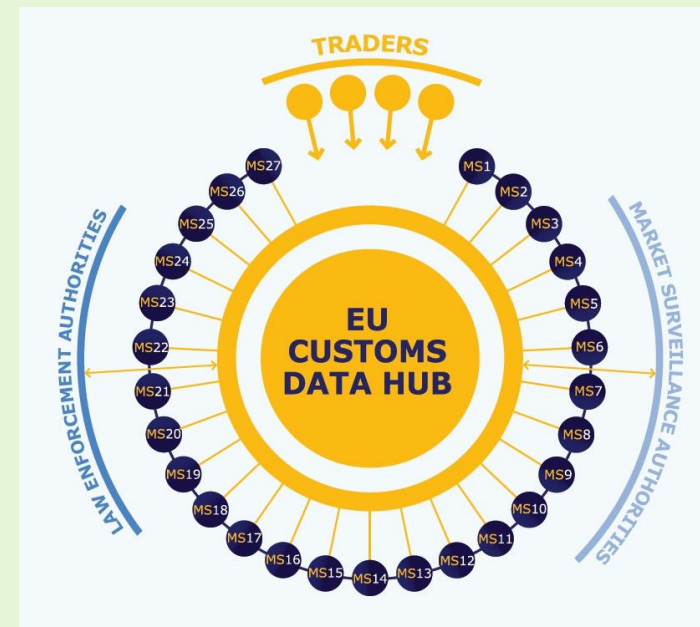
No central database, no common supply chain supervision.



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Reform:

Central Customs Data Hub – full supervision on what comes in and goes out.





Data Hub & Interoperability

TODAY

EU Interoperability framework

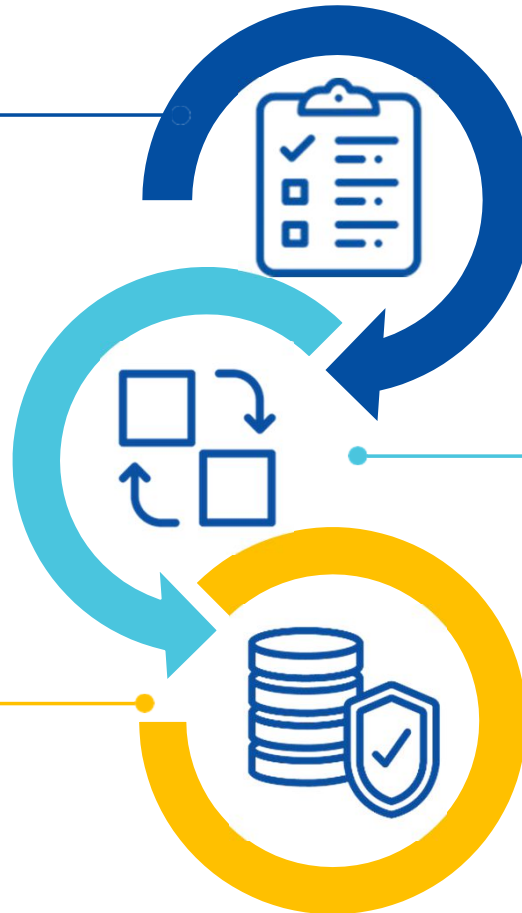
TOMORROW





Future of EU Single Window with the Customs Reform

Core EUCDH component for automated documentary checks of EU documents
(classic certification modules like CHED, COI, FLEGT, DPP etc.)



Core EUCDH component to exchange live information between customs and market surveillance authorities during customs clearance
(ICSMS module)

Core EUCDH component to feed certificate-related non-customs data to the EU Customs Data Hub

Customs Reform –timeline

2023

- **Customs reform proposal**
- *Upon adoption immediate application of many provisions and preparatory actions for launch of Customs Authority and Data Hub*

2028

- **EU Customs Authority** assumes its tasks, notably EU risk management
- Tailor-made **customs e-commerce regime** starts applying
- **EU Customs Data Hub** starts limited to e-commerce

2032

- **“Trust & Check traders”** (representing around 80% of trade) start using the EU Customs Data Hub
- Other traders may also start using the Data Hub on a voluntary basis

2038

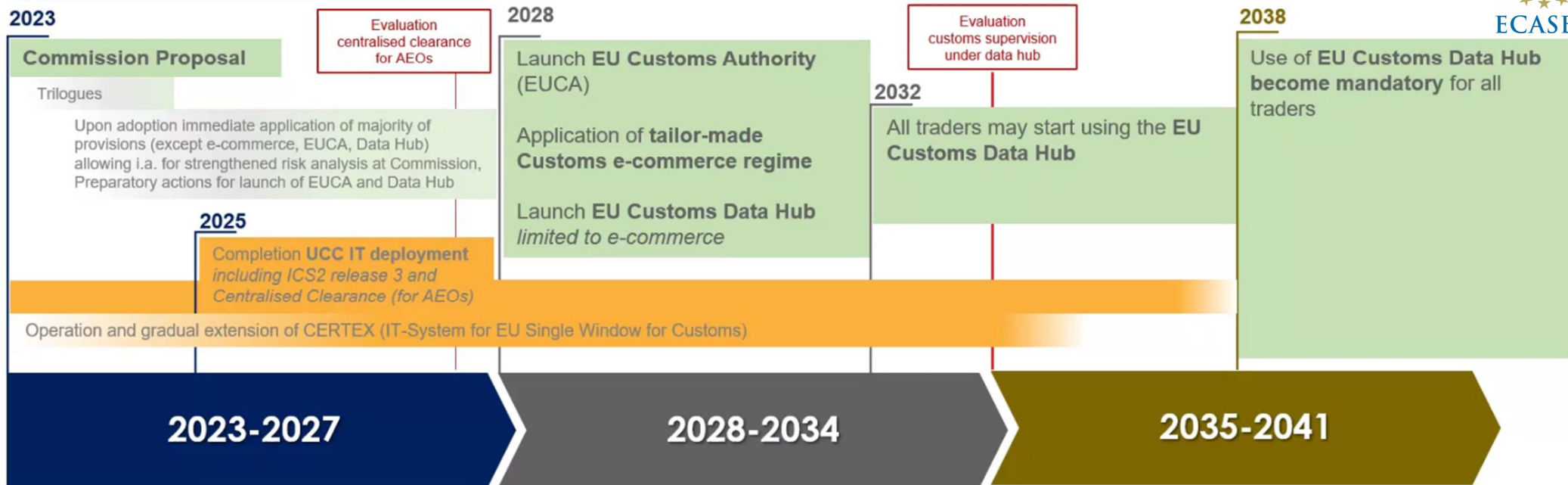
- Use of EU Customs Data Hub will be mandatory for all traders



2023 Customs Reform

Ongoing IT deployment of previous, steppingstone reforms

Customs Reform – integrated timeline



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UCC Reform impact assessment

Four options are considered to address the identified problems



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1. *A package of simpler processes:* clarifying the responsibilities of the actors, removing unnecessary steps in import procedures, introducing measures for e-commerce and further benefits for transparent traders, under the current digitalisation model and the existing customs governance structure. Simplification of processes with focused responsibility will increase effectiveness.
2. *An EU Customs Authority for co-ordination:* in addition to step one above, create a new EU Customs Authority to coordinate cooperation between the Member States in risk management, define uniform implementation of rules, and manage customs programmes.
3. *A central EU Customs Data Space, managed by the Commission:* Simpler customs processes and focused responsibility on actors to be implemented in a centralised IT model. The data space would facilitate collecting information from different actors, processing it for EU customs risk management and exchanging it with other competent authorities.
4. *An EU Customs Authority for coordination and operations, managing an EU Customs Data Space:* Simpler customs processes implemented via the EU Customs Data Space managed by an EU Customs Authority in charge of (in addition to option 2) operational risk management, data management and delivery of simplified processes.

UCC Reform impact assessment

What options are considered?

The preferred option is 4.

It is based on three elements :

- reformed customs processes,
- implemented in a central EU Customs Data Space
- managed by an EU Customs Authority

reinforce each other to deliver better results and create synergies across the EU.

This is considered to be the most efficient option, because the investment in central structures significantly reduce the cost for Member States and businesses.

UCC Reform impact assessment

What are the costs of the preferred options?

The costs of the preferred option to the Union budget are due to:

- The central development of the EU Customs Data Space. Over 15 years, the EU services would invest EUR 559 million more than the baseline (higher one-off investments required in the first 7 years) and EUR 2 billion for maintaining the data space. Centralisation of costs would result in significant economic savings for the Member States IT expenditure.
- The creation of an EU Customs Authority would require over the 15-year period additional EUR 230 million in net Full-time Equivalent (FTE) costs at EU level. The Authority is progressively formed over 8 years and stabilises in year 9 with a total estimated staff of about 250 FTE.



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EUROPEAN SEMINAR 2023

BRUSSELS

20th JUNE 2023

BREAKOUT SESSION “THE WISE PERSONS’ REPORT”

MODERATOR: MARCO TAK

UCC Reform

Proposed topics for discussion:

1. **IT Hub and Single interface** for trade versus 27 national interfaces
2. **Functionality and role of an EU Customs authority?**
(e.g. beyond IT and including harmonization issues, partner for EU operators...)
3. **Temporary storage** versus warehousing procedure and opinion on shortened TS delays
4. **New AEO ‘trust and check’**: advantages and disadvantages ?