Customs Reform

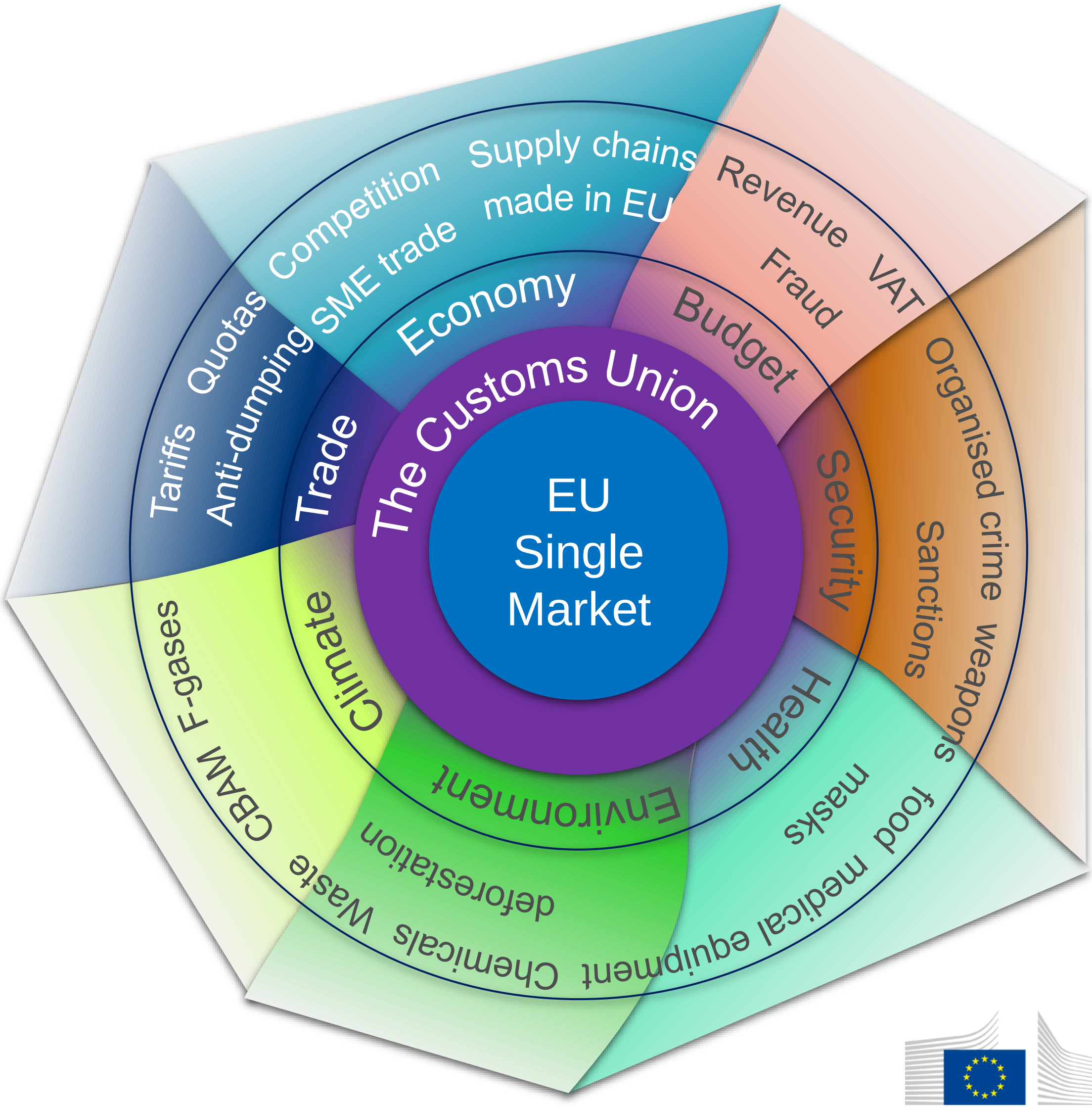
Presentation for visit to Ireland

6 February 2025

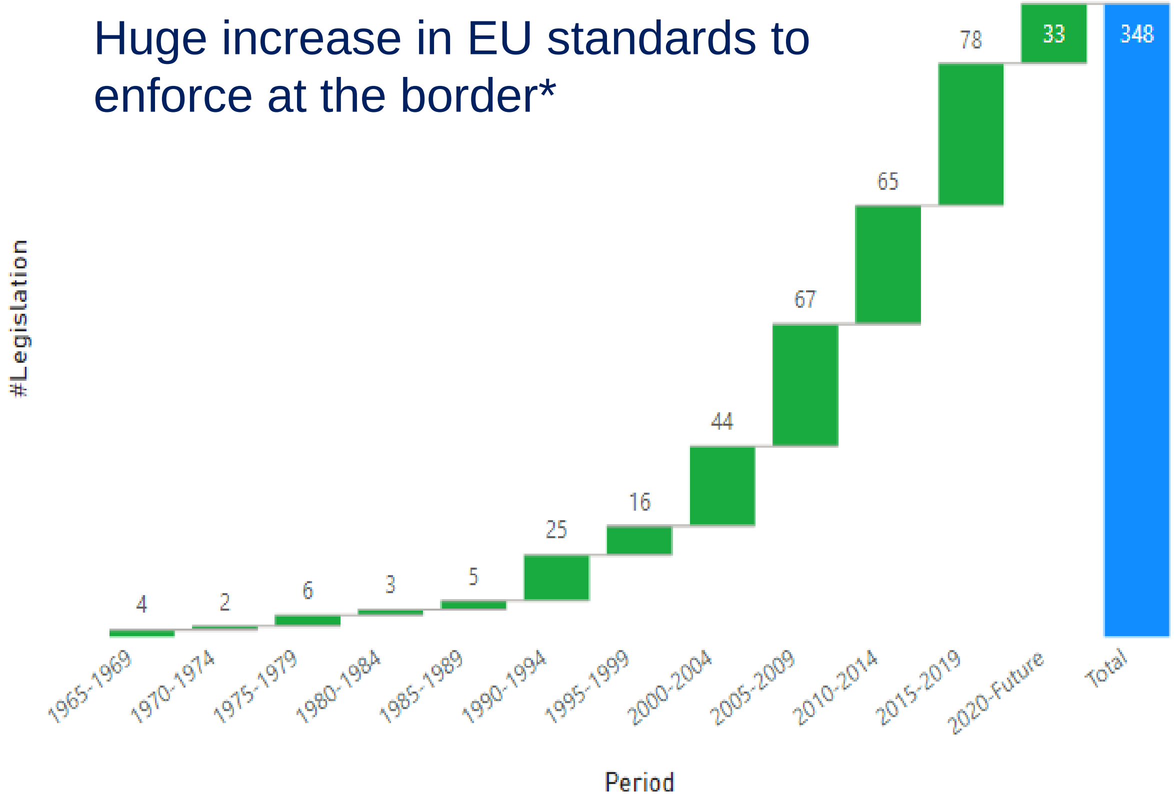
Customs at the core of the EU

- EU Customs enforce a wide range of financial and non-financial rules.
- EU Customs are the guardians of the Single Market.
- EU Customs must cooperate closely with other authorities.

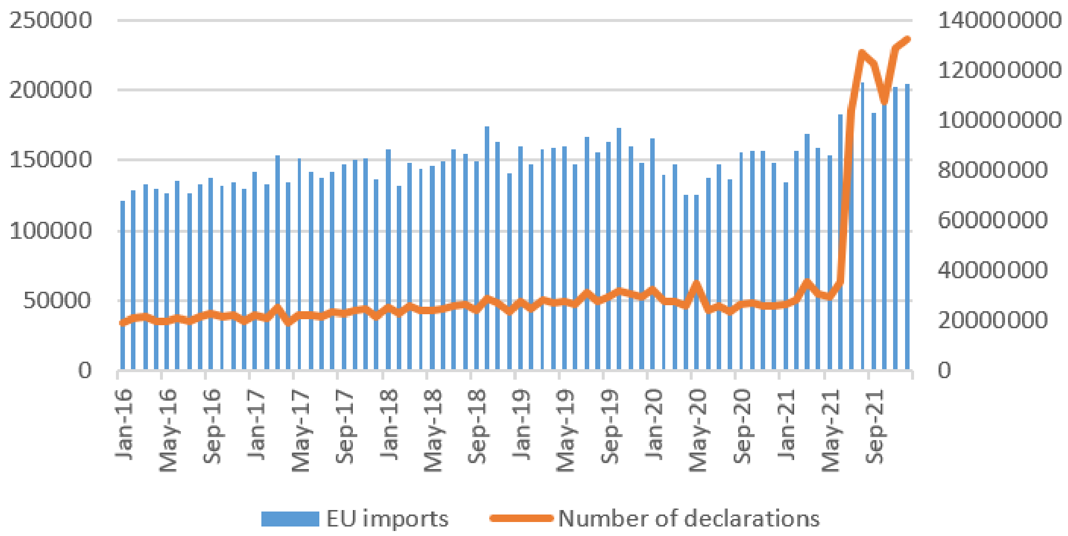
The capacity to control and enforce which goods enter and leave the EU Customs Union is of strategic importance.



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*

Modernising customs for the twin transition

Customs in a changing world

e-commerce: more declarations

Complex customs processes

Fragmented digitalisation

Fragmented governance structure

prohibition and restrictions: more tasks

Revenue lost (Own resources)

Incomplete supply chain control

Criminals smuggle illegal products into the Single Market

Key objectives for customs modernisation

Reduce administrative burden and simplify procedures

Strengthen EU Supply Chain Supervision

Create a true common border external border for goods

Tailor-made Customs regime for e-commerce

Reform pillars

Simpler Customs Union

Reinforcing objectives

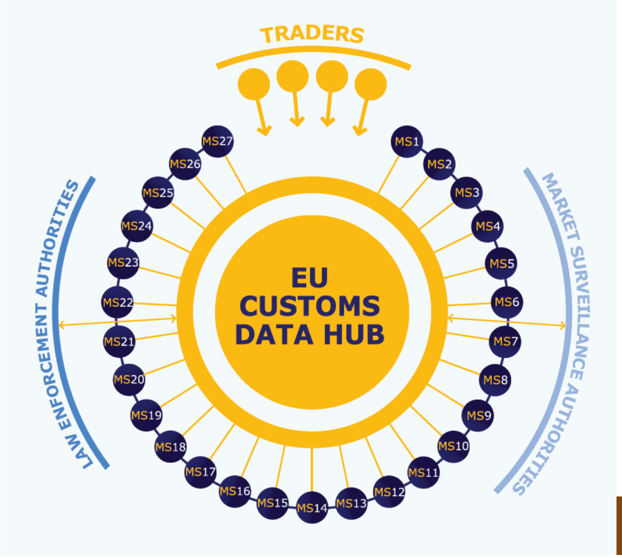
Stronger Customs Union

Reduced compliance costs through simpler procedures

Tailor-made **e-commerce** regime

Better protection of Single Market due to **EU risk management**

Create a **true Customs UNION** – acting as one across the external border



Key enablers

New partnership with business

Customs Processes : the changes by 2038

Today

- Multiple steps and declarations
- Multiple actors (carrier, temporary storage declarant, transit declarant, CD declarant, importer)
- Multiple interfaces to deal with (ICS2, TS declaration systems, national declaration systems, NCTS)
- AEO complain about limited benefits

In 2038

- Relying on **business data** rather than declarations
- Focus on who motivates the traffic (**carrier, importer/exporter**)
- **Single trader interface** and rely on port and airport community systems
- Rely on **trust and check traders**

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

European Commission

Role of the importer

- **NEW**: Importer defined in Article 5(12) - any person having determined that third country goods are to be brought to the Union customs territory and deemed importers.
- Must be **established in the EU** (Art 20), except in specific cases
- Obligations: inform, pay and ensure compliance with non-financial requirements
    - Applicable to the specific procedure (warehouse is not the same as release for free circulation)
    - Non-financial requirements as specified in the applicable sectoral legislation

European Commission

Trust and Check trader

Trust&Check trader in the customs reform

- Compliance with customs and fiscal rules
- Financial solvency
- Customs knowledge
- Safety&security standards

Building on AEO

+ Transparency

- **system-to-system connection to Data Hub**
- **provide/make available real-time data on goods**
- **customs has full overview on the T&C operations**

- Reduced admin burden
- Supervision by MS of establishment
- Self-assessment as a rule
- No transit procedure/guarantee
- Self-calculation of debt (periodic and deferred payment

Benefits

Competent customs offices (Article 42,overview)

T&C and deemed importer	Not T&C
MS of **establishment** office supervises. Procedure/Debt formalities.	MS of ‘**declaration’** office supervises. Procedure/Debt formalities
Gets the information it needs [Art 42(6)] - results, signals, recommendations…	Gets the information it needs [Art 42(6)] - results, signals, recommendations…
MS performs its own controls, reports results	MS performs its own controls, reports results
Can **request** office of entry/exit, dispatch/destination to control	Can **recommend** control elsewhere [Art 51(6)(e)]

Review by 2035

Supported by EUCA + Hub → making available info + risk inputs

European Commission

The new T&C requirement for monitoring compliance

AEO evaluation + AEO study findings on monitoring practices:

- More [self-]monitoring by operator needed
- More coordination/info sharing within national customs authorities needed
- Make mutual access to IT systems easy

AEO fact-finding visits →monitoring not harmonised in MS

- Weak link AEO-risk management
- Little trust in AEO supporting risk management
- AEO not recognised in all national RM system → benefits not always granted

Article 25(3)(f) new criterion allows **MS of establishment** to monitor constantly T&C compliance **using the Data Hub**

T&C are ‘transparent’

AEO vs T&C

	AEO-Security (AEO-S)	AEO-Simplification (AEO-C)	AEO-S&C combined	T&C trader
Requirements:				
Compliance with customs/fiscal legislation, absence of infringements	V	V	V	V
Financial solvency	V	V	V	V
Appropriate customs knowledge		V	V	V
Security standards	V		V	V
Real-time data				**V**
Simplifications:				
Consideration as low-risk operator	V	V	V	V
Access to additional simplification		V	V	V
Prior notification for control	V	V	V	V
Self-release				**V**
No transit formalities, no guarantee				**V**
Supervision model:				
MS of unloading	V	V	V	
MS of establishment		Upon authorisation		**V**

AEO and/or Trust and Check traders?

T&C requirements too strict

- In order to keep T&C status only, COM open to adapt T&C requirements to address non-T&C operators (e.g. SMEs) concerns → Requirements on security standards and customs knowledge could be nuanced for SME

Key issue: liability of each operator

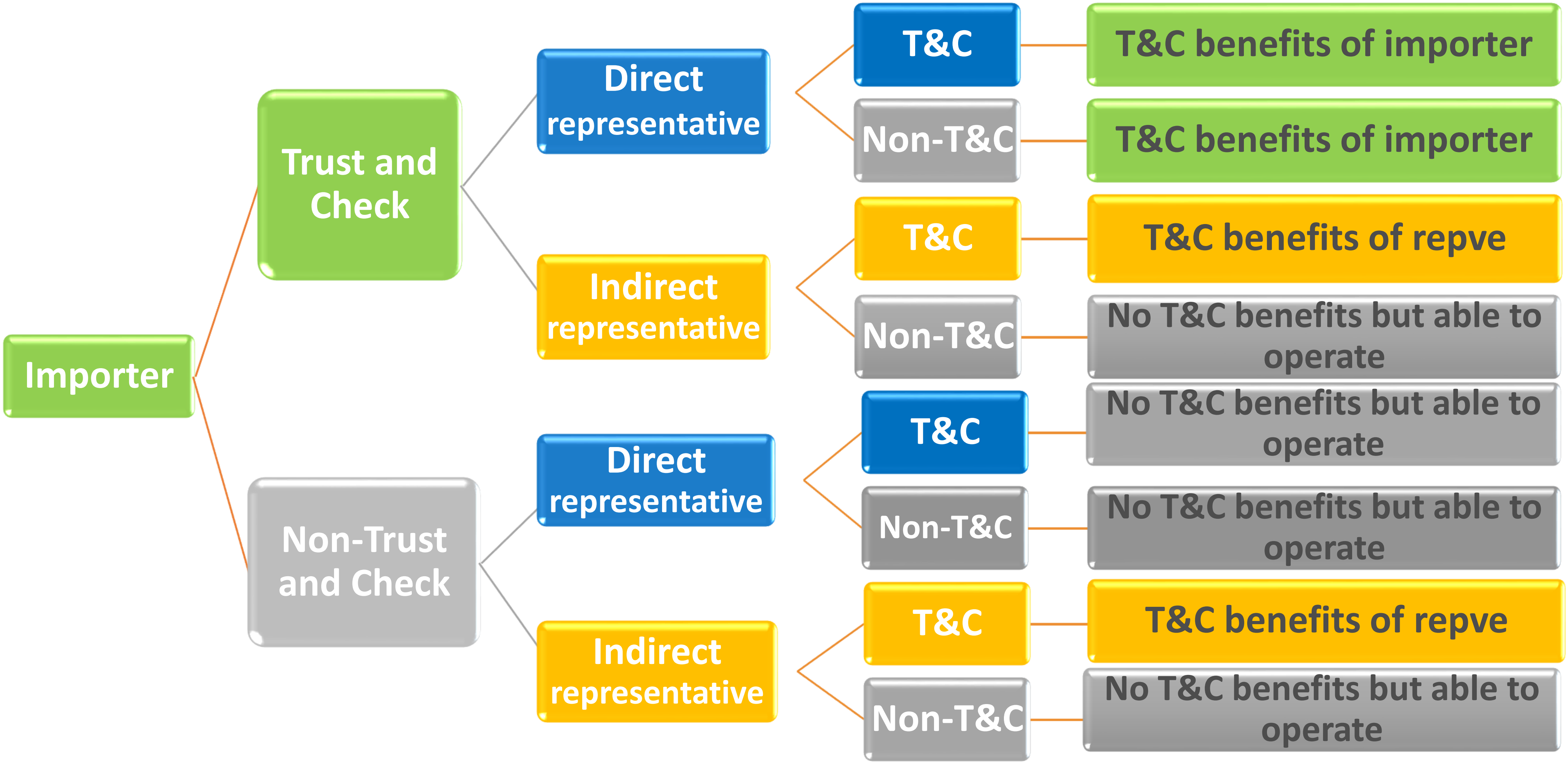
EP and most MS want to keep AEO and T&C

- COM can consider keeping AEO-C as an intermediate category: operators that do not qualify as T&C will not lose today's simplifications
- BUT if so, there should be more simplifications for T&C to ensure full supervision of the supply chain and real-time data for risk management

Role of customs representatives

[Art. 27]	*Direct Representation*	*Indirect Representation*
Establishment	In the EU, except if represented person not required to be EU-established	
Financial liability	Importer/exporter	Representative, as taking role of importer or exporter in Art 20 and 22 [and 21]
Non-financial liability		
T&C status	Can enjoy T&C benefits only if importer is also T&C	Can enjoy only its own T&C benefits
Other changes	Conditions for provision of representation services in the EU determined by COM (DA)	

Role of customs representatives



E-commerce

Tailor-made e-commerce regime

Simple
Transparent
Efficient

Today:

Since 2021, drastic increase of customs declarations in e-commerce* (more than 1 billion super-reduced declarations in 2022) without effective controls:

- 65% of the e-commerce consignments are undervalued → revenue loss
- 66% of products purchased online are not meeting EU safety requirements → citizens are not protected
- Traders split consignments into smaller batches → negative environmental impact.

Reform:

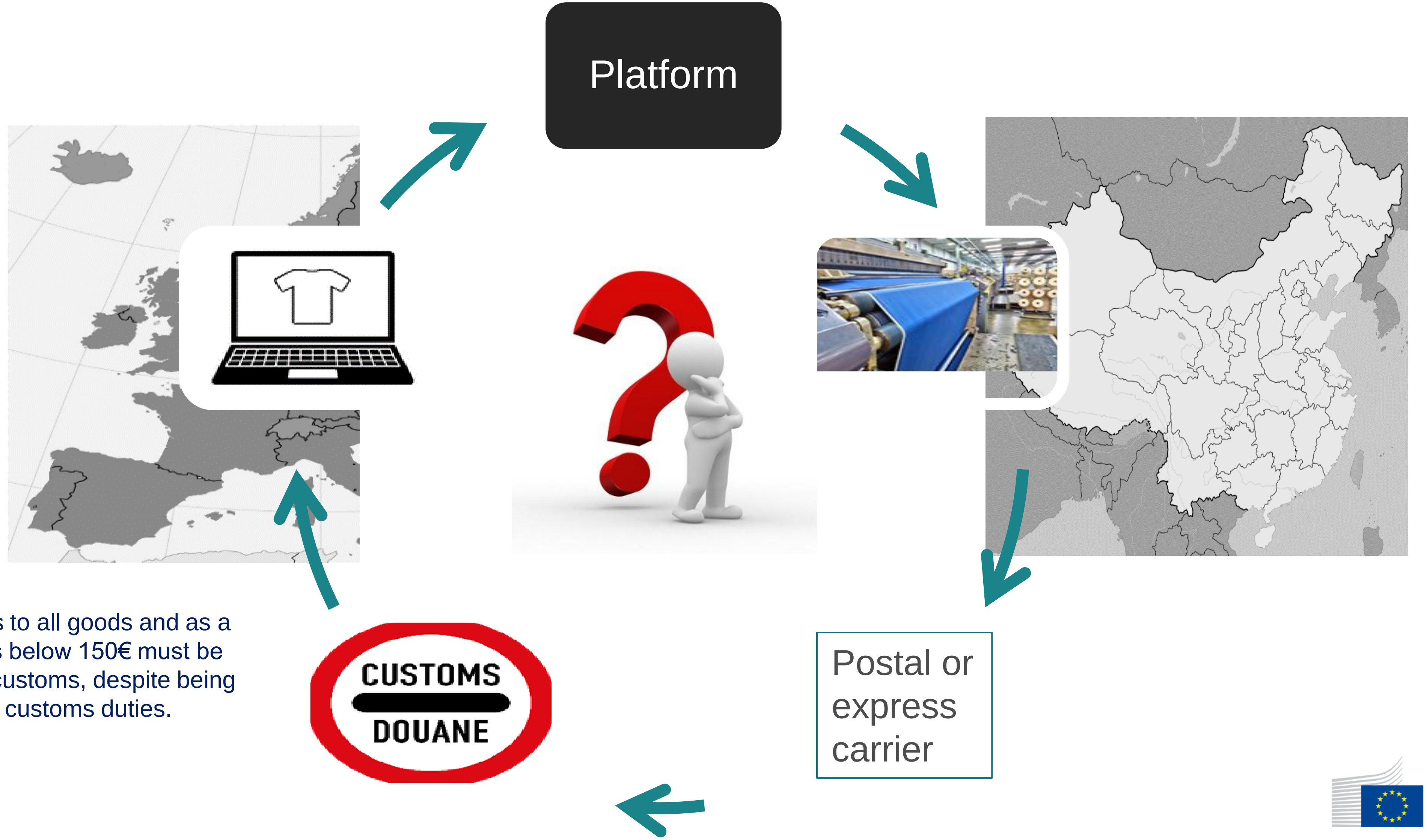
- ✓ Large platforms will be responsible to ensure compliance with EU rules (financial and non-financial)
- ✓ Consumers will be freed from compliance burden and protected from unpleasant surprises, like unexpected costs and burdensome customs formalities.
- ✓ The EU Customs Data Hub facilitates processing of declarations, helping customs and platforms to absorb the compliance burden.

A (voluntary) 4-tier bucketing system to simplify calculation of duties:

- ✓ 5% (e.g. for toys, games, houseware articles),
- ✓ 8% (e.g. for silk products, carpets, glassware),
- ✓ 12% (e.g. for cutlery, electrical machinery) and
- ✓ 17% (e.g. for footwear).
- ✓ Goods having a 0% duty rate currently will continue to benefit from zero duties.

*VAT applies to all goods and as a result, goods below 150€ must be declared to customs, despite being exempt from customs duties.

E-commerce under the current UCC



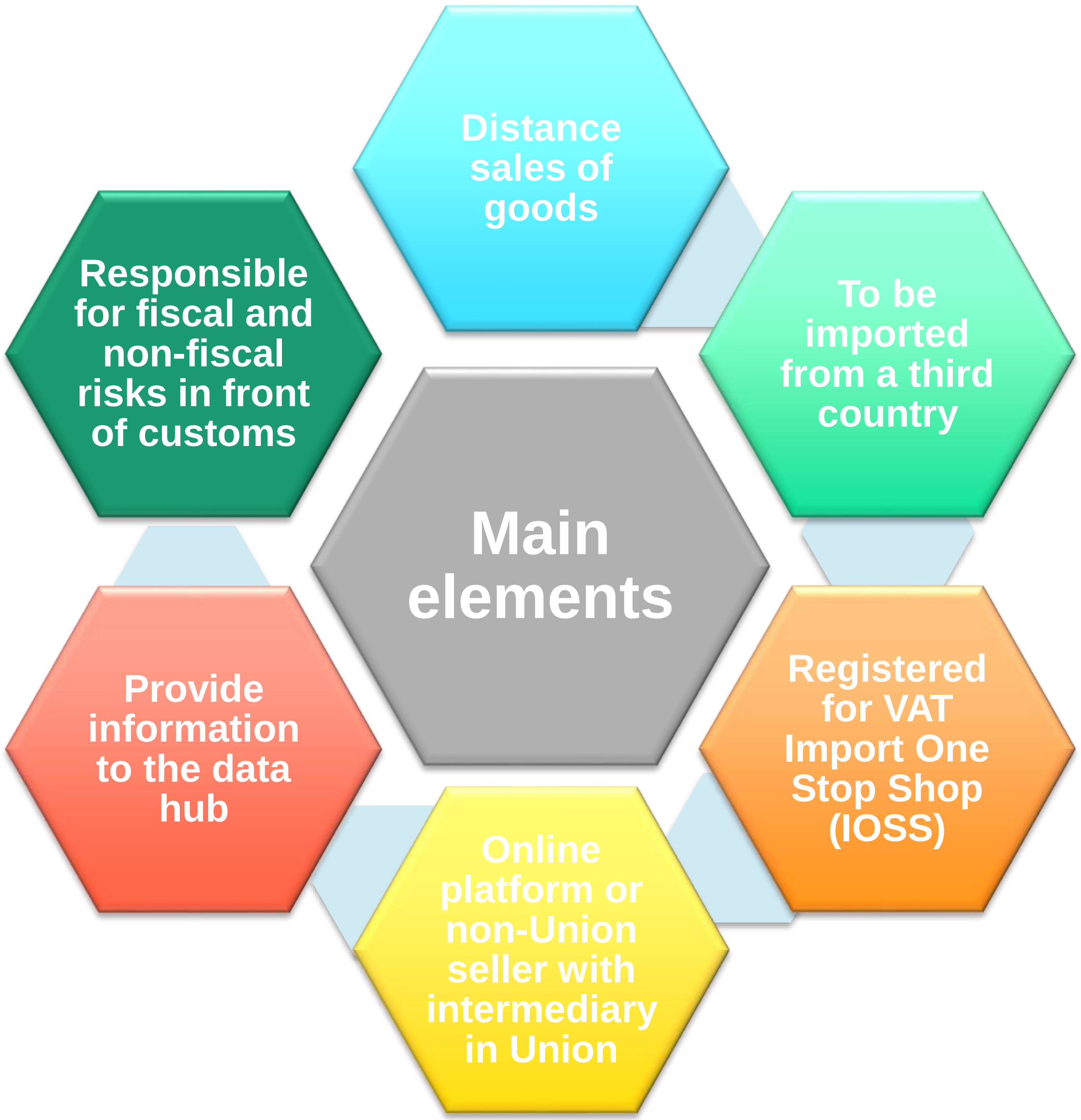
*VAT applies to all goods and as a result, goods below 150€ must be declared to customs, despite being exempt from customs duties.

Alignment with VAT in the Digital Age (ViDA)

- ✓ Alignment with VAT e-commerce rules on B2C flows (no threshold, scope, liability, reporting)
- ✓ Introduction of the **deemed importer** (any person involved in DSIG and registered for IOSS)
- ✓ Deemed importers will be responsible to ensure compliance with EU rules (financial and non-financial) – no burden on consumer
- ✓ The EU Customs Data Hub facilitates import and export processes
- ✓ Abolishment of the import duty exemption (€150)
- ✓ Introduction of the Simplified Tariff Treatment for DSIG:
  - bucket system for calculation of the import duties
  - no proof of non-preferential origin
  - simplified determination of the customs value

European Commission

Deemed importer [Art 21]



Builds on **'deemed supplier'** (see VAT package, 2021)

Removal of EUR 150 threshold and voluntary simplified duty calculation

Customs value includes transport costs to destination

[Art. 156(2)]

+

No need to prove non-pref origin
[Art. 149(4)]

+

Simplified rate (buckets)

=

CUSTOMS DEBT

ANTI-ABUSE CLAUSE: simplified tariff treatment is meant for B2C only [Art 145(5)]

Simplified tariff treatment is excluded for goods subject to excise,
for goods under trade measures and for goods under chapters 73, 98 and 99
[amendment to Reg. 2658/87 Combined Nomenclature].

Simplified tariff treatment (buckets system)

WTO compatible: voluntary, buckets are not based on historical analysis of trade (no discrimination)

Related to 'distance sales of goods imported from third countries' within the meaning of Article 14 (4) (2) VAT Directive 2006/112

A (voluntary) 5-tier bucket system to **simplify calculation of duties**

5%
Toys, games, houseware articles
(26 chapters)

12%
Cutlery, electrical machinery, clothes
(9 chapters)

8%
Silk products, carpets, glassware
(32 chapters)

17%
Food, beverages, tobacco, footwear
(21 chapters)

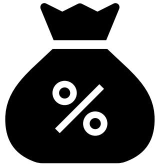
0%

Goods having a 0% duty rate currently will continue to benefit from zero duties
(7 chapters)

Answering to the questions linked to the e-commerce simplifications

- **Elimination of risk of undervaluation by the abolition of 150 EUR threshold**
    - The incentive to value goods under 150 EUR to get access to an easier clearance method (super-reduced dataset) and not to pay duties will be gone
    - However, **the rest of undervaluation still has to be fought**
    - A new risk analysis will be possible thanks to EUCA and Hub and receiving clearance information directly from the platform (not the case today)

- **Risk of confusion of tariff classification with the Bucket system**
    - After the customs reform, as today, goods will have to be classified with at least 6 digits, with or without bucket system
    - The better information on the goods in the data hub, directly from the platform, allows to open the reflection, in the future, of whether 10 digits tariff classification would still be necessary. The customs reform text is silent



Reform process: customs at the center

Platform

- Calculates the duties and VAT at sale
- Reports the sale to customs [Art. 21 (2) and 88(3), point (a)]
- Periodic payment to one MS [Art 169 and 181]

The consumer is no longer the importer.
Spared the admin burden / unpleasant surprises

Data Hub

- Customs risk analyses the sale info
- Requests controls or releases the goods upon arrival

Postal or express carrier

- Gives advanced cargo information [Art.80]
- Informs about physical arrival of goods

Reform process: responsibility of the platform

E-commerce platforms will be responsible for :

- Collecting customs duties + VAT at the time of the sale
- Reporting the sale data to the Data Hub within 24h
- Compliance with non-fiscal regulations

➔ Checking the compliance with non-fiscal regulations:

- List of applicable rules on the goods to be provided by the platform before release, amongst other information [Art 88(2)]
- Controls at the time of release, possibility to suspend the release [Art 60(4)]
- Better communication with other authorities and MSA through the Hub
- Parallel application of DSA which can sanction the platforms

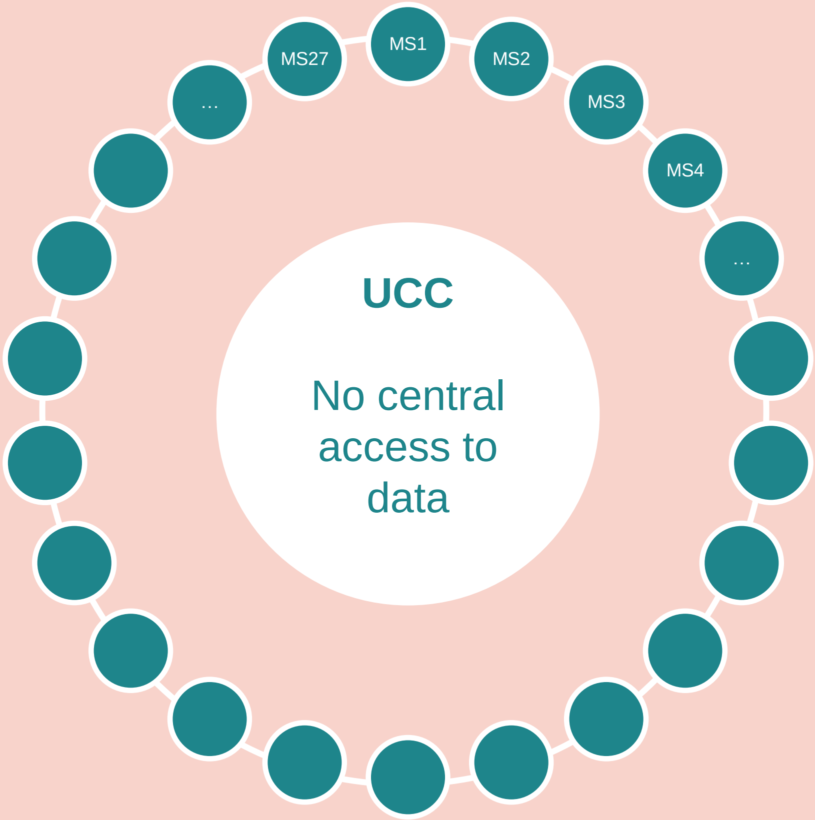
E-commerce: the impact

Consumers	No longer the importer, no surprise charges at pick-up
E-commerce operators	Reduce compliance costs by more than 1 billion EUR
Intermediaries	Ensure that goods comply with non-financial requirements
Customs	Have advanced data to analyse and focus on risks

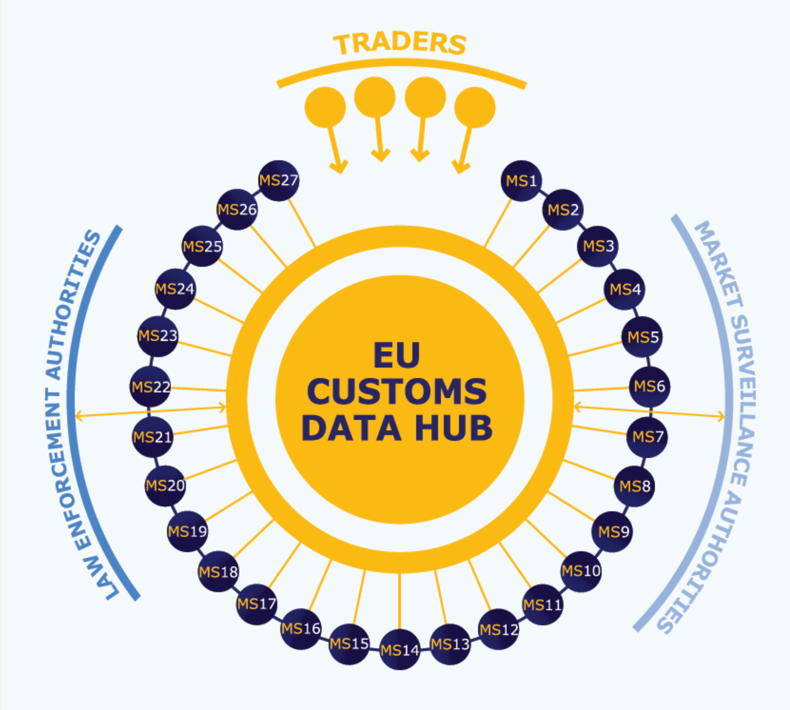
EU Customs Data Hub

EU Customs Data Hub

Today:
111 separate IT systems across **27** Member States.
No central database, **no** common supply chain supervision.



Reform:
Central Customs Data Hub. Flexible connection (SME friendly) to simpler common EU processes. Cheaper and quicker to build and improve. Enables EU risk management. Granular control of who uses what data, why (GDPR by design).



European Commission

Data Hub preconditions for COM

1. **COM provides** the **budget for the Data Hub separately** from EUCA’s own budget (for its general functioning) via a contribution agreement. (COM ‘delegates’ the task to EUCA)

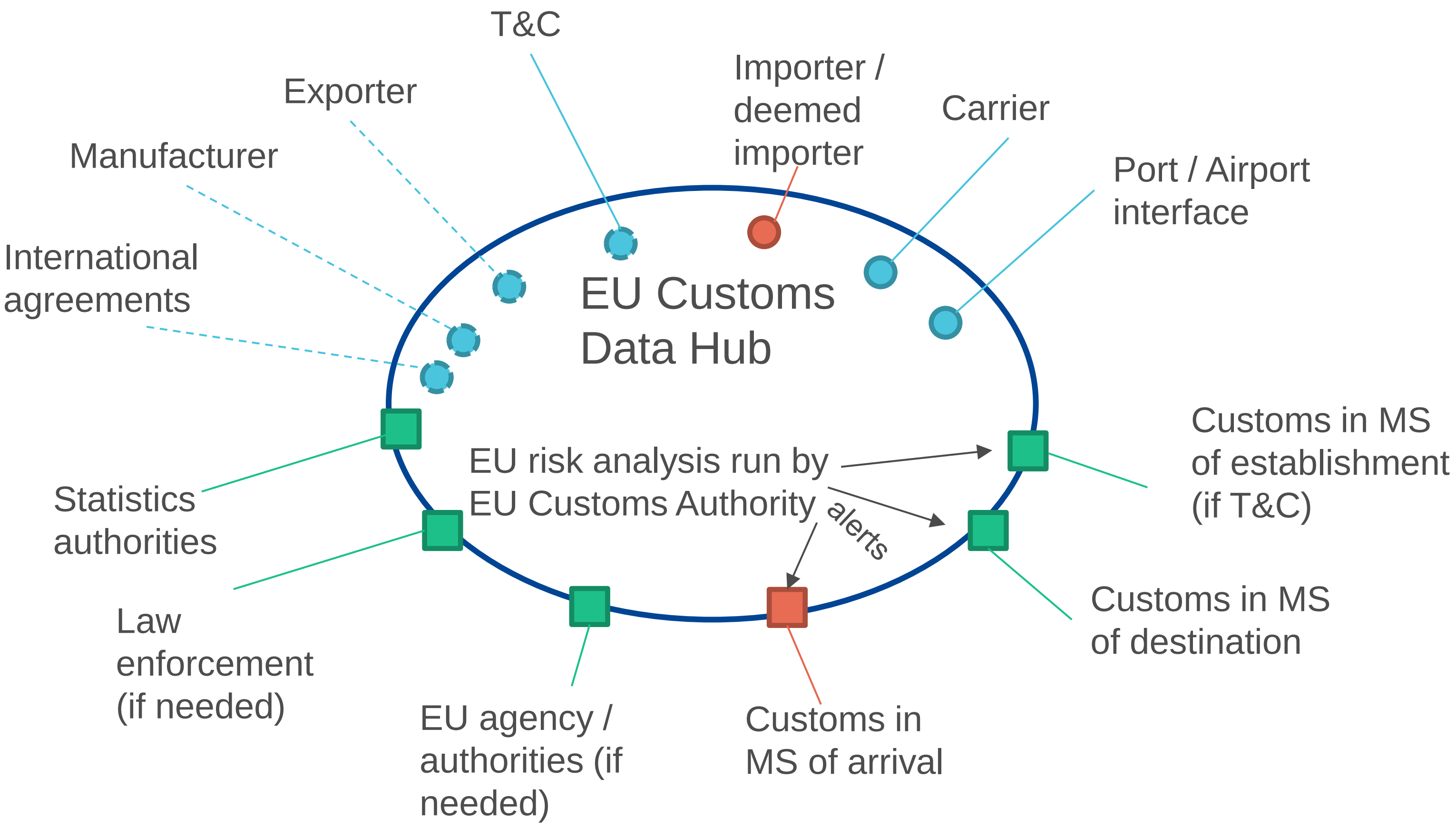
2. **EUCA (MS) develops and manages the Hub** (functionalities and capabilities); except for e-commerce where COM does preparatory work.

EU Customs Data Hub

The customs data revolution

1) **collects** supply chain data from multiple sources
2) **risk analyses** data in real-time
3) **shares** and cross-checks data with concerned authorities

One central state of the art infrastructure to **support EU trade**, and strengthen cooperation with customs and partner authorities



Replacing and integrating over **111** national and EU IT systems.

Trade view - Hub benefits – facilitate good trade. Reduce costs. Improve competitiveness.

Traders Give data to one Hub, one time, instead of many systems many times.
One window for EU customs.
Choose best fit for exchange - examples:

“can we start sooner?”

SMEs

Data Portal

Large filers

Message Channel

Trusted traders

Push, pull, AI…

EU Customs Authority

Builds the service apps and interoperabilities.
Connects you to customs
Manages security, data protection, confidentiality.
Ensures single EU process

Data Hub

Single EU instance of **simpler** processes

Accounts – manage your customs business and duties, configure your privileges

Single Window integration (re-use data to minimise burden across policies)

See your EU supply chain – control who does what with your goods and status.

Member States

Operational decisions, supervision, controls.
Trade relationships.
Multi-agency co-operation on compliance.
With a full supply chain view and a uniform EU process.

Lots of good questions

Will I have the data I need?

How will access be controlled?

Will my data be secure?

Will the Hub have the right functions?

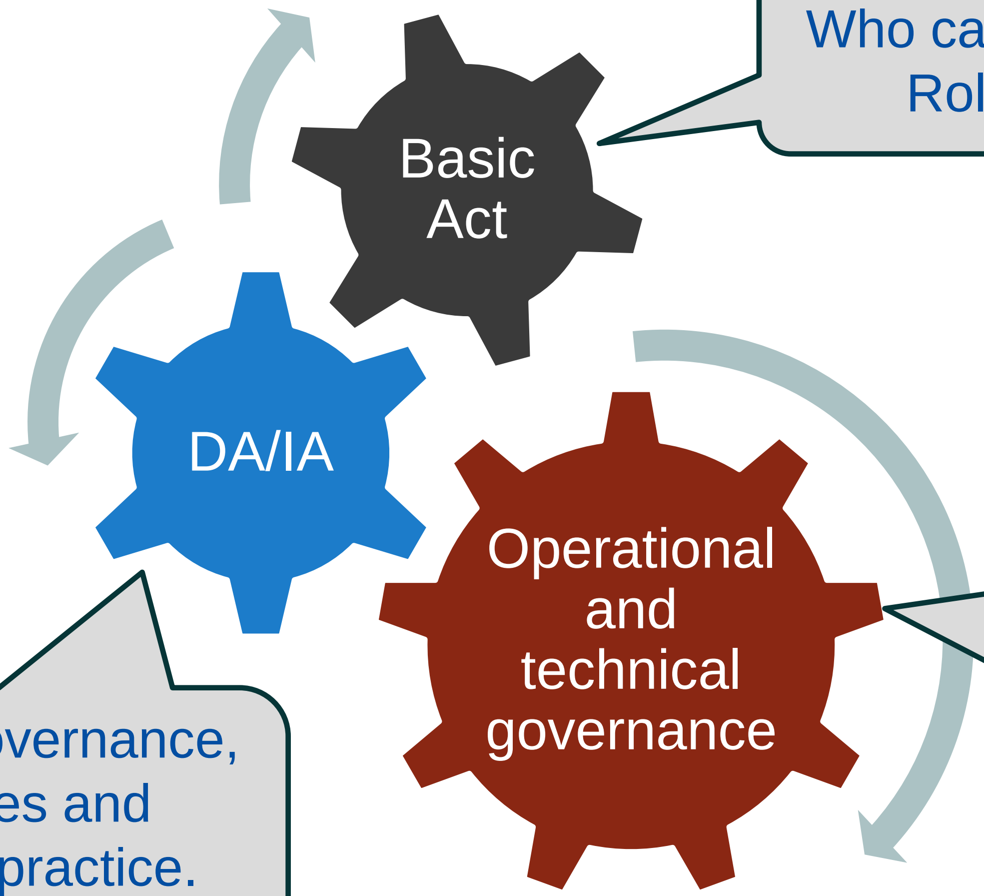
My national needs and systems?

Will it work for my traders, and SMEs?

How does it fit together?
How do we transition?
What stays national?

We build the answers together…

Who can use data for what in principle.
Roles, responsibilities, events.



Data Model, governance, detailed rules and conditions in practice.
Transitional work plans.

Functional design.
Controller agreements.
Data access matrices and granular control.
Data project work method.
Operations.
MS in EUCA.

… step by step, no big bang

MS take key decisions when needed, with lessons learned.

TAXUD IT transition → 2038

National IT transition → 2038

EU Customs Authority

E-commerce Hub 2028

- B2C sales → free circulation
- New strategic approach: sample for supply chains
- New shared tools: analytics, do-not transport
- Cloud architecture. Trial and adjust.

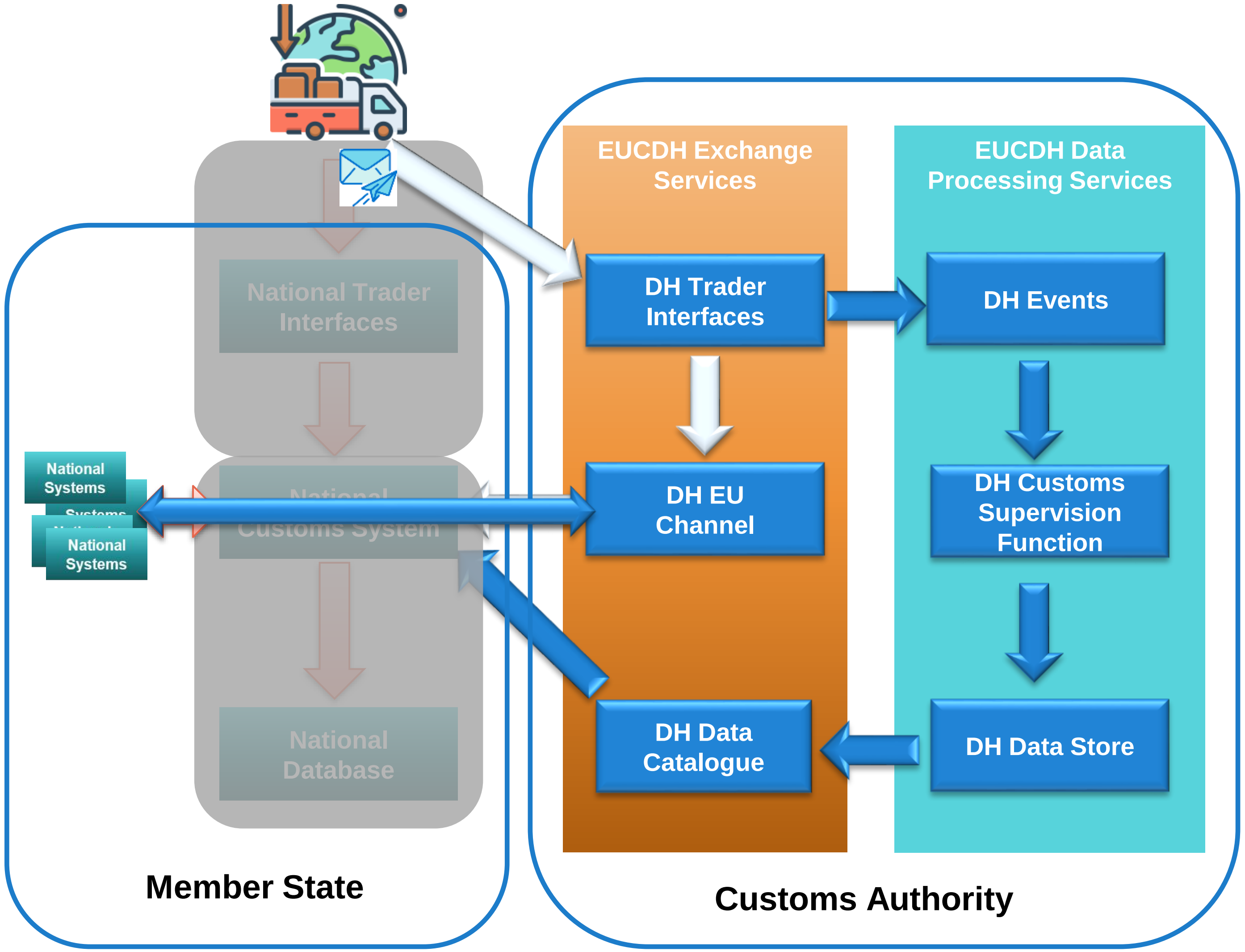
All processes Hub 2032

Trust and Check traders must, others may

All traders Hub 2038 – the Hub is the front-end for all trade

MS will each optimise.

Gradual Transition to Data Hub



Based on Coexistence

- Keep **data flows open**
- Ensure **continuity**
- **Gradual / multifaceted transition:**
  - per function
  - per operator
  - per domain…
- COM/EUCA/MS/Trade work in **cooperation**

Data Flows can be diverted totally or partially to enable **complementary operational approach.**

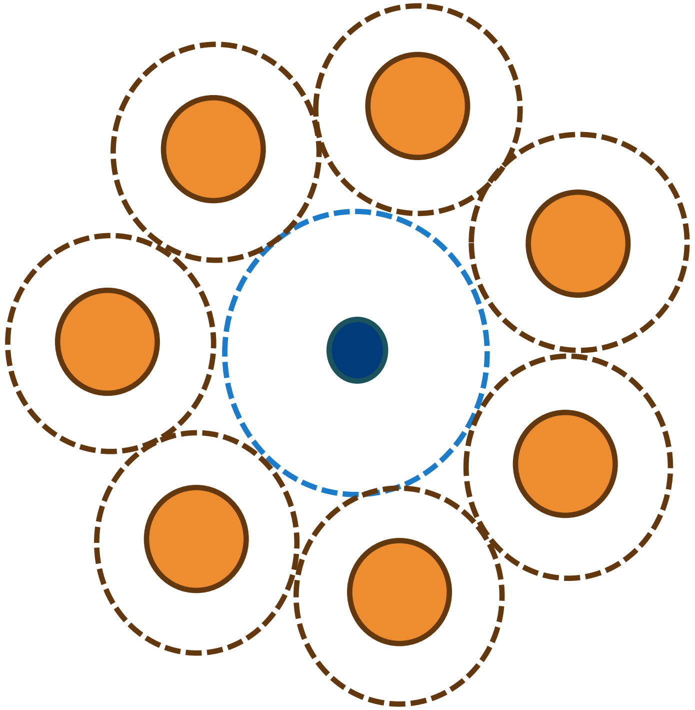
Systems functions can be **migrated or redeployed gradually** with the data brought consistent in the back-office.

Operational responsibility: MS & EUCA

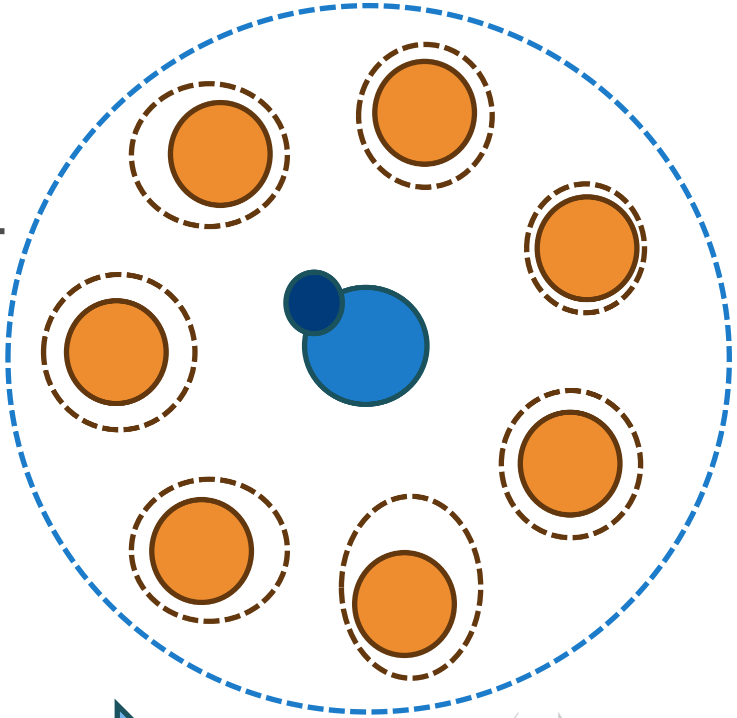
Digital responsibility: EUCDH

Data Hub as a Common capacity

Moving towards **common** Customs digital and risk management capacities **managed by the EUCA together with the Member States**



- Digital and automation responsibilities moves to the EUCA as a **common capacity**.
- MS reduce their IT systems scope but keep their operational capacity.
- Each MS may retain IT differently not all have equal needs or constraints.



Transition & adaptation to UCC Reform

Customs Hub functional capabilities map

These don't appear in the legislation, because they are *how* we translate the jobs given in the text to practical capabilities – applications, tools, processes etc. Indicative. Must be adaptable to evolving needs and opportunities.

Operators & Authorizations
- Traders' registration, profiles & credentials
- Authorizations, Certifications, Decisions
- Cooperation with trade & CRM

Regulatory Compliance & SW
- Prohibitions and Restrictions mgmt
- Single Window Integration
- Inter-Agency Policy Coordination
- Licensing and Permit Management

Goods Release & Logistic Integration
- Release of goods / clearance, other processes
- Logistics Supply chain visibility

Customs Duties & Taxation
- Duty & Tax Calculation
- Payments & Guarantees

Financial mngt & integration
- Accounting on taxation & duties
- Integration with banks and payment gateways
- Financial audit trail & transparency

Tariff & classification
- Tariff measures and duties
- Automated Goods Classification support

Risk mgmt & Compliance
- Customs Intelligence
- Risk Detection & Mitigation
- RM Profiles and Optimization

Controls & Compliance management
- Control procedures
- Compliance Management Services
- Post-Clearance control/audit services

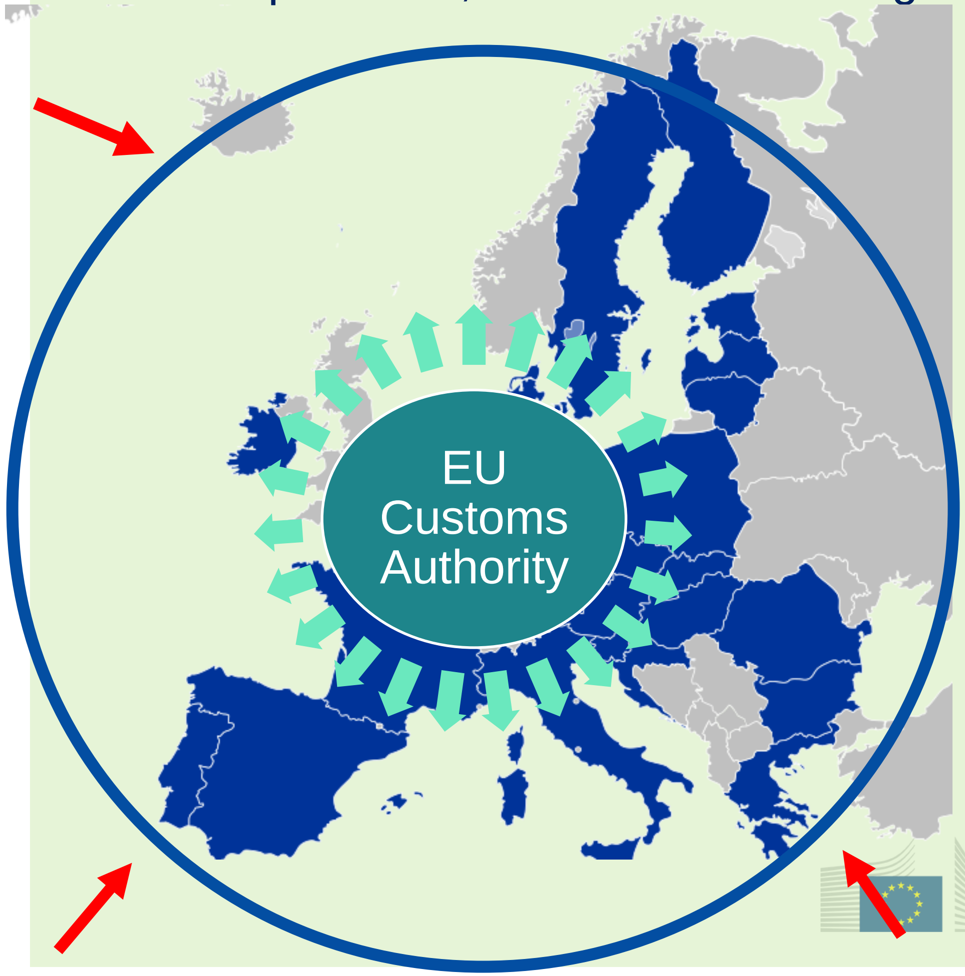
EUCA

Tasks - Organisation - Veto rights

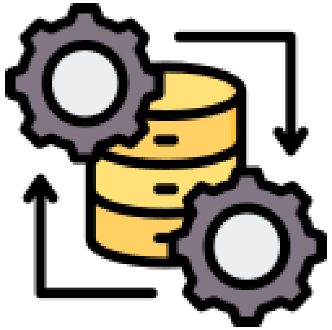
Protecting the Single Market

Today: 27 borders – **protection determined by weakest link**. Once in, goods can move freely.

Reform: One true Common border –
Central supervision, common risk management



EUCA – Tasks



Development Data Hub, Data management and processing

Risk management

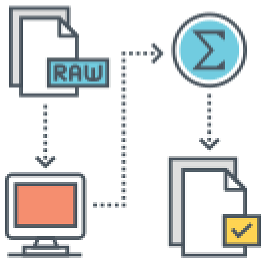
Crisis management

Capacity building, operational support and coordination

European Commission

EUCA will develop and manage the Data Hub

COM entrusts EUCA with tasks for the **implementation of the customs-related funding programmes (Art. 209):**

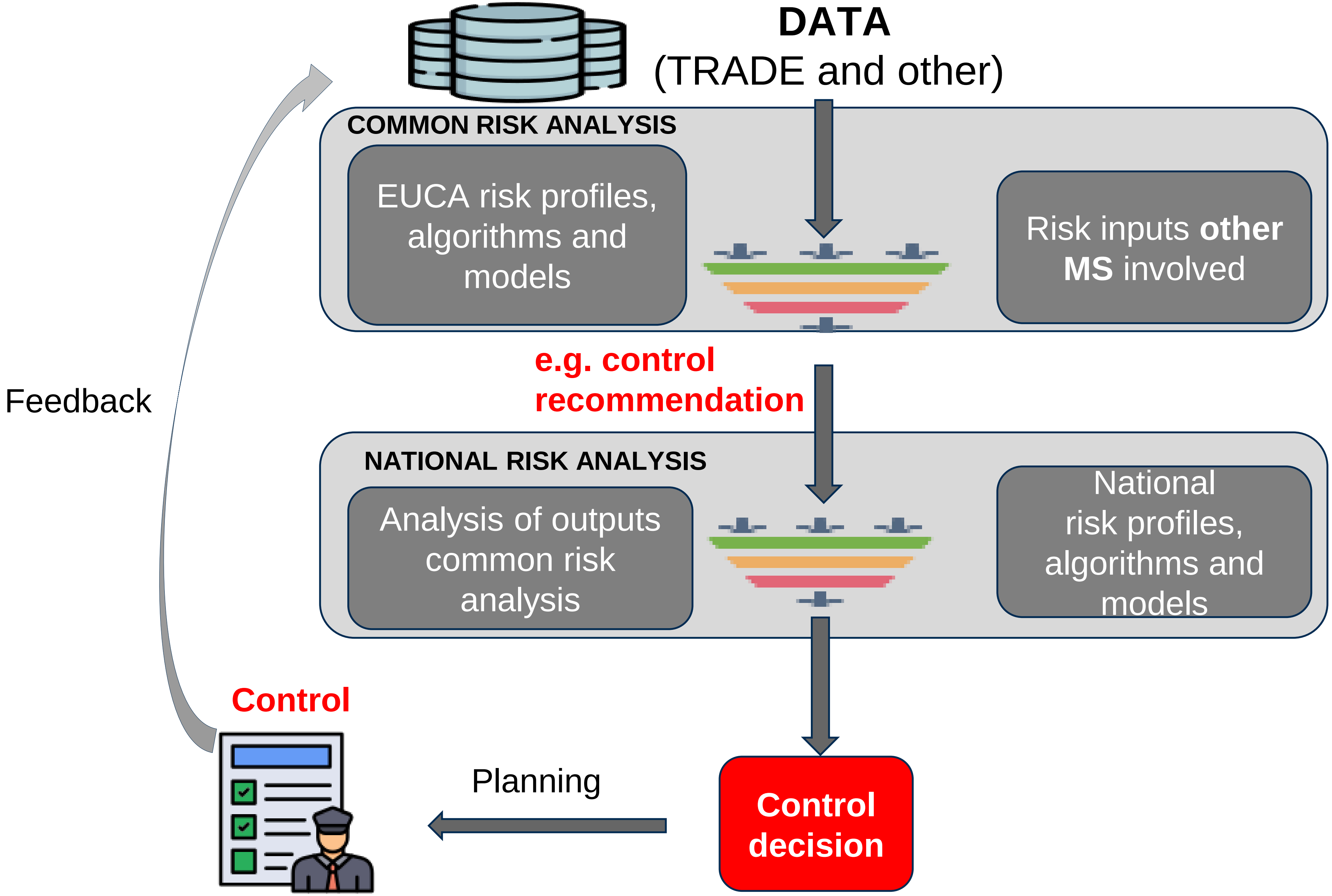


a) the **development, operation and maintenance of the … Customs Data Hub** (cf. Title III)

a) Operational strategy for the **allocation, funding and procurement of control equipment**, including the assessment of needs, joint procurement and co-sharing of equipment

Contribution agreement

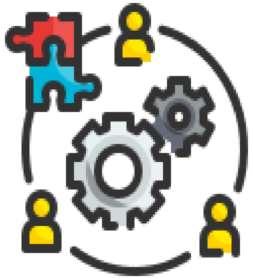
How will the EU and national risk analysis reinforce and complement each other?



EUCA – Tasks

Crisis management

- Preparing protocols, procedures and guidance
- Monitoring their application
- Reporting to COM
- Crisis reponse cell with 24/7 availability



Capacity building, operational support and coordination

- Border Crossing Point diagnostics
- Performance measurement
- Training
- Centres of excellence
- Common standards and operational manuals
- Research & innovation
- Issuing opinions (special procedures)
- Cooperation
- Joint controls
- Support for complex classification, valuation and origin cases

European Commission

EUCA – Further tasks

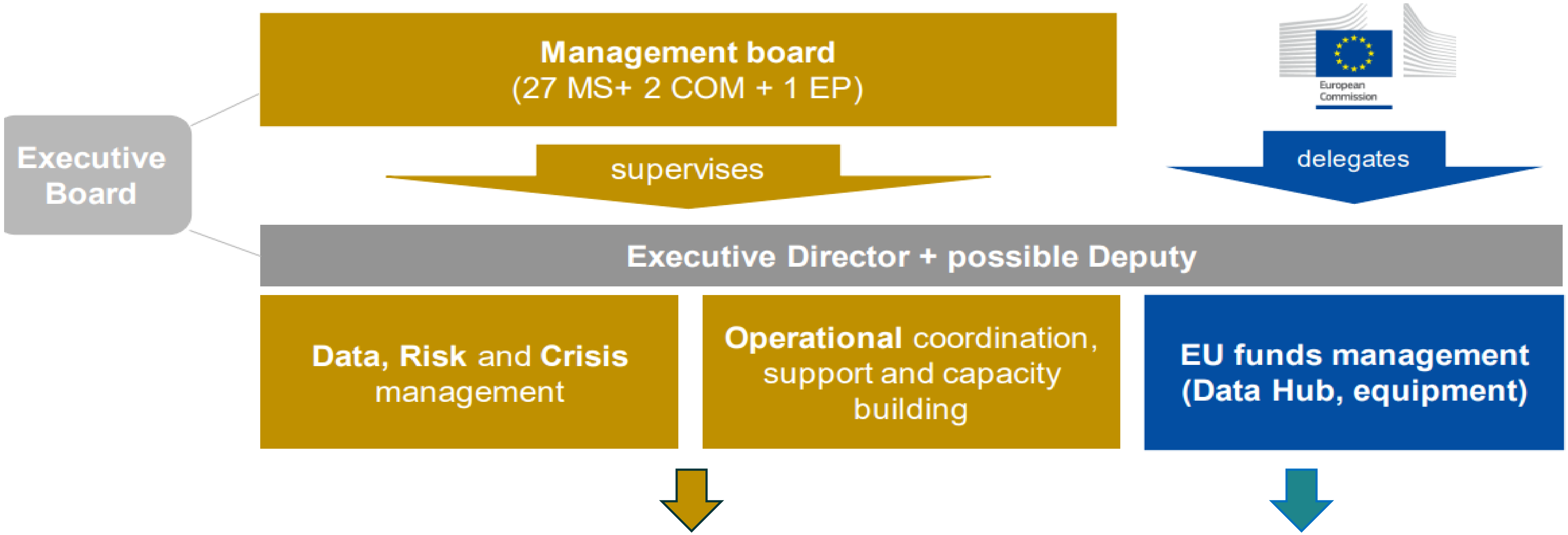
The EU Customs Authority **may be assigned further tasks in the area of free movement, import and export of third country goods, if so provided by relevant Union legal acts**. Where such tasks are assigned or entrusted to the EU Customs Authority, appropriate financial and human resources shall be ensured for their implementation.

Legal ‘hook’ in Art. 210 for potential additional tasks in other areas (e.g., CBAM, sanctions)

EUCA

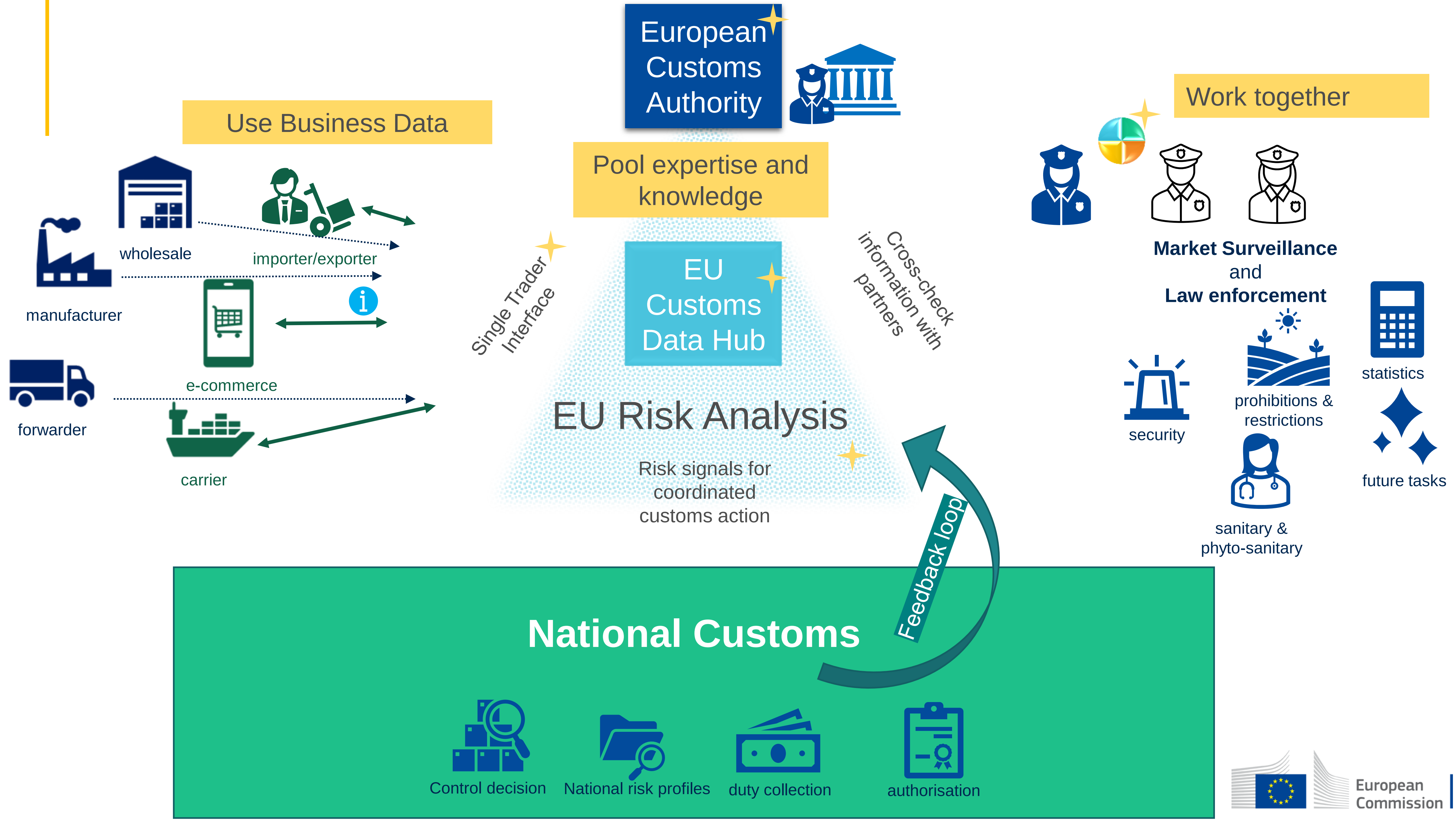
Tasks – Organisation – Veto rights

EUCA – Governance and budget



Budget of the EUCA
Specific budget, to be voted by the Management Board

Budget of the Commission
Contribution arrangement to EUCA as from <u>2028</u>



European Commission

Infringements and sanctions

Infringements and sanctions

Article 246
General requirements

Article 247
Extenuating and mitigating circumstances

Article 248
Aggravating circumstances

Article 249
Limitations

Article 246

- Basis for the determination of infringements, set out in art. 252
- Member States determine the infringement: intent of obvious negligence/manifest error
- Clerical and minor errors ≠ customs infringement

Articles 247 – 248 – 249

- Introduce the notion of good faith for the determination of sanctions
- Time limitation from 5 to 10 years and interruptive effect of an act of competent authority
- MS determine the severity of the infringement, the nature of the sanction and the limitation period

Infringements and sanctions

Infringements – Art. 252	Penalties – Arts. 253 and 254
• Failure to provide information • Provision of false/ incomplete documents • Removal of goods from customs supervision • Failure to comply with obligations (customs decisions/ procedures) • Non-payment of duties • Non-exhaustive list (provision for MS to set out more)	• Sanctions should be effective, proportionate, dissuasive • Non-exhaustive list of sanctions • Pecuniary charge (between 30 and 200% of customs duties eluded or 30 and 100% of the value) • Revocation, suspension or amendment of customs decision • Confiscation (goods and/or transport)

Customs Reform – Overall timeline

2023

- **Customs reform proposal**

Upon adoption Regulation immediate application of many provisions

2026

- **EUCA created**; COM responsible for set-up phase
- **COM preparatory work** for e-commerce Data Hub.

Should we **anticipate** the start of certain EUCA tasks?

2028

- **EUCA starts gradually** assuming its tasks activities
- Tailor-made **customs e-commerce regime** starts applying
- **EU Customs Data Hub** starts limited to e-commerce

2032

- **"Trust & Check traders"** 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

European Commission

Legislative process: state of play

17/5/23

Commission proposal

- *New UCC [COD]*
- *Council Reg. removing €150 threshold + new simplified tariff treatment [QMV]*
- *VAT amendment removing the threshold of €150 for the Import One Stop Shop [unanimity]*

20/9/23

EESC positive opinion

- *Ensure admin. transparency*
- *EUCA role in supporting SMEs*
- *Strategy to integrate AI in customs*

13/3/24

EP first reading position

- *Start Data Hub + EUCA earlier*
- *AEO and (T&C) to exist in parallel*
- *Integrate customs single window regulation into the UCC*

Council discussions towards first reading position and Trilogues

- *Broad recognition EUCA + Hub*
- *PL PRES ambition to achieve Council mandate and start Trilogues*
- *Trilogues and agreement co-legislators under DK PRES.*

2023 Customs Reform

Ongoing IT deployment of previous, steppingstone reforms

Customs Reform – integrated timeline

2023

Commission Proposal

Trilogues

Upon adoption immediate application of majority of provisions (except e-commerce, EUCA, Data Hub) allowing i.a. for strengthened risk analysis at Commission, Preparatory actions for launch of EUCA and Data Hub

Evaluation centralised clearance for AEOs

2025

Completion **UCC IT deployment** *including ICS2 release 3 and Centralised Clearance (for AEOs)*

Operation and gradual extension of CERTEX (IT-System for EU Single Window for Customs)

2028

Launch **EU Customs Authority** (EUCA)

Application of **tailor-made Customs e-commerce regime**

Launch **EU Customs Data Hub** *limited to e-commerce*

Evaluation customs supervision under data hub

2032

All traders may start using the **EU Customs Data Hub**

2038

Use of **EU Customs Data Hub become mandatory** for all traders

2023-2027

Additional Costs due to 2023 Customs reform

EUR 60 million, re-allocated from existing Customs Progammes (see below).

To note that under the current MFF, a total of EUR 1.9 billion was allocated to Customs activities under the Customs programme (EUR 0.95 billion) and the Customs Control Equipment Instrument (EUR 1 billion).

2028-2034

IT & HR COSTS (inflation adjusted)

Maintenance of existing IT: EUR 0.55 billion
Data Hub development: EUR 1.6 billion
EUCA HR: EUR 0.29 billion
CCEI: EUR 0.25 billion
Total: EUR 2.69 billion

Member States IT cost savings : EUR 11 billion
Additional revenue e-commerce: EUR 6-7 billion
Reduction business compliance costs: EUR 14 billion
+ non-quantified benefits in terms of increased product compliance and tackling customs and tax fraud.

2035-2041

IT & HR COSTS (preliminary)

Maintenance of existing IT: residual
Data Hub maintenance: EUR <1 billion
EUCA HR: EUR ~0.25 billion
CCEI: EUR ~0.5 billion
Total: EUR <2 billion

Member States IT cost savings : EUR 11 billion
Additional revenue e-commerce: EUR 6-7 billion
Reduction business compliance costs: EUR 14 billion
+ non quantified benefits in terms of increased product compliance and tackling customs and tax fraud.