

EU Customs Reform

Introduction

The EU Customs Union is of great importance due to its role in facilitating international trade and enabling the free movement of goods within the EU Single Market, which is the largest integrated market in the world. However, the EU Customs Union is increasingly facing challenges due to a surge in e-commerce trade, the enforcement of numerous EU standards, and the need to adapt to geopolitical changes and crisis management. The existing processes, systems, and governance are complex, making it difficult for traders to navigate efficiently. This complexity poses risks such as revenue loss, criminal activity, fraud, and unfair competition from non-EU traders.

To address these challenges, the European Commission is proposing a reform of the Customs Union based on three pillars. Firstly, a new partnership between customs and businesses will be established, leveraging transparency, responsibility, and data-driven artificial intelligence to simplify or eliminate the need for customs declarations. Secondly, an updated surveillance and risk assessment model managed by a new EU Customs Authority will help Member States focus their control efforts where they are most needed and enhance compliance with EU standards. Lastly, a more modern framework for e-commerce will be implemented to reduce fraud, increase transparency, and provide peace of mind for consumers.

The reform aims to strengthen customs' capacity to supervise supply chains, reduce administrative formalities, and enhance customs' ability to control goods entering the EU. It will benefit businesses by simplifying customs processes, reducing compliance costs, and enabling more efficient trade. The reform will be implemented gradually, with the development and rollout of the EU Customs Data Hub and the establishment of the EU Customs Authority over a transition period of 10-15 years.



- **The Union Customs Code Reform**

Digitalisation

Reforming the Union Customs Code (UCC) by focusing on the integration of more technology systems is welcome, especially if digital tools provide for more trade facilitation. However, the MBB believes that the UCC proposal seems to primarily focus on using technology for controls and risk assessment, neglecting its potential for trade facilitation and simplification. Therefore, the UCC reform should focus on incorporating the latest technologies, such as artificial intelligence, to enable customs simplifications and trade facilitation. Additionally, there should be provisions included to allow for swift changes in legislation to accommodate new technologies, ensuring that the reformed UCC remains adaptable and future-proof.

Trust and Check Traders (Article 25(3))

The proposed regulation outlines the new Trust and Check approach to partnership with trade, where additional privileges (such as fewer and more targeted customs controls, and the possibility to “self-release” goods) would be available for transparent, reliable traders. The Trust and Check (T&C) trader is proposed to be fully operational by December 31, 2037, although, traders can voluntarily choose to use the EU Customs Data Hub starting from January 2032. The MBB is concerned by this very long timeframe that may slow down the reform's momentum. Self-assessment status and procedures have already been presented in the previous modernisation of the Customs Code (Article 116 of Regulation No 450/2008), yet economic operators have been waiting for the AEO implementation for a significant time, and given how crucial it is to have fast paced customs clearance, the benefits of the Trust and Check trader should be implemented much sooner.

To address this, SMEs in particular should receive support and training to meet the necessary criteria to obtain the Trust & Check trader status. SMEs may have fewer resources and means to comply with the requirements, and not having the T&C status would put them at a disadvantage compared to larger companies.

- **The EU Customs Data Hub (Article 265(3))**

The proposed EU Customs Data Hub will be overseen by the new Customs Authority. It will act as the engine of the new system and will gradually replace the existing customs IT infrastructure in EU Member States by providing improved risk management and customs checks. It is proposed that this Hub will be utilising cutting-edge technology which will compile the data provided by business and – via machine learning, artificial intelligence and human intervention – provide authorities with a 360-degree overview of supply chains and the movement of goods. The EU Customs Data Hub is proposed to be fully operational by the end of 2037, with some features expecting to become available in 2032.

The MBB welcomes the introduction of an EU Customs Data Hub but believes that the planned timeline needs to be significantly shorter. To ensure a smooth transition and prevent bottlenecks or delays, a well-coordinated phased roll-out may be necessary. Before the full operation of the Data Hub, an interim solution should be considered to connect existing

systems, in order to accelerate the Data Hub's setup and maximizing the return on Member States' IT investments.



- **The EU Customs Authority – As established within the 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**

The new Customs Authority which will oversee the new EU Customs Data Hub will also be acting on the information provided by the latter in helping Member States prioritise the right risks and coordinate their checks and inspections – especially during times of crisis – information and expertise will be pooled and assessed at EU level. It is aimed to run a central risk analysis and supports national administrations, leading to coordinated customs action. The MBB sees the merit of an EU Customs Authority in safeguarding the EU's Single Market. The consequence of setting up such an Authority should not however lead to adding new administrative burdens for businesses. Instead, the Authority should focus on guiding, coordinating, and supporting national customs authorities to promote harmonization, particularly in implementing the UCC across the EU.

The EU Customs Authority should concentrate on core tasks, including developing common standards and issuing best practice recommendations for harmonization and equal treatment among member states. Additionally, the Authority should play a key role in ensuring harmonization in applying EU sanctions and measures affecting trade with third countries, providing common enforcement guidelines to aid authorities and companies facing numerous restrictive measures, particularly sanctions.



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 threshold.

The proposed reform of the customs framework in the EU would abolish the EUR 150 threshold for customs duty on goods sold online. This would mean that duty would be charged on every single product sold online into the EU, regardless of value. The MBB believes that any step towards having a level playing field for EU operators is to be welcomed. The EUR 150 threshold would result in a level playing field between foreign sellers and the domestic market as well as reduce the incentive for undervaluation. Nonetheless, one should ensure a seamless customs clearance process. To facilitate this, it is proposed that all B2B and B2C shipments shall apply under the IOSS scheme and that customs duties are also collected at source (i.e. by the seller).



Implementing Acts

The future UCC will rely on delegated and implementing acts to define many specific details. Similarly, simplifications during the transition period before the EU Customs Authority and Data Hub are in place will also be specified through secondary legislation. It is vital that throughout this process for the Commission to actively engage with businesses to ensure that these details align with their logistical processes, enabling the intended simplifications to be fully effective. To ensure timely implementation and enhance legal certainty, the delegated and implementing acts for the new UCC should be ready well in advance of the Code's application date, benefiting both Member States and businesses.

Links to more information: https://taxation-customs.ec.europa.eu/customs-4/eu-customs-reform_en

For questions or more detailed information please contact EU Affairs Manager Daniel Debono and Policy Executive Christine Said on infobrussels@mbb.org.mt

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