

EU Customs Reform

Policy Brief

June 2023

Summary : The European Commission has proposed a comprehensive reform of the EU Customs Union, aiming to simplify customs procedures, embrace digital transformation, and enhance risk management. The reform introduces a new partnership with businesses, a data-driven approach, and focuses on e-commerce, ensuring compliance with customs obligations and with the aim of tackling fraud.

Key Words: EU Customs Union, Reform, Data-driven, Trust and Check, E-commerce

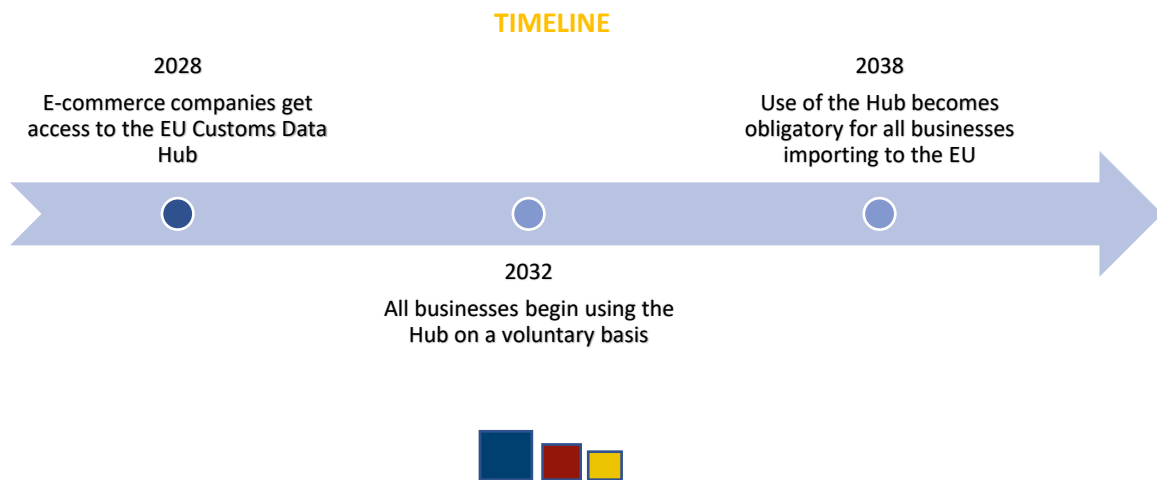
Introduction

The European Commission has proposed a comprehensive reform of the EU Customs Union in response to growing trade volumes, evolving standards, and geopolitical challenges. This reform introduces a data-driven approach that simplifies customs processes, particularly for trustworthy traders, by leveraging digital technologies and import supervision. The establishment of **a new EU Customs Authority and the implementation of an EU Customs Data Hub** will enhance risk management and reduce operating costs for member states. The reform aims to create a more environmentally friendly, digitally advanced, and competitive Single Market while alleviating burdens on traders.

The Commission is putting forward a Customs Union reform plan centred around three key elements:

1. Establishing a new collaborative relationship between customs and businesses, emphasizing transparency and accountability. This partnership will leverage data-driven artificial intelligence to significantly streamline or eliminate the requirement for customs declarations.
2. Implementing an enhanced surveillance and risk assessment system managed by a newly established EU Authority. This model will enable Member States to concentrate their control efforts where they are most crucial, ensuring better enforcement of EU standards.

3. Introducing a modernized framework for e-commerce, addressing the prevalent issue of fraud in the industry. This framework will promote transparency and provide consumers with a greater sense of security while conducting online transactions.



Proposal for a Regulation Council establishing the Union Customs Code and the European Union Customs Authority, and repealing Regulation (EU) No 952/2013 – A Summary

- ✓ The reform is part of the Commission's regulatory fitness program and aligns with the Work Programme 2022 priority of an economy that benefits citizens.
- ✓ This reform strengthens customs' capacity to supervise and control goods entering and leaving the Customs Union, with targeted and coordinated customs action based on data analysis.
- ✓ The new Union Customs Code establishes the role and responsibility of customs authorities, importers, exporters, and carriers, and introduces a central risk analysis and harmonized customs infringements and sanctions.
- ✓ The reform aims for transparency and accountability, attributing compliance responsibility to importers and exporters and involving online sellers and e-commerce platforms in customs formalities.
- ✓ A new EU Customs Data Hub is introduced for the exchange and combination of information, facilitating customs supervision and risk analysis.
- ✓ The reform defines the scope of customs supervision, improves risk management processes, and establishes the roles and responsibilities of the EU Customs Authority and national customs authorities.
- ✓ This proposal introduces rules for determining import and export duties, classification, value, and origin, including simplified procedures for e-commerce transactions.
- ✓ A minimum common core of customs infringements and non-criminal sanctions is introduced, while allowing Member States to maintain their own additional customs infringements and sanctions.



Proposal for a 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 – A Summary

- ✓ This proposal aims to address issues in e-commerce goods from third countries.
- ✓ Two main elements are included within this proposal: the removal of customs duty relief for goods up to EUR 150 and a simplified duty calculation method.
- ✓ The concept of the simplified duty rate system, the so-called 'duty bucketing system' is based on a Canadian model that is in place since 2012 in relation to goods destined to private use (business-to-consumer or consumer-to-consumer goods) with a value up-to CAD 500 (around EUR 340)
- ✓ The second element is a simplified duty calculation method based on five different buckets (each of them with a different duty rate) which is aimed at reducing the administrative burden stemming from the calculation of the applicable duty rates on e-commerce goods both for customs and businesses.
- ✓ Economic operators still need to indicate 6-digit Harmonised System code.
- ✓ Goods subject to harmonised excise duties as well as goods which are subject to antidumping, anti-subsidy or safeguard measures are excluded from the simplified duty collection approach.
- ✓ The bucketing system is based on conventional duty rates and not the originating status of goods.
- ✓ Economic operators can still apply standard procedures for preferential tariff rates.
- ✓ It is proposed that the duty relief for import of goods up to EUR 150 per consignment are to be eliminated from 1 March 2028.
- ✓ As of that date, importers may opt for the use of the simplified tariff treatment for the calculation of the customs duty due on the import e-commerce goods and deemed importers will start providing information to the EU Customs Data Hub on transactions related to goods sold to consumers in the EU and dispatched from a third territory or a third country.



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 territories or third countries and special arrangements for declaration and payment of import VAT – A Summary

This proposal seeks to further adapt the EU VAT framework by expanding the range of supplies covered by the:

- **Import One-Stop Shop (IOSS):** The IOSS is however only available for distance sales of imported goods with an intrinsic value not exceeding EUR 150 (as the VAT e-commerce package did not remove the EUR 150 customs duty exemption threshold).
- **Special Arrangements:** The special arrangements allow postal operators, express carriers, customs agents and other operators who fulfil the customs import declarations on behalf of the customer to declare and remit the collected VAT on those imports on a monthly basis. The special arrangements are an optional simplification and apply, subject to conditions, to the importation of goods with an intrinsic value not exceeding EUR 150, excluding excise goods.
- And **Deemed Supplier Regime:** is a key reform that is designed to mitigate the risk of non-payment of VAT. Where this regime applies, individual sellers on marketplaces do not have to register for VAT in respect of supplies covered by the deemed supplier rule.

Under this proposal, the IOSS could be used to declare and remit the VAT due on all distance sales of imported goods into the EU, irrespective of their value, and the special arrangements and the deemed supplier regime will be extended by removing the EUR 150 threshold, which currently limits their application and effectiveness. This initiative will further strengthen the concept of a single VAT registration in the EU. Therefore, this proposal is coherent with the VAT in the Digital Age (ViDA) proposal and its objective to reduce the compliance burden for taxable persons, as it will remove the multiple registration obligations that persons making distance sales of imported goods above EUR 150 may otherwise face.¹

How will Businesses Benefit from the Proposed Reform?

The reform aims to bring immediate benefits, simplifications, and cost savings for businesses. Starting in 2028, the EU Customs Data Hub will be open for e-commerce consignments, followed by all other businesses in 2032. This will significantly reduce time and costs for traders seeking customs clearance.

A new category of traders called "Trust & Check" will be established, building on the successful Authorised Economic Operators (AEO) program. These traders, known for their transparent supply chains, will be able to clear their imports with customs authorities in their home Member State, regardless of the entry point of goods into the EU. Under certain conditions, they may even enjoy customs intervention-free imports. A review in 2035 will evaluate the possibility of extending these benefits to all traders.

The reform will shift from a declaration-based system to a data-led approach, reducing paperwork and formalities for transparent and compliant supply chains. Duties can be paid periodically instead of upon import. This streamlining is set to result in significant cost reductions per year for businesses. Moreover, legitimate businesses will benefit from customs having more resources to tackle fraudulent competitors who undercut them on pricing.

The future Customs Union will build on two tools: The EU Customs Data Hub and the EU Customs Authority.

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023PC0262&qid=1684913813648>

Importers will still need to provide the same level of detail to customs, but the information will be delivered and analysed in a more efficient manner, ensuring a smoother process.



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

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