Customs Action Plan: Frequently asked questions

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See also IP/20/1703

Why is the Commission launching a Customs Action Plan?

The EU's Customs Union has developed into a cornerstone of our Single Market, providing revenues for the EU budget, keeping EU borders safe and protecting our citizens from prohibited and dangerous goods such as weapons, drugs and environmentally harmful products. It facilitates EU trade with the rest of the world that is vital to the prosperity of the EU.

A solid and up to date legal framework of customs rules and procedures (the Union Customs Code) is in place since 2016 and work is ongoing to upgrade and develop electronic systems to reach a fully paperless customs environment by 2025 at the latest. However, it has recently become clear that EU customs authorities need even smarter ways of working if they are to manage their long and growing list of responsibilities.

Fraud linked to customs duties and VAT, as well as the smuggling of illicit or unsafe goods have become major problems. Uneven customs control capabilities between Member States can lead to goods being diverted towards the EU customs territory's weakest entry and exit points to avoid detection. The European Parliament and the European Court of Auditors have highlighted the risks to the EU's financial interests from inadequate or ineffective customs controls of imported goods.

A fast changing world, with new business models such as e-commerce, has added to the implementation and enforcement challenges faced by EU customs. At the same time, authorities need to be able to react better to changing or emergency circumstances, such as the coronavirus pandemic and the consequences of the UK's exit from the EU, if we are to avoid threats to the safety and security of EU citizens, excessive burdens on legitimate trade and more losses to the EU budget.

In her political guidelines, President von der Leyen announced that the Customs Union needed to be taken to the next level, in particular, by ensuring an integrated European approach to customs risk management, which supports effective controls by EU Member States. In line with this commitment, the Commission's 2020 Work Programme, adopted in January 2020 and adjusted in May 2020, announced plans for the adoption of an Action Plan on the Customs Union.

How does the Action Plan tackle these challenges?

The Commission, mindful of new challenges, launched an exercise in 2018 aimed at helping policymakers ensure that EU customs remains effective for the long-term. This innovative foresight project on "The Future of Customs in the EU 2040" worked to create a shared and strategic understanding among key stakeholders of ways to deal with current and future challenges for customs and to generate a vision for how EU customs should look in 2040.

The outcome of this foresight exercise painted a picture of an EU Customs Union of the future in which customs authorities operate in a fully integrated way to:

- Protect society, the environment and the EU economy through effective facilitation of legitimate trade and intelligent, risk-based supervision of supply chains;
- Be proactive, working seamlessly with stakeholders, be committed to innovation and sustainability and be the reference for customs worldwide;
- Be seen to act as one.

The foresight exercise brought value to the Commission both through the vision that it has generated of an EU customs for the future and through its reinforcement of the important links with the broad stakeholder community. Based on this exercise, the Commission identified actions to take in four areas: risk management, managing e-commerce, the promotion of compliance and customs authorities acting as one.
What are customs responsible for?

Customs authorities nowadays have an enormous range of supervisory responsibilities in relation to goods imported into the EU. They not only collect customs duties and VAT on imported goods, and excise duties where applicable, but they also check those goods, many non-financial purposes, such as to ensure that they meet EU product compliance requirements, food, health and environmental standards and rules, and much more. They also check the conformity of imported goods with rules on the protection of Intellectual Property Rights, they control the imports of drug precursors to prevent their illegal diversion into the manufacturing of drugs, they control the trade of cultural goods wildlife trade and waste shipments to prevent their illegal exportation and importation, and they enforce rules on illicit cash flows entering or leaving the EU as part of the EU's anti-money laundering legislation. They cooperate in the fight against fraud, terrorism and organised crime together with law enforcement authorities, administrations and agencies responsible for border and internal security. In addition, they are responsible for managing and enforcing an increasing number of preferential trade agreements between the EU and other countries.

What is in the Action Plan?

Today’s Action Plan endeavours to assist customs authorities in the challenges they face, focusing on four areas - more effective risk management, managing e-commerce, promoting compliance and ensuring that customs authorities act as one. Key initiatives within these four areas are:

- The EU will support Member States with a roll-out of modern and reliable customs equipment. The Commission has already proposed, under the next Multiannual Financial Framework, a new financial instrument to provide Member States that need them with state-of-the-art customs control equipment to carry out better and more effective controls. Once legislators agree on the final details of the financial instrument, the Commission will deploy the equipment starting in 2021. The new Customs financial programme will also support and deepen cooperation between customs authorities and officials in all participating countries.

- International customs cooperation with trade partners will be a key strategic priority. The EU will work towards an EU-China agreement on a new Strategic Framework for Customs Cooperation 2021–2024 before the end of 2020. It will also launch a comprehensive analysis of the Union’s system of international cooperation and mutual administrative cooperation in customs matters at the end of 2020, including for China, and with a view to proposing possible enhancements in 2021. The Commission will extend its system of monitoring how preferential origin rules and procedures are applied to the EU’s 41 Free Trade Agreements, an action that should help protect the EU’s financial interests.

- The upcoming Customs 'Single Window' initiative, with a Commission proposal expected by end-October 2020, will allow legitimate businesses to complete border formalities in one single portal. This will save them both time and money. For governments, the measure would allow more collaboration and better sharing and exchange of information between authorities, helping the relevant government agencies to apply the necessary requirements for incoming goods, for example phyto-sanitary and veterinary rules, in one place at the border point. Businesses would benefit by being able to complete all border formalities, for customs and for other purposes in one online entry, resulting in speedier border clearance of goods at import and export from other participating authorities. The Single Window initiative could generate up to €690 million in customs administration savings for EU businesses during the first seven years of phased implementation and between €140 million and €200 million per year thereafter. The Action Plan also announces plans to monitor and explore possible improvements to the EU Authorised Economic Operator (AEO) programme, which allows customs compliant traders to benefit from a range of simplifications of customs formalities – we want to prevent abuse of the programme while encouraging its take-up.

- The Commission will also further explore other avenues of cooperation such as those between customs and security/border management agencies to manage safety and security risks, like the customs and border related implications of the coronavirus pandemic. A group of security, border management and migration management experts has already assessed how their information systems, such as the Schengen Information System and Europol data, could link in more closely with customs systems to manage these risks. The Action Plan details the next steps to continue exploring these options with a view to completing these links by 2024.

- Commission and Member State databases in the customs and non-customs areas contain vast amounts of data that are currently not used to their full potential or are not inter-connected. Today’s Communication announces the establishment of a new analytics hub based within
the Commission for collecting, analysing and sharing this data, in close collaboration with Member State authorities. This should help Member States' customs with risk management, customs clearance and post-clearance and anti-fraud actions. In the longer-term, information on trends and patterns developed via data analysis could help the Commission and customs authorities to identify shortcomings and vulnerabilities and make more informed policy decisions. It could also help with forecasting and crisis management. Appropriate governance solutions will be developed for the results of the analysis and data protection and confidentiality issues will be taken into account.

- **Obligations on payment service providers and online sales platforms will be strengthened to help fight customs duty and tax fraud in e-commerce.** The growth of e-commerce is both an opportunity and a challenge for the EU: an opportunity because it generates economic growth, and a challenge due to potential security and safety threats and risk of non-compliance with EU taxation and customs rules, product standards, intellectual property rights, prohibitions and restrictions. The EU has already taken some steps to address these risks, such as new VAT rules for e-commerce. But more is needed. To that end, and to help fight cross-border tax and duty fraud, the Commission wants to ensure that customs will have access to the data that payment service providers like Paypal and Amazon Pay will be obliged to provide to tax authorities of Member States from 2024. The Commission will also put forward plans to introduce new customs reporting requirements for platforms.

- **A new reflection group chaired by the Commission and open to all Member States will be formed to help the Customs Union be better prepared for possible future crises and challenges, such as unanticipated global developments and future business models.** Financed by the Customs financial programme, the group will also involve business representatives who will be invited to give their feedback on possible workstreams. Also announced is an exploration of how certain activities such as the management of customs electronic systems, storage of data analytics and training of customs officials are organised.

**What other actions are envisaged under the Action Plan?**

The Action Plan sets out a range of other initiatives that will enhance customs' performance while making life easier for businesses and protecting the health and safety of EU citizens.

The Commission plans to launch a new strategy to reshape and strengthen the customs authorities' risk management framework, pivotal to prioritising which goods to control and to facilitate legitimate trade. In full and close cooperation with Member States, the Commission will establish guidelines concerning Member States' individual procedures on customs legislation enforcement. Legislation could, if needed, follow in due course.

Certain EU legal tools will be reviewed, ranging from a check to see if the rules underpinning Member State cooperation on customs fraud are still suitable to deal with new fraud patterns, to an interim evaluation of the Union Customs Code to see if it is still fit for purpose. The Commission will put forward implementing legislation to support customs intervention in stopping illegal and unsafe goods from flooding the EU's Single Market, as was evident during the outbreak of the coronavirus pandemic, in line with new EU market surveillance rules that come into force in 2021.

Finally, the Commission is working to formalise its tool for collecting annual and quarterly information from Member States on data of customs-related processes, in order to provide a better picture of customs activities on the ground.

**How big a problem is fraud at the EU's borders and how will the Action Plan help to cut it down?**

Customs fraud covers a wide range of illegal activities: it includes not only customs duty and tax evasion but also the circumvention of import and export restrictions and prohibitions, smuggling, undervaluation, false declarations of origin and classification and other activities.

Research by the Commission's anti-fraud service (OLAF) suggest that customs fraud is widespread. OLAF recommended the recovery of over €2.7 billion in unpaid customs duties following undervaluation cases in the period 2017-2019. OLAF also recommended the recovery of around €300 million following anti-dumping duty cases in the solar panel, bio-diesel and other sectors during the same period. The rise in e-commerce risks adding to this problem.

Estimates put the annual value of counterfeit goods imported into the EU at €121 billion, representing 6.8 % of the EU's imports from the rest of the world. The European Union Intellectual Property Office (EUIPO) estimates that counterfeit goods in EU marketplaces result in over 400,000
lost jobs, €83 billion in lost sales in the legitimate economy, and €15 billion in lost tax revenue.

This Action Plan includes several initiatives that will help combat fraud in all its aspects, including:

- a new system to provide customs with more data and data analysis,
- strengthening the customs risk management strategy,
- giving customs access to data provided by payment service providers and online platforms,
- reinforcing cooperation between customs and market surveillance authorities to prevent dangerous and non-EU-compliant goods entering the EU,
- improving compliance by traders,
- reassessing and if necessary strengthening the EU rules on cooperation with Member States to combat customs fraud and;
- strengthening international cooperation to better align the internal and external aspects of our work.

How much trade do EU customs facilitate each year, and how will this Action Plan help it grow?

Compared to 2018, the EU's share of world trade (15.3%) on imports remained constant in 2019. The EU's share of exports in the same period was 15.8%, an increase of 0.1 of a percentage point compared to 2018. The latest figures available show that every month, the EU27 export and import goods from and to the rest of the world are worth around €330 billion. Not surprisingly, the workload of EU customs authorities increased as a result of the boost in EU trade with the rest of the world in the last years, while numbers of customs staff in the same period, at 91,002 for the EU as a whole, saw a modest increase compared to 2018 (89,628).

The Action Plan takes into account suggestions from businesses themselves including more trade facilitation for low-risk operators, a more harmonised approach by Member States to risk management and controls, learning lessons from the COVID-19 pandemic and continued involvement of trade representatives in efforts to improve the Customs Union. Several initiatives, such as the Single Window and the reporting obligations for online platforms, are win-win. They will simultaneously reduce burdens for businesses and introduce greater support for customs authorities, while getting goods through customs much more quickly.

Who was consulted ahead of the Customs Action Plan?

The Commission consulted the customs authorities of EU Member States and trade representatives on an outline of the Action Plan under its Better Regulation exercise. Thirty responses were received from umbrella business organisations and other stakeholders. In addition, the Commission took account of the results of a "foresight" exercise it launched in 2018 that was aimed at helping policy makers ensure that EU customs remains effective for the long-term. Under this project, the Commission worked with Member States and other key stakeholders to create a shared and strategic understanding of current and future challenges for customs and to generate a vision for how EU customs should look in 2040.

Annex-timeline of actions

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<th>2020</th>
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<tr>
<td>1. Joint analytics capabilities: data analysis to extract trends, using the EU Surveillance customs electronic system: ongoing</td>
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<td>2. Single Window environment for Customs - Legislative proposal</td>
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<td>3. Review of Regulation 515/97 on customs fraud</td>
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<td>4. China: International cooperation: New strategic framework with China</td>
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<td>5. Launch analysis of the EU's system of international cooperation in customs matters</td>
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| 2021 |
6. Joint analytics capabilities: use of data extracted from the EU Surveillance customs electronic system to support correct implementation of the Union tariff

7. Revised risk management strategy: Q2 2021

8. Assess need to update Regulation 515/97 to address customs fraud challenges: Q1 2021

9. Authorised Economic Operator (AEO) programme: possible legislative proposal for more precise monitoring obligations Q2/3 2021

10. AEO programme: Updated guidelines: Q2 2021

11. Interim evaluation of the Union Customs Code: Q4 2021


13. Preferential trade arrangements – step up monitoring: from 2021 onwards

14. Possible enhancements to international cooperation and mutual administrative assistance in customs matters, based on the results of the analysis: to start in 2021

15. Customs Union Performance – evaluation of problems of no legal base: end 2021


17. Customs control equipment: work on financing equipment to start from 2021

18. New customs programme: enhanced cooperation to start from 2021

19. Launch analysis of impact of e-commerce on customs duty collection/level playing field

20. Study on interoperability between customs and border systems: end 2021

21. Reflection group on foresight/crisis management – launch in early 2021

22. Customs access to Eurofisc tax data hub

23. Common system of sanctions – reflection on legislation

2022

24. Joint analytics capabilities: start combining data from Surveillance with data from other new and existing electronic systems; Customs Import Control electronic system (ICS2) analytics on pre-loading and pre-arrival data for postal, express and cargo air carriers.

25. Customs obligations for e-commerce platforms – proposal for reporting: Q1 2023

26. Customs agency - completion of impact assessment

2023

27. Joint analytics capabilities: ICS2 analytics of pre-loading and pre-arrival data for maritime, road and air carriers & logistic providers

28. Cooperation & interoperability with security and border management authorities – timeline for link ups (in line with final deployment of ICS2)

29. Customs access to VAT payment data

2024

30. New interface between the Market Surveillance system (ICSMS) and the EU Single Window environment for customs.
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