EUROPEAN COMMISSION

Brussels, 9.11.2011
SEC(2011) 1317 final

Vol 1/2

COMMISSION STAFF WORKING PAPER

IMPACT ASSESSMENT

Accompanying the document

Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing an action programme for customs and taxation in the European Union for the period 2014-2020 (FISCUS) and repealing Decisions N°1482/2007/EC and N°624/2007/EC

{COM(2011) 706 final}
{SEC(2011) 1318 final}

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List of abbreviations

AEO	Authorised Economic Operator
AFIS	Anti-Fraud Information System
ART2	Activity Reporting Tool 2
CCC CRM	Customs Code Committee — section on risk management and controls
CCN/CSI	Common Communication Network / Common System Interface
CIPS	Prevention, Preparedness and Consequence Management of Terrorism and other Security-related risks (programme)
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
COPIS	Counterfeiting and Piracy System
CPG	Customs Policy Group
CRMF	Customs Risk Management Framework
CRMS	Customs Risk Management System
DG	Directorate General
ECG	Electronic Customs Group
ECICS	European Customs Inventory of Chemical Substances
ECJ	European Court of Justice
ECS	Export Control System
EORI	Economic Operators Registration and Identification
EOS	Economic Operators Systems
EP	European Parliament
EU	European Union
FLEGT	Forest Law Enforcement Governance and Trade
IATA	International Air Transport Association
IP	Intellectual Property
IPR	Intellectual Property Rights
ISEC	Prevention of and Fight against Crime (Programme)
IT	Information Technology
JCO	Joint Customs Operations
LPI	Logistics Performance Index
MCC	Modernised Customs Code
MCCIP	Modernised Customs Code Implementing provisions
NCTS	New Computerised Transit System
OECD	Organisation for Economic Co-operation and Development

OLAF	European Anti-Fraud Office
OO	Operational Objective
PICS	Programme Information and Collaboration Space
REACH	Registration, Evaluation, Authorisation and Restriction of Chemical substances
SASP	Single Authorisation for Simplified Procedures
SMART	Specific, Measurable, Achievable, Relevant , Time-bound
SME	Small and Medium Size Enterprises
SO	Specific objective
TARIC	Integrated Community Tariff
TEIT	Trans-European Information Technology (systems)
TEU	Treaty of the European Union
TFEU	Treaty on the Functioning of the European Union
UNCTAD	United Nations Conference on Trade and Development
WEF	World Economic Forum

1. POLICY CONTEXT AND CONTRIBUTION TO EU PRIORITIES

1.1. The Customs Programme

The Customs Programme is the main supporting instrument for the EU Customs Union, supporting customs operations across the Internal Market (see more details in Annex 1).

The Customs 2013 Programme, the third of its kind, has an overall **budget of 323.8 million euro** for the period 2007-13 (an average of 52.8 million euro per year). It aims, to provide national administrations with the possibility to exchange information, data and expertise. The programme is a key EU tool, enabling the Customs Union to function seamlessly as one, instead of a patchwork of 27 separate administrations.

The programme provides the financial and organisational framework for (i) developing and operating major trans-European IT systems (TEIT systems) which allow for real-time exchange of information, for (ii) joint actions (such as seminars, working visits, working groups, steering groups, etc.) to facilitate the exchange of good practice, and for (iii) delivering common training to support customs officials across Europe in their daily work.

Table 1: The instruments of the Customs 2013 Programme

Exchange of Information 75-80% of the budget	Joint Actions (Human Component) 18-23% of the budget	Training Activities 2-3 % of the budget

Source: DG TAXUD

The **TEIT systems** constitute one of the Programme's main values added. They handle the trans-European part of **195 million customs declarations each year** and, in particular, enable the Customs Union:

– To control the clearance of goods in 9.8 million trucks moving across the EU each year using the transit regime via 47 million electronic information exchanges in the New Computerised Transit System (NCTS);

– To control the release of 11 million export movements from the EU; 100 million electronic information exchanges take place in the Export Control System (ECS).

The **joint actions** organised in the period 2008-10 involved 23 000 participants in 1 530 events.

Training activities enabled the production of first pan-European customs e-learning modules. 134 modules in up to 23 linguistic versions were used by 30 000 customs officials in the Member States[1]. Simultaneously, the training material was made available on TAXUD website and 22 000 downloads were made, representing more than 100 000 external trainees.

[1] TAXUD Statistics from end 2010.

The programme primarily **targets** EU customs officials, but candidate countries, potential candidate countries and those covered by the European Neighbourhood Policy can also ask to participate. The Customs 2013 Programme has 32 fully participating countries.[2]

1.2. Legal and Policy context: the EU Customs Union

The Customs Union has been one of the founding structures of European integration since 1968. It is an area of **exclusive Union competence**, the current legal bases being Articles 28 to 32 of the Treaty on the Functioning of the European Union (TFEU). Articles 206 and 207 of the Treaty also connect the Customs Union to the Common Commercial Policy. Article 33 of the Treaty provides a legal basis for measures to enhance customs cooperation between Member States and with the Commission. The **legal framework** currently in force includes the:

– **Community Customs Code** (CCC)[3] and its consolidated **Implementing Provisions** (CCIP)[4] as well as amendments to the CCC, in particular the Security Amendment to the Customs Code;[5]

– Modernised Customs Code;[6]

– **Common Customs Tariff** (Combined Nomenclature[7] and Tariff Measures) and duty relief legislation;[8]

– Special legislation dealing with border enforcement, customs formalities and controls on specific types of goods;[9]

– Other policy instruments, notably the **"Electronic Customs Decision"**.[10]

EU customs legislation also includes specialised legislation on administrative customs cooperation.[11] The legal and policy frameworks also have an "external" dimension, which includes international customs agreements or customs provisions in international agreements. These may be bilateral cooperation and mutual assistance agreements[12] or multilateral agreements to which the EU is a contracting party (or equivalent), such as those concluded under the auspices of the World Customs Organization and the World Trade Organization.

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2 27 Member States + Croatia, Montenegro, Serbia, Turkey, former Yugoslav Republic of Macedonia.
3 Council Regulation (EEC) No 2913/92 establishing the Community Customs Code.
4 Commission Regulation (EEC) No 2454/93 of 2 July 1993 laying down provisions for the implementation of Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code.
5 Regulation No 648/2005 of 13 April 2005 — OJ L117, 4 May 2005.
6 Regulation No 450/2008/EC of 23 April 2008 — OJ L145, 4 June 2008.
7 Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff.
8 Council Regulation (EU) No 1186/2009.
9 See Annex 2 List of EU legal acts with customs requirements.
10 Decision No 70/2008/EC of the European Parliament and of the Council of 15 January 2008 on a paperless environment for customs and trade.
11 Council Regulation 515/97 on mutual assistance between the administrative authorities of the Member States and cooperation between the latter and the Commission to ensure the correct application of the law on customs and agricultural matters.
12 ASEAN, Canada, China, Hong Kong, India, Japan, Korea and the US.

The implementation of EU customs legislation constitutes a very close venture between 27 Member State customs authorities and the European Commission, including all operational interaction with traders and travellers and collection of revenues by Member States, the 27 national customs authorities. Customs Programme support is essential to ensure efficient cooperation between those administrations and uniform and effective application of the EU customs legislation.

1.3. Contribution of the Customs Union to EU priorities

The Customs Union protects the **financial interests of the EU and Member States** through the collection of duties and various fees and taxes on trade, and collaborative efforts to fight fraud. In 2010, approximately 12.3% (15.7 billion euro) of the EU budget corresponded to traditional own resources.[13] Most of these resources are customs duties that Member States' customs authorities collect on imports of third country goods into the EU. A number of initiatives have been set up to strengthen the customs fight against fraud, such as the **EU Eastern Border Anti-Smuggling Action Plan**[14] .

The Customs Union is fundamental to the **Internal Market.** The borderless Internal Market for goods requires goods originating from third countries to comply with formalities and other requirements upon entry or when released into circulation; after this, they can move around freely within the external borders of the EU. Customs supports the development of fair, competitive Internal Market conditions by uniform application of common rules and regulations. It supports growth and innovation within the Internal Market for instance by enforcing intellectual property rights (IPR) at the border (see also the **European anti-counterfeiting and anti-piracy plan**[15] and the **new strategy for IPR in the Single Market** as recently adopted by the Commission). Responses to a recent public consultation[16] on the future of the Internal Market suggest high expectations among industry federations regarding further EU action against counterfeiting and piracy. Customs has a fundamental role in effective enforcement of IPR, as confirmed by statistics on IPR customs activities.[17]

The Customs Union is **the** operational arm of EU **Trade Policy**, implementing bilateral and multilateral trade agreements, collecting duties, and applying trade measures (such as rules of origin), embargoes and other restrictions. The discussion paper **Trade, Growth and World Affairs: Trade policy as a core component of the EU's 2020 Strategy**[18] published in November 2010, highlights the agenda for international customs cooperation in the framework of bilateral agreements and in the World Customs Organization. It emphasises that efficient customs procedures reduce compliance costs for traders, facilitate legitimate trade, and help to address rising security, safety and IPR risks.

The role of the Customs Union in contributing to **internal security** of the EU has become increasingly prominent, and will continue to grow, as reflected in the action plan for the

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13 Directorate General for Budget, Thematic Report on the customs control strategy in the Member States — Control of traditional own resources, p3.

14 SEC(2011) 791 final.

15 Adopted by Council in 2008 (2008/C 253/01).

16 SEC(2011) 467 final, 13.4.2011. Overview of responses to the public consultation on the Communication "Towards a Single Market Act".

17 http://ec.europa.eu/taxation_customs/resources/documents/customs/customs_controls/counterfeit_piracy/statistics/statistics_2010.pdf.

18 COM(2010) 2020 final of 3 March 2010: A strategy for smart, sustainable and inclusive growth.

Internal Security Strategy[19] and in the **Stockholm Programme Action Plan.**[20] Furthermore, customs action and cooperation between customs, police and other enforcement authorities contribute to global security objectives such as the fight against money laundering, organised cross-border crime, and terrorism.

The Customs Union applies a substantial and increasing body of **consumer protection** rules and regulations that establish prohibitions and restrictions to protect consumers against health and safety risks and otherwise illegitimate trade. This includes EU legislation on product safety, food safety, human, plant and animal health, drug precursors, as well as rules on the export of cultural goods.

The Customs Union applies an increasing number of **environmental policy** measures to deal with hazardous chemicals, dangerous or radiating waste. These are applied, inter alia, to prevent illegal trade and dumping (both in the EU and elsewhere) of ozone depleting substances, pollutants, and trade in endangered animals and plants or products made from their parts.[21]

The future of the Customs Union lies in a pan-European electronic customs environment, fully in line with the Commission's strategy to develop the information society and create **a digital Single Market (Digital Agenda for Europe)** as **one of the flagships of the EU's 2020 Strategy**. The **European eGovernment Action Plan 2011-2015** looks to governments of the Member States to develop eGovernment services to reinforce the mobility of trade, aid the cross-border dimension, and provide benefits for the economy and protection of the environment.

By supporting the Customs Union in reaching its strategic objectives, and in providing IT assistance for the control and management of movement of goods into and out of the EU, the Customs Programme indirectly contributes to these EU priorities and to the Europe 2020 Strategy.

2. INFORMATION GATHERING. STAKEHOLDER CONSULTATION

The present report constitutes both the ex-ante evaluation required for programmes and the Impact Assessment that will accompany the legislative proposal for the future Customs 2020 programme.

The primary target stakeholders (customs authorities and their experts) were consulted at different stages in preparing the new programme.

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19 COM(2010) 673 final, Brussels, 22.11.2010, Communication from the Commission to the European Parliament and the Council — the EU Internal Security Strategy in Action: Five steps towards a more secure Europe.

20 COM(2010) 171 final, Brussels, 20.4.2010, Communication From the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Delivering an area of freedom, security and justice for Europe's citizens — Action Plan Implementing the Stockholm Programme.

21 A non-exhaustive list of EU legislation in which customs authorities are involved can be found in Annex 2.

An external contractor[22] carried out a **midterm evaluation** of the effectiveness, efficiency, relevance and value added of the current programme. This used monitoring data from the different activities, surveys with over 1 000 former participants of the programme, interviews with 30 managers and targeted surveys of programme coordinators in participating countries. It also used the results of a survey of customs officials in Member States, assessing awareness of the programme and its perceived relevance in their daily work.[23] The results of the evaluation are used as evidence of the effectiveness and value added of the future programme – see sections 4 and 6. Recommendations from the evaluation were used to define problems and design of alternative options – see sections 3, 6, and 8.

The Commission informed the participating countries in spring 2010 about the future Programme proposal, emphasising the importance of having their view of the current and proposed programmes.[24] The Customs 2013 committee was consulted regarding the preparation of the new Programme, and the issue of the new Programme was the main topic of the programme management workshop in France on 7-8 July 2011. The Commission has also kept the Directors General of the national customs authorities in the Customs Policy Group informed on the preparations of the programme proposal.[25]

In September 2010, DG TAXUD commissioned an external study on "The Future Business Architecture for the EU Customs Union", which included a comprehensive analysis of future challenges, structural problems and possible improvements to the functioning of the Customs Union. Part of the study also addressed the impacts of different scenarios for the future Customs Programme. A summary of the full study can be found in Annex 11. This impact assessment draws on these reports and on other recent studies.[26]

Up to now, evaluation exercises of the existing programmes, mainly addressed primary stakeholders of the Customs Programme, namely customs authorities and their experts. The Commission acknowledges the importance of consulting secondary programme stakeholders on the relevance of the programme and more concretely on the support provided to facilitate legitimate trade. Therefore the Commission intends to keep this dimension in its future programme evaluation.

Assistance in preparing the impact assessment report came from an inter-service steering group: participants included the Secretariat-General, the Legal Service, DG Budget, DG Internal Market and Services, DG Home Affairs, DG Justice, DG for Energy and Transport, the European Anti-Fraud Office (OLAF) and DG Trade. The last meeting of the steering group took place on 26 July (see **Error! Reference source not found.** for the report). The Directorates-General for Justice, for Employment, Social Affairs and Inclusion and for Enterprise and Industry were consulted on social impacts, effects on SMEs and fundamental human rights. Contacts were established with the Directorate-General for Regional Policy on integrating customs control technical capacity-building into their funds (see section 11.2).

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22 Midterm Evaluation of the Customs 2013 Programme, Final report, p 27-28.

23 This programme poll reached 16 000 officials in 2008 and 10 000 in 2011.

24 Minutes of the 7th Customs Committee meeting of 3 May 2010.

25 Customs Policy Group (Full Members) 7-8 July 2010; Customs Policy Group (Full Members) 2-3 December 2010; Customs Policy Group (Deputies) 12 May 2011.

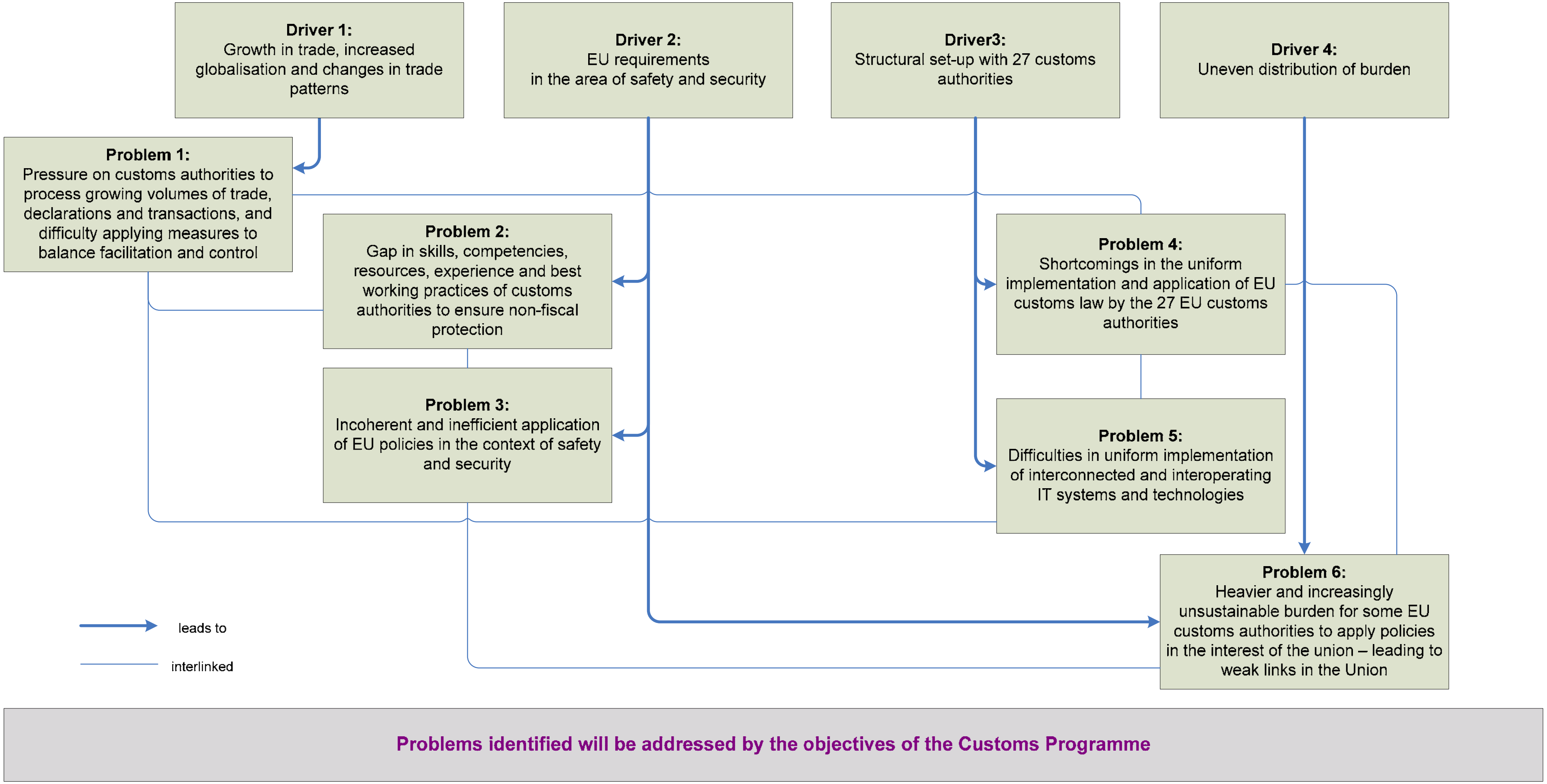
26 For example, a study commissioned by DG HOME on collaboration between border authorities and a study produced for the European Parliament on the role of customs in border security. International sources such as World Bank publications, studies and indexes on customs and /or border management.

The Impact Assessment Board expressed its opinion on 22 September 2011. This version of the Impact Assessment addresses all the recommendations from the board in line with the reply provided in writing by DG TAXUD on the Impact Assessment Checklist of the Impact Board.

3. PROBLEM DEFINITION

A number of drivers have been identified that do negatively affect various EU stakeholders, or have the potential to do so: These drivers give rise to interrelated problems that need to be mitigated and addressed through EU intervention, as in a proposed Customs 2020 Programme. Figure 1 below summarizes the main links between identified problems and underlying drivers.

Figure 1: Drivers and problems



Source: *DG TAXUD*

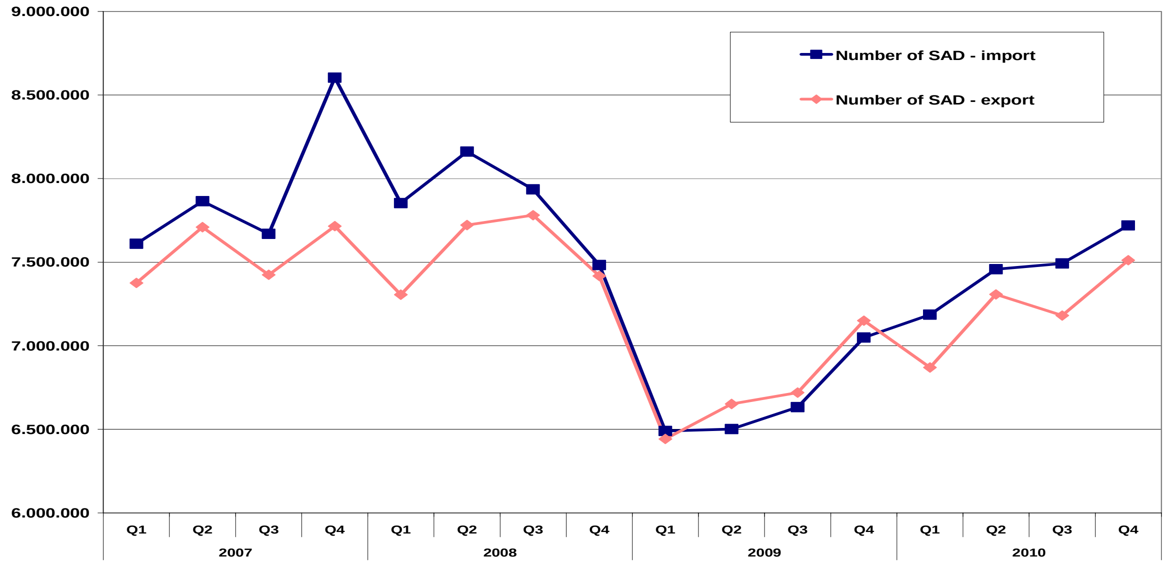
Driver 1: Growth in trade, increased globalisation and changes in trade patterns

Customs authorities increasingly operate in a world economy characterised by globalisation and changing trade patterns to which the Customs Union and EU customs authorities will need to adapt. In terms of value, international trade returned to pre-recession levels by mid-year 2010,[27] and is expected to continue growing. Growth has also been seen in the numbers of consignments and customs declarations since bottoming out in the first half of 2009. This trend, illustrated by the growth in numbers of declarations in Figure 2, can be expected to continue.

The nature of trade is changing due to globalisation of production and supply chains, with the EU relying on the rest of the world for two thirds of its intermediate production inputs[28]. At the same time, new business models, including Internet sales, e-commerce and e-business, increase the complexity of international business, of supply chain logistics and of trade.

These changes in trade patterns and trade characteristics are not considered as a problem in itself, or as an issue that would be changed by a continuation of the Customs programme. Rather, the expected increase in trade will go hand in hand with further growing volumes of trade declarations and transactions, which the IT systems will have to be capable to deal with. Furthermore, the observed changes in trade characteristics might necessitate adaptations to ensure appropriate customs control measures to protect the EU in terms of financial, economic, and other interests such as for safety, security and environment protection purposes.

Figure 2: Development of the number of customs declarations



Annotation: Data refers to normal procedures, Single Administrative Document (SAD) level — import + export in 27 Member States

Source: DG TAXUD – Measurement of Results, 2010 Report

27 According to the European Commission's interim economic forecasts published in September 2010.

28 According to a Commission Communication of 9 November 2010, by 2015, 90 % of world growth is expected to be generated outside Europe, one third by China alone. Cf. Trade, Growth and World Affairs — Trade Policy as a Core Component of the EU's 2020 Strategy; http://trade.ec.europa.eu/doclib/press/index.cfm?id=636&serie=382&langId=en

Problem 1: Pressure on customs authorities to process growing volumes of trade, declarations and transactions, and difficulty applying measures to balance facilitation and control

Driver 2: EU requirements in the area of safety and security

Customs are in the frontline of protecting human, animal and plant life and health, and the environment by ensuring compliance with non-fiscal measures related to international trade in goods. The number and importance of such measures have increased radically and continues to do so, requiring additional and often specialised tasks to be carried out by customs authorities. The events of "9/11" underlined the growing trend and almost overnight multiplied public demand for security against terrorist and criminal activities in the supply chain. Specific policies for internal security, the protection of IPR, animal health, product safety and technical standards, result in a demanding and growing safety and security agenda. Customs authorities are also confronted with responsibilities for legislation which is not always directly compatible with existing processes and procedures, in particular in light of the ongoing modernisation. They increasingly face complexity and the extra coordination burden of working together with other authorities and bodies, as well as pressure to acquire and use specialised technical equipment such as radiation detectors and other analytical equipment.

Problem 2: Gap in skills, competencies, resources, experience and best working practices of customs authorities to ensure non-fiscal protection

Problem 3: Incoherent and inefficient application of EU policies in the context of safety and security

Driver 3: Structural set-up with 27 administrations

Harmonised implementation of customs legislation, as well as working methods, in the current 27 administrations have been facing difficulties dating back at least to 1993. Unscrupulous traders exploit differences in treatment: "Shopping" for the best gateway to, or exit point from, the EU, whether for criminal purposes or unfair competitive advantage. The continued existence of 27 separate administrations with different processes and procedures, while to some extent necessary and justified, is potentially inefficient, distorts competition and the functioning of the Internal Market, undermines the financial interests of the Union, and may contribute to failure to protect society.

Problem 4: Shortcomings in the harmonised implementation and application of EU customs law by the 27 EU customs authorities

A legislative response to these issues was adopting a modernised Community Customs Code and a Decision on Electronic Customs in 2008. In line with the general EU move to e-government services, all Member State customs authorities have already set up electronic working methods.

Most current public online services do not work across borders but, for the Customs Union to function seamlessly, EU customs must be able to offer pan-EU e-services to ensure equal treatment for business. The 27 Member State administrations currently have access to a

European secure network (CCN/CSI[29]) with key "e-customs" systems support. For goods in transit, the level of electronic input in NCTS,[30] the first pan-European system is at 99.5 %.

However, with a growing number of electronic services to be offered in the future, the Customs Union is increasingly facing problems of interoperability and excessive complexity. IT systems are set up as part of the national, rather than EU, infrastructure. Fragmentation of rules on e-commerce, e-invoicing, e-payments and e-signatures complicate implementation and can lead to inconsistent application of common rules across Member States. The fact that businesses still have to connect to the Member State system in the country where the customs activity takes place forces businesses working in several countries to connect to multiple national systems. This increases administrative burden and compliance costs. These systems are often a patchwork, and are often put in place at short notice to meet EU regulatory requirements. While the legal framework and clearance options for businesses are the same, providing the same or similar services that can be accessed regardless of the place of business is still a massive technical challenge.

Information exchange with third countries also requires development of secure, consistent, and EU-wide IT solutions. The Customs Union must ensure that the future deployment of technology will be consistent with the EU's international obligations and with agreed international standards to avoid "isolating" the EU in the world trading system.

Problem 5: Difficulties in harmonised implementation of interconnected and interoperating IT systems and technologies

Driver 4: Uneven distribution of burden

For historical and geographical reasons, such as key trade routes, type and extent of external borders (maritime, land, air) or regional exposure to smuggling and fraud, Member States are subject to different levels of burden, particularly in control activities for safety and security. While this affects all operating and human resources, the imbalance is particularly severe in terms of investment needed in infrastructure, capacity building (such as customs control equipment) and technology. This creates evident problems, especially since new requirements appear at a very quick pace, particularly for safety and security policy.

In contrast to the unevenness of the burden of implementing the Customs Union, the benefits of the Customs Union, inside an Internal Market with fully free movement of goods, are common and shared.

Problem 6: Heavier and increasingly unsustainable burden for some EU customs authorities to apply policies in the interest of the union

29 CCN/CSI = Common Communication Network, Common System Interface.
30 New Computerised Transit System.

4. JUSTIFICATION OF EU ACTION AND THE ROLE OF THE CUSTOMS PROGRAMME

4.1. Need for EU intervention

The need for the Customs 2020 programme is determined by whether the Customs Union could address the problems and mitigate negative aspects without it, if Member States' legal obligations and/or other incentives will not do so.

First, the Customs Union is an exclusive competence of the EU**,** one of only five such areas listed in Article 3 of the Treaty on the Functioning of the European Union (TFEU). By transferring their powers to the EU, Member States ipso facto agreed that actions in the customs area will be better applied at EU level. However, the EU legal framework in itself does not ensure proper functioning of the Customs Union. It needs **flanking support measures as provided by the Customs Programme** to ensure that **EU customs legislation** is applied in a **convergent and uniform** way, so that treatment of traders, fraud prevention, and legal obligations do not vary.

Second, many of the activities in the customs area are of a **cross-border nature**, involving and affecting all 27 Member States and therefore they cannot be effectively and efficiently delivered by individual Member States. EU action is needed to underpin the European dimension of customs work, to avoid Internal Market distortions and to support the effective protection of the EU borders.

Solidarity and responsibility sharing are the principles underlying funding for the Customs Union. Situations where the need for effective measures exceeds the ability of particular Member States to supply them are detrimental to the union as a whole. EU intervention is required to preserve the EU public good where EU demand (e.g. for security) cannot be adequately serviced by the supply of particular Member States. In such cases, EU action translates into jointly funding **technical capacity building** to meet the demand for effective control despite the limited supply capability of specific Member States.

4.2. Customs Programme EU Added Value

According to the midterm evaluation of the Customs 2013 Programme[31], the programme has delivered a **wealth of concrete outputs and results with a Europe-wide impact** that could not have been produced either by individual Member States or by the Commission. The quality of the results and the speed with which they have been attained are high, as is acceptance by Member States. If Member States had been obliged to learn from each other by developing their own activities outside the programme umbrella, they would have developed separate tools and ways of working. The midterm evaluation shows that the Customs 2013 Programme is contributing to the spread of relevant information and good practices. These good practices may not be strictly necessary for formal implementation of the Customs Union, but they have a significant positive effect on harmonisation of approaches, more effective and efficient customs controls, and a more level playing field between national administrations.

Joint efforts can lead to significant cost savings compared with Member States individually developing responses to challenges. **Synergy in best practices and pooling of resources** in responding to emerging needs would have been largely absent without the Programme. Many

[31] Midterm Evaluation of the Customs 2013 Programme, Final report, p 12.

jointly developed activities would not have been realised or, at least, not as efficiently. Clear evidence of how **economies of scale** can be achieved in the customs area through pooling of efforts and experience include common and trans-European IT systems and development of human capacity building and common training.

Building on the strengths of the current programme, while addressing the problems described in section 1, the main EU added value of the Customs 2020 Programme is, first, in the boost it provides to the **effectiveness of Member State customs administration work** (improving, modernising, digitalising), and the economies of scale it provides for governments (shared databases, IT development, exchange of best practice, joint development of guidelines, actions, training and methodologies). Second, there is the enabling effect it has on the **effective and uniform functioning of the EU Customs Union**: joint IT facilities, staff networking, and the mechanisms that support collaboration and help develop trust between administrations to form and function as a union. While the economies of scale created by the programme are one element, much of the efficiency of the Customs Programme comes from the way it is implemented and managed, in particular compared to other EU Programmes.[32]

To conclude, EU action in a Customs 2020 Programme is not only justified and necessary to ensure the proper functioning and further development of the Customs Union and its common regulatory framework, but has been shown to be the most efficient and effective EU response to shortcomings and challenges in implementing the EU Customs Union and customs cooperation. The Customs 2020 Programme is in line with the principle of subsidiarity and proportionality (as set out in Art. 5 of the Treaty of the European Union (TEU)). Since the Customs 2020 Programme will support the Customs Union in responding to the needs of public authorities, trade and citizens in the Internal Market, it could be based on Article 114 and/or Article 33[33] of the Treaty (ordinary legislative procedure).

5. PROGRAMME OBJECTIVES

The overall, specific and operational objectives of the proposed Customs Programme have been incorporated in the schematic overview of section 3. Specific objectives are more policy oriented than operational ones, and correspond mainly to the (overall) objectives of the current Customs 2013 Programme, as clarified in Annex 4. The operational objectives established for the new Customs 2020 Programme clarify how it will address the problems identified earlier and monitor results (see section 9). Most of the operational objectives relate to the same kind of activities as under the current Customs 2013 programme. Those operational objectives marked with an asterisk (*) will use new tools and/or variation in the scope of the activities.

Explanation on which policy option relates to which operational objective is provided in the section providing a detailed description and assessment of the different alternatives (see sections 6 and 7).

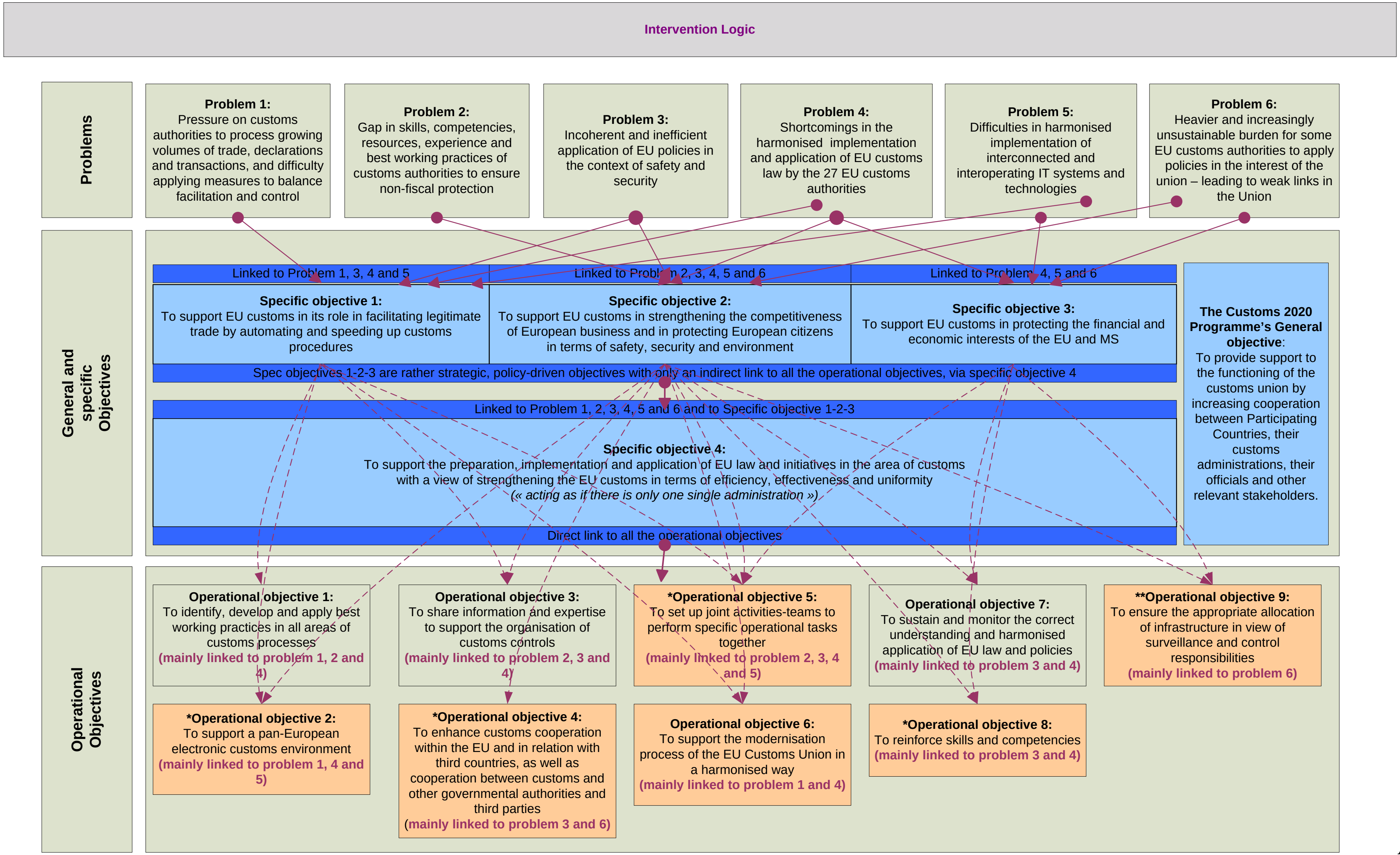
The intervention logic in **Error! Reference source not found.** provides a complete picture of interlinks between problems and all related specific and operational objectives of the programme. However, this impact assessment focuses on the analysis on a subset of operational objectives only. Policy options will differ in their effectiveness and efficiency to

[32] The midterm evaluation of the ISEC/CIPS programme managed by DG HOME.
[33] Contacts are currently ongoing with Legal Service on this matter.

reach the set objectives. When comparing options, we will focus on those operational objectives, for which the developed options would indeed lead to different level of achievement.

6. DESCRIPTION OF POLICY OPTIONS

Considering the overall policy context and the problems ahead of customs in the next decade, a number of alternative policy options have been considered. In section 0, we first describe the baseline scenario of continuing the programme with its current objectives and design. Sections 6.2-6.5 present 4 alternatives to the baseline scenario, including one option to discontinue the programme altogether.



An notation: (*) indicates objectives that are linked to changes in the Customs Programme compared to the current version. These objectives could be achieved by means of new tools and/or with a potential new scope of the activities themselves, subject to the related option.

(**) indicates an objective that similarly would imply a change to the Customs Programme, but could only be covered by policy option 2.

Source: DG TAXUD

Section 7 provides proof of the necessity of the programme (i.e. comparison against option 5 of discontinuation) and an outline of the scope adequate to address the presented problems (called a "vertical" choice between the baseline scenario and options 2-4). Only after this crucial demonstration of the need for the programme and a definition of the right scope can the analysis include the dimensions, or more "horizontal aspects" of the programme, in section 8. We describe these aspects as horizontal, as they could be in general applied to most of the options that define the "vertical" scope.

6.1. Option 1: Baseline scenario — "Status quo"

The baseline scenario for this impact assessment is continuation of the Customs 2013 Programme with no changes in financing, objectives or available instruments. In this scenario the programme will support the same activities and tools as in the past.

The findings of the midterm evaluation provide evidence of the **relevance** (in defining objectives), **effectiveness** (in achieving objectives), and **efficiency** (in management model) of the Customs 2013 Programme. Given the problems foreseen in the next decade, this option with its unchanged funding level will not be able to cater to all needs. Section 7.1 contains an in-depth assessment of the baseline scenario.

6.2. Option 2: Increased support to EU legal obligations such as the Modernised Customs Code (MCC)

This policy option is based on the baseline scenario tailored to new needs, deriving from the evolving EU customs environment and related problems, as described in section 3. The option implies a stronger focus on the achieving operational objectives 2, 4, 5, 6 and 8.

The option assumes the continuation of existing trans-European IT systems ("TEIT" systems) and developing and deploying new ones as defined in EU customs legislation, such as the Modernised Customs Code (MCC), with a view to further implementing the pan-European customs environment. There will be gradual introduction of a more shared IT development model and modernisation of the underlying governance, architecture and technology.

The option includes existing joint action tools and some additional, innovative tools to better meet objectives. More streamlined cooperation is envisaged within the EU and between the EU and international actors. Improved cooperation will come from reinforcement of common training and the option to set up EU expert teams to work together on operational tasks in the Union's interest, in line with operational objective 5. It also supports joint activities between customs and other authorities (market surveillance, environmental, nuclear) to reinforce common risk management at the border in non-fiscal areas.

Achieving the specific objectives described in the baseline scenario also applies to this scenario. However, policy option 2 will have **greater positive impacts** in terms of supporting all specified objectives, since it includes provision for **increased cooperation (IT and human)**, comprising the possibility of setting up expert teams, particularly in line with operational objectives 4 and 5. **Error! Reference source not found. Error! Reference source not found.** highlights how most operational objectives are reinforced by option 2. The operational objectives of the programme will be adjusted and new ones included, requiring new instruments or tools.

Table 2: Scope of Option 2 and related programme instruments – compared to baseline scenario

Customs 2020 Operational objectives	Scope	Programme Instruments
Objective 2: to support a pan-European electronic customs environment	Reinforced	All instruments existing under the baseline scenario: IT systems, training, steering and project groups **NEW**: Shared IT developments for some processes, based on a modernised architecture/ platform
Objective 4: to enhance customs cooperation within the EU and in relation to third countries as well as cooperation between customs and other government authorities and third parties	Reinforced	All instruments existing under the baseline scenario **NEW**: EU expert teams
Objective 5: to set up joint activities/teams to perform specific operational tasks together	New	**NEW**: EU expert teams
Objective 6: to support the modernisation process of the EU Customs Union in a harmonised way	Slightly refocus	All instruments existing under the baseline scenario
Objective 8: to reinforce skills and competencies	Reinforced	All instruments existing under the baseline scenario

Source: DG TAXUD

The possibility to develop new trans-European IT systems based on **shared developments models and a modern IT architecture** and platform will increase both flexibility and efficiency in addressing the problems customs authorities are facing already today. Creating new tools, allowing for more streamlined cooperation and exchanging operational information, will be better for achieving the specific objectives of the programme compared to the baseline scenario. Indeed, an enhanced cooperation with other government authorities will result in strengthened competitiveness of businesses and better protection of citizens (specific objective 2), better cooperation will help support EU financial interests (specific objective 3), and an improved level of skills will facilitate the smooth implementation of EU initiatives (specific objective 4). Incorporating the experience of customs officials and other experts, trainers, economic operators, academics, etc., will reinforce the baseline scenario activities and allow for a more systematic and integrated approach to programme implementation.

6.3. Option 3: Option 2 plus financial support for technical capacity building

This option adds a financial support scheme to the components of option 2. Member States could request support from the Commission to cover costs of equipment to support an adequate level of control across the EU. Financial support could be provided to support control activities at land, sea or air borders, e.g. for scanners and laboratory equipment. Such financial support will help Member States when they have to invest heavily to meet the demands for speeding up and streamlining controls in a context of evolving technologies.

Making efficient use of new technology will enhance processing of declarations, effective risk management and non-intrusive detection.

Even though the focus will be on "filling the gaps", i.e. making sure that within the Customs Union all Member States have access to the equipment needed to provide adequate controls, the budgetary consequences for this option are major.

6.4. Option 4: Option 2 plus maximised shared IT environment

This option proposes higher scale shared development and operation of trans-European IT systems to support EU customs legislation such as the MCC. It will support, on the one hand, public authorities in developing and deploying the systems necessary for a pan-European electronic customs environment and, on the other, businesses connecting to those systems.

Going to a maximised shared IT environment for several existing and new trans-European systems also means an extension of the role and responsibilities of the European Commission.

In addition to the components of option 2, option 4 allows customs to extend the capability of sharing common developments in all areas of its business, e.g. including full implementation of core clearance processes for import, transit and export and its interface to traders.

Table 3: Scope of Option 4 and related programme instruments – beyond option 2

Customs 2020 Operational objectives	**Scope**	**Programme Instruments**
Objective 2: to support a pan-European electronic customs environment	Further reinforce	Shared IT developments for more processes, based on a completely modernised architecture/ platform

Source. DG TAXUD

This option would address the problems of implementing interconnected IT systems to speed up customs procedures more adequately than policy option 2. The expected business outcome positively impacts efficiency in terms of development and maintenance of IT systems and fully grasps the benefits of a responsive, modular, scalable and adaptive architecture and underlying software and infrastructure.

6.5. Option 5: Discontinuation of the programme

This option envisages no longer funding existing trans-European IT systems (nor developing new TEIT systems), joint actions or common training activities that currently support the functioning of the Customs Union.

7. ASSESSING IMPACTS

This section analyses the expected main impacts of the baseline scenario and other policy options. The benchmark is the baseline scenario, with relative scoring of the different policy options against the baseline and selection of the most appropriate course of action (see section 9).

The following assessment criteria were used for the comparison of options:

Effectiveness/Impact

This criterion measures the expected contribution to achieving specific and operational objectives. If an option will contribute more effectively, it will receive a higher score.

Efficiency

This criterion measures the output orientation, efficiency gains and solidarity and whether the programme offers value for money. If an option is operating more efficiently, it will receive a higher score.

Coherence with other EU initiatives

This criterion measures the extent to which the option is coherent with other EU initiatives. This includes whether or not it falls within the budget for the provision made in the Budget for Europe 2020

To complete the assessment, the acceptability of each option for Member States is also mentioned.

The main effects of all options relate to the functioning of the public (customs) authorities but secondary effects on businesses and consumers/citizens can also be identified. As the nature of the options is quite broad[34] and the programme is a supporting instrument for legal initiatives in the customs area, it is not always possible to assess the impacts with accuracy.

7.1. Option 1: Baseline scenario – "Status quo"

7.1.1. Summary assessment

The baseline scenario for this impact assessment is continuation of the Customs 2013 Programme without changes in financing or available instruments. In this scenario the programme will support the same activities and tools as in the past (see section 7.1.2.1). However, the agility of the Customs Union in the face of change, with new problems to address and the implications of forthcoming EU legislation, will be limited and lead to severe shortcomings and related impacts (see section 7.1.2.2).

7.1.2. Detailed assessment

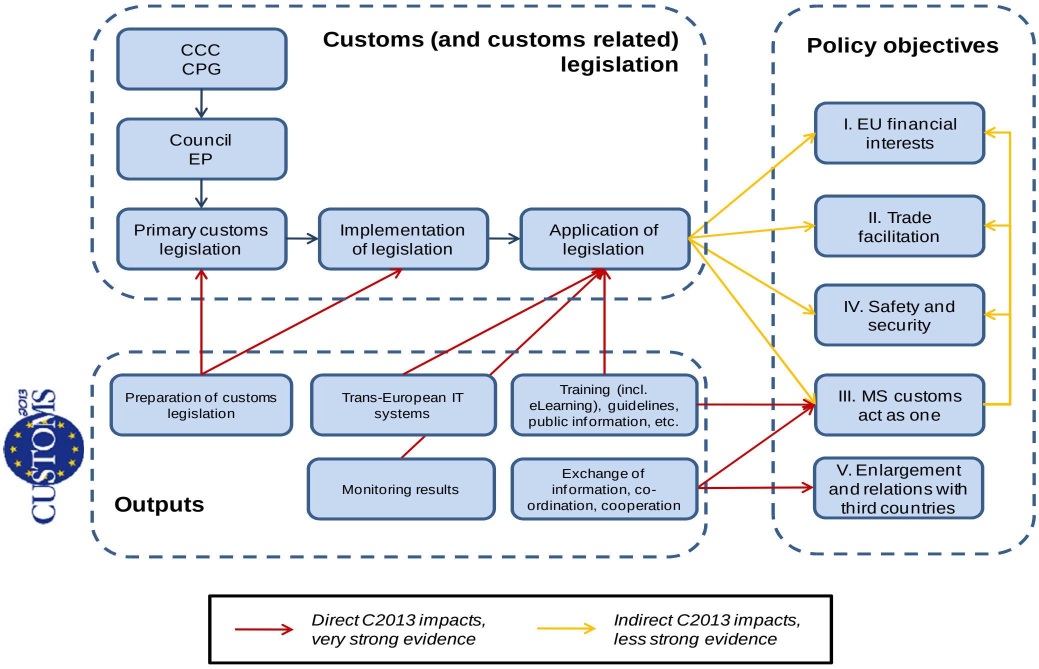
Since the exact nature and quantity of potential future outputs are difficult to identify under this option, known outputs/results/impacts of the current programme are used to demonstrate the potential impact of a status quo continuation.

7.1.2.1. Assessing the achievements of the Customs Programme

In assessing the programme effectiveness and efficiency, it is important to note that it does not exist in a vacuum but is intimately linked with the wider Customs Union, functioning mainly through existing EU customs and related legislation (see Figure 3 below).

[34] As a "toolbox" of instruments, the more precise content in terms of specific activities, apart from the existing networks and IT systems, is not pre-determined.

Figure 3: Conceptual framework of Customs 2013 Programme intervention and its impacts



Source: DG TAXUD – Final Report on the midterm evaluation of the Customs 2013 programme, p 8.

Based on the overwhelming positive feedback from target audiences (both national customs authorities and individual programme participants) and on in-depth assessment of a sample of activity areas, the midterm evaluation concludes that **the Customs 2013 Programme makes a significant contribution to the proper functioning of the Customs Union** (and to the objectives that underpin it) through a variety of interventions, including both joint actions and IT systems[35]**.** Specific examples are mentioned below**.**

Three strategic thematic areas were described to illustrate the role and added value of the Customs Programme as it stands and its anticipated achievement against objectives. This excerpts from the midterm evaluation, and in particular the case studies on specific actions undertaken, indicate also the achievements in terms of effectiveness and efficiency of this option.

(*i*) *Thematic area: Building a paperless customs environment (mainly in support of operational objective 2)*

The Customs 2013 Programme has offered support to the (inter)operability, maintenance and upgrading of the existing communication and information exchange systems. It has also contributed to the preparation and implementation of new IT projects.

Electronic customs systems now support processes registering the movement of goods into and out of the European Union and help reduce threats to the safety and security of European citizens. These systems offer **a paperless environment,** simplify procedures, work more efficiently and aid data exchange between customs authorities.

[35] Midterm Evaluation of the Customs 2013 Programme, Final report, p 9.

According to the midterm evaluation[36], over 75% of the respondents felt that the programme has contributed "a lot" in these areas, mainly through meetings of the Electronic Customs Group (ECG) and its technical working groups, evaluation workshops and IT training. The main benefits of the trans-European IT systems were described as introducing standardised procedures, faster handling of operations, and better traceability of movements.

Case study: NCTS

An example of a Europe-wide system developed and operated under the Customs Programme is the **New Computerised Transit System** (NCTS). NCTS enables traders to submit transit declarations and customs authorities to exchange messages related to Community/Common Transit (CT) electronically. NCTS was developed at the beginning of the 2000s as part of the measures which remedied the serious shortcomings of the paper based transit system which operated previously.

NCTS meets the needs of modern customs authorities where facilitation of legitimate trade, fraud prevention and detection, speed and flexibility are vital and where continual changes in the business environment are a given. The midterm evaluation reports that NCTS was found to be especially successful in enabling full and effective control of the "core" transit procedure, faster control, and time and cost savings for economic operators[37]. More than half of all Member States agreed that NCTS has "fully" achieved these objectives. The number of NCTS messages reached 47 million in 2010 (an increase of approximately 10% over the previous year), with a very low error rate (below 0.5%), allowing control of the movement of goods across the EU under the transit regime in 9.8 million trucks each year.

(ii) Thematic area: Strengthening (supply chain) security and safety (mainly in support of operational objective 1 and 3)

Work on a common EU approach to risk management has been ongoing for over a decade, and has gathered significant momentum since the adoption of the Security Amendment.[38] The Authorised Economic Operator programme has been operational since 2008, and cooperation with major trading partners to achieve mutual recognition is ongoing. This contributes to the security of supply chains as well as offering trade facilitation benefits. The amendment has been fully operational since January 2011. For the first time, common risk criteria and security risk rules are applied across the EU. The midterm evaluation concludes that the Customs 2013 Programme has played a key role in making this possible by contributing to the development of the necessary IT systems to collect and exchange the relevant data. It has also supported the drafting of rules and guidelines to help interpret the legal requirements and illustrate them for day-to-day customs operations. A case study[39] has highlighted how the mix of different tools available under Customs 2013 Programme can be used to target different audiences and achieve different but complementary results.

[36] Midterm Evaluation of the Customs 2013 Programme, Final report, p 48.
[37] Midterm Evaluation of the Customs 2013 Programme, Final report, p 49.
[38] Council Regulation 648/2005 and Commission Regulation (EC) No 1875/2006.
[39] Midterm Evaluation of the Customs 2013 Programme — Final report.

Case study: Implementing a common approach to risk management

A high-level seminar raised awareness of the **common approach to risk management** among Member State decision-makers and provided broad policy orientation for the future. A project group on security risk rules brought together experts in risk management, and was instrumental in developing the rules and risk criteria, as well as testing and refining these rules and related tools and processes. A series of workshops educated and trained targeting officers on the implications of the new rules for their work. The feedback from participants indicates that all these joint actions were highly relevant, effective and efficient, and each contributed (in its own way) to developing and putting into practice a common EU approach to risk analysis and management. Also, the Customs Risk Management System (CRMS) IT application has been greatly appreciated by its stakeholders. The evaluation shows that Member States see the system as contributing directly to strengthening safety and security. There was widespread agreement that without the Customs 2013 Programme support, both the speed and the quality of developments in this area would have been severely compromised.

(iii) Thematic area: Supporting the preparation and implementation of a modernised customs environment (mainly in support of operational objective 7)

The main current legal instrument, the Community Customs Code was adopted in anticipation of the single market nearly two decades ago. The Modernised Customs Code was adopted in 2008, the culmination of a modernisation process that started in the early 2000s. The process of putting the MCC in place continues and, once the elements of the modernisation, including the IT systems, are operational, EU customs will be better equipped to limit the administrative burden, prevent fraud and collect duties in a harmonised way across the EU.

The Customs 2013 Programme has provided vital support to the simplification and modernisation of customs legislation, as well as its practical implementation. The midterm evaluation[40] reported that stakeholders almost unanimously felt that the programme's support to the developments in this area were crucial for overall progress. Especially noted was the support provided to the development of new legislation and tools for implementation.

Case Study: Modernising the customs environment

The case study highlights how Customs 2013 Programme contributed to drafting different sections of the **implementing provisions of the MCC (MCCIP)** and helping to determine how the legislation should be put into practice. However, it also illustrates how the legal framework must be complemented with additional measures, such as common guidelines, to ensure that the provisions and rules are interpreted and applied correctly and uniformly across the EU. The work of the project group to prepare guidelines on MCCIP for customs valuation is an excellent example of how Customs 2013 Programme has supported the revision of common guidelines while aiming to ensure that the new provisions will be implemented in the same way in all Member States. Both the legal provisions and revised guidelines are crucial to the future implementation of the MCC and they help with a better understanding of the legislation. The case study also shows that the representation of trade in, for instance, the project group assisting the drafting of the MCCIP, was appreciated by national customs officials, particularly given their responsibility to comply with this legislation.

[40] Midterm Evaluation of the Customs 2013 Programme, Final report, p 36.

The Modernised Customs Code entails amongst others a provision to automate customs procedures. This will require the need for the development and operation of several European IT systems. The current practice of IT systems development foresees that each Member State is responsible for the implementation of its national systems according to common specifications. This approach guides in 27 developments for each system; 27 trader interfaces; 27 schedules of development; 27 set of project related or operational difficulties; a high complexity for change; a very high duration for any change, hence the absence of agility for the evolution of the customs union; a significant overhead for large traders to connect to 27 systems; an obvious increase of transaction cost. In the light of the financial crisis, many Member States are not ready to invest the budget required so as to continue IT developments that do not always have a positive local business case. The analysis has proven that a better approach of the IT developments exists, allowing to better share the burden of IT developments, hence reducing the total cost by at least 25%, reduce the delays of the global projects; increase their capacity to change; increase the harmonisation of the functioning of the Customs Union etc. In order to do so, the Commission is called to play an expanded role for the IT developments, going beyond its traditional duties. In order to be able to respond to this increase of duties, an increased involvement of Member States in common projects and an increase set of central resources is necessary.

7.1.2.2. Assessing the shortcomings of the "status quo" scenario and related negative impacts

Without refocusing the objectives, an additional set of tools and increased funding, the Customs Programme will no longer provide an adequate response to the problems ahead.

The policy context in which the Customs Union now operates has changed and will continue to do so, compared to the period when the current programme was adopted. Current weaknesses, such as differences in interpretation of EU law, the lack of implementation of European Court of Justice (ECJ) case law, variation in how customs controls are performed,[41] and differences in the quality of risk management methodologies and tools applied (at least in the case of simplified procedures for imports)[42] are likely to remain inadequately tackled in the baseline scenario. More specifically, the baseline scenario does NOT enable a more efficient IT approach to a pan-European customs environment, nor more streamlined customs cooperation and pooling of resources, expertise and skills to support Member States in their daily operations.

Efforts such as those encouraged and supported by the current programme may not be sufficient to ensure that customs authorities are able to keep up with these developments. The impacts are potentially very negative: **non-realisation, or inadequate and delayed realisation of some new trans-European IT systems** required by the Modernised Customs Code, the Decision on a paperless environment for customs and trade, and possible other EU requirements can have seriously negative impacts. The consequences of such failure could, as repeatedly warned by trade associations, even jeopardise the beneficial impacts of existing systems, and put into question the full benefit of a paperless customs for trade.

If the burden — and uneven burden-sharing – of supporting customs activities continues to grow, continues to be borne by the corresponding national administrations alone, there is a

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[41] Survey on "The convergence of Member States" working methods and customs controls", August 2010.

[42] Special Report of the European Court of Auditors No 1//2010, "Are simplified customs procedures for imports effectively controlled?"

considerable risk of growing lack of **customs control and detection equipment** required to support compliance and control activities across the EU. This may lead to "weak spots" in the Customs Union, and increase opportunities for "shopping" by traders, regionalised problems of fraud, and increased security risks for the entire Internal Market.

Given the shortcomings identified (see more details in Annex 5), the problems facing customs will not be addressed adequately and will most likely become aggravated in a status quo continuation of the programme. In particular, the non-effective and non-efficient implementation of the Modernised Customs Code and other customs related EU legislation would have a detrimental impact, leading to losses for the EU budget (economic impact) and seriously diminished security and safety of the EU, its citizens and the environment, as demonstrated in the graph in Annex 6.

7.2. Option 2: Increased support to EU legal obligations such as the Modernised Customs Code

7.2.1. Summary assessment

Under this policy option, the programme will be similar to the baseline scenario but tailored to the new needs of an evolving EU customs environment and related problems — as they were described in section 3.

7.2.2. Detailed assessment of scope and impacts of option 2

7.2.2.1. Assessing the achievements of option 2

(i) Strengthened joint cooperation at EU level to meet requirements in risk management, global threat assessment, cooperation with other authorities in non-fiscal areas.

Since the Customs Union is composed of 27 national customs authorities, there is a need to structure and support collaboration, sharing of experiences and practices, and more efficient use of resources, as highlighted by operational objectives 1, 4 and 8. It is important to refer to the Customs Risk Management Framework (CRMF), where legal[43] and structural developments have occurred over recent years but where divergent[44] applications seriously hamper the effectiveness of legal provision. According to a recent survey,[45] further work to act at EU-level against emerging global threats will address risks more effectively and save duplicated effort. Another area in which reinforced cooperation has been requested is customs cooperation for market surveillance on product safety.

The outcome of a study[46] confirmed that, while not questioning the effectiveness of the current programme scope or tools, EU customs need **additional new ways of working together and** rationalising resources to optimise the uniform, effective and efficient implementation of EU customs legislation and policies. Setting up EU customs teams (in the form of joint customs controls or task forces, operational or synergy teams) under the C2020

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43 Council Regulation 648/2005.

44 As discussed regularly within the Customs Code Committee — section on risk management and controls (CCC CRM).

45 DG TAXUD, Survey on the convergence of Member States' working methods and customs controls.

46 Deloitte, "Future business architecture for the Customs Union and cooperative model in the taxation area in Europe".

Programme will offer better response in pooling information, operational expertise and best working practices at EU level.

A more detailed assessment of structured cooperation in the proposed "EU customs teams" has been carried out in the above study.[47] The purpose of such teams would be to pool resources from Member States to work together in the interest of the Union and with the support of DG TAXUD. This could be on an as-needed basis or permanently.

Different types of EU customs teams can work within the coordination structures and mechanisms of the Customs Union.

(ii) Enhanced competency building at EU level

Customs officers need to build and continuously update knowledge and skills required for quality execution of their various tasks. Recent EU studies[48] [49] confirm that most national customs authorities and businesses have clear need for training initiatives at EU level. In the context of protecting the EU against safety and security risks, the lack of training for those involved in border security has been noted.[50]

Common rules require harmonised application, and the quality of EU customs and its ability to serve the EU's needs is only as strong as its weakest link. The Customs 2020 Programme is essential to drive harmonisation and strengthen human capacity through enhanced training support.

Under this option, the common training provided through the Customs 2020 Programme will be broadened. Key initiatives would be the establishment of a European customs competence framework and performance standards, including improvement of the current EU eLearning development programme into multi-faceted training support, with integration of different aspects of customs work and those involved.

(iii) Further development of trans-European systems for the MCC and other EU initiatives

The Modernised Customs Code and the Electronic Customs Decision are the most important drivers of a pan-European electronic customs environment. Responsibility for electronic customs systems is shared between the Commission and the Member States, each with specific tasks and responsibilities, as defined in the Electronic Customs Decision. The resulting technical environment for customs is very mixed, with the exchange of information between customs authorities of 27 Member States as an essential and recurrent element, assuring interoperability. The **need for interoperability** (grasped by operational objective 2) was identified in the 1990s, resulting in the creation of an interoperability infrastructure to allow implementation of all the IT systems by customs policy since then. The interoperability infrastructure allows the implementation of over 40 trans-European customs systems in the EU, with interoperability between 3 500 application connection points in national

[47] Deloitte, "Future business architecture for the Customs Union and cooperative model in the taxation area in Europe — Business case of selected options" p 11-32.

[48] Deloitte study & ongoing Feasibility Study on EU Academic Customs Programme.

[49] Land Frontier Contact Group — Annual Report for the Year 2009 regarding the Comparison Project on "Customs control resources and movement of means of transport by road at the EU external land border." p 31.

[50] Deloitte "Future business architecture for the Customs Union and cooperative model in the taxation area in Europe. Strengths and weaknesses of the current organisational model." p 87.

administrations allowing for the exchange of over 300 million Customs information messages annually, which grow at a an average rate of 40% in the last 5 years (figures of 2010).

However, inefficiency in development and of the deployment model, requiring Member States to duplicate IT development and maintenance, has resulted in extended average implementation time and high development and maintenance costs. Knowing that customs IT systems support the same high level business process in each Member State, and are built to similar specifications, a new approach affects different levels (organisational, methodological, technical).

Following the traditional IT approach and implementation methodology, the time needed to **develop the MCC and Electronic Customs** is likely to extend beyond 2022, as highlighted in a study.[51] Some Member States have suggested that they cannot easily make the MCC changes in their existing codebase. Moreover, the costs of developing and operating these new IT systems represent a significant proportion of the Member State IT budgets, which are increasingly under pressure.

To address these difficulties, and in view of operational objective 6, the **IT strategy proposed under this option** (and further built on under option 2) aims at reducing EU customs IT costs and improving the consistency of data and application of rules by gradually moving towards more shared IT development (knowledge, data, IT components, traders'' interface) without going to a full scale sharing of the IT environment. The table in Annex 8 describes the levels of sharing envisaged in each customs area for option 2. There will also be improved working methods (e.g. through business process modelling, better quality specifications and service-orientation) and standardisation (e.g. harmonising interfaces for traders). The new IT model would also provide an appropriate response to the fact that the underlying IT governance, architecture and technology has become increasingly outdated, as confirmed by a recent study by Gartner and Deloitte.

This IT strategy does not alter the competences of the Commission and Member States; it shifts the responsibility for the design, development and operation of the TEIT systems from the Member States to the Commission.

A recent study set out a detailed scorecard of this option in terms of efficiency, effectiveness, uniformity and risk, as well as the impacts on costs and timing, and compares the traditional model with the envisaged shared development model.[52]

7.2.2.2. Assessing the impacts of option 2

(i) Economic impacts

This option will address the problems identified under section 1, with the exception of problem 6, and will positively affect and mitigate the impacts described under the baseline scenario.

This option will have an economic impact since it supports the Member State customs authorities in **protecting the financial and economic interests of the EU and Member States** (specific objective 3) through greater cooperation (IT or staff). Effective collection of

[51] MCC and eCustoms Master IT Plan Iteration 1 Global Estimation Study Document.
[52] MCC and eCustoms Master IT Plan Iteration 1 Global Estimation Study Document, p 55.

customs duties will directly influence the EU Budget (traditional own resources) and national budgets. Indirectly, this will influence income distribution and public benefits.

The economies of scale from the upgraded shared development approach for the **TEIT systems** required by EU legislation will reduce the costs for Member State governments. A recent study states that the total estimated savings (national and EU budget) are of the order of 25%[53] based on the assumption that an average of 10 Member States would make use of the shared developments. Situations such as occurred in Ireland could be avoided: here a 3 million euro investment was made to implement an EU system to control the security of a very limited number of consignments per year.[54]

The impacts of shared IT development are also sought in the **harmonisation of the interface to traders**, with one interface for the Customs Union for new systems rather than 27. There will be further reduction in administrative burdens on businesses, having a spill-over effect on costs for economic operators and even for consumers. Legitimate trade will be supported by speeding up automated customs procedures and control measures, which will protect their position in the global market and avoid unfair competition.

Overall, it is predominantly large firms that are engaged in international trade and therefore they are the primary bearers of administrative burdens related to customs policy. Nevertheless, as such burdens often take the form of fixed costs, it is safe to assume to affect small and medium-sized enterprises engaged in international trade proportionately heavier than larger firms. Consequently, administrative burden reduction can indeed be expected to be highly beneficial to SMEs affected. This can be illustrated by data on the number and share of small and medium-sized enterprises as a proxy: A study commissioned by the European Commission in 2009 revealed that about 29% of small and medium-sized enterprises report own imports between 2006 and 2008, and about 26% reported direct exports in those years[55]. This means, that about 6 million small and medium sized enterprises benefit from reduced administrative burden concerning their imports, and more than 5.3 million with respect to their exports.[56]

Strengthened cooperation to ensure uniform and high-quality performance of risk management in all Member States will contribute to better protection of financial interests.[57] Also, in line with operational objective 4, further cooperation between the EU and third countries on mutual recognition of, for instance, AEOs will potentially impact the economy significantly, particularly if established with countries shipping large volumes of goods.

A study by the World Bank suggests that a reduction in customs clearance times by one day can bring the equivalent of around 0.5% to 0.8% of cargo value in increased income; halving the standard deviation of customs clearance times is the equivalent of a 0.2% increase. This reduction in costs increases the external competitiveness of EU business.

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53 MCC and eCustoms Master IT Plan Iteration 1 Global Estimation Study Document, p 55.

54 Customs 2013 Programme Bucharest seminar on 16-17 June 2011, Presentation of Irish Customs.

55 Study on the level of internationalisation of European SMEs by DG Enterprise and Industry, 2009.

56 The total number of small and medium sized enterprises in 2008 in EU27 is estimated at 20.7 million. Source: SME Performance Review by DG Enterprise and Industry, Annual Report 2009

57 Thematic Report of the Directorate-general for Budget on customs control strategy in Member States in view of the Control of traditional own resources. Results of inspections carried out in Member States in 2009 and 2010.

(ii) Social and environmental impacts

Reinforced cooperation between customs, and between them and other authorities, under this option will support the effective, efficient and uniform implementation of new regulations such as Regulation 765/2008 on the accreditation and market surveillance that include provisions on product safety and compliance control of products entering the EU market, the new Directive on falsified medicines, and the forthcoming Regulation on IPR. More streamlined cooperation will avoid gaps in supply chain protection by ensuring adequate control measures, improving coordination between authorities at the border, and allowing systematic exchange of risk information and equal CRMS application along the length of the border. Developing joint priority control areas could support management of the EU border for security and safety purposes and will assist the **protection of consumers/citizens and the environment from risks posed by international trade**.

Customs authorities are responsible for customs action and EU cooperation in environmental crime, for example in illegal movements of waste. Providing protection through chemicals legislation (REACH) or animal and plant health legislation will increasingly contribute to the environmental protection both within and outside the EU.

Although difficult to demonstrate, there is likely to be indirect secondary impact on the environment, given the replacement of paper-based information exchange by electronic systems; however, IT systems require energy to function.

(iii) Impacts on fundamental rights

This option has an impact on the **fundamental right of data protection,**[58] notably the exchange of information between Member States or Member States and third countries. The Commission provides the gateway to exchange the data between the Member States or Member States and third countries but has no access to the data itself. The infrastructure set up by the Commission via the Customs 2020 programme to support information exchange provides sufficient security to protect data from unauthorised access, compliant with data protection requirements.[59] The specific secondary EU customs legislation organising the exchange of information contains the necessary provisions for data protection. Where this legislation does not yet exist, the future legal proposal should be compliant with data protection provisions.

There is also potential interference with the fundamental right to the protection of private life[60] in relation to IP rights and the contribution to fighting crime and terrorist activity. Adequate conditions (safeguards, organisation, limitations) will be laid down to ensure compatibility with fundamental rights.

7.2.3. Acceptability of option 2

In the seminar on the future MCC & eCustoms IT Implementation Strategy,[61] Member States have generally **expressed their support** for a gradual increase in sharing but with the level of

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[58] Art. 8 of the Charter of Fundamental Rights of the EU and Article 16 of the TFEU.

[59] EU Charter and the secondary EU data protection legislation, namely Directive 95/46/EC and Regulation 45/2001.

[60] Art. 7 of the Charter of Fundamental Rights of the EU.

[61] Support for and conclusions of Customs Seminar June 2011 (ref. D(2011)736913) — MCC & eCustoms IT Implementation Strategy and Supporting Organisation.

sharing/centralisation (from message exchange to shared processes and applications) and of collaboration (specifications, development, operations) judged on a case-by-case basis. This approach calls for improved IT governance, judging the level of centralisation of systems in each case and assuring appropriate expertise from Member State staff for central developments. The most important risk identified during the seminar was underestimating the impact of the changes.

Under this option, the TEIT systems supporting the implementation of the MCC and other EU legislations will be further developed but potentially not with the maximum time and budgetary gains as envisaged with option 3.

7.2.4. Overall rating of option 2

This option is likely to bring many positive impacts and lead to increased flexibility and agility, allowing the Customs Union to respond to new needs, further alignment and better performance across the EU in a way not achievable under the baseline scenario. Therefore, it has been retained.

7.3. Option 3: Option 2 plus financial support for technical capacity building

7.3.1. Summary assessment

Building on option 2, Member States at the EU external border could request assistance from the Commission to cover costs related to purchasing **equipment to support adequate control in the EU**, in accordance with a new operational objective 9.

Table 4: Scope of Option 3 and related programme instruments – beyond option 2

Customs 2020 Operational objectives	Scope	Programme Instruments
Objective 9: to ensure the appropriate allocation of infrastructure for surveillance and control responsibilities	New	Joint funding for customs control equipment to strengthen technical capacity building

Source: DG TAXUD

The provision of financial support to Member States needing to invest heavily in equipment while facing serious budgetary constraints, **addresses a clear need**. Adding a demand to speed up and streamline controls in a context of quickly evolving technologies, the option becomes critical in guaranteeing an adequate level of control at all European borders.

7.3.2. Detailed assessment

7.3.2.1. Assessing the achievements of option 3

Strengthen technical capacity building for customs control purposes

Today, customs is confronted with a double challenge. It has to guarantee the security of citizens through more effective controls while also facilitating trade by speeding up customs procedures. Meeting these two objectives at the same time is demanding and requires innovative and cost-effective approaches to create solutions for both, especially at a time when the use of modern technology is increasingly needed to adopt modern risk management working methods.

The Customs 2020 Programme will integrate financial provision for joint funding of technical capacity building to ensure all Member States have the control equipment needed to perform their tasks in the interest of the whole EU. This will specifically help to address the problems[62] of Member States customs authorities facing heavier and unsustainable burdens in keeping pace with EU requirements and international necessities on securing trade.

Financial support will be provided for purchasing any type of equipment (not only "classic" control equipment but also highly specialised equipment such as radiation detectors, or various laboratory equipment) to support control activities at land, sea or air borders. Such financial support would increase the capacity of the Member States at the EU external border to acquire any type of equipment to support control activities, carried out in the interest of the whole EU. Global cost estimations are based on detailed analysis [63] of needs, across the 85 external land border customs control points and the 25 largest ports and 48 airports in terms of the volume of cargo handled.

7.3.2.2. Assessing the impacts of option 3

This option will reinforce the impacts described under section 7.2.2.1 and 7.2.2.2. Hard evidence on the effectiveness of, for instance, scanners in improving security and reducing smuggling directly (rather than a deterrent effect) as opposed to being ineffective on hit rates, is hard to come by. Nevertheless, it is safe to assume that appropriate technologies can be powerful tools for law enforcement, facilitating and speeding up customs controls, as recognised in several studies such as a recent World Bank publication.[64]

(i) Assessing the economic impact

This option will lead to improved effectiveness, efficiency and harmonisation of control activities and possibly **further enhance protection of the financial and economic interests** of the EU and Member States. This is in particularly important given the budgetary constraints Member States are currently facing.

It will also **reduce competition distortion for businesses** since it will allow faster, more streamlined and uniform control of merchandise across the EU.

(ii) Assessing the social and environmental impact

The enhanced technical capacities of Member States will lead to improved non-fiscal controls and **better protection of EU citizens in terms of product safety and health.**

(iii) Assessing other impacts

No further impacts **on fundamental rights** than the ones described under the previous section arise since the equipment aims to control the movement of goods (not persons).

[62] See section 3 of this Impact Assessment — Problem 6.
[63] Deloitte, "Future business architecture for the Customs Union and cooperative model in the taxation area in Europe — Business case of selected options" p 50-56.
[64] Border Management Modernisation, World Bank, 2011, p 73.

Distributional impact for control equipment is relevant for this option since needs are unequally distributed across the EU. Member States with extensive or challenging areas of external EU-border or very high trade volumes need higher investment than others. Discrepancy may occur between equal investments in Member States that only have minimal or fewer customs declarations and those that have many.

7.3.2.3. Acceptability of option 3

Although there is a clear need to provide financial support to Member States for the investment in customs control equipment, simplification gains and streamlined EU support could be achieved if such investment were integrated in other EU funds. Unless new mechanisms for effective coordination and monitoring for option 3 are foreseen, the risk would remain that funding could be misallocated between Member States.

7.3.2.4. Overall rating of option 3

Despite the potential benefits in terms of effectiveness and efficiency, it has been decided to **discard this option** in view of simplification gains which could be achieved by integrating a placeholder for the additional requirements under the funds of DG REGIO (see above and in section 8).

7.4. Option 4: Option 2 plus a maximised shared IT environment

7.4.1. Summary assessment

In addition to the components of option 2, option 4 allows customs to extend the capability of sharing common developments in all areas of its business, e.g. including full implementation of core clearance processes for import, transit and export and its interface to traders.

7.4.2. Detailed assessments

7.4.2.1. Assessing the achievements of option 4

Full scale shared IT development of trans-European systems to implement the MCC and other EU initiatives

Table 7 in Annex 8 describes **levels of sharing** envisaged in each customs area for option 4. This option would **address the problems of** implementing interconnected IT systems to speed up customs procedures more adequately than policy option 2. The expected business outcome positively impacts efficiency in terms of development and maintenance of IT systems and fully grasps the benefits of a responsive, modular, scalable and adaptive architecture and underlying software and infrastructure.

A detailed scorecard of the scenario towards full sharing of IT developments can be found in the MCC and eCustoms Master IT Plan Iteration 1 Global Estimation Study document, containing the assessment in terms of efficiency, effectiveness, uniformity and risk as well as the impacts on costs and timing.

7.4.2.2. Assessing the impacts of option 4

In addition to the impacts identified under section 7.2.2., this option will lead to the following **economic impact.**

Reduction of national costs and economies of scale will be realised as IT resources will be fully integrated. This option will lead to **enormous economies of scale** (extrapolation of impacts described under option 1). Specifically, €1 invested centrally can generate a saving of €4 for Member States.[65] For Member States making use of the common services, the effort reduction (in terms of man days and budget) will be between 60 % and 80 % for the import/export/transit system updates and around 30 % for the supporting system. In contrast, the Member States who choose not to use the common services will have no effort reduction on import/export/transit systems in comparison to the current IT approach but benefit from 30 % effort reduction on the supporting system.[66]

The introduction of innovative technologies is likely to address business needs more effectively and ensure better quality information is passed on to businesses, **reducing costs for businesses dealing** with customs legislation. More Member States will be working with the same (components of) IT applications, which is expected to lead to **more uniform customs processes** bringing direct benefits to economic operators doing business with customs authorities in several Member States.

Under this option, the new IT environment will provide **more services, in particular for core import/export functions, to willing customs authorities and business**.

7.4.2.3. Acceptability of option 4

Member States have highlighted at the Bucharest seminar on 16-17 June 2011that for core customs systems (such as those related to import, full clearance for import or export, etc) the necessary architecture and methodology changes increase the risk of project failure and might not be able to meet specific national requirements. For this reason, **Member States clearly indicated that they do not support this option** of large scale development of shared IT development and services.

7.4.2.4. Overall rating of option 4

Despite the potential effectiveness and efficiency benefits, this option will not be retained given the likely unacceptability in combination with the incoherence with the existing customs architecture in Member States.

7.5. Option 5: Discontinuation of the programme

7.5.1. Summary assessment

This policy option involves discontinuing the Customs Programme and the funding to the trans-European IT systems and joint activities, including training. This would mean that EU **Customs would be seriously hampered** in its ability to contribute to the needs of public authorities, businesses and citizens in the Single Market. Ceasing EU funding through the Customs Programme would have a direct impact on the efficiency, effectiveness and uniformity of the Customs Union. This means that in practice the goals laid down in specific

[65] This is emphatically in line with specific objective 3, the support of EU financial and economic interests. The savings ratio is applicable in average to all shared IT, whether option 2 or option 4; but in option 4, the scope is larger and so is the global saving.

[66] MCC and eCustoms Master IT Plan Iteration 1 Global Estimation Study Document, p 53.

objectives 1, 2 and 3 (trade facilitation, strengthening of competitiveness of businesses and protection of citizens, and the support of EU economic interests) would not be reached.

7.5.2. Detailed assessment

7.5.2.1. Assessing the non-achievements

The **effects of discontinuing EU funding** are summarised below, directly **impacting the public authorities**:

(i) Trans-European IT systems for customs

Trans-European IT systems for customs based on a common secure network also constitute an essential component of the functioning of the Customs Union today. As Member States have invested significant resources in national components of these systems, some might fund the maintenance of these systems, at least in the short term. The future implementation of the centrally operated and trans-European IT systems in the medium to long term is, however, questionable and improvements in these systems are unlikely. Regardless of the timeframe, ceasing EU funding for these IT systems would bring about significant costs to be carried by the national customs authorities, which not all Member States might be able to bear. An alternative governance mechanism would need to be set up to replace the management of these systems, most of which contain highly confidential data.

(ii) Joint actions

Ending the Customs Programme would mean that no more EU funding would be made available for customs officials to participate in working visits, benchmarking, seminars/workshops, project groups, etc. As a result, systematic and structured exchange of good practice between customs authorities in the EU would cease, at most replaced by ad hoc bilateral or regional actions. Customs authorities might become more "self-centred" (or, at best, region-centred), developing their own practices rather than promoting sharing and learning from each other. Peer pressure to improve customs practices would be significantly reduced and the current differences in efficiency and effectiveness of customs activities between the Member States could be expected to increase.

7.5.2.2. Assessing the impacts of option 5

(i) Assessing the economic impact

Duplication of efforts (in TEIT systems, joint actions and training) and inefficient use of resources (financial and human) will **negatively impact** customs authorities and their ability to **implement EU customs legislation**.

If administrative burden reduction programmes and IT systems for e-government improvements continue to be financed nationally and multilaterally by the Member States, the reduction in **administrative burdens** would continue, though presumably **not to the same degree**. There may also be spill-over costs for businesses and consumers.

Discontinuing the Customs Programme **reduces the ability to prevent and detect fraud**, with potential further deterioration over time. EU and Member States will likely suffer a loss of revenue due to reduced efficiency in collecting EU duties and charges.

It is likely that there will be even greater divergence in agreed interpretations of customs law in the absence of customs coordination. Shortcomings in sharing best practices, common training or guidelines and exchange of digitised information will seriously impact the implementation and application of EU law, leading to **divergent treatment of traders** and insufficient action against illegitimate trade. Overall, the EU would be far less well equipped to meet a range of challenges, e.g. from increased globalisation. Ultimately, significant distortions in the Single Market will likely occur as a result of divergence and different levels of modernisation of the customs environment. EU Customs will operate less effectively and efficiently, leading to negative impacts on competitiveness, growth and jobs.

(ii) Assessing the social and environmental impact

Consumers and citizens within the EU will be **less protected against safety and security risks** compared to the current situation controls will become variable as the EU will be without effective means to identify and address problems. In turn, the opportunities for "shopping" will increase and the ability to fight criminal activities will be impaired.

7.5.2.3. Acceptability of option 5

It has been highlighted in several reports and at numerous interventions by Member States, that the **option of stopping the Customs Programme is unacceptable**.

7.5.2.4. Overall rating of option 5

In view of the serious negative impacts and unacceptability by its stakeholders, the option will not be pursued.

7.6. Preferred option

The impacts of the different options, selected in terms of effectiveness, efficiency and acceptability are summarized in Table 5 below. The impact assessment leads to the following recommendation:

The preferred option is policy option 2:
Increased support to EU legal obligations such as the Modernised Customs Code

8. HORIZONTAL ASPECTS

Sections 6 and 7 developed adequate options to address the identified problems and to ensure that the set objectives can be achieved in the most efficient and effective way. The document provides a clear link between individual problems, objectives and ways how to address these problems.

Further to this proof of the necessity of the programme and the discussion on its adequate "vertical" scope, we complement the discussion with an assessment of "horizontal" aspects of the programme. These horizontal aspects cover a different dimension of the programme and refer to implementation aspects, governance issues, simplification, etc. While there are obvious links to the options as they were developed in section 6, they can be considered as applicable to each of the policy options. All of these horizontal aspects are policy options that are fully consistent with the Budget for Europe 2020[67] and focus on how the programme will

[67] COM(2011) 500/I final and COM(2011) 500/II final

be implemented in accordance with the objectives as set out in the Multiannual Financial Framework.

The aspects discussed in this section are based mainly on the findings of the related midterm evaluation[68] and/or reflect the ongoing discussion and results of external studies.

These options also cover a reflection on the options to spend less on certain aims, reprioritisation and concentration that were also considered as part of the options.

[68] Midterm Evaluation of the Customs 2013 Programme, Final report, p 79.

Table 5: Summary comparison of options

Criteria	Effectiveness in achieving objectives and impacts									Efficiency		Coherence		Other	Overall assessment
	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	Objective 6	Objective 7	Objective 8	Objective 9	Output orientation	Efficiency gains/solidarity	Coherence with other EU initiatives	Within budget for Europe 2020	Buy-in by Member States	**Rating of options**
Option 1 Baseline scenario	0	0	0	0	0	0	0	0	0	0	0	0	Yes	MEDIUM	**0**
Option 2 Increased support to EU legal obligations such as the MCC	+	++ (innovative= new IT systems + shared development)	+	++	+++ (innovative = EU expert teams	+	+	+++ (innovative = reinforced training)	0	+++	++	++	Yes	HIGH	**+++ = PREFERRED OPTION**
Option 3 Option 2 plus Technical capacity building	+	++ (as in option 2)	+	++	+++ (as in option 2)	+	+	+++ (as in option 2)	+++ (new)	+++	+++	- (overlap with other EU funds)	Yes	HIGH	**++**
Option 4 Option 2 plus a maximised shared IT environment	+	+++ (as in option 2 + full scale sharing)	+	++	+++ (as in option 2)	+	+	+++ (as in option 2)	0	+++	+++	++	No	LOW	**++**
Option 5 No programme	---	---	---	---	---	---	---	---	0	NA	LOW	0	NA	LOW	**---**

Annotation: Magnitude of impact indicated compared to the baseline scenario:
+++ strongly positive, ++ quite positive, + positive, 0 like baseline scenario, - negative, -- quite negative, --- strongly negative, NA not applicable
Source: DG TAXUD

8.1. Implementation Scenarios

8.1.1. Implementation of the Customs Programme – Management Mode

The **centralised management mode** will continue to be applied for the new Customs 2020 Programme as it has been positively evaluated by external contractors. The programme has been used as an example for other EU programmes, given its efficient management model:

Results from midterm evaluations for programmes of DG HOME

The midterm evaluation conducted for the DG HOME programmes[69] considers that the Customs and Fiscalis programme management model "offers the most promising prospects" for improving the management of ISEC programme (on Prevention of and Fight against Organised Crime) and CIPS programme (on Prevention, Preparedness and Consequence Management of Terrorism and other Security-related risks) as it allows prompt and flexible response to operational needs".[70]

The Customs 2013 Programme midterm evaluation findings provide sound evidence that the programme is well managed: customs authorities are satisfied with the application process, the planning, organisation and execution of activities, and the disbursement of funds (as provided in a timely and efficient manner). Further improvements will include **more efficient monitoring of the programme outputs** (see section 11) on grant agreements for joint actions (20-25% of the budget). For the other programme instruments (trans-European IT systems and training modules), general procurement rules ensure a direct link between deliverables and payments (75-80% of the budget). Specific measures have been taken to address the negative issues mentioned in the midterm evaluation[71].

For reasons of simplification, **the management** of the **Customs and Fiscalis Programme** will be fully aligned using identical procurement rules and grant models, common management guides and IT based management systems. The evaluation shows appreciation of the guides and IT tools supporting programme management.

8.1.2. Programme management by executive agency

The reflection related to the possible creation of an Executive Agency took place in the framework of the reflection on **simplification**. The Executive Agency would have related to options 2, 3 and 4 in the sense that the programme would have been implemented by an external agency. This option has been discarded because it would not bring the expected business advantages. A study commissioned by DG TAXUD on the "Future business architecture for the customs union and cooperative model for taxation" conducted a specific analysis of the business case for an EU executive agency for programme management (see report on task 2.2 p 33-37) as part of a in-depth analysis on how resources could be better used at EU and national level. The Budget review requires analyzing the potential of simplification. To this extent, the possibility to implement the future Customs 2020

69 COM(2005) 124 of 6 April 2005 has a budget of 745 million euro in the 2007-2013 financial framework.

70 Evaluation of "Prevention and Fight against Crime" and "Prevention, preparedness and consequence management of terrorism and other security related risks" COM(1991) 341, OJ L 187 (199).

71 Evaluation Partnership, Customs 2013 midterm evaluation, page 110.

Programme through an external agency was examined. A summary of the analysis can be found in **Error! Reference source not found.**3.

Such an agency could be entrusted with certain tasks related to the management of the Customs Programme, such as the selection of activities, administrative preparation and follow-up of the activities, monitoring, and procurement of IT systems (development, maintenance and hosting of the systems). The responsibilities for managing the Customs Programme would be transferred from the Commission to the agency. Member States responsibilities as they stand today would remain unchanged.

The benefits of setting up an executive agency are increased visibility of the Customs Union and potential improvement in the efficiency of the programme management processes. However, since these advantages do not outweigh the negative impacts of establishing an executive agency (see conclusions of a recent study[72]) and would not bring the expected business advantage, it was decided to discard this option. Last but not least, there is little support among stakeholders for setting up such an executive agency.

It is assessed that the potential benefits related to the set-up of an executive agency do not outweigh the costs. As such, the establishment of an executive agency has not been considered as a full option for the implementation of the 2020 programme. Grading the executive agency against the other options, it should be noted that –as a different management mode to the current one- the executive agency option could potentially support the realisation of all options selected (and not one in particular). To this end, realising the different options by means of an executive agency would be appreciated as a "status quo to a grading less positive" in terms of effectiveness and in efficiency. In terms of acceptability it would receive a LOW appreciation.

8.1.3. Alternative allocations between the programme instruments

Alternative allocations of the budget between the programme instruments: exchange of information, joint actions and training activities has been considered.

One of the alternative scenarios concerned a **substantial increase** of the share of the budget spent on Joint Actions. This option, for instance raising the Joint Actions share to 50% of the programme budget, was discarded though because the Member States administrations would not have been in a position to absorb the additional potential for capacity building. **Decreasing** the share of Joint Actions has also been considered, but was discarded because it would jeopardise the positive impact realised to strengthen cooperation and information sharing. In this context fits also the fact that the policy options 2, 3 and 4 will no longer focus on the specific objective to "prepare countries for their accession" which is a specific objective under the current Customs 2013 and therefore also under Customs 2020 – baseline scenario option 1. This implies that these countries will continue to participate in most of the Programme activities set up for Member States and Candidate Countries but there will be no longer specific activities for these countries as other more appropriate EU instruments (such as TAIEX) already provide this.

Spending less on IT activities has been considered by investigating if IT implementation could be transferred to the national administrations in Member States with the exception of

[72] Deloitte, "Future business architecture for the Customs Union and cooperative model in the taxation area in Europe — Business case of selected options" p 33-37.

the CCN/CSI network and related services. Considering the negative impact on results and performance at overall programme level, this scenario has been discarded. For a more detailed analysis, see the following chapters.

8.1.3.1. IT implementation by Commission

Within the given scope, we can foresee alternatives of how the option could be implemented in the programme. The first scenario would be in general a continuation of the approach currently used in the programme. Here, the TEIT systems – the major budget expenditure of the programme – are implemented by the Commission through a number of procurement contracts.

8.1.3.2. Alternative: IT implementation by Member States

An alternative scenario would implement the transfer all the relevant IT activities (and the corresponding budgets) to the national administrations with the exception of the CCN/CSI network and its related services. Under this scenario, the maintenance and the further evolution of the CCN/CSI network, the backbone of IT exchanges between national customs administrations, and services related to it would be under the full responsibility of the Commission. This would guarantee the required level of security and interoperability. The governance in place today to manage the required IT activities would continue to operate.

The design, development and operation of the required business TEIT applications and systems would however be under the full responsibility of the national administrations. These activities would be funded by the programme and be subject to a new governance structure which would arbitrate and prioritise the various business requests.

8.1.3.3. Comparative assessment of alternatives for IT implementation

(i) Effectiveness

The national administrations are well placed to reply to business requirements concerning external stakeholders of the relevant business processes. In that sense they can provide under the second scenario (IT implementation by Member States) an acceptable service on an individual level. However, where it comes to equivalence when all national administrations are to provide the same level of service there is no guarantee that this will happen under the second scenario unless a new central governance structure will be put in place which does not exist today. Furthermore, as the Commission will in this case not develop nor operate business IT components to be used by national administrations, this will create divergent development and deployment plans for what are now considered common IT assets. Consequently, some advantages notwithstanding, the second scenario as alternative to the current situation would lead to divergent IT developments, and thus deserves a very low score in achieving operational objectives 1, 2 and 6.

(ii) Efficiency

IT activities are currently (and under scenario 1) executed using IT contracts managed by the Commission. Under the second scenario, these activities would have to be managed by each individual national administration. This would require the set-up of specific IT contracts in each and every national administration with the relevant IT providers. Furthermore, it would require the assignment of more human resources in each and every national administration. The overall implementation duration would increase as all business IT activities would have to be planned according to the slowest party in the overall EU implementation chain. The overall IT cost would increase, the consistency of data and application of rules on the other side would decrease and the potential of IT scale at EU level could not be exploited. Under the second scenario, it would be impossible to achieve an improved level of standardisation compared to the current situation or to profit from the potential benefits for synergies. Possible wrong IT implementations at EU level would damage severely the public administration image and could even create financial damages.

(iii) Simplification

At first glance, the second IT implementation option seems to be a simplification compared to the current situation (scenario 1), as the Commission would only be responsible for the CCN/CSI network and would only have to provide funding to the national administrations for the design, development and operation of the business IT activities. But, the risk is very high that gradually there would be needs and initiatives to set-up more central governance structures in order to resolve all above-mentioned weaknesses.

8.1.3.4. Conclusion

Considering the negative impact on results and performance at overall programme level, the second scenario of introducing an alternative IT implementation is to be discarded.

8.2. Support Technical Capacity Building

Under option 3 (see section 7.3), it has been explained why there is a clear need to provide financial support to Member States for investment in customs control equipment. However, the option was discarded in view of potential simplification gains and streamlined EU support if integrated in more centrally managed EU funds. Therefore, instead of establishing a new mechanism under DG TAXUD's Customs Programme or establishing a new EU Fund, a placeholder needs to be incorporated under the existing EU instruments of DG REGIO. Contacts have been established to ensure the **appropriate funding under DG REGIO's** Common Strategic Framework[73] as prepared under the new Multi-Annual Financial Framework.

8.3. Use of innovative financial instruments

Considering that the direct beneficiaries of the programme are the public authorities, and given the specific nature of programme activities, the potential use of innovative financial instruments such as **public-private partnerships** has been reflected on but not considered as appropriate for the Customs 2020 Programme. The nature of most of the information handled by the TEIT systems requires a very high level of confidentiality and privacy. This can only be assured when the information is dealt with exclusively by public authorities.

8.4. Funding of customs cooperation activities

The backbone for trans-European IT systems is the **CCN/CSI network**, managed by DG TAXUD and financed by the Customs Programme. This network is also being used by OLAF for the exchange (and storage) of information on irregularities and fraud through the anti-

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[73] Note D(2011) 768787 of 12/07/2011 to DG REGIO on Capacity building at the external borders of the Union.

fraud information systems (AFIS) between Member States and OLAF investigators. Both DGs benefit from economies of scale.

DG TAXUD is currently also exploring with OLAF possible communalities in former **1st pillar and 3rd pillar customs cooperation activities**. A key example of possible alignment need is the case of joint customs operations (JCOs).

9. EVALUATION AND MONITORING

Monitoring of programme activities will be carried out to ensure that the rules and procedures have been applied properly (audit function) and to verify whether the programme is successful in achieving its objectives. A monitoring framework will be put in place: an intervention logic, a comprehensive set of indicators, measurement methods, a data collection plan, a clear and structured reporting and monitoring process, and midterm and final evaluations.

The proposed **intervention logic** outlines drivers, problems and objectives at three levels (general, specific, operational). **Indicators** to measure the effects and the impact of the programme — quantitative, where possible — have been developed for each type of objective (see Annex 10). Indicators take into account that a combination of tools is often used to pursue one objective: this implies that the effects and impacts generated cannot be traced back to one specific tool. Impacts may also be clustered according to the three main groups of tools, i.e. joint actions, training and IT tools. For impacts and results, measuring the evolution of stakeholder views will be important. The development of indicators is a continuous process: DG TAXUD will fine-tune the indicators throughout the programme, collaborating with policy experts using the programme, in the Member States and in the Commission.

The programme will be **monitored** from the outset. Output indicators will be monitored on a yearly or permanent basis while result and impact indicators will be measured at three different time intervals: first before the start of the programme, then in the middle and finally at the end of the programme. These monitoring exercises will be integrated into the evaluation from the present (first) or the future (second and third) programmes for efficiency reasons. The first monitoring exercise will be the baseline against which the future results will be compared. Targets for the programme objectives will be established after the baseline monitoring has been completed.

Data collection for the result indicators will use, where possible, electronic tools, such as the system which contains all data related to joint actions: the activity reporting system (ART2) or the collaboration platform the programme information and collaboration space (PICS). For the IT systems and eLearning modules, the data will be collected through mechanisms in the electronic databases or network. At the level of the impact and results indicators, for instance, standardised action follow up forms will be used to collect feedback for each activity. Any measurement of perception will be integrated into evaluation exercises and will be repeated to develop the evolution of perception over time. The questions will be repeated to aid comparison. Evaluation and monitoring will be steered by the Commission. However, Member States, as main beneficiaries of the programme, will be an important part of data collection either by providing information at the level of the individual tools (mainly through ART) or on the wider impact of the programme (either by participating in perception measuring exercises or by issuing reports).These monitoring mechanisms will be integrated into procurement contracts and grant agreements. The information and data will be collected from beneficiaries using statistics from the existing IT systems, through questionnaires issued to direct and indirect stakeholders. These questionnaires (or the link to them) are spread with the support of the Member States.

The programme will be **evaluated** twice. The baseline is set by measures at the end of the current programme against which the later impacts will be compared. The targets for results and impact indicators will be set after this baseline has been established. For efficiency reasons this measurement will be integrated into the final evaluation of the present programme. The results of the midterm evaluation of the Customs 2020 programme will be available by mid-2018. This will allow the Commission to introduce adjustments if required and will be based on a sufficient set of activities and data. The final evaluation will be completed towards the end of 2021.

As mentioned earlier, the Commission will put more emphasis on measuring the impact of the programme on secondary stakeholders external to the programme (i.e. economic operators) and measure to what extent they benefit for instance from better cooperation between customs administrations

The above arrangements tackle the current shortcomings of the evaluation and monitoring system as identified in the midterm evaluation of the 2013 programme.[74]

[74] Midterm evaluation Customs 2013 Programme, Final Report, p 91-92.

Annexes

Annex 1 THE CUSTOMS 2013 PROGRAMME — OBJECTIVES AND INSTRUMENTS

1. Overall objectives (OO) as defined in the Customs 2013 Programme legal act

OO1: Ensuring that customs activities match the needs of the Internal Market, including supply chain security and trade facilitation, as well as support the strategy for growth and jobs;

OO2: The interaction and performance of the duties of Member States" customs authorities as efficiently as though they were one administration, ensuring controls with equivalent results at every point of the Community customs territory and the support of legitimate business activity;

OO3: The necessary protection of the financial interests of the Community;

OO4: Strengthening security and safety;

OO5: Preparing the countries for accession, including by means of the sharing of experience and knowledge with the customs authorities of those countries

2. Specific objectives (SO) as defined in the Customs 2013 Programme legal act

SO1: To reduce the administrative burden and the cost of compliance for economic operators by improving the standardisation and simplification of customs systems and controls, and to maintain open and transparent cooperation with commercial actors

SO2: To identify, develop and apply best working practices, in particular in the areas of pre- and post-clearance audit control, risk analysis, customs controls and simplified procedures

SO3: To maintain a system for measuring the performance of Member States" customs authorities to improve their efficiency and effectiveness

SO4: To support actions to prevent irregularities, in particular through the rapid provision of information on risks to front line customs posts

SO5: To ensure a uniform and unambiguous tariff classification in the Community, in particular by improving coordination and cooperation between laboratories

SO6: To support the creation of a pan-European electronic customs environment through the development of interoperable communication and information exchange systems coupled with the necessary legislative and administrative changes

SO7: To maintain existing communication and information systems and, where appropriate, to develop new systems

SO8: To undertake actions which will provide support to the customs authorities of countries preparing for accession

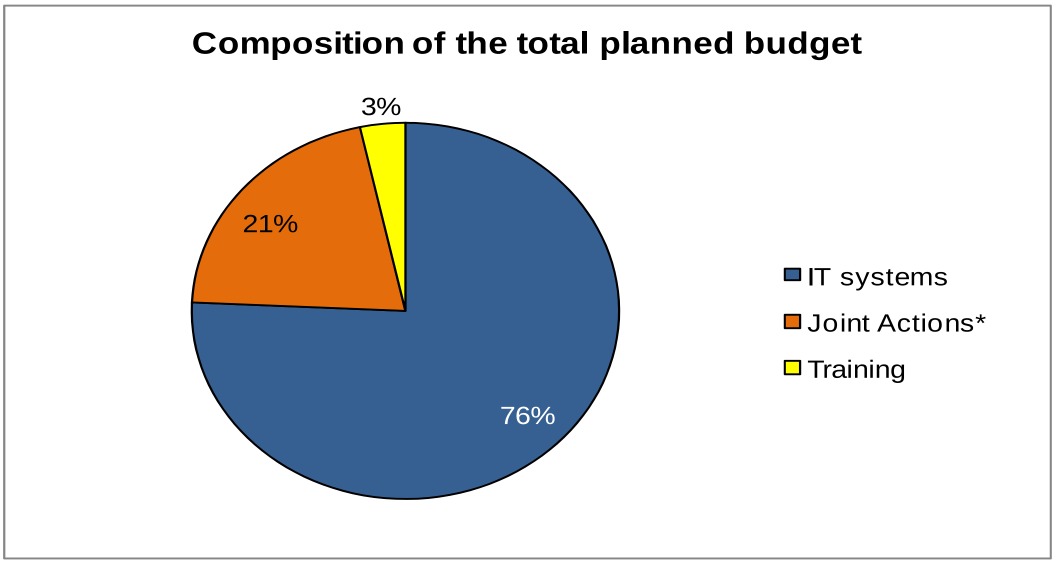
SO9: To contribute to the development of high quality customs authorities in third countries

SO10: To improve cooperation between customs authorities of the Member States and third countries, in particular those of the partner countries of the European Neighbourhood Policy

SO11: To develop and reinforce common training.

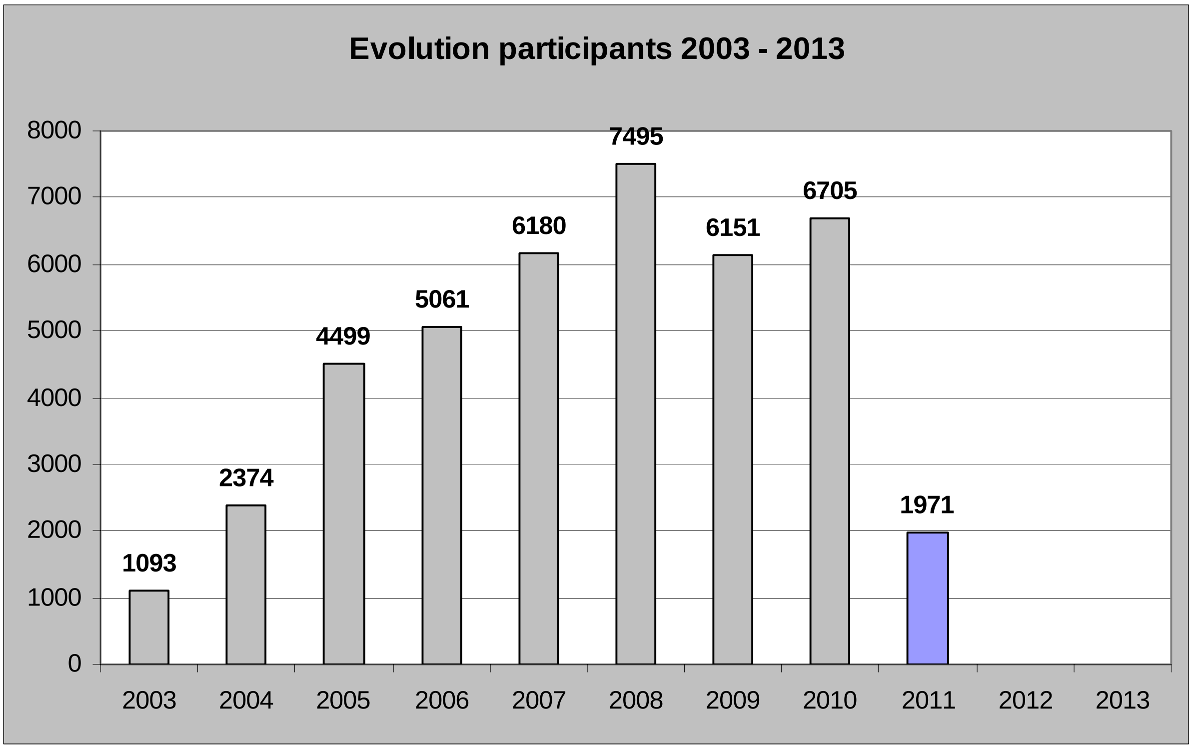
3. Overview of the use of the Customs 2013 Programme instruments

Figure 4: Customs 2013 Programme allocation of resources (2008-2010)



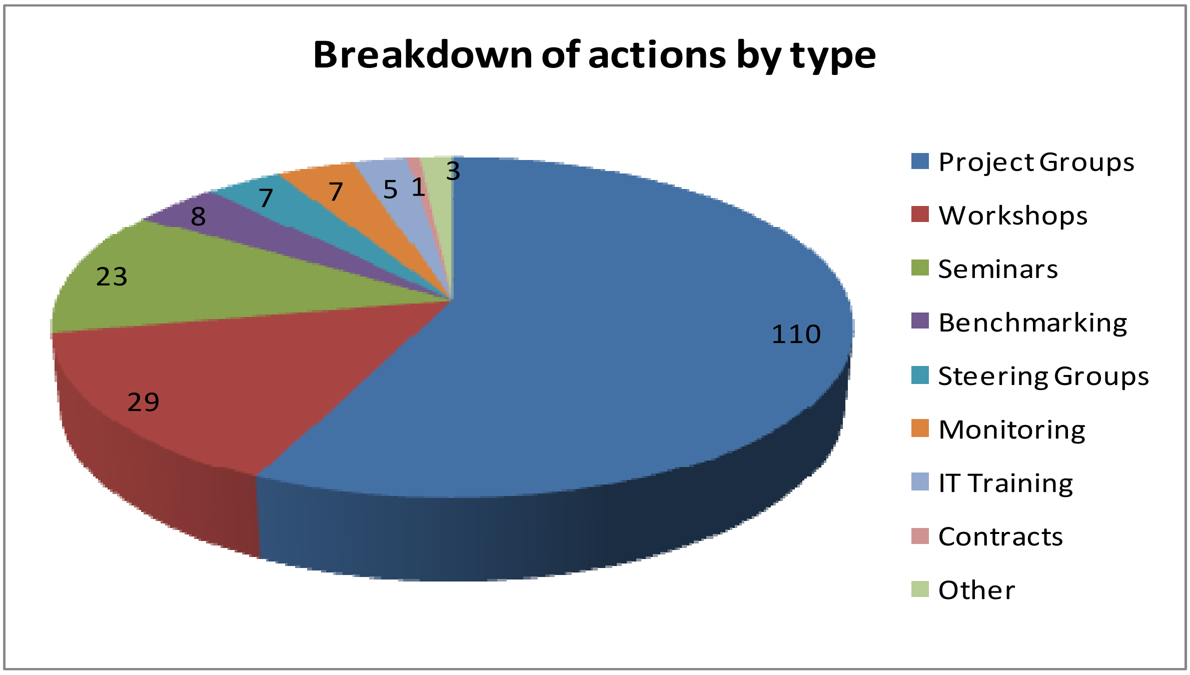
Source: *DG TAXUD — Midterm evaluation Final report, p81*

Figure 5: Evolution number of participants in Customs 2013 Programme joint actions



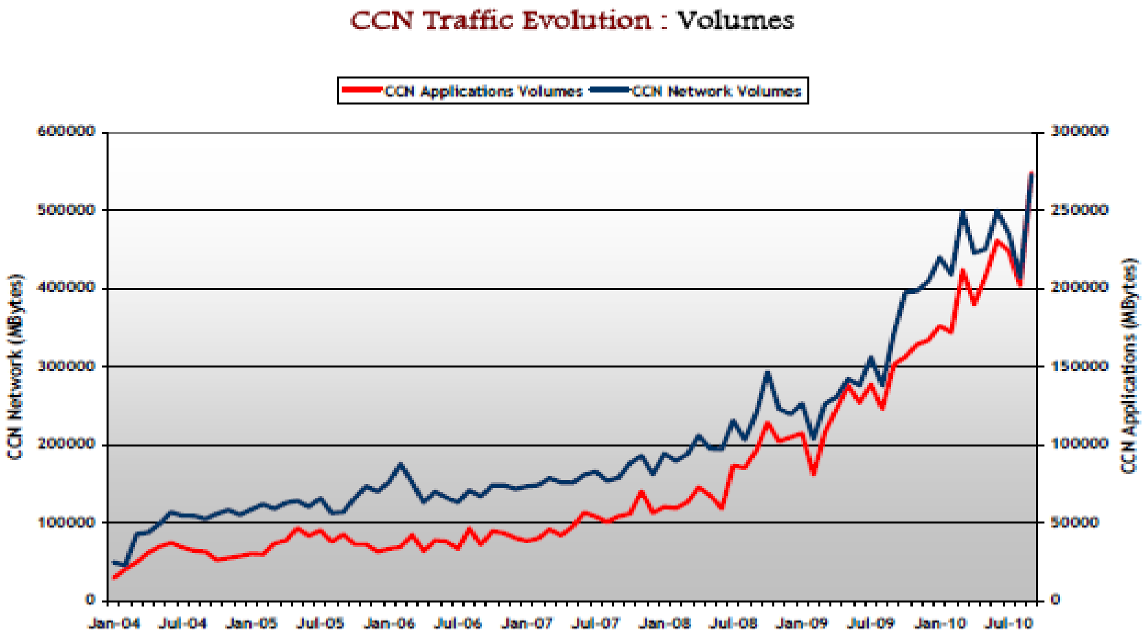
Annotation: 2011 covered only partially
Source: *DG TAXUD – ART2*

Figure 6: Breakdown of Customs 2013 Programme joint actions by type, 2008-10



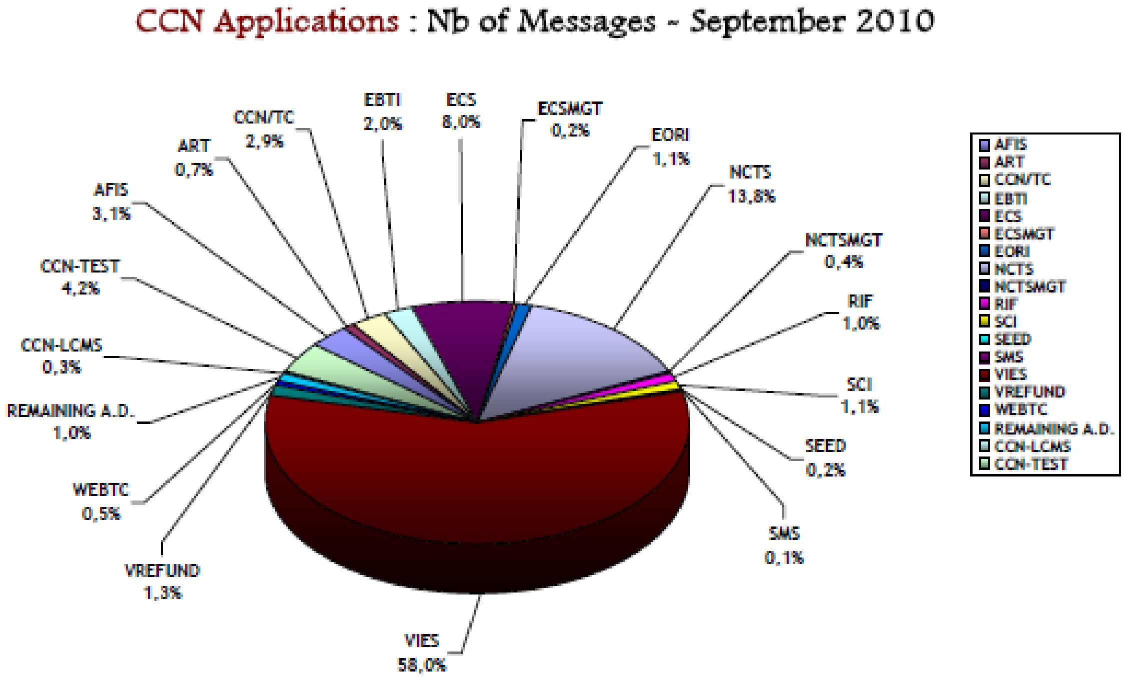
Source: *DG TAXUD – ART2*

Figure 7: CCN traffic evolution (Volumes: 2004-10)



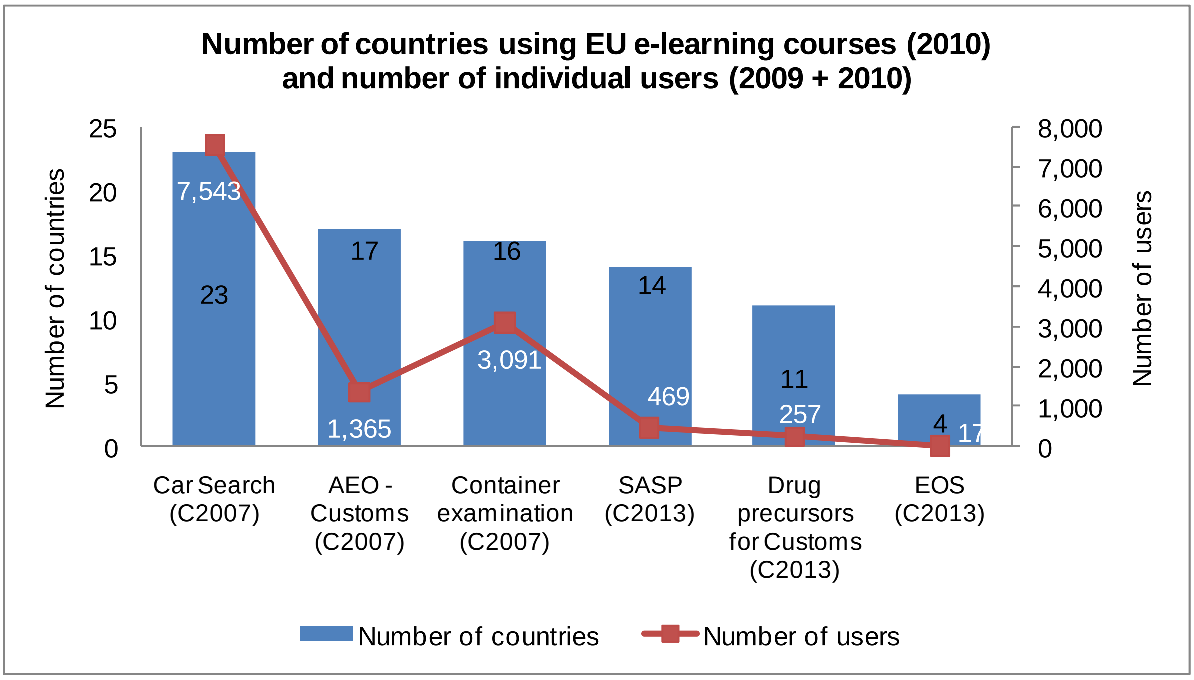
Source: *DG TAXUD – CCN-CSI Monthly Report September 2010*

Figure 8: CCN Applications



Source: *DG TAXUD (CCN-CSI Monthly Report September 2010)*

Figure 9: Use of e-learning courses for customs officials



Source: *DG TAXUD – EU e-learning survey 2009/2010*

Annex 2 INDICATIVE LIST OF EU LEGAL ACTS WITH CUSTOMS REQUIREMENTS

Area	Control Measure	EU Regulation/Directive
Plant protection	**Harmful organisms to plants or plant products**	**Council Directive 2000/29/EC**
Protection of the Environment	**FLEGT licensing scheme for timber**	**Council Regulation (EC) 2173/2005** Commission Regulation (EC) 1024/2008
Protection of the Environment	**CITES**	**Council Regulation (EC) 338/97** Commission Regulation (EC) 865/2006
Protection of the Environment	**Seal products**	**Regulation (EC) 1007/2009** of the European Parliament and of the Council Commission Regulation (EC) 737/2010
Protection of the Environment	**Waste**	**Regulation (EC) 1013/2006** of the EP and Council
Protection of the Environment	**Radioactive waste**	**Council Directive 2006/117/Euratom**
Protection of the Environment	**Hazardous chemicals and Pesticides**	**Regulation (EC) 689/2008** of the EP and Council
Protection of the Environment	**Persistent organic pollutants**	**Regulation (EC) 850/2004** of the EP and Council
Protection of the Environment	**Fluorinated greenhouse gases**	**Regulation (EC) 842/2006** of the EP and Council
Protection of the Environment	**Metallic mercury**	**Regulation (EC) 1102/2008** of the European Parliament and of the Council
Protection of the Environment	**Substances that deplete the ozone layer**	**Regulation (EC) 1005/2009** of the EP and Council
Protection of the Environment	**REACH**	**Regulation (EC) 1907/2006** of the EP and Council
Protection of the Environment	**Ionising radiation**	**Directive 96/29/ EURATOM**
Protection of the Environment	**Biocidal products**	**Directive 98/8/EC** of the EP and Council
Animal Health and Welfare	**Live animals**	**Commission Regulation (EC) 282/2004** Council Directive 91/496/EEC
Animal Health and Welfare	**Travelling pets**	**Regulation 998/2003** of the European Parliament and of the Council
Animal Health and Welfare	**Products of animal origin**	**Commission Regulation (EC) 136/2004** Council Directive 97/78/EC Commission Decision 2007/275/EC
Animal Health and Welfare	**Personal consignments of products of animal origin**	**Commission Regulation (EC) 206/2009**
Animal Health and Welfare	**Cat and dog fur**	**Regulation (EC) 1523/2007** of the EP and of the Council
Animal and plant protection	**Leghold traps**	**Council Regulation (EEC) No 3254/91** Commission Regulation (EC) 35/97
Fishery	**Illegal, unreported and unregulated fishing**	**Council Regulation (EC) 1005/2008**

Area	Control Measure	EU Regulation/Directive
Fishery	**Dissostichus spp**	**Council Regulation (EC) 1035/2001**
Fishery	**Bluefin tuna, swordfish and bigeye tuna**	**Council Regulation (EC) 1984/2003**
Food safety	**Feed and food law, animal health and animal welfare rules**	**Regulation (EC) 882/2004** of the EP and of the Council
Food safety	**Feed and food of non-animal origin**	**Commission Regulation (EC) 669/2009** implementing Regulation (EC) 882/2004
Food safety	**Special conditions governing the import of feed and food originating in or consigned from Japan following the accident at the Fukushima nuclear power**	**Commission Implementing Regulation (EU) 297/2011**
Food safety	**Aflatoxins contamination**	**Commission Regulation (EC) 1152/2009**
Food safety	**Sunflower oil from Ukraine**	**Commission Regulation (EC) 1151/2009**
Food safety	**Certain products from China**	**Commission Regulation (EC) 1135/2009**
Food safety	**Guar gum originating in or consigned from India**	**Commission Regulation (EU) 258/2010**
Food safety	**E 128 Red 2G as food colour**	**Commission Regulation (EC) 884/2007**
Food safety	**LL RICE 601 from the United States of America**	**Commission Decision 2006/601/EC**
Food safety	**Rice products from China with "Bt 63"**	**Commission Decision 2008/289/EC**
Agriculture	**Fruit and vegetable sector**	**Commission Regulation (EC) 1580/2007**
Agriculture	**Organic products from third countries**	**Council Regulation (EC) 834/2007** Commission Regulation (EC) 1235/2008
Agriculture	**Wine**	**Commission Regulation (EC) 436/2009**
Agriculture	**Wine common organisation of the market**	**Commission Regulation** (EC) 555/2008
Agriculture	**Wine from United States of America**	**Council Decision 2006/232/EC**
Agriculture	**Common organisation of agricultural markets**	**Council Regulation (EC) 1234/2007**
Agriculture	**Processed agricultural products**	**Council Regulation (EC) No 1216/2009**
Public health	**Veterinary medicinal products**	**Directive 2001/82/EC** of the EP and of the Council
Public health	**Medicinal products for human use**	**Directive 2001/83/EC** of the EP and Council
Public health	**Avoid trade diversion of key medicines for human use**	**Council Regulation (EC) 953/2003**
Public health	**Human tissues and cells**	**Directive 2004/23/EC** of the European Parliament and of the Council
Public health	**Drug precursors**	**Regulation (EC) 273/2004** of the EP and

Area	Control Measure	EU Regulation/Directive
		Council Council Regulation (EC) 111/2005 Commission Regulation (EC) 1277/2005
Public health	**Specific conditions for the import of polyamide and melamine plastic kitchenware from China and Hong Kong**	**Commission Regulation EU 284/2011**
Protection of the Cultural Heritage	**Export of cultural goods**	**Council Regulation (EC) No 116/2009** Commission Regulation (EEC) No 752/93
Product safety	**Product safety**	**Regulation (EC) 765/2008** of the EP and Council
Preventing Money Laundering and Fight against terrorism	**Cash control**	**Regulation 1889/2005 of the EP and Council**
IPR	**Customs action against goods suspected of infringing IPR**	**Council Regulation (EC) 1383/2003** **Commission Regulation (EC) No 1891/2004**
Protection of the states	**Dual-use items**	**Council Regulation (EC) 428/2009**
Protection of the states	**Weapons**	**Council Directive 91/477/EEC**
Protection of the states	**Pyrotechnic articles**	**Directive 2007/23/EC** of the EP and Council
Protection of the states	**Explosives for civil uses**	**Council Directive** 93/15/EEC
Protection of the states	**Goods for punishment, torture or other cruel, inhuman or degrading treatment**	**Council Regulation (EC) 1236/2005**
International sanctions	**Kimberley Process: rough diamonds**	**Council Regulation (EC) 2368/2002**
International sanctions	**Republic of Guinea**	**Council Regulation (EU) 1284/2009**
International sanctions	**Burma/Myanmar**	**Council Regulation (EC) 194/2008**
International sanctions	**Democratic People's Republic of Korea**	**Council Regulation (EC) 329/2007**
International sanctions	**Côte d"Ivoire**	**Council Regulation (EC) 174/2005**
International sanctions	**Zimbabwe**	**Council Regulation (EC) 314/2004**
International sanctions	**Sudan**	**Council Regulation (EC) 131/2004**
International sanctions	**Iraq**	**Council Regulation (EC) 1210/2003**
Protection of Trade	**Import of textile products**	**Council Regulation (EEC) 3030/93**
Protection of Trade	**Proof of origin for certain textile products**	**Council Regulation (EC) 1541/98**
Protection of Trade	**Textiles rules on imports**	**Council Regulation (EC) 517/94**
Protection of Trade	**Outward processing of textiles**	**Council Regulation (EC) 3036/94**
Protection of Trade	**Steel products republic of Kazakhstan**	**Council Regulation (EC) 1340/2008**
Protection of Trade	**Steel products from the Russian Federation**	**Council Regulation (EC) 1899/2005**

Area	Control Measure	EU Regulation/Directive
Protection of Trade	**Steel products from certain third countries**	**Commission Regulation (EC) 76/2002**

Annotation: The list is not exhaustive
Source: DG TAXUD

Annex 3 ANALYSIS OF THE POTENTIAL FOR AN EXECUTIVE AGENCY

An agency could be entrusted with certain tasks related to the management of the Customs Programme, such as the selection of activities, administrative preparation and follow-up of the activities, monitoring, and procurement of IT systems (development, maintenance and hosting of the systems). The responsibilities for managing the Customs Programme would be transferred from the Commission to the agency. Member States responsibilities as they stand today would remain unchanged.

A recent study[75] refers to the following constraints of this mechanism for the Customs 2020 programme:

In the study, the outsourcing of some of the management tasks of the Customs Programme to a dedicated executive agency was considered as a way of potentially:

a) improving the efficiency of the programme management process (by allowing the agency staff to fully concentrate on this task and allowing the Commission to increase its focus on strategic and policy preparation tasks), and

b) increasing the visibility of the customs union (by promoting a more unified image of the customs union towards the outside world).

The above-mentioned study identified the following disadvantages and risks though. This approach would:

a) complicate the governance structure of the customs union by adding a new actor: the agency would represent a new actor in the governance of the customs union – the additional layer entails the risk of increasing the cost of coordination and checks, of complicating and lengthening decision making, of adding new administrative procedures, etc and will as such risk to increase red tape or bureaucracy;

b) increase the potential for conflicts in acceptance of decisions: there might be a potential conflict between the customs policy group (steering customs policy and the priorities for the Annual Work Programme implementing the Customs Programme) and the agency in terms of leadership on certain topics;

c) have a negative impact on the level of know-how within the Commission and increase the risk of a defragmentation of content versus administrative aspects of the Programme: part of the executive agency's staff will consist of officials seconded as temporary staff members to positions of responsibility in the executive agency – there is a risk that valuable expertise and know-how will be "lost" in the Commission service;

d) given the size (in terms of budget to manage) of the Customs Programme as well as its scope (in terms of identified beneficiaries, being mainly customs authorities), the executive agency would only entail a limited number of staff which does not represent sufficient critical mass to justify the creation of an agency and the related costs –

[75] Deloitte, "Future business architecture for the Customs Union and cooperative model in the taxation area in Europe – Business case of selected options" p 33-37.

which would lead to an overall amount of 720.000 Euro according to the external study.

Annex 4 COMPARISON OBJECTIVES OF THE CUSTOMS 2013 VERSUS CUSTOMS 2020

2008-2013	2014-2020
OO1: ensuring that customs activities match the needs of the internal market, including supply chain security and trade facitiliation, as well as support the strategy for growth and jobs	Specific Objective 1: To support EU customs in its role in facilitating legitimate trade by automating and speeding up customs procedures
OO2: the interaction and performance of the duties of Member States' customs administrations as efficiently as though they were one administration, ensuring controls with equivalent results at every point of the Community customs territory and the support of legitimate business activity	Specific Objective 4: To support the preparation, implementation and application of EU law and initiatives in the area of customs with a view of strengthening the EU customs in terms of efficiency, effectiveness and uniformity ("acting as if there is only one single administration")
OO3: the necessary protection of the financial interests of the Community	Specific Objective 3: To support EU customs in protecting the financial and economic interests of the EU and Member States
OO4: strengthening security and safety	Specific Objective 2: To support EU customs in strengthening the competitiveness of European businesses and in protecting European citizens in terms of safety, security and environment
OO5: preparing the countries for accession, including by means of the sharing of experience and knowledge with the customs administrations of those countries	*No equivalent (but support envisaged by means of all the other specific objectives)*

Annex 5 SHORTCOMINGS OF THE BASELINE SCENARIO — "STATUS QUO"

While supporting the proper functioning of the Internal Market is still one of the highest priorities of the Customs Union, new trends continue to emerge that change the nature of needs and policy priorities that the union has to serve. Areas that require further emphasis and development of closer cooperation and working methods include the safety of goods themselves and the security issues related to international movement of goods and supply chains in general. This requires not only enhanced cooperation between customs authorities but increasingly with other authorities as well.

With a status quo in terms of scope, objectives and tools, the new programme would not be effective, i.e. enable the Customs Union to serve and keep pace with EU policy requirements in the 2013-20 period, nor would it provide the reinforced structural support necessary to sustain its proper functioning. The current programme instruments are likely to reduce the problems compared to having no programme but this is not likely to be sufficient. To respond effectively to the problems and needs identified, the Customs Union and its supporting programme have to incorporate more effective and efficient models of operational cooperation, including more enhanced and structured customs cooperation between Member States, increased collaboration with other authorities, and more efficient use of technology and human resources (e.g. expertise) not just nationally but across the union.

The evolution of customs policy in internal security generally, plus the new legal environment of the Lisbon Treaty, demand that potential gaps and duplications be identified and analysed for EU intervention by means of programme support. Alignment needs to be ensured with other EU initiatives (e.g. DG HOME, OLAF) to cover those gaps and avoid duplications. Differences remain in competences in terms of enacting legislation, but EU "security" priorities suggests that customs support no longer falls within certain fixed areas (i.e. into or out of the scope of the programme). **Customs cooperation,** for example in developing common risk management, effectively supports specific non-programme objectives, such as the fight against trafficking of drugs, as well as specific programme targets such as drugs precursors, counterfeiting and piracy, controls on cash, and the protection of the environment.

For example, the midterm evaluation noted that it is important for Customs 2013 Programme and its successor to look ahead by […] addressing former third pillar issues (e.g. in internal security) to allow customs authorities to allocate their scarce resources better. Several Member States have formally expressed strong interest in streamlining support and funding mechanisms for post-pillar EU customs activity, specifically under the Customs Programme, in view of its scope and its management mode.

The changing scope of the Customs Union affects the burden for EU customs and renders it increasingly complex. Supporting the continued effectiveness of the Customs Union requires fine-tuning of the operational objectives and related tools of the programme, for instance in reinforcing new skills and competencies, and supporting adaptation to needs for technical infrastructure and operational equipment. Implementation of the Security Amendment is one example which has revealed that future cooperation as a Customs Union in security will demand even more support.

Case Study: Implementation of security provisions

The experience of the past few years has clearly shown that implementation of security provisions is an enormous challenge. New security and safety incidents and practical experience continue to test the adopted legislation and its implementation. They reveal the full impact on customs authorities. After three years of practice and training in Member States, there are still significant differences between them in how the Customs Risk Management Framework is applied, not only because of national peculiarities (volume of trade, quality of data provided by trade, type of border and so on) but also because of different capabilities in adapting to very technical rules. The midterm evaluation confirms that a common risk management framework is only beginning to be implemented by the Member States; interviewees mentioned difficulties in relation to the legislative framework, the IT infrastructure, and/or human resources available in national customs authorities to address effectively all aspects of common risk management.

The study on the operational functioning[76] of the Customs Union concluded that, "…uniformity in an EU of 27 Member States is inherently difficult, but the absence of EU-wide priority setting and medium-planning, and an unstructured exchange of good practices, as well as the absence of financing mechanisms for specific tasks of Member States at the EU external borders are considered as problematic in bringing the Customs Union to more unity in terms of governance." The study also noted that "opportunities for exploiting differences between the Member States and the way in which they perform the customs processes have yet to be fully eliminated, and customs officials often lack information to perform some of their customs tasks effectively."

In the context of the impact assessment and the specific needs of a future EU Customs Programme, several studies and international comparisons have been analysed to assess the performance of customs and related border management issues in the EU. They conclude that the track record of the EU Customs Union is indeed mixed[77] although it should be noted that it is often difficult to say how far this can be linked to the performance of customs authorities. The World Bank conducts the Logistics Performance Index (LPI) survey every two years and publishes its results in the Connecting to Compete: Trade Logistics in the Global Economy report.[78] The World Bank and International Finance Corporation's "Doing Business" project also collects extensive data on trade facilitation to provide objective measures of business regulations and enforcement. The World Economic Forum's "Global Enabling Trade Report" contains the "Enabling Trade Index" which ranks countries using data from different sources (e.g. WEF Executive Opinion Survey, International Trade Centre, World Bank, UNCTAD, IATA, etc.). The Enabling Trade Index measures the factors, policies and services that facilitate trade in goods across borders and to destination.

What is clear from the World Bank data is that, while certain EU customs authorities rank among the top performers worldwide, others fall way below OECD averages as ranked in the LPI (Connecting to Compete: Trade Logistics in the Global Economy). In 2010, 11 Member States ranked within the top 20 out of 155 countries. However, five Member States also

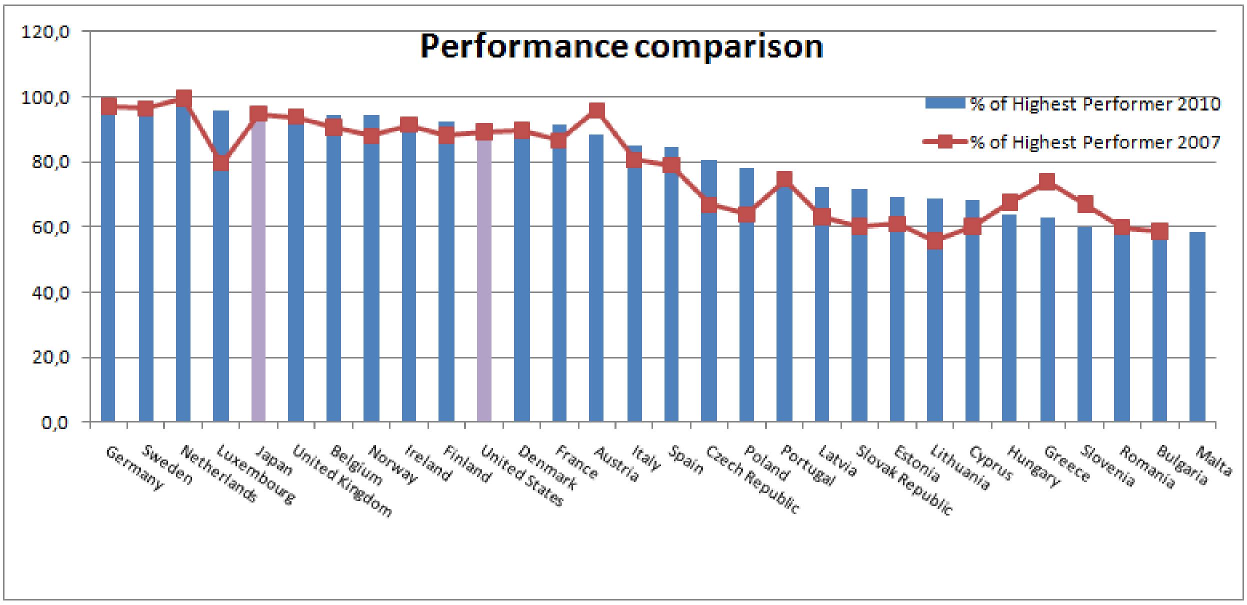
[76] Deloitte, "Future business architecture for the Customs Union and cooperative model in the taxation area in Europe".

[77] "Strengths and weaknesses of the current organisation model". Report by Deloitte Consulting commissioned by DG TAXUD, 2011.

[78] Arvis J.F., Mustra M. et al (2010), "International Bank for Reconstruction and Development/World Bank.

ranked between 55th and 85th. As a whole, in comparison to the average for OECD countries, the average index for the EU was slightly lower both in 2007 and 2010. Between 2007 and 2010, overall the global rankings of the EU Member States saw only minor shifts, yet individual Member States made significant movements both upwards and downwards in the rankings.[79] Figure 10, comparing performance with both the highest performer and between Member States, illustrates the significant divergence, as assessed by the World Bank, in customs in the EU.

Figure 10: Percentages of highest performer in terms of LPI — 2007 and 2010



Source: World Bank

Both the 2007 and 2010 editions of Connecting to Compete: Trade Logistics in the Global Economy also provide some insight into the relative performance of customs in comparison to the performance of other border agencies. Customs performance tends to be better than that of other border agencies. On average, customs clearance accounts for about a third of total clearance time according to the 2007 report — a fact that also underlines the continued importance of efforts to improve collaboration between border agencies.

Doing Business — Trading Across Borders paints an even more divergent picture. In 2010, while some individual Member States ranked high,[80] only nine member States ranked in the top 20; five EU Member States were not even within the global top 60, the last one being 113th. A comparison of the 2007 figures with those for 2010 shows some important changes in the relative ranking,[81] again in different directions but not converging. In comparison to the

[79] Luxembourg went from number 15 to 2007 to number 1 in 2010, and a few others made significant progress in terms of global ranking for this index as well: Finland (from 14 to 6), Belgium (from 16 to 8), Spain (from 30 to 22), Estonia (from 42 to 33) and Latvia (from 58 to 40). At the same time, other Member States dropped in the rankings, including Ireland (from 9 to 18), Denmark (from 2 to 19), Austria (from 8 to 20), Hungary (from 33 to 45), Slovenia (from 40 to 60), Greece (from 33 to 67) and Romania (from 56 to 85).

[80] Estonia (3), Finland (4), Denmark (6) and Sweden (7).

[81] EU Member States that have significantly improved their relative ranking are: Estonia (from 7 to 3), the United Kingdom (from 27 to 16), Portugal (from 32 to 19) and Italy (from 62 to 50). Other EU Member States dropped in the rankings in 2010 in comparison to 2007: Austria (from 12 to 24), Czech Republic

average for OECD countries, the average ranking for the EU was slightly lower in 2007 and in 2010. In both years, the average ranking of the EU was lower than the average ranking for the other (non-EU) OECD countries.

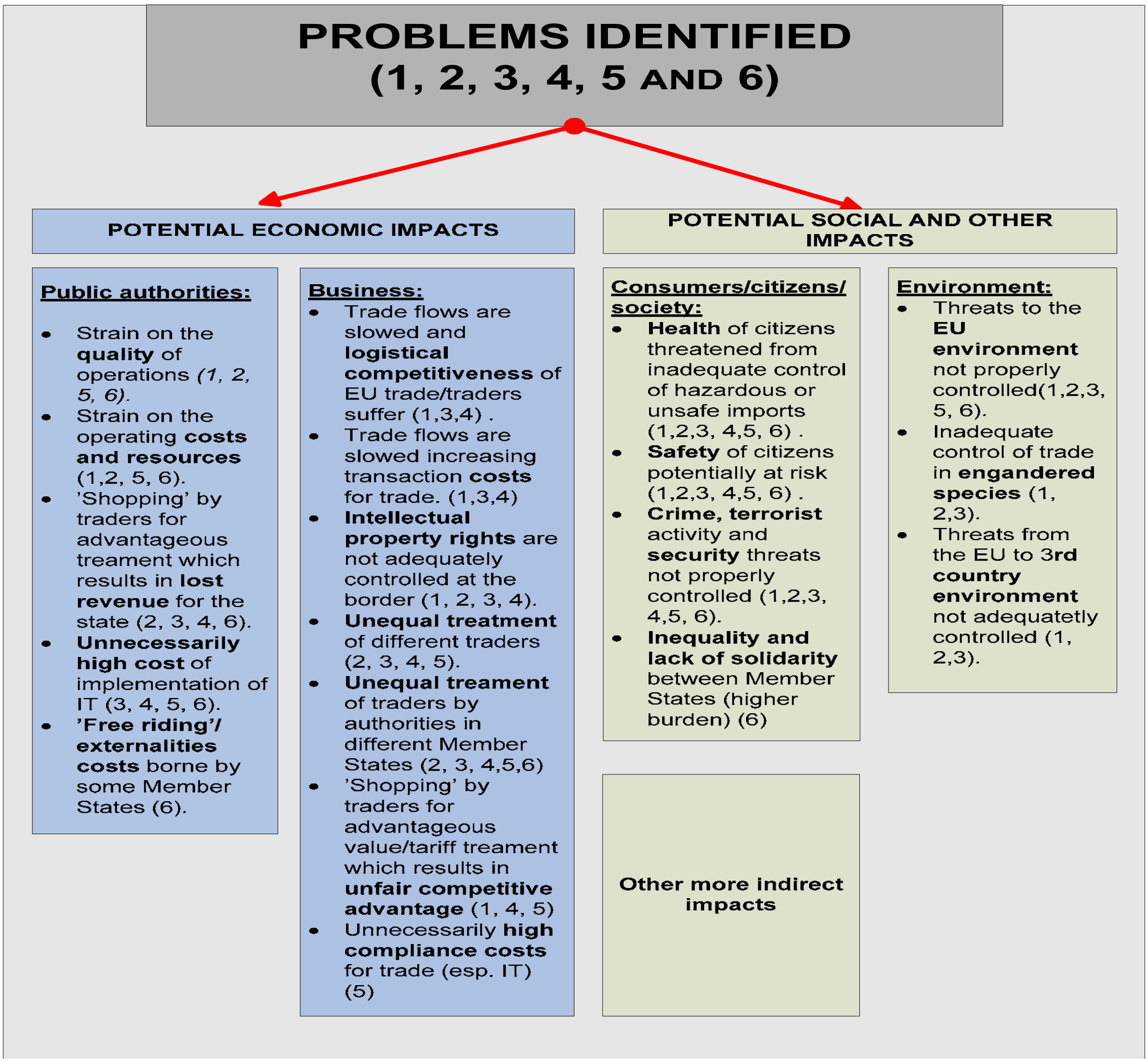
An important element of the World Economic Forum's Global Enabling Trade Report is the "Enabling Trade Index" which measures the factors, policies and services that facilitate trade in goods across borders and to destination. One of its sub-indices deals with border administration, including indicators on efficiency of border administration, efficiency of export-import procedures, and transparency of border administration. The data again indicates significant differences in the efficiency of customs authorities among EU Member States. The EU average is somewhat lower than the OECD average, and calculating the index for the non-EU OECD countries, the EU average is significantly lower. The disparity between EU Member States in efficiency of import-export procedures is also apparent. Again, the EU average is lower than the OECD average and clearly lower than the average for non-EU OECD countries. The same is shown for the transparency of border administration; the EU is characterised by large disparities, with the EU average being lower than the OECD average and considerably lower than the average for non-EU OECD countries. 2010 data confirm the disparity between EU Member States. As of 2009, the EU average still lags behind the average of the non-EU OECD countries in facilitation by the administration at the border for entry and exit of goods (i.e. subindex "border administration"). Although three EU Member States kept their position in the top four of the index, and some Member States succeeded in rising up the rankings, the overall EU position worsened, including that of the Member States at the tail end of the rankings.

(from 29 to 53), Hungary (from 49 to 70), Greece (from 66 to 80), Bulgaria (94 to 106) and Slovakia (from 94 to 113).

Annex 6 IMPACTS OF AN INADEQUATE/INEFFECTIVE RESPONSE OF THE CURRENT CUSTOMS PROGRAMME (THE BASELINE SCENARIO) TO THE PROBLEMS IDENTIFIED

New competencies and working methods will be increasingly important, with the complex business processes of **fully automated import and export based on a common risk framework, possible single windows, and centralised clearance.** Establishing these processes and their translation into automated systems will change the ways customs operate in future, directly affecting customs authorities and businesses.

Figure 11: Impacts of identified problems



Source: DG TAXUD

Annex 7 EUROPEAN INFORMATION SYSTEMS FOR CUSTOMS

The **Customs Union's IT architecture** has several elements, including the CCN/CSI network, European IT systems (centrally operated), trans-European IT systems (distributed) and national IT systems. The backbone of customs cooperation is a secured, dedicated communication infrastructure (CCN/CSI) allowing interconnectivity between the customs (and taxation) systems of the European Commission/DG TAXUD and the Member States (with approximately 5.000 connection points). Over one billion information messages are exchanged each year, with an average growth rate of 40 % in the last 5 years.

The common communication infrastructure allows **European** information systems to support export control, import control, control of transit and registration of economic operators. In addition, **central support systems** underpin the Integrated Tariff Environment: Combined Nomenclature, European Binding Tariff Information database, TARIC (Integrated Tariff of the European Communities) and the European Customs Inventory of Chemical Substances. Responsibility for electronic customs systems is **shared** between the Commission and the Member States, each with specific tasks as defined in the Decision on a paperless customs environment for customs and trade (Electronic Customs Decision).

1. Example of NCTS

In the final evaluation of the 2007 Customs Programme it was mentioned that, compared to other IT systems for customs, NCTS has most likely made the largest contribution to **trade facilitation** by **simplifying and speeding up the transit procedure for both traders and administrations**.[82]

NCTS was a major step forward **for traders**. NCTS allows traders to submit their declarations before departure, so **waiting time** at the borders is considerably **reduced**. In addition, the use of electronic messages instead of paper documents enables an **earlier end and discharge of the operations**. This leads directly to the **faster release of the guarantee lodged**. Further time gains are achieved when considering **physical controls on goods**. As Customs will have decided well in advance whether or not the goods need to be subject to a control, waiting time at the office of destination is shortened. Finally, as NCTS creates an electronic environment capable of directly managing all the movements of goods, **formalities for Authorised Consignors and Consignees** have become much **less cumbersome**. Also, any discrepancies can be sorted out more quickly in the electronic enquiry procedure. All these features lead to an **overall reduction of (administrative) costs and burdens** for businesses.

NCTS has considerably improved communication and coordination between **customs authorities**. The benefits of NCTS for customs authorities are multiple. As administrations are connected to the same system and data, **repetitive activities and duplication of information are eliminated**. Thanks to a coherent and integrated system, the **processing of data and flexibility** has been considerably improved. In many cases the enquiry procedure that was needed for the clearance of the transit procedure in case of problems — which often did not result in any perception of duties — can be avoided through NCTS through automatic data exchange. Finally, NCTS allows for **better governance and monitoring of guarantees lodged with the guarantee management system** for the transit procedure.

[82] COM(2008) 612 (final).

For the **Customs Union as a whole**, NCTS has led to further harmonisation in applying relevant provisions. This has created convergence in the interpretation of how the legislation is read and implemented. Overall, the system was a major improvement in monitoring and control of the procedures. By providing transparency and visibility on the movement of goods it has shown it is a **powerful tool for fraud detection and prevention**.

Finally, NCTS (or more specifically CCN) has been a **key success factor in removing technological barriers** for the exchange of information between the Member States. The NCTS information exchange model was later used as a basis for other customs and tax systems. Computerisation of the TIR procedure and automation of the movements of excise products (Excise Movement Control System) are excellent examples.

2. Example of TARIC

A second example is TARIC. All **tariff rates and associated trade policy measures** and information (quotas, anti dumping duties, etc.….) are controlled via a central database managed by the Commission. Some 500 000 changes annually have to be made to this database. Member States replicate this database daily into their national systems so that customs officers can use them for customs treatment of goods entering and leaving the union: this is much more efficient than if every Member State were to build its own database. The central database prevents delays in applying tariff measures and potential discrepancies between different countries related to encoding errors and interpretation of the legislation. Equal treatment of traders and trade facilitation is also reinforced. Since 2007 the Customs Programme has spent 3.7 million euro on the tariff database, avoiding the need for every Member State build it itself.

Annex 8 SHARED DEVELOPMENT OF EUROPEAN INFORMATION SYSTEMS FOR CUSTOMS

The following tables present the level of shared development of TEIT in option 2 compared to option 4

Table 6: Level of sharing for option 2:
Increased support to EU legal obligations such as the Modernised Customs Code (MCC)

Customs area	Level of sharing				
	Level 0 message exchange	Level 1 shared data in central repositories	Level 2 shared rules & services implementing specifications once	Level 3 shared processes, implementing the full process	Level 4 shared IT traders interface[83]
Import, export, transit	+	+	+	-	-
Risk management	+	+	+	-	-
Guarantee & Debt	+	+	-	-	-
Goods classification (TARIC, Quota, etc.)	+	+	+	+	+
Trader management (registry, decisions, authorisations)	+	+	+	+	+

Source: DG TAXUD

Table 7: Level of sharing for option 4:
Option 2 plus maximised shared IT environment

Customs area	Level of sharing				
	Level 0 message exchange	Level 1 shared data in central repositories	Level 2 shared rules & services implementing specifications once	Level 3 shared processes, implementing the full process	Level 4 shared IT traders interface[84]
Import, export, transit	+	+	+	+	+
Risk management	+	+	+	+	+
Guarantee & Debt	+	+	-	-	-
Goods classification (TARIC, Quota, etc.)	+	+	+	+	+
Trader management (registry, decisions, authorisations)	+	+	+	+	+

Annotation: The boxes shaded in dark grey are those additional to option 2.
Source: DG TAXUD

83 Only the IT part of the interface with traders is envisaged to be shared or centralised. All functions related to trader support, helpdesk, decision-making, etc. stay entirely at national level.
84 Only the IT part of the interface with traders is envisaged to be shared or centralised. All functions related to trader support, helpdesk, decision-making, etc. stay entirely at national level.

Annex 9 OVERVIEW BUDGET CUSTOMS 2020 PROGRAMME PER OPTION

Option 1: Baseline Scenario - Status Quo

Activity	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2014-2020*
IT Capacity Building	49 600 000 €	50 600 000 €	50 700 000 €	51 700 000 €	52 000 000 €	52 600 000 €	52 700 000 €	359 900 000 €
Joint Actions	8 400 000 €	8 400 000 €	8 400 000 €	8 400 000 €	8 700 000 €	8 700 000 €	9 000 000 €	60 000 000 €
Human Competency Building (Training	2 500 000 €	2 500 000 €	2 500 000 €	2 500 000 €	2 500 000 €	2 500 000 €	2 500 000 €	17 500 000 €
Total	**60 500 000 €**	**61 500 000 €**	**61 600 000 €**	**62 600 000 €**	**63 200 000 €**	**63 800 000 €**	**64 200 000 €**	**437 400 000 €**

Option 2: Increased support to EU legal obligations such as the Modernised Customs Code (MCC)

Activity	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2014-2020*
IT Capacity Building	57 200 000 €	59 300 000 €	61 400 000 €	63 500 000 €	65 700 000 €	68 000 000 €	70 200 000 €	445 300 000 €
Joint Actions	11 500 000 €	11 500 000 €	11 500 000 €	11 500 000 €	11 500 000 €	11 500 000 €	11 500 000 €	80 500 000 €
Human Competency Building (Training	2 800 000 €	2 800 000 €	2 800 000 €	2 800 000 €	2 800 000 €	2 800 000 €	2 800 000 €	19 600 000 €
Total	**71 500 000 €**	**73 600 000 €**	**75 700 000 €**	**77 800 000 €**	**80 000 000 €**	**82 300 000 €**	**84 500 000 €**	**545 400 000 €**

Option 3: Option 2 plus financial support for technical capacity building

Activity	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2014-2020*
IT Capacity Building	57 200 000 €	59 300 000 €	61 400 000 €	63 500 000 €	65 700 000 €	68 000 000 €	70 200 000 €	445 300 000 €
Joint Actions	11 500 000 €	11 500 000 €	11 500 000 €	11 500 000 €	11 500 000 €	11 500 000 €	11 500 000 €	80 500 000 €
Human Competency Building (Training	2 800 000 €	2 800 000 €	2 800 000 €	2 800 000 €	2 800 000 €	2 800 000 €	2 800 000 €	19 600 000 €
Technical Capacity Building	56 300 000 €	56 300 000 €	90 000 000 €	169 000 000 €	169 000 000 €	169 000 000 €	169 000 000 €	878 600 000 €
Total	**127 800 000 €**	**129 900 000 €**	**165 700 000 €**	**246 800 000 €**	**249 000 000 €**	**251 300 000 €**	**253 500 000 €**	**1424 000 000 €**

OPTION 4: Option 2 plus a maximised shared IT environment

Activity	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2014-2020*
IT Capacity Building	88 100 000 €	89 100 000 €	89 200 000 €	90 200 000 €	90 700 000 €	91 300 000 €	91 600 000 €	630 200 000 €
Joint Actions	18 000 000 €	18 000 000 €	18 000 000 €	18 000 000 €	18 000 000 €	18 000 000 €	18 000 000 €	126 000 000 €
Human Competency Building (Training	3 400 000 €	3 400 000 €	3 400 000 €	3 400 000 €	3 400 000 €	3 400 000 €	3 400 000 €	23 800 000 €
Total	**109 500 000 €**	**110 500 000 €**	**110 600 000 €**	**111 600 000 €**	**112 100 000 €**	**112 700 000 €**	**113 000 000 €**	**780 000 000 €**

Source. DG TAXUD

Annex 10 INDICATORS LINKED TO GENERAL, SPECIFIC AND OPERATIONAL OBJECTIVES

N°	General Objective	Impact Indicators
	To support EU Customs response by increasing cooperation between countries, their customs administrations and other relevant stakeholders.	1. Evolution of the programme stakeholders' view[85] regarding the contribution of the programme to support EU Customs response to the needs of public authorities, business and citizens in the Internal Market (scale 1-10). **OUTPUT:** Stakeholders to have a positive view on the contribution of the programme towards the general objective. **TARGET:** The output should stabilise or evolve positively compared to the baseline that will be drawn at the start of the programme. ** The above output and target apply to all indicators measuring the view of stakeholders.*

N°	Specific Objective	Result Indicators
SO1	To support EU customs in its role in facilitating legitimate trade by automating and speeding up customs procedures.	1. Evolution of the programme stakeholders' view regarding the contribution of the programme to automating and speeding up customs procedures to facilitate trade. 2. Evolution of trader's view regarding the contribution of automated and faster customs procedures for trade facilitation. 3. Evolution of trader's view using EU eLearning modules. 4. The number of electronic declarations. 5. The availability of Customs online information for trade. **OUTPUT:** The availability of the information **TARGET:** The availability should be at least 95%.
SO2	To support EU customs in strengthening the competitiveness of European businesses and protecting European citizens in terms of safety, security and environment.	1. Evolution of the programme stakeholders' view regarding the contribution of the programme to the protection of European citizens in terms of safety, security and environment. 2. Evolution of the programme stakeholders' view regarding the effectiveness of the controls at the EU border for Member States which made use of

85 Any measurement of the feedback will be integrated in the evaluation of the present and future programme. The final evaluation of the present programme will as such establish the baseline.

N°	Specific Objective	Result Indicators
		an EU allocation for technical capacity building. 3. Evolution of the programme stakeholders' view using COPIS and CRMS info. 4. Evolution of the programme stakeholders' view using ECICS info.
SO3	To support EU customs in protecting the financial and economic interests of the EU and Member States	1. Evolution of the programme stakeholders' view regarding the contribution of the programme to protect the financial and economic interests of the EU and Member States. 2. The number of "cases" created in the Binding Tariff Information System. 3. Evolution of the programme stakeholders' view using TARIC info. 4. Evolution of the programme stakeholders' view using COPIS info.
SO4	To support the preparation, implementation and application of EU law and initiatives in the area of customs to improve EU customs in terms of efficiency, effectiveness and uniformity (acting as if there was only one single administration).	1. Evolution of the programme stakeholders' view regarding the contribution of the programme to the preparation and application of EU law and initiatives in the area of customs to improve EU customs in terms of efficiency, effectiveness and uniformity (acting as if one single customs administration). 2. Evolution of traders' view regarding acting as if one customs administration. 3. The number of working practices changed in the administrations of participating countries where expertise was acquired from at least one other participating country with the support of the programme. **OUTPUT:** The number of procedures and practices changed **TARGET:** At least one procedure should be changed per Member State. 4. Evolution of the results obtained through monitoring reports.

N°	Specific Objective	Context Indicators
SO1	To support EU customs in its role in facilitating legitimate trade by automating and speeding up customs procedures.	1. Evolution of electronic input of customs declarations (article level). 2. Evolution of the ratio between electronic input and documentary controls.

		3. Evolution of electronic input of customs declarations (in terms of customs value).
SO2	To support EU customs in strengthening the competitiveness of European businesses and protecting European citizens in terms of safety, security and environment.	1. The number of Authorised Economic Operators. 2. The number of cases / quantities of drug precursors seized or stopped. 3. The number of recorded incorrect cash declarations and findings as the result of controls in the prevention of money laundering and terrorist financing. 4. Statistics on results of customs controls.
SO2 SO3	To support EU customs in strengthening the competitiveness of European businesses and protecting European citizens in terms of safety, security and environment. To support EU customs in protecting the financial and economic interests of the EU and Member States	1. The number of intercepted goods infringing IPR.
SO3	To support EU customs in protecting the financial and economic interests of the EU and Member States	1. The number of infringements related to customs (Internal Market Scoreboard).

N°	Operational Objective	Output Indicators
OO1	To identify, develop and apply best working practices in all areas of customs processes	1. The number of activities organised that support this objective. **OUTPUT:** The number of activities organised **TARGET:** The number of activities organised should remain in the same order of magnitude unless there are major policy evolution. **The output and target apply to all similar indicators.* 2. The number of times the relevant EU eLearning modules have been used to train stakeholders. 3. The number of online collaboration activities organised under this objective. *(* The online environment is currently set up, outputs and targets will be defined when the environment is up and running)*

N°	Operational Objective	Output Indicators
OO2	To support a pan-European electronic customs environment	1. The availability of the common network.[86] **OUTPUT:** The availability of the network **TARGET:** The availability should be at least 97%. 2. The number of messages exchanged through the network. 3. The number of online consultations of the EORI (Economic Operators Registration and Identification) numbers. **OUTPUT:** The number of consultations **TARGET:** The number of consultations should remain stable throughout the programme (**This output and target apply to all similar indicators*) 4. The number of activities organised that support this objective. 5. The number of training activities organised under this objective. 6. The number of online collaboration activities organised under this objective.
OO3	To share information and expertise to support the organisation of customs controls	1. The number of activities organised that support this objective 2. The number of times the relevant EU eLearning modules have been used to train stakeholders. 3. The number of online collaboration activities organised under this objective. 4. The number of online consultations of TARIC (Integrated Community Tariff). 5. The number of online consultations of tariff quotas and ceilings. 6. The number of online consultations of ECICS (European Customs Inventory of Chemical Substances). 7. The number of risk management forms shared between customs authorities.
OO4	To boost customs cooperation within the EU and in relation to third countries, as well as with other government authorities and other third parties	1. The number of activities organised that support this objective. 2. The number of messages exchanged through the secured network with third countries.

[86] The per cent of the time the network is up and running.

N°	Operational Objective	Output Indicators
		3. The number of online collaboration activities organised under this objective.
OO5	To set up joint activities/teams to perform specific operations together	1. The number of activities organised that support this objective. 2. The number of online collaboration activities organised under this objective.
OO6	To support the modernisation of the EU Customs Union in a harmonised way	1. The number of activities organised that support this objective. 2. The number of online collaboration activities organised under this objective.
OO7	To sustain and monitor correct understanding and harmonised application of EU law and policies	1. The number of activities organised that support this objective. 2. The number of times the dedicated EU eLearning modules have been used to train stakeholders. 3. The number of online collaboration activities organised under this objective.
OO8	To reinforce skills and competencies	1. The number of activities organised that support this objective. 2. The number of EU eLearning modules developed under the programme. 3. The number of times the dedicated EU eLearning modules have been used to train stakeholders. 4. Programme Stakeholder views on the quality of the eLearning modules. 5. The number of online collaboration activities organised under this objective.
OO9	To ensure the appropriate infrastructure allocation for surveillance and control responsibilities	1. The number of activities organised that support this objective.

Annex 11 : SUMMARY OF THE FULL EXTERNAL STUDY ON THE "FUTURE BUSINESS ARCHITECTURE FOR THE EU CUSTOMS UNION"

Deloitte.

DG TAXUD
Future Business Architecture for the EU Customs Union

Presentation of the study results

September 22th, 2011

Agenda

1. Introduction

2. Desired business outcomes for the Customs Union

3. Options for improvement of the functioning of the Customs Union

4. Constraints and conclusions

1. Introduction

1.1 Objectives of the study

1. Identification of the medium and long-term challenges for customs in the next decade;
2. In-depth assessment of the current operating model for managing the Customs Union and customs activities in Europe;
3. Identification of the shortcomings of the current model;
4. Establishment and feasibility assessment of proposals for improvements and possible changes to the operating model for the management of the Customs Union and customs activities in Europe;
5. Formulation of the business case for certain selected options.

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Agenda

1. Introduction

2. Desired business outcomes for the Customs Union

3. Options for improvement of the functioning of the Customs Union

4. Conclusions

- 4 -

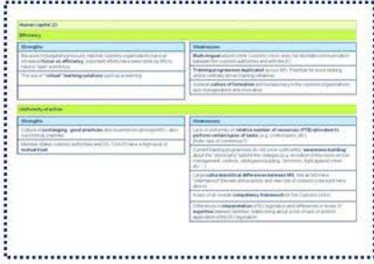
2. Desired business outcomes for the Customs Union

2.1 Approach used for the identification of desired business outcomes

1. Analysis of the CU based on "building blocks"

2. Identification of strengths & weaknesses per building block

3. Aggregation of weaknesses in "pain points" per building block

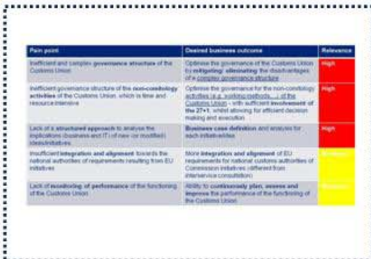


4. Assessment & prioritisation of "pain points"

5. For each pain point, definition of desired business outcomes

Assessment based on the impact of the of "pain points" on the functioning of the Customs Union in terms of
-efficiency,
-effectiveness,
-uniformity of action)

Prioritisation of the "pain points" in terms of "relevance" (high/medium/low)



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2. Desired business outcomes for the Customs Union

2.2 Desired business outcomes – organisation and governance (1)

Desired business outcome	Relevance
Optimise the governance of the Customs Union by **mitigating/ eliminating** the disadvantages of a complex governance structure	High
Optimise the governance for the non-comitology activities (e.g. working methods,...) of the Customs Union - with sufficient **involvement of the 27+1**, whilst allowing for efficient decision making and execution	High
Business case definition and analysis for each initiative/idea	High
More **integration and alignment** of EU requirements for national customs authorities of Commission initiatives (different from inter-service consultation)	Moderate
Ability to **continuously plan, assess and improve** the performance of the functioning of the Customs Union	Moderate

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2. Desired business outcomes for the Customs Union

2.2 Desired business outcomes – organisation and governance (2)

Desired business outcome	Relevance
Better **alignment/ integration** of EU initiatives with those of other international organisations	Moderate
Need for more **co-operation and information exchange** with (certain) third countries	Moderate
More **involvement** of private sector at EU level to have a better understanding of their business needs when developing policy and getting **joint ownership** on developments and executions (policy development and implementation)	Moderate
Customs Union being able to better **demonstrate** the value of customs to its stakeholders (e.g. national governments, the trading community, the citizens etc)	Moderate

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2. Desired business outcomes for the Customs Union

2.2 Desired business outcomes – processes

Desired business outcome	Relevance
Clearance and control processes applied more effectively through an **adequate level of convergence**	High
Clearance and control processes applied more **efficiently**	High
More **unity** in priority setting for the Customs Union, whilst respecting differences between Member States	High
Client management process applied more **efficiently, effectively and in a more convergent way**	High
Data management process applied more **efficiently, effectively and in a more convergent way**	High
Risk management process applied more **efficiently, effectively and in a more convergent way**	High
Mitigation mechanisms and solutions for language differences when performing customs processes	Moderate

2. Desired business outcomes for the Customs Union

2.2 Desired business outcomes – human capital

Desired business outcome	Relevance
Need to **minimise the duplication of efforts** in the development and delivery of training and knowledge/knowledge management	High
Integrated resource planning and resource allocation in function of the activities and priorities of the Customs Union	Moderate

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2. Desired business outcomes for the Customs Union

2.2 Desired business outcomes – technology and equipment

Desired business outcome	Relevance
Efficiency in terms of development, maintenance and hosting of ICT	High
Responsive, modular, scalable and adaptive architecture and underlying software and infrastructure	High
Efficiency of IT sourcing for the Customs Union (approach towards outsourcing, in-house development, shared service centres,...)	Moderate
Allocation and/or sharing of appropriate equipment to ensure the effective and uniform operation across the Customs Union	High

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Agenda

1. Introduction

2. Desired business outcomes for the Customs Union

3. Options for improvement of the functioning of the Customs Union

4. Constraints and conclusions

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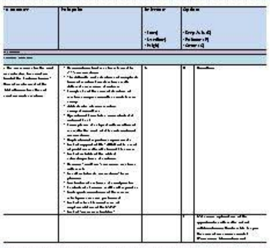
3. Options for improvement

3.1 Approach used for the identification of options for improvement

1. Formulation of a long list of options for improvement



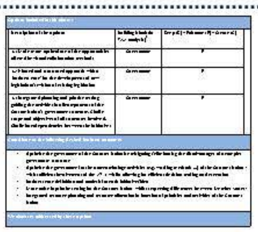
2. Assessment of the feasibility of the options

First high-level assessment (qualitative) in terms of:
- costs;
- benefits;
- risks;
- level of acceptance MS;
- possible implementation timeframe

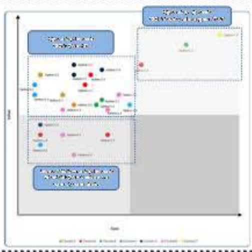
3. Selection of 25 options to be further described and analysed

- Workshop with DG TAXUD to identify options to be further analysed
- Criteria for slection of the options:
  - Related to "pain points" with high impact on functioning of the CU
  - Deemed realistic;
  - Requiring further analysis (scope, costs,

4. Further description and analysis of the 25 options in 7 clusters



5. Business case analysis of 6 options & final conclusions



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3. Options for improvement

3.2 “Chosen Clusters of (best) Options”

#	Cluster with options addressing:
1	**Governance and collaboration** processes within the Customs Union
2	**Resource exchange mechanisms,** temporary and/or permanent
3	Synergies and economies of scale in the field of **technology**
4	**Procurement** (in particular for IT) methods
5	Approaches and instruments to enhance the **uniform application of processes and procedures**
6	**Competency** building within the Customs Union
7	**Capacity Building**

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3. Options for improvement

3.2 “Chosen Clusters of (best) Options”

Cluster 1
Improve the governance and collaboration processes within the Customs Union
Make more optimal use of the opportunities offered by **virtual collaboration methods**
Phased and structured approach with a **‘business case’** for the development of new legislation/ revision of existing legislation
Integrated planning and priority setting guiding the activities in all components of the Custom Union’s governance structure. Clarify scope and objectives of all structures involved. Clarify interdependencies between the initiatives

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3. Options for improvement

3.2 “Chosen Clusters of (best) Options”

Cluster 2
Set up resource exchange mechanisms, temporary and/or permanent structures
Establish mechanisms to enable the Commission to make better use of **national officials' know-how**
EU customs **task teams** - non-permanent teams of specialists delegated, for a pre-determined period, by all or some Member States and the Commission, that can perform, under the coordination of DG TAXUD but under direct Member State responsibility, tasks in the Union's interest. Tasks performed can include initiatives related to the customs processes, IT, training, innovation, etc. Example: EU AEO Task Force
EU customs **operations teams** - permanent teams or networks of experts for specific operational activities which do not require the set up of a dedicated permanent physical location. Activities are performed under the coordination of DG TAXUD but under direct Member State responsibility. Example: IT audits for SBA
EU customs **synergy teams** – permanent teams that require the set up of a dedicated physical location (due, for example, to the need to have access to the national IT systems). Staff working under Member State responsibility. Example: EU Risk Targeting Centre
EU **Executive Agency** for Customs Programme management & EU **Regulatory Agency** for IT

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3. Options for improvement

3.2 “Chosen Clusters of (best) Options”

Cluster 3
Create synergies and economies of scale in the field of technology
Re-use of existing or newly developed applications of a Member State in (an)other Member State
Clustered / joined design and development of applications by some Member States
Implementation of a **central platform** renewing the current CCN technology stack and allowing for composite development of applications. Composite development will allow for the building of applications by re-using existing components build by TAXUD or by the Member States.

Cluster 4
Optimise procurement (in particular for IT)
Develop **tools/methods** to support the **procurement process** (in particular for IT)
Framework contracts (in particular for IT) at EU level that can be used – on a voluntary basis – by all 27 Member States or clusters of Member States.
Centralised procurement on an EU level or for clusters of Member States – funded by those Member States that wish to participate
EU financial support for procurement taken by groups of Member States (in particular for IT)

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3. Options for improvement

3.2 "Chosen Clusters of (best) Options"

Cluster 5
Introduce methods, approaches and instruments to enhance the uniform application of processes and procedures
Make use of standardised methods and information structures (e.g. common taxonomies,...) for the definition **of functional and technical requirements**
Define a **performance measurement framework** for the Customs Union – i.e. define Critical Success Factors and Key Performance Indicators; establish a Balanced Scorecard for the Customs Union as a whole, together with supporting processes, tools and instruments
Introduce **systematic Business Process Management** – i.e. place the focus of developing activity on the processes of the Customs Union
Provide more **detailed guidelines** with an indication of **legally binding minimum requirements**, based upon documented Business Processes

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3. Options for improvement

3.2 "Chosen Clusters of (best) Options"

Cluster 6
Enhance competency building within the Customs Union
Financial support for the development of EU wide **trainings** by Member States experts.
Development of a **European competency model** defining the – operational and policy related - competencies required for the good functioning of the Customs Union.
Development of a **European training programme** based upon the aforementioned competency model.
Accreditation programme for trainers ("Train the Trainer"). Can be voluntary or mandatory
Development of a **European Masters Programme** for customs. Open to staff of national administrations, economic operators,...

Cluster 7
Capacity building
Create the possibility for Member States to apply for **financial support** for investments in **equipment**

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3. Options for improvement

3.3 Business case analysis

Options selected on the basis of novelty and/or high budgetary impact	
1	EU customs **task teams** - non-permanent teams of specialists delegated, for a pre-determined period, by all or some Member States and the Commission that can perform, under the coordination of DG TAXUD but under direct Member State responsibility, tasks in the Union's interest. Tasks performed can include initiatives related to the customs processes, IT, training, innovation, etc. Example: EU AEO Task Force
2	EU customs **operations teams** - permanent teams or networks of experts for specific operational activities which do not require the set up of a dedicated permanent physical location. Under the coordination of DG TAXUD but under direct Member State responsibility. Example: IT audits for SBA
3	EU customs union **synergy teams** – permanent teams that require the set up of a dedicated physical location (due, for example, to the need to have access to the national IT systems). Staff working under Member State responsibility. Example: EU Risk Targeting Centre
4	EU **executive agency** EU **regulatory agency** for IT
5	Implementation of a **central platform** renewing the current CCN technology stack and allowing for composite development of applications. Composite development will allow for the building of applications by re-using existing components build by TAXUD or by the Member States
6	**Financial support** for **IT procurement** taken by groups of Member States
7	Create the possibility for a Member State to apply for **financial support** for investments in **equipment**

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Agenda

1. Introduction

2. Current state of the Customs Union

3. Options for improvement of the functioning of the Customs Union

4. Constraints and conclusions

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4. Constraints and conclusions

4.1 Subjects recommended for further analysis (1)

The following topics were out of scope for the analysis but could be further analysed to further strengthen the functioning of the Customs Union:

✓Feedback of the **external stakeholders** on the operating model of the CU

✓Analysis of the legal and policy framework of the CU at EU and national level, with in particular attention for:

- ✓ Detailed analysis of the **national legal frameworks** and the extent to which they constitute a barrier for setting common operational priorities, implementing uniform customs processes and the possibilities of reuse/sharing of supporting IT systems
- ✓ Mapping of what rules apply at European and national level regarding the **exchange of data** and identification of those rules that constitute a barrier for the exchange of data.
- ✓ A detailed analysis of **customs legislation** and the extent to which the current legal framework (EU and national) enables/limits the **development of a differentiated approach to compliance and control** e.g. by further developing a systems-based approach (SBA).

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4. Constraints and conclusions

4.1 Subjects recommended for further analysis (2)

- ✓ The performance of the Customs Union in terms of its **cooperation and collaboration with other authorities** both within and outside the EU.
- ✓ **International affairs** related to customs
- ✓ The extent to which Member States customs authorities ensure that their **planning** is in line with EU initiatives and the mechanisms in use to that ends.
- ✓ A **detailed analysis for each customs process** on the extent to which there is a need for more (detailed) guidelines, tools and helpdesks
- ✓ A detailed **business and technical architecture analysis** of all trans-European and national IT systems of the Customs Union.
- ✓ A detailed analysis of the **sourcing and procurement** strategy followed by Member States customs authorities related to IT (development, hosting, maintenance)

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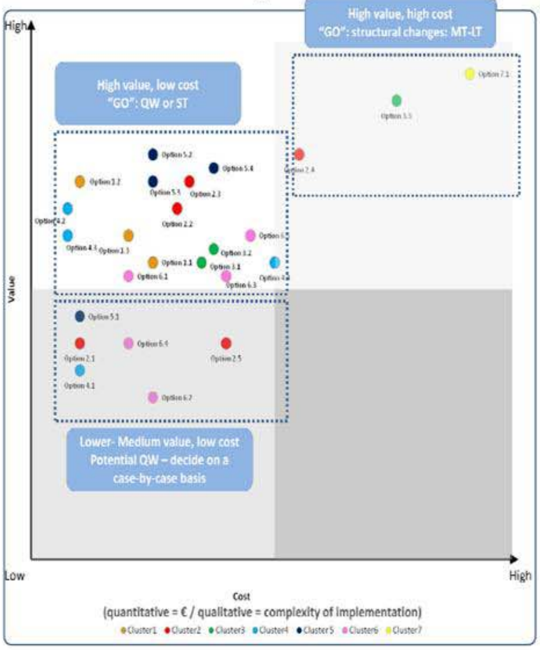
4. Conclusions

4.2 Cost value analysis of the different options



1.1	Make more optimal use of the opportunities offered by virtual collaboration methods
1.2	Approach with a 'business case' when developing/revising (new legislation)
1.3	Integrated planning and priority setting in the Custom Union's governance structure.
2.1	Make better use of national officials' know-how
2.2	EU customs task teams
2.3	EU customs operations teams
2.4	EU customs synergy teams
2.5	EU Executive Agency for Customs Programme management & EU Regulatory Agency for IT
3.1	Re-use of existing or newly developed applications
3.2	Clustered / joined design and development of applications
3.3	Implementation of a central platform renewing the current CCN technology
4.1	Develop tools/methods to support the procurement process (in particular for IT)
4.2	Framework contracts at EU level that can be used by all Member States
4.3	Centralised procurement on an EU level or for clusters of Member States
4.4	EU financial support for procurement taken by groups of Member States (in particular for IT)
5.1	Standardised methods and information structures for the definition of functional and technical requirements
5.2	Define a performance measurement framework for the Customs Union
5.3	Introduce systematic Business Process Management
5.4	More detailed guidelines based upon documented Business Processes
6.1	Financial support for the development of EU wide trainings by Member States experts
6.2	Development of a European competency model
6.3	Development of a European training programme
6.4	Accreditation programme for trainers
6.5	European Masters Programme for customs
7.1	Possibility for Member States to apply for financial support for investments in equipment

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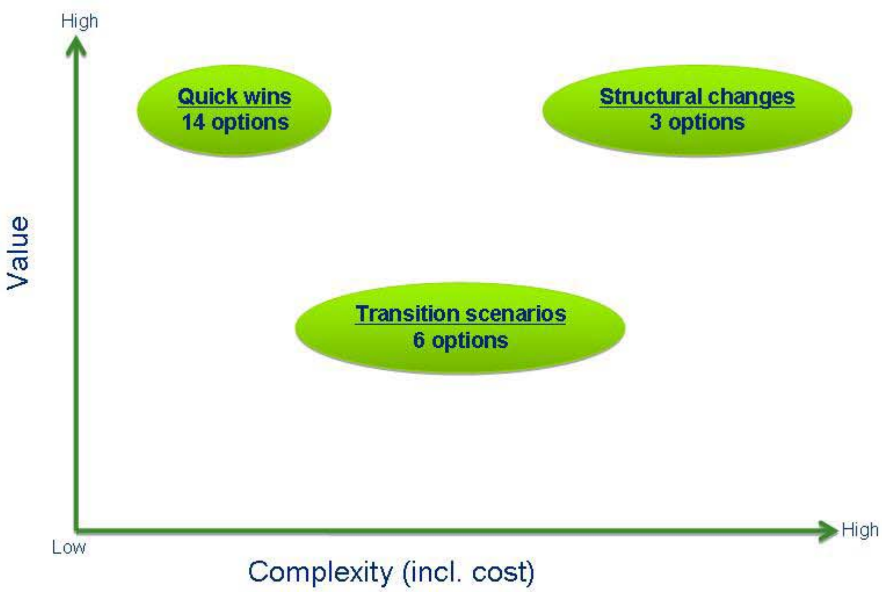
4. Conclusions

4.3 Recommendations regarding general principles of follow up by DG TAXUD



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Structural changes
3 options

4. Conclusions

4.4 Recommendations regarding the options considered in the analysis

Recommendations on **structural changes**:

✓The design and implementation planning of the permanent structures (option 2.4), and the implementation of a new IT platform (option 3.3) are recommended to start as soon as possible.

✓Regarding the financial support to Member States for investments in equipment (option 7.1) it is recommended that the scope and ambition of the Customs Union in this regard is first clarified. Once this is done, this option could be implemented (in a reduced form) in next 2 to 5 years.

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Quick wins
14 options

4. Conclusions

4.4 Recommendations regarding the options considered in the analysis

Recommendations on **Quick Wins (1)**: implementation as a matter of priority

✓Implement within the **next 2 years**:

1. the enhanced use of virtual collaboration methods (option 1.1),
2. the introduction of a business case approach (option 1.2),
3. an integrated planning and priority setting (option 1.3),
4. the EU customs task teams (option 2.2),
5. the EU customs operations teams (option 2.3),
6. the re-use of applications of Member States (option 3.1),
7. clustered/joined design of components of applications (option 3.2),
8. a performance measurement framework (option 5.2),
9. the introduction of business process management (option 5.3), and
10. the financial support for the development of trainings by Member State experts (option 6.1).

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4. Conclusions

Quick wins
14 options

4.4 Recommendations regarding the options considered in the analysis

Recommendations on **Quick Wins (2)**: implementation as a matter of priority

✓Implement in the **next 5 to 10 years** – require legal analysis to confirm that the Quick wins are legally feasible:

1. options of using framework contracts (in particular for IT) at EU level (option 4.2),
2. centralised procurement (option 4.3) and
3. financial support for IT procurement (option 4.4).

✓Implement in the **next 5 to 10 years** – requires intensive discussions with the MS:

1. development of more detailed guidelines with an indication of legally binding minimum requirements based upon documented business processes (option 5.4)

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4. Conclusions

Transition scenarios
6 options

4.4 Recommendations regarding the options considered in the analysis

Recommendations on specific options:

✓ The **options related to IT** that could be envisaged awaiting the implementation of the CCN2 platform

1. re-use of existing or newly developed applications of Member States (option 3.1)
2. clustered/joint design and development of components of applications by some Member States (option 3.2)

✓ The **options related to Human Capital** require an integrated approach:

1. development of a European competency model (option 6.2): implementable within 2 to 5 years but will generate greater benefits if reinforced by:
2. European-wide training programme (option 6.3)
3. accreditation programme for trainers (option 6.4)
4. development of a European Masters Programme (option 6.5)

✓EU executive agency and/or EU regulatory agency for IT **not recommended to pursue**

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4. Conclusions

4.4 Recommendations regarding the options identified but not considered in the analysis

Step-by-step approach:

1. Decide on the options considered in the analysis: will they be implemented and if yes, in what timeframe?

2. Analyse the long list of options to identify those options that would become irrelevant/excluded given the choices made in the first step.
   Output = a reduced list of possible options

3. Prioritisation and analysis of the feasibility analysis following identical approach to ensure consistency

4. Decide on the timeframe for implementation

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EUROPEAN COMMISSION

Brussels, 9.11.2011
SEC(2011) 1317 final

Vol 2/2

COMMISSION STAFF WORKING PAPER

IMPACT ASSESSMENT

Accompanying the document

Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing an action programme for customs and taxation in the European Union for the period 2014-2020 (FISCUS) and repealing Decisions N°1482/2007/EC and N°624/2007/EC

{COM(2011) 706 final}
{SEC(2011) 1318 final}

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List of Abbreviations

ART2	Activity Reporting Tool 2
B2B	Business-to-Business
B2C	Business-to-consumer
CCCTB	Common Consolidated Corporate Tax Base
CCN/CSI	Common Communication Network / Common System Interface
CIO	Chief Information Officer
CIPS	Prevention, Preparedness and Consequence Management of Terrorism and other Security-related risks (programme)
DG	Directorate General
EMCS	Excise Movement Control System
EP	European Parliament
EU	European Union
FTE	Full Time Equivalent
ISEC	Prevention of and Fight against Crime (Programme)
IT	Information Technology
OECD	Organisation for Economic Co-operation and Development
OLAF	European Anti-Fraud Office
OO	Operational Objective
1SS	One-Stop-Shop
PICS	Programme Information and Collaboration Space
SMART	Specific, Measurable, Achievable, Relevant , Time-bound
SME	Small and Medium Size Enterprises
SO	Specific objective
TACTIC	Taxation and Customs Training Interactive Campus
TEIT	Trans-European Information Technology (systems)
TEU	Treaty of the European Union
TFEU	Treaty on the Functioning of the European Union
VAT	Value Added Tax
VIES	VAT Information Exchange System

1. BACKGROUND TO THE POLICY CONTEXT AND CONTRIBUTION TO COMMISSION PRIORITIES

1.1. Legal and Policy Context

The legal context for taxation policy at EU level varies depending on the kind of tax at stake. The Treaty on the Functioning of the EU (TFEU), under Article 113, specifically provides for the Council, acting unanimously, to adopt provisions for the harmonisation of Member States' rules in the area of **indirect taxation** (principally Value Added Tax and Excise Duties). Indeed, an inefficient and uncoordinated system of national rules for indirect taxes may create an immediate obstacle to the free movement of goods and the free supply of services, or distortions of competition which are detrimental to the functioning of the Internal Market. A large number of Directives and Regulations (i.e. "secondary legislation") have been agreed in this area on the basis of that Article. As far as **other taxes** are concerned, Article 115 TFEU provides for the Council, acting unanimously, to issue Directives for the **approximation** of such laws, regulations or administrative provisions of the Member States which directly affect the establishment or functioning of the Internal Market. Some recommendations and legislation have been adopted in the area of personal tax, company tax and capital duty.

Throughout the years and in the light of reluctance on the side of Member States to go for outright harmonisation of national systems, however, there has been a **shift in emphasis** from attempting to harmonise taxes at EU level towards improving **coordination** between existing national tax systems, particularly for direct taxes. In 2001 the Commission[1] expressed its conviction that there is no need for a fully-fledged cross border harmonisation of Member States' tax systems to make the Single Market function and to reduce tax fraud and tax circumvention recommending there should only be action at EU level where action by individual Member States could not provide an effective solution.

Already before the start of the Internal Market, administrative cooperation[2] played a key role in detecting and preventing fraud, and facilitating cross-border activities by reducing the administrative burden on enterprises and citizens. With the establishment of the Internal Market, the Community set up the VAT Information Exchange System[3] allowing tax administrations to exchange VAT turnover or registration messages, to detect anomalies in the intra-community supplies of goods and services resulting in some cases in VAT fraud investigations. Since the start of the Internal Market, various legal instruments on administrative cooperation have been reinforced[4]. In 2010 and 2011, major steps forward were taken with the adoption of a new Directive on recovery of claims[5] and the Recast of the

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[1] Communication COM(2001) 260 of 23.05.2001, Tax policy in the European Union - Priorities for the years ahead.

[2] Council Directive 77/799/EEC.

[3] Council Regulation (EEC) No 218/92.

[4] Council Regulation 1798/2003 (VAT), Council Regulation 2073/2004 and Council Directive 2004/106 (Excise), Council Directive 2004/56/EC (Direct Taxation), Council Directive 2001/44/EC and Commission Directive 2002/94 (Recovery).

[5] Council Directive 2010/24/EU of 16 March 2010 concerning mutual assistance for the recovery of claims relating to taxes, duties and other measure (OJ L 84 of 31.3.2010, p 1).

Regulation on administrative cooperation and fight against VAT fraud[6], providing a legal base for EUROFISC, a network for the quick exchange of targeted information between Member States, and the Directive on administrative cooperation in the field of direct taxation, strengthening cooperation and setting-up a system of automatic exchange of information for a range of revenues[7]. In the course of 2011, the Commission will propose a new Regulation to enhance administrative cooperation in the field of excise duties.

1.2. The Fiscalis 2013 programme

The main supporting instrument to facilitate the cooperation between tax authorities in the EU is the Fiscalis 2013 programme. The Fiscalis 2013 programme has an overall budget of 156.9 million euro (on average 26.15 million euro per year) and seeks, in particular, to improve the proper functioning of the taxation systems in the Internal Market by increasing cooperation between participating countries, their administrations and officials. The programme is based on the premise that effective, uniform and efficient application of EU law is essential for the functioning of tax systems in particular, for the protection of national financial interests and reducing burdens on administrations and taxpayers.

The specific objectives of Fiscalis 2013 are available in Annex 1.

The programme finances different types of activities, notably (i) developing and operating centrally deployed and trans-European IT systems (ii) supporting joint actions between tax officials(such as seminars, working visits, working groups, steering groups, etc) to facilitate the exchange of good practice and (iii) delivering training to tax officials across Europe. The trans-European IT systems (such as EMCS and VIES) run over the secure CCN/CSI network.[8]

Table 1: The Instruments of the Fiscalis 2013 Programme

Exchange of Information (IT) ca. 73% of the budget	**Joint Actions (Human Component) ca. 25% of the budget**	**Training Activities ca. 2% of the budget**

Source: DG TAXUD

The programme primarily targets tax officials of EU Member States, but candidate countries and potential candidate countries can also request participation in the programme.

At present, around 4 000 officials participate annually in 250 to 275 events organised per year[9]. Currently, Croatia, the former Yugoslav Republic of Macedonia, Serbia and Turkey are also taking part in programme activities. Administrations of third countries, representatives of international organisations and taxable persons or their organisations can be invited to participate in programme activities if relevant.

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[6] Council Regulation (EU) No 904/2010 of 7 October 2010 On Administrative Cooperation And Combating Fraud In The Field Of Value Added Tax; http://www.eurofisc.eu/council_regulation_904_2010.html.

[7] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC.

[8] CCN/CSI = Common Communication Network, Common System Interface.

[9] See Annex 9 for graphs with the historic evolution of the figures.

Training activities have enabled the production of first pan-European taxation e-learning modules. Six tax-specific EU learning courses in up to fifteen national languages have been developed. As they were mostly finalised in 2010 and 2011, the usage statistics are not yet meaningful.

Procurement contracts account for the largest share of the programme budget, namely activities related to the exchange of information (IT expenditure) and training. For activities related to tax officials (Joint Actions), the centralised direct management mode is the main delivery mechanism and applied through grants destined to the tax administrations of the participating countries.

1.3. Contribution to EU Policy Priorities

The proposed Fiscalis 2020 programme aims at making national tax administrations more effective and efficient when dealing with cross-border transactions. Thus, they will be enabled to more successfully fight tax fraud and increase tax returns. Also, Fiscalis aims at reducing the administrative, economic and time burden for tax payers involved in cross-border activities, and to stimulate national tax administrations to exchange and learn from best practices.

Fiscalis has the potential to successfully contribute to the **Europe 2020 Strategy** for smart, sustainable and inclusive growth[10], namely by strengthening the functioning of the Single Market, providing a framework to support activities enhancing productivity of the public sector by pushing technical progress and innovation in national and European tax administrations. In the field of revenue generation, the EU 2020 Strategy calls for growth-friendly taxes and, in particular, a shift away from the taxation of labour to energy and environmental taxes[11]. Generally, a better cooperation between tax authorities, better exchange of best practices, and a focus in administrative burden reaction contribute to the goals set by the 2020 Strategy. Concerning the specific recommendation, also indicated by the Impact Assessment report, a shift to the taxation of tradable goods increases the opportunity of international tax fraud and this further necessitates a seamless cooperation between Member States' tax authorities.

It supports the **Single Market Act**[12] which stresses in general the importance of diminishing the burden on taxpayers and which emphasises some key areas for taxation policy. The upcoming policy initiatives which the programme will support and help implement, such as the proposed Energy Tax Directive, new VAT strategy, and Common Consolidated Corporate Tax Base for companies and those concerning the removal of cross-border tax obstacles for citizens, will, when adopted, contribute substantially to achieving some objectives of the Single Market Act.

The **Monti Report**[13] on the future of the single market confirmed that that more tax co-ordination between the Member States is required in order to make tax collection more effective and fair. This should in particular address the removal of tax obstacles like different legal treatment of the same transaction or fragmentation and diverging rules that business and

[10] COM(2010) 2020 final of 3 March 2010: A strategy for smart, sustainable and inclusive growth.
[11] COM(2010) 2020 final of 3 March 2010: A strategy for smart, sustainable and inclusive growth , p. 26
[12] COM(2011) 0206 final.
[13] MONTI, A new strategy for the single market, 9 May 2010.

citizens face when performing cross-border activities. Tax fraud, tax evasion and tax avoidance have been and continue to be serious challenges for the EU and the Member States and the fight against fraud remains high on the agenda of EU taxation policy. In providing a framework for cooperation between national tax administrations and further enhancing coordination between existing national tax systems, the Fiscalis 2020 programme will definitely be in line with these recommendations.

The Fiscalis 2020 programme - in its new constellation – will support other flagship initiatives of the Europe 2020 strategy, namely the flagship initiative on the digital agenda for Europe[14], the flagship initiative on the Innovation Union[15] and the flagship initiative on an industrial policy for the globalisation era[16]. It will support the national tax administrations to become fully-fledged e-tax administrations and equally reduce the administrative burden on taxpayers, by making the implementation of tax legislation smarter.

2. INFORMATION GATHERING AND STAKEHOLDER CONSULTATION

The present report constitutes both the ex-ante evaluation required for programmes and the Impact Assessment that will accompany the legislative proposal for the future Fiscalis 2020 programme. The stakeholders have been consulted at different stages of the preparation of the new programme.

In the context of the midterm evaluation of the Fiscalis 2013 programme[17], an external contractor analysed the effectiveness, efficiency, relevance and value added of the current programme. Monitoring data available from the different activities was used. About 2.000 former participants of the programme were surveyed and targeted surveys of the programme coordinators and tax experts in the participating countries were conducted. In addition the consultant used the results of a survey issued to tax and customs officials in Member States measuring their awareness of the programme and its perceived relevance for their daily work. The recommendations of the evaluations for further improvements in the programme were taken on board in the design of the future programme. The feedback on effectiveness, efficiency and value added was extensively used for assessing the impacts of the policy options.

Another study examined the possible framework of the future programme[18]: its challenges, objectives and possible policy options. This study investigated which problems are likely to confront taxation policy in the next decade and identified the following challenges globalisation, effective use of technology staying abreast and seizing the opportunity, resource constraints – more with less, fair competition: eliminating distortions, applying rules uniformly, coordinating policies, improving tax revenues of Member States and enlargement[19]. These findings were completed with the results of the midterm evaluation on

14 COM(2010) 245 Final/2, A Digital Agenda for Europe.
15 COM(2010) 546 of 6 October 2010, European 2020 Flagship Initiative Innovation Union.
16 COM(2010) 614, European 2020 Flagship Initiative Integrated Industrial Policy.
17 Reference will be added, when the midterm evaluation has been published by the Commission.
18 DELOITTE, Challenges and objectives for the cooperative model for the taxation area in Europe.
DELOITTE, Alternatives for taxation cooperation.
DELOITTE, Analysis of different scenarios for tax cooperation.
19 DELOITTE, Challenges and objectives for the cooperative model for the taxation area in Europe, p. 16-23.

the relevance of the current objectives and the future priorities of the programme,[20] where beneficiaries of the programme indicated that fight against fraud is the highest priority, in particular continuously monitoring emerging fraud and increasing the exchange of information and practices.[21] Other current priorities are EU law aspects and sharing of administrative practices. Concerning the future problems, programme beneficiaries are of the opinion that fraud will remain the highest priority but also indicated that a better focus should be put on voluntary compliance and the reduction of burden on taxpayers[22]. The findings of this study were discussed with the representatives of the participating countries in a workshop organised in June 2011. In preparation of this workshop, a roundtable was organised in spring 2011 at the Fiscalis 2013 Committee[23] meeting where participating countries were asked to identify the main strengths of the programme and how the efficiency of the programme could be improved. All this resulted in the final formulation of the problem description of the Fiscalis 2020 programme as defined in the intervention logic. Also as a result of, the above findings, the objectives of the programme were reformulated and updated. Since beneficiaries expressed in general their satisfaction with the instruments of the programme and the management, only suggesting small scale improvements to cooperate more efficiently[24] and assessing very positive the contribution of Fiscalis to increased interaction and information sharing between the Member States' tax administrations[25], only minor changes were made to the instruments and the set up of the programmes

Considering the importance of the activities related to the exchange of information, an external contractor carried out a separate study[26] on the future implementation strategy for the exchange of information. This study was presented in a dedicated workshop for Chief Information Officers (CIOs) of tax administrations in June 2011.

Up to now, evaluation exercises of the existing programmes, only addressed primary stakeholders of Fiscalis, namely tax authorities and their experts which are the target audience of the programme. The Commission is aware of the importance of consulting also stakeholders that are external to the programme (i.e. economic operators) on the impacts the programme has on them and to what extent they benefit for instance from better cooperation between tax administrations. The Commission will incorporate add this additional dimension of indirect impacts in its future programme evaluations.

The preparation of the impact assessment report was supported by an interservice Steering Group with participants from the Secretariat-General, the Legal Service, DG Budget, DG Internal Market and Services, DG Home Affairs, the European Anti Fraud Office (OLAF) and DG Trade. The last meeting of the Steering Group took place on 25 July (minutes of the last Steering Group meeting are attached to this report). The Directorates-General for Justice, for Employment, Social Affairs and Inclusion and for Enterprise and Industry have been consulted for the assessment of social impacts, impacts on SMEs and fundamental human rights.

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[20] RAMBOLL, Midterm Evaluation Fiscalis 2013, p. 93-97.
[21] RAMBOLL, Midterm Evaluation Fiscalis 2013, paragraph 376.
[22] RAMBOLL, Midterm Evaluation Fiscalis 2013, paragraph 374-377.
[23] Minutes of the 9th Fiscalis Committee meeting on 3 May 2011.
[24] RAMBOLL, Midterm Evaluation Fiscalis 2013, p. 67-80
[25] RAMBOLL, Midterm Evaluation Fiscalis 2013, paragraph 244.
[26] GARTNER, CCN Evolution Strategy, May 2010.
DELOITTE, CCN2 study, Member States interview report, January 2011.
ACCENTURE, Service oriented application and backbone architecture, June 2011.

The Impact Assessment Board expressed its opinion on 22 September 2011. This version of the Impact Assessment addresses all the recommendations from the board in line with the reply provided in writing by DG TAXUD on the Impact Assessment Checklist of the Impact Board.

3. PROBLEM DEFINITION

National tax authorities are becoming more and more the "victim" of the success of the European integration process: successive enlargements, the establishment of a true Single Market over the last decades and the creation of a single European currency in the Eurozone have significantly reduced previous risks to and costs of economic cross-border transactions. Thus, divergences in tax regimes have become more important in relative terms.

This establishment of the four freedoms for a jurisdiction with 27 Member States and more than 500 million citizens (and customers), more than 200 million employees and 20 million enterprises has triggered an exponential growth in cross-border transactions. This has also led to a multiplication of transactions that trigger "taxable events". At the same time, the successive enlargements of the EU and the increasingly complex national tax rules in these 27 jurisdictions make it more and more challenging to deal in an efficient and effective way with cross-border transactions that give rise to the application of tax legislation. On the other hand, the unanimity requirements of Articles 113 and 115 of the TFEU have not allowed a significant simplification this situation and the triggering of mechanisms that would allow the harvesting of economies of scale or of scope.

Moreover, technical progress over the last decades has dramatically changed the technologies underlying economic transactions, including cross-border transactions. However, productivity-enhancing technical progress in public administrations is typically much slower than technical progress in the private sector[27]. Thus, the gap between technologies and working methods applied in the private sector and in the public sector, including tax administrations, continues to widen. Consequently, the public sector, including tax administrations, is more and more seen as a bottleneck, rather than a key enabling sector and turning into a weak link of the diversified value chains characterising the business models of modern economies and a globalised world.

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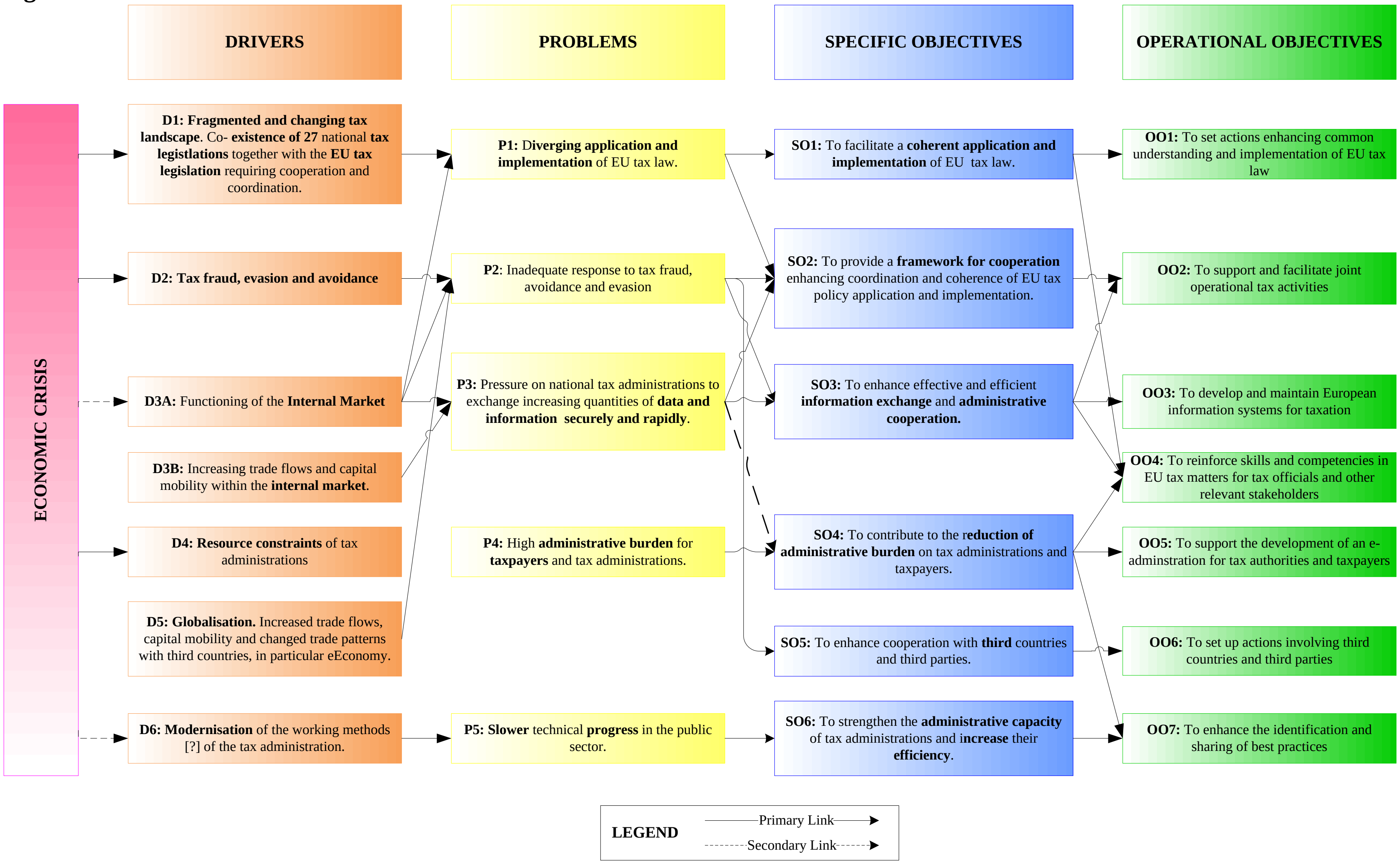
27 http://www.economist.com/node/18359896, http://www.oecd-library.org/docserver/download/fulltext/4207011ec006.pdf?expires=1311759889&id=id&accname=ocid194935&checksum=5A3BF5B0C3EA008644F6EAF7409F8AFD

Figure 1: Drivers and Problems



Annotation: The underlying driver, the economic crisis, affects and reinforces all of the other identified drivers.

Source: DG TAXUD

Figure 1 above provides an overview of the problems and drivers that need to be addressed by the Fiscalis 2020 programme. A further aggravating effect results from the fallout of the financial and economic crisis of 2009/10 with its dramatic effects on public finances and brought some of the identified problems in the forefront of the attention. In response, numerous Member States aim at increasing revenues by increasing tax rates, particularly consumption taxes. This, however, increases the economic incentives for potential tax payers to avoid tax payments altogether and as such is a stronger incentives for international tax fraud, necessitating better administrative cooperation. This problem is then aggravated by the policy trend to also cut public expenditure, with a special emphasis put on (administrative) investment expenditure or on cutting back human resources[28], both leaving less resources available for improving the efficiency of tax-collection systems. Where appropriate, the specific problem description highlights the influence of the economic crisis.

3.1. Problem 1: Divergent application and implementation of EU tax law

EU tax law has become more and more complex: VAT legislation, different Excise Directives, the Merger Directive are some examples. The correct interpretation and implementation of new and existing EU tax legislation remains a challenge. The last Internal Market Scoreboard shows that a lot remains to be done to ensure a uniform application of EU tax law. Cases related to direct and indirect taxation accounted for almost one fourth of all infringement proceedings pending in December 2010[29].

The lack of a uniform application and different interpretations of tax laws lead to a distortion of the Internal Market and to unfair competition for businesses. It also allows companies to pursue strategies of tax minimisation and shopping in search of the most convenient taxation area. [30]

The economic crisis has triggered changes in national tax codes in some countries, predominantly by increasing the rates for indirect taxes. Further changes of national tax designs are expected in the coming years, due to changes in the business landscape and government policies in non taxation areas (for instance in relation to environmental objectives).

3.2. Problem 2: Inadequate response to tax fraud, avoidance and evasion

Despite all efforts and recent successes of tax administrations to combat cross-border fraud, it still remains a major area of concern. The tax gap in the EU is roughly 2% to 2.5% of the GDP or up to 300 billion euro. The VAT gap, for instance, is according to the RECKON study[31], slightly more than 100 billion euro per year and ranging between 2 and 30% in the Member States. The European Anti Fraud Office (OLAF) estimates annual fraud with tobacco products as high as 10 billion euro per year. It is generally accepted that fraud levels would rapidly increase if no coordinated action was undertaken by the tax authorities. During the last years, the extent of cooperation between Member States has intensified, notably with the

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[28] http://www.bbc.co.uk/news/10162176
[29] Internal Market Scoreboard 22, December 2010.
[30] DELOITTE, Challenges and objectives for the cooperative model for the taxation area in Europe, p 20.
[31] Measured as the share of theoretical liability. RECKON study to quantify and analyse the VAT Gap in the EU 25 Member States, 2009.

adoption of a new Directive on recovery of claims[32], the recast of the Regulation on administrative cooperation for VAT[33] and the directive on administrative cooperation in the field of direct taxation[34]. The tools provided in this new legislation enable Member States to detect fraud at an earlier stage and to act accordingly.

In the coming decade, new trends in tax fraud, avoidance and evasion will continue to emerge and will have to be addressed continuously. It is assessed that the Eurofisc network will play a key role in identifying these new fraud schemes. At the same time the increased use of IT tools will facilitate the exchange of information, allowing tax authorities to exchange knowledge and best practices in this area in an electronic format, thus offering new opportunities for data and risk analysis. Exchanging information on transactions and businesses as well as sharing knowledge on newly identified fraud schemes are tangible ways of preventing and combating tax fraud.

3.3. Problem 3: Pressure on national tax administrations to exchange increasing quantities of data and information in a secure and rapid way

Since controls at internal borders have been abolished, national tax authorities do not receive information about the flow of goods within the EU territory from this source. They have to rely on an EU-wide secured information network which allows for the exchange of information. The number of messages exchanged has grown from 78 million in 2004 to 430 million in 2010 while the volumes have risen from 59 Gb in 2004 to 609 Gb in 2010[35].

The need to exchange tax information is expected to grow further within the Internal Market following the increasing trade flows and capital mobility. But there will also be an increasing need to exchange information with third countries as cross-border activity will continue to expand to countries outside the EU. This exchange of information will more and more be carried out in an electronic form. It is expected that information exchange will rise to 2 500 million messages and 2 500 Gb of volume in 2020[36].

In the next decade, the pressure on information exchange systems will increase, not only due to increased trade flows and capital mobility, but also because of further legislative changes in the VAT, excise and direct taxation field. The supporting IT systems will have to be adapted accordingly: the main challenge in the coming decade will include the extension of the range of functionalities that are mainly for use by Member States' administrations and the addition of remaining core business functionalities. In the field of direct taxation, the new directive on administrative cooperation adopted in February 2011 provides for the development of new computerised systems for automatic exchange of information on five new categories of income and capital before 1 January 2015 and possibly on three other new categories by the end of the decade. The developments in this area will also be relevant in the context of the follow-up work to the Recommendation on withholding tax relief procedures (FISCO)[37] and

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[32] Council Directive 2010/24/EU of 16 March 2010 concerning mutual assistance for the recovery of claims relating to taxes, duties and other measure (OJ L 84 of 31.3.2010, p 1).

[33] Council Regulation (EU) No 904/2010 of 7 October 2010 On Administrative Cooperation And Combating Fraud In The Field Of Value Added Tax; http://www.eurofisc.eu/council_regulation_904_2010.html.

[34] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC.

[35] DG TAXUD Statistics.

[36] DG TAXUD Forecasts.

[37] COM(2009) 7924 of 19 October 2009.

the Commission's planned initiative on taxation of cross-border dividends. As far as VAT is concerned, in the light of further harmonisation and simplification in this area[38] IT issues and IT needs for both taxpayers and tax administrations will require attention during the implementation of new rules (e.g. defining a proper timeframe and agreeing on a work process for adapting IT systems, facilitating automated information transfers between taxpayers and tax authorities through better interoperability, and development of specific software to be supported at EU level and made available to all Member States). In the excise area, the Excise Movement and Control System, a computerised system for the intra-Community movement and monitoring of excisable goods, is expected to be extended to include administrative cooperation, risk control and data-mining functionalities, as well as additional functionalities which would allow for splitting a movement of excise.

There are two main types of differences regarding Member States' use of taxation IT systems, namely different interfaces with the final users of the systems, namely businesses and citizens and different implementations of the systems. Due to these aspects, businesses operating in different Member States might not be able to perform the same actions in each Member States. The interfaces Government to Trade (GtoT) are differently implemented in every Member State. That creates additional burden and costs to businesses operating in several Member States as they not able to interface in a unique way. Some examples are provided in the boxes below:

Examples of different interfaces

For instance, in the case of **EMCS**, Member States have developed their own national excise application and the exchange of information between Member States is based on standardized messages. However, all the data exchanges between Member States and traders active within their territory are left to each Member State that is offering its national web interface and/or message based (B2B) interface to traders. As such traders operating in several Member States are faced with different interfaces across Member States which is limiting the conduct of cross-border economic activity as traders need to develop or purchase different B2B variants, one for every Member States where they conduct business. In **VAT Refund**, the portals used by economic operators are also not harmonised confronting applicants with 27 different interfaces and several ways of communicating with the tax administrations.

Examples of different implementations

In **EMCS**, there are differences in the way Member States are implementing the system. Some functions of the EMCS system, offering trade facilitations such as ‘direct delivery’, or the functionality of ‘splitting’ consignments related to energy products, are only supported by some Member States. The **VAT refund system** is another example, as some Member States did not implement the correction process while others require applicants to submit in certain circumstances corrective applications via their Member State of establishment.

Finally, the information exchanged needs to be increasingly accessible by a wide group of users. Some information is channelled through a single access point, but other information has to be used sometimes by a large number of persons. In the future, investment will be needed to provide an adequate response to new challenges, which could consist of using central

[28] COM(2010) 695 of 1 December 2010, Green Paper on the future of VAT. Towards a simpler, more robust and efficient VAT system.

solutions, accessible by all the users. The absence of a response to this need may jeopardise the efficiency of administrative cooperation while significantly increasing costs for the Member States.

3.4. Problem 4: High administrative burden for taxpayers and tax administrations

An effective tax system should ensure sustainable revenues while not adversely affecting growth and jobs. At present, there are still too many tax obstacles which make cross-border activities too cumbersome or too expensive, while citizens face difficulties in claiming tax reliefs from foreign tax administrations, obtaining information on foreign tax rules and knowing whom to contact in foreign tax administrations[39].

As far as businesses are concerned, the need for companies involved in cross-border activities to deal with 27 different accounting and corporate tax systems results in high compliance costs. In a 2004 survey covering more than 700 companies, the European Commission found that these costs represent 1.9% of tax collected for large companies and 30.9% of tax collected for SMEs. High compliance costs are also born by financial intermediaries in administering withholding tax relief procedures. This is due to the fact that these procedures vary considerably from Member State to Member State and do not reflect the often multi-tiered holding environment[40]. The above-mentioned FISCO Recommendation and the related follow-up work are aimed at addressing these problems. The description of the different ways Member States implement IT systems provided under chapter 3.3 is also applicable here.

Reduction of the administrative burden on taxpayers is in the interest of taxpayers and tax authorities. High compliance costs arising from cumbersome administrative procedures undermine the Internal Market and competitiveness. They create barriers to the development of economic operators and SMEs in particular, as well as incentives to fraud. A reduction in the administrative burden should improve voluntary compliance by taxpayers and thus increase tax revenues for public authorities.

Cumbersome administrative procedures also carry a cost for tax administrations in terms of financial and human resources, which could be better deployed elsewhere, notably the fight against fraud.

The Monti Report on the completion of the single market acknowledges this situation and emphasises that automatic exchange of tax information and in general cooperation between tax administrations of the Member States should also be improved in order to make tax collection more effective and fair.

3.5. Problem 5: Slower technical progress in the public sector

Globalisation and the growing e-economy challenge require tax administrations to adapt to a changing environment. Furthermore, cuts in resources force tax administrations to reflect on **new strategies and working methods.** In some Member States the tax administration

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[39] Communication on removing cross-border tax obstacles for citizens; COM(2010) 769.

[40] See the two reports of the Fiscal Compliance Experts' Group (FISCO) established by DG MARKT (published in 2006 and 2007). They are available at: http://ec.europa.eu/internal_market/financial-markets/clearing/compliance_en.htm.

strategy is shifting towards a more proactive approach, focused on stimulating voluntary compliance. This changing tax environment increases the need for **effective and efficient e-government services**. Taxpayers should have the possibility to interact with tax administrations by electronic means and across borders..

This problem has become very relevant in the aftermath of the financial crisis. The consequent austerity measures are a driver for Member States to make, where possible, more efficient use of information technology to deploy human resources in **the most effective way**.[41]. To this extent Member States can also profit from the experience gained by colleagues in other tax administrations and share best practices through technical assistance.

The Member States and the Commission deploy numerous officials and experts to support tax processes. Whereas the Fiscalis programme supports joint actions such as working visits, working groups, etc., there are currently no mechanisms that would support tax officials from different Member States to work together at operational level with the exception of multilateral controls. This leads to duplication of **resources** (e.g. in building up specific expertise in each Member State) and a lack of efficiency in the performance of operational taxation activities across the EU.

Member States currently have to finance the development of IT systems (including the adaption of their national components) to support the activities of the national tax authorities. Furthermore, specific software to support tax specific activities (e.g. data mining for risk analysis purposes) have to be procured by the individual Member States. In some Member States there are, however, insufficient financial means to procure and/or develop software packages and **IT systems**. This affects the efficiency and effectiveness of taxation cooperation overall in the EU.

The Monti report suggests that initiatives should be launched to build consensus regarding a stronger Single Market, inter alia concerning how to use tax coordination to safeguard national tax sovereignty as market integration proceeds, while nevertheless preventing harmful tax competition.

3.6. Conclusion

Whereas it is the Member States' responsibility to manage the operation of national tax systems, it is clear from the challenges identified above that increased administrative cooperation between tax authorities –to an even greater degree than is currently the case - is necessary. Cooperation across the EU enables tax authorities to develop synergies, avoid duplication and exchange good practice in all fields related to taxation such as business engineering, IT, international cooperation, etc. The support to taxation cooperation by the current Fiscalis programme has its merits, but in particular the outdated technological architecture, difficulties in working together on an operational level with regard to specific tasks, unequal financial means to support the activities of tax authorities and difficulties in establishing structural collaboration with the main stakeholders of the tax authorities will prove challenging in the future.

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[41] DELOITTE, Challenges and objectives for the cooperative model for the taxation area in Europe, p 19-20.

4. JUSTIFICATION OF EU ACTION

4.1. Necessity of EU intervention

Tax policy implementation remains predominantly a nationally reserved policy area. The proposed programme however cannot be considered to be a tax policy measure falling under national competences. Indeed, the programme aims to improve cooperation between tax administrations and provide mechanisms and means for improving such cooperation as well as the necessary funding to achieve these objectives. As such the programme will not, when implemented by the Commission, result in a further harmonisation of national tax systems but it will allow the reduction of negative effects related to the co-existence of 27 different tax systems, such as distortions of competition, administrative burden for administrations and businesses, tax shopping, etc. The proposed measure is therefore a clear Internal Market support measure, under Article 114 of the TFEU, as it will allow the improvement of the functioning of the various tax systems within the Internal Market.

Action at EU level rather than at national level is necessary for the following reasons:

- It is not sufficient to adopt legislation at European level, taking it for granted that its implementation will run smoothly and if not, the infringement procedure will be sufficient. In order to efficiently implement EU and national tax law, cooperation and coordination at the European level are necessary. Through the different Fiscalis programmes, the Commission and Member States have built a strong relationship of trust to provide this guidance and steering. Such concerted action allows the Commission, in very close coordination with Member States to develop more efficient and smoother functioning of national and EU based tax systems.
- The challenges identified above cannot be tackled without a steering role executed by the Commission and without encouraging Member States to look beyond the borders of their administrative territory. Without intense cooperation and coordination between Member States unfair tax competition and tax shopping would increase, while fraudsters would exploit the lack of cooperation between national authorities. Clearly unfair tax competition is to be considered as a discriminatory treatment of a particular group of stakeholders

The programme by its very nature supports the **solidarity aspect**, providing tax authorities the means to cooperate and find remedies for common problems even if they are not touched in the same degree by the impact of these problems.

4.2. Subsidiarity and EU added value

From an economic point of view, action at EU level is much more efficient. The backbone of the customs and taxation cooperation is a highly secured dedicated communication network. It interconnects national customs and tax administrations in approximately 5 000 connection points. This common **IT network** ensures that every national administration only needs to connect once to this common infrastructure to be able to exchange any kind of information. If such an infrastructure were not available Member States would have to link 26 times to the national systems of each of the other 26 Member States.

EU Added Value

Following the abolition of the internal borders of the Internal Market in 1993, Member States were no longer able to derive information on the goods exchanged and taxes due from physical cross border controls. The Community therefore set up structures and systems that allowed exchange of information on various taxes paid/due and to detect fraud at an early stage. The first system to be launched was the VAT Information Exchange System which in 2010 allowed tax administrations to exchange more than 400 million VAT turnover or registration messages to detect anomalies in the intra-community supplies of goods and services and as such fight against VAT fraud. According to 96% of the tax experts surveyed, the level of (joint) detection of VAT fraud would be lower without Fiscalis implying that Member States would have to take other steps. Equally the volume of information exchanged would be lower, the number of Multilateral Controls would be lower and the overall interaction between Member States' tax administrations would be lower. Participants surveyed expressed similar opinions. The majority of users of the VIES system acknowledged that if VIES did not exist, it would be necessary to build an alternative system and agreed that without the exchange of information through VIES, it would be more difficult to fight tax fraud. Similar feedback has been received for the Excise Movement Control System (EMCS).

The availability of information also generates benefits for trade to deal with the differentiated tax landscape across the Member States. The Taxes in Europe Database replied to more than 400 000 requests from citizens in 2010 for a comprehensive description of taxes across the Member States, the VAT Refund system helped to process more than 600 000 requests for VAT refunds from traders in 2010 to other Member States, the VAT on eService allows traders from third countries to declare and pay the VAT that they have collected.

Other cornerstones of the programme are activities that bring taxation officials together with the purpose of exchanging best practices, to learn from each other, analyse a problem or draft a guide, for instance. If Member States would have had to learn from each other by developing their own activities outside the programme umbrella, they would all have developed their own set of tools and ways of work. Synergies between activities would have been lost and common activities would not have been implemented systematically at the level of 27 Member States. It is much more efficient to have, with the support of the programme, the Commission acting as **activity broker** between the participating countries.

In the midterm evaluation of the Fiscalis 2013 programme, the stakeholders of the programme have confirmed that many of the activities that were necessary to achieve progress in taxation cooperation would not have happened at all, or would have only happened much later and/or at a higher cost and with less optimal results if the cooperation framework of the programme had not existed.[42]

Another important value added is one of an intangible nature. Despite the fact that the programme works under an important external constraint – since implementing tax policies remain predominantly a nationally reserved policy area – the programme has been instrumental in creating a sense of common interest, stimulating mutual trust and generating a **cooperation spirit** between Member States and Member States and the Commission[43].

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[42] RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 396-424.
[43] RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 396-424, 446-448.

5. Objectives

In view of the problems identified for the upcoming decade, the objectives of the Fiscalis 2013 programme remain valid. However, given the problem dynamics of new challenges identified, an extra effort will be needed, and a special focus will have to be put on fighting fraud and the need to adapt to the changing tax environment. In addition, so as to make European national tax administrations more effective and supportive to the objectives of the new growth strategy Europe 2020 two new objectives need to be achieved: contribute to the reduction of the administrative burden on tax administrations and taxpayers (both individuals and business) and enhance cooperation with third countries and third parties.

5.1. General Objective

The general objective will be to improve the proper functioning of the taxation systems in the Internal Market by increasing cooperation between Participating Countries, their tax administrations, their officials and other relevant stakeholders.

5.2. Specific Objectives

5.2.1. SO1: Facilitate a coherent application and implementation of EU tax law

To mitigate the risk of a diverging application of EU tax law (P1), legislation and administrative practices that hamper cooperation need to be identified, and possible remedies need to be drawn up. The programme will enable the dissemination of information and best practices and allow the development of high quality training material on EU tax legislation for tax officials and business.

To achieve the objective of common understanding and uniform implementation of new and existing EU tax legislation, the target groups need to know and understand the legislation and the decisions of the European Court of Justice. This applies both to direct and indirect taxes, since the basic principles of the EU Treaties must be taken into account even when direct taxation remains a competence of the Member States[44].

5.2.2. SO2: Provide a framework for cooperation enhancing coordination and coherence of EU tax policy application and implementation

To provide an adequate response to most of the problems outlined under the problem definition that tax administrations are facing, such as tax fraud (P2), the increased pressure on tax administrations to exchange information in a secure and rapid way (P3), as well as diverging implementations of EU tax law (P1), the Commission and Member States require a framework to react quickly to new needs for cooperation and exchange of information in the tax area.

5.2.3. SO3: Enhance effective and efficient information exchange and administrative cooperation

Tax authorities in the EU have a growing need for data and other types of information from tax authorities in other EU Member States as cross-border activity increases (P3). In terms of

[44] DELOITTE, Alternatives for taxation cooperation, p 14.

information exchange, the objective is to support taxation cooperation to secure efficient, effective access to data and data exchange between tax administrations in the EU.

In terms of administrative cooperation, the objective is to support the exchange of information (consulting and sharing) between tax authorities on procedures and best practices in order to become more effective and efficient in a range of activities including fighting avoidance, evasion and fraud (P2), minimising double taxation, reducing administrative burden and compliance costs (P4).

5.2.4. SO4: Contribute to the reduction of administrative burden on tax administrations and taxpayers

To address the high administrative burden for taxpayers on the one hand and reduce the costs for tax administrations to administer a tax collection system (P4), the programme will create the conditions to allow Member States to identify the burdens and exchange expertise on how to address these burdens. To support the realisation of this objective, tax cooperation should:

- Adopt a uniform approach to measuring the administrative burden and therefore consider an administrative burden reduction action plan;
- Seek to harmonise at the highest level of good practice administrative procedures, using "soft" influence[45] and peer pressure, while respecting that in principle interaction between tax authorities and taxpayers is a matter of national competence;
- Give priority to improvements in e-taxation, e.g. "one stop shops", including the EU "VAT one-stop shop" or "single window";
- Support the introduction of simplification measures that can reduce compliance costs for individuals and business in cross-border situations.
- Promote information provisions for taxpayers.
- Exchange expertise on how to reduce the costs for tax collection

5.2.5. **SO5: Enhance cooperation with third countries and third parties**[46]

To tackle cross-border fraud with third countries (P2) and the impact of globalisation on the exchange of information with third countries (P3-D5), awareness needs to be increased in the EU about developments in the taxation area in **third countries** and their potential implications for EU taxpayers. Similarly, awareness should be improved in third countries and for third parties of EU taxation rules, leading to improved voluntary compliance and less fraud.

The other side of this objective concerns relations between EU tax authorities and **third parties**, i.e. entities like academics, business and consumer/taxpayer associations, financial institutions, the judiciary and similar bodies. Third parties can provide valuable input at the policy formulation and implementation stage, not just in terms of comment on draft measures but at a higher level in terms of totally new approaches to taxation. In both cases, the concept is greater pro-activity, including agenda-setting within international organisations.

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[45] With 'soft influence' it is meant the ability to obtain a certain objective through attraction rather than through coercion.

[46] DELOITTE, Alternatives for taxation cooperation, p 19-20.

Under this objective, particular attention will be paid to the needs of the candidate and potential candidate countries.

5.2.6. SO6: To strengthen the administrative capacity of tax administrations and increase their efficiency

Improved and modernised administrative procedures will increase the efficiency of tax authorities (P5) in performing their tasks, such as for example when applying risk management methodologies and audits in the fight against fraud, tax evasion or tax avoidance. Member States should also profit from the knowledge gained by other tax administrations and available from external experts when reforming their tax administration in order to improve its functioning, through technical assistance projects. Improved administrative procedures will also enhance the quality of service of tax authorities towards taxpayers, especially by evolving more and more towards an e-administration. Therefore, this specific objective focuses on sharing and exchanging best practices between the Member States in view of reflecting on the applied procedures.

5.3. Operational objectives

Operational Objectives
To set up actions enhancing common understanding and implementation of EU tax law
To support and facilitate joint operational tax activities
To develop and maintain European information systems for taxation
To reinforce skills and competencies in EU tax matters for tax officials and other relevant stakeholders
To support the development of an e-administration for tax authorities and taxpayers
To set up actions relating to EU tax matters involving third countries and third parties
To support the identification and sharing of best practices

6. DESCRIPTION OF POLICY OPTIONS

Considering the overall policy context and the problems ahead for taxation policy in the next decade, a number of alternative policy options have been considered. In section 6.1, we first describe the baseline scenario of continuing the programme with its current objectives and design. Sections 6.2 - 6.4 present 3 alternatives to this status quo, including one option to discontinue the programme altogether.

The impact assessment provides proof for the necessity of the programme (i.e. against option 4 of discontinuation) and an outline of the "vertical" scope adequate to address the problems presented (i.e. choice between the baseline scenario and options 2 and 3) in section 7. Only after this crucial demonstration of the need for the programme and a definition of the correct scope can the impact assessment continue the analysis by a discussion of another dimension, of more "horizontal aspects" of the programme in section 8. We describe these aspects as horizontal, as they could be in general applied to most of the options that define the "vertical" scope.

6.1. Option 1: Baseline Scenario – "Status Quo"

The baseline scenario of this impact assessment will be the continuation of the Fiscalis 2013 programme without any changes in terms of financing, objectives or instruments. Since the budget remains the same, this option will only ensure the business continuity of the IT systems that will be available by 2013. The entry in operation of any new IT system required by policy evolution will either be lengthened by several years or not supported. The baseline scenario will not introduce the suggestions for improvement raised in the midterm evaluation[47]. The in-depth assessment of the impacts of the baseline scenario is done after the description of the alternative policy options.

6.2. Option 2: Upgrade the baseline scenario

This option will be the continued development of the baseline scenario and will tailor the specific objectives to allow the programme to address all the present challenges identified in the problem description. This policy option will require only a marginally higher budget. However, major new policy initiatives requiring considerable additional investment will fall outside the scope of this option. This option will also provide the possibility to implement the suggestions for improvement raised in the midterm evaluation[48] and by the stakeholders because of their limited budgetary impact.

This option will continue to address the problems that are already addressed by the present programme namely: divergent application and implementation of EU tax law (P1), pressure to increase data and information between tax administrations (P3), the problems related to taxation working methods that are not evolving simultaneously (P5) but these have evolved compared to the moment when the problems of the present programme were identified. As new problems are awaiting taxation in the next decade, this option will put additional focus on the inadequate response to tax fraud, avoidance and evasion (P2), address the high administrative burden for taxpayers and tax administrations (P4) and consider the cooperation with third countries and third parties for some of the problems (notably P2-P3).

6.3. Option 3: Upgrade and cater for new policies

Policy option 3 will provide taxation with a solid framework to address the challenges of the next decade. Besides addressing the problems described under option 2 (P1 to P5), this policy option will offer the means to extend cooperation to new areas that may follow from policy evolution and notably enable programmes to have the means to facilitate coherent application and implementation of this new legislation and to implement the related exchange of information and administrative cooperation (see also Annex 4 for more details). This would notably tackle the possible divergent application and implementation of these laws (P1) and reply to the pressure to exchange information (P3). Where relevant it may also entail a contribution to the fight against fraud (P2). As such, this option will be able to ensure the business continuity of the IT systems that will be available by 2013 and the entry in operation of any IT system required by new legal initiatives.

[47] RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 268-328.
[48] RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 268-328.

6.4. Option 4: No continuation of the programme

This policy option envisages the discontinuation of the Fiscalis programme. No successor would be launched in 2014 and there will be no funding to support the existing trans-European IT systems and to set up joint actions or training activities to support the functioning of taxation systems in the EU.

7. ASSESSMENT OF IMPACTS

This section presents the expected main impacts of the baseline scenario and of each other policy option identified. The benchmark is the baseline scenario. This enables the scoring of the different policy options against the baseline scenario and the selection of the most appropriate course of action. The midterm evaluation of the Fiscalis 2013 programme provides evidence of the relevance (in terms of definition of the objectives), effectiveness (in terms of achievement of the objectives), and efficiency, in terms of management model of the programmes. Considering the importance of the possible acceptability of the different options by Member States in particular in the multiannual financial framework, the acceptability of each policy option will be mentioned as well.

It should be noted that the policy options have the most direct impact on the taxation authorities of the Member States and countries that have joined the programme. Indirect impacts can be identified for business as a consequence of the impacts on the public authorities. These indirect impacts are assessed in a single chapter crosscutting the different policy options that also assess the economic and other impacts.

The following assessment criteria were used to assess the policy options:

Effectiveness/Impact

This criterion measures the expected contribution to achieving specific and operational objectives. If an option will contribute more effectively, it will receive a higher score.

Efficiency

This criterion measures the output orientation, efficiency gains and solidarity and whether the programme offers value for money. . If an option is operating more efficiently, it will receive a higher score.

Coherence with other EU initiatives

This criterion measures the extent to which the option is coherent with other EU initiatives. This includes whether or not it falls within the budget for the provision made in the Budget for Europe 2020

To complete the assessment, the acceptability of each option for Member States is also mentioned.

7.1. Baseline Option

7.1.1. Assessment of the achievements

The following paragraphs elaborate to which extent the specific objectives of the programme, which are in this policy option the same as in the present programme, will be achieved (effectiveness). The assessment is illustrated with concrete examples of outputs realised with the support of the present programme based on the midterm evaluation.

7.1.1.1. Objective: To enhance information exchange and administrative cooperation (SO3)

In the baseline option, the programme will support exchange of information for existing legislation by ensuring the present systems continue to operate. It will also provide means to support administrative cooperation either by making data available or by bringing officials together to discuss best practices.

During the period 2008-2011, Fiscalis 2013 has supported the existing **IT systems** According to the monitoring data on the use of the system and the findings on their utility in the midterm evaluation, IT systems have contributed to significantly improve the **exchange of information** in all tax areas. Also activities for officials (**joint actions**) have contributed to the programme's achievements in this area, offering critical support for the development and implementation of IT tools. As such the programme contributed to the implementation of new IT tools that were required by the adoption of new legislation, like the VAT Refund System.

Case Study - VAT Refund system

The VAT Refund system is an entirely new IT system, simplifying the refund process by allowing business to directly apply electronically in their Member State of establishment for a refund for VAT occurred in other Member States. Although the entry in production of the system went smoothly between 1 January and 1 April 2010 and exchanges rapidly increased, some problematic issues were encountered. A workshop, organised through the Fiscalis programme, took place in June 2010 to address these problems, among others the high percentage of rejected applications (44%). During the workshop, solutions were found and it was agreed to implement them in two stages, namely September 2010 and April 2011. Since then the average percentage of rejected applications has decreased to 13%[49]. Many issues remain however. The Commission recently decided to set up a Fiscalis project group to address the remaining issues. This work is expected to be followed up in a Fiscalis seminar in early 2012.

In the same period 2008-2011, the programme also supported substantial IT development in the area of **administrative cooperation**. The recovery eForms or the eForms for mutual assistance in the field of direct taxation are two examples. An overwhelming majority of the respondents in the midterm evaluation agreed that the eForms have had a positive impact on information exchange and administrative cooperation between Member States[50]. These forms were most valuable for tax controllers to obtain information from other countries (VAT, excise, direct taxation) or to formulate better requests for information (recovery). A large majority of the respondents agreed with the fact that **eLearning tools** provide useful

[49] RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 77-79.
[50] RAMBOLL, Fiscalis 2013 midterm evaluation, paragraph 97.

information on use and development of communication and information exchange systems[51]. The **joint actions** also allowed support to be given to regular contacts between the services involved in administrative cooperation, either between some countries (working visit) or in a larger setting (workshop, seminar)[52]

7.1.1.2. Objective: Facilitate a coherent application and implementation of EU law (SO1)

The baseline scenario will develop initiatives to support the understanding and implementation of EU law by tax officials of Member States. This activity has also been widely supported in the present programme and stakeholders consider the programme's achievements the most significant in terms of understanding the practices of other Member States concerning the implementation of EU law. Working visits and in particular eLearning tools are considered particularly useful to achieve this objective[53].

Common training initiative e-learning tools have shown their value as a cost-effective way of disseminating knowledge. The EU eLearning programme addressed new or amended EU legislation, new tools for information exchange and other topics of common interest.

EU eLearning Tools

Six tax-specific EU eLearning courses in up to fifteen national languages have been developed, providing modern interactive and engaging training on EU legislation and common best practise for tax officials and/or traders involved in tax transactions across the EU on subjects like the European VAT System Directive and its national implementation schemes (eVAT-DIR), on VAT fraud patterns and prevention through enhanced administrative cooperation (eVAT Fraud), on new legislation on the European VAT refund system (eVAT Refund), on the European-wide use of electronic forms to exchange information in the field of direct taxation (eFDT) and on the core functioning of the EU's Excise Control Movement System (ECMS), with a further specific eLearning module on common best practice in the use of EMCS by tax administrations throughout the EU to come.

The **impact** of eLearning Tools stretches beyond the primary stakeholders of the programmes. Relevant eLearning modules have been made publically available allowing **potential candidate countries, economic operators and other stakeholders** to acquire greater understanding and knowledge of the EU legislation.

A concrete example of how Fiscalis activities contributed to an improved understanding of EU law and its implementation in Member States is provided by the denatured alcohol regime case.

Case Study - Understanding the complexity of denatured alcohol regime[54]

Council Directive 92/83/EEC harmonises the structure for excise duties on alcoholic beverages and alcohol contained in other products. The general principle is that excise is only due on alcohol intended for human consumption. Alcohol is used for a wide number of purposes other than drinking and this alcohol destined for industrial use is usually

[51] RAMBOLL, Fiscalis 2013 midterm evaluation, paragraph 99.
[52] RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 61-124.
[53] RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 125-154.
[54] RAMBOLL, Fiscalis 2013 midterm evaluation, case study denatured alcohol.

"denatured", by adding chemicals to make it unpalatable and recognisable as a product not intended for human consumption. In recent years Member States have intercepted an increasing number of shipments of denatured alcohol diverted illegally for use as alcoholic beverages and thus excise fraud. With the support of the Fiscalis programme, experts from Member States compared their practices on alcohol denaturing procedures and controls and shared information on alcohol importers55. They pointed out that more than 40 procedures for completing denaturing were recognised and more than a hundred procedures for partial denaturing mutually recognised. This inventory allowed the development of a database of denaturant formulas and procedures56. By pooling expertise, the database has been used as a starting-point to identify best denaturing practices and also to identify some of the weaker denaturing methods which are more susceptible to fraud. It is also intended that the database will in future improve significantly the information available to Member States about the denaturing methods used across Europe and therefore their ability to identify and assure timely controls over products. The experts also defined a formula for a new euro-denaturant for completely denatured alcohol which the Commission is suggesting as a benchmark and for potential adoption by Member States. Suggestions for best practice have also been put forward for key industrial sectors, with the intention of moving reliance away from the methods that are more vulnerable to fraud, as well as simplifying the control regime for administrations by reducing the number of methods currently used.

7.1.1.3. Objective: Strengthen administrative capacity and increase efficiency (SO6)

In the previous programme, this objective was limited to development and dissemination of good administrative practices between tax administrations. Different instruments have been used to support this objective. On the one hand, there was the one time exchange of practice during seminars, workshops or project groups, and one the other hand the programme established long term cooperation through platforms linking experts. The latter were established in the area of eAudit, Multilateral Controls or Risk Management[57]. The case description below provides a more detailed view on how this dissemination of good practices takes place:

Case Study - The eAudit platform[58]

Some tax administrations developed electronic auditing techniques in parallel with the use of electronic systems and documents at national level. As such they were familiar with eAuditing activities when the 2001 VAT Directive recognised the validity of electronic invoices. For other tax administrations eAuditing remained still fairly unknown at that time. The Fiscalis programme and in particular the eAudit platform allowed the tax administrations to exchange expertise and either catch up or further deepen their knowledge. The platform used a range of activities from brother country systems, guidance papers and a roadmap to an eAudit newsletter and task teams on specific eAudit topics. Two concrete examples of tax administrations that reinforced their eAudit capacity are Lithuania, which in 2009 executed 350 electronic audits resulting in a tax assessment of some 139 million euro, and Poland which executed 1 656 electronic audits out of which 66% led to the discovery of tax offences.

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55 Multilateral control activity 84.

56 The database itself was built by the Joint Research Centre using the analysis of the Fiscalis group.

57 RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 155-171.

58 RAMBOLL, Fiscalis 2013 midterm evaluation, case study 3 on eAudit.

7.1.1.4. Objective: To enhance cooperation with third countries and third parties

In this policy option this objective will be limited to cooperation with **(potential) candidate countries** assisting them to take the necessary measures for accession. Although, in the opinion of these countries the programme does not contribute directly to taking the necessary measures for accession, on a more operational level, participants in Fiscalis activities have confirmed that it helps them to know better and understand EU tax legislation, to increase administrative capacity and therefore prepare better for accession[59].

7.1.2. Assessment of the shortcomings

7.1.2.1. Will the objectives be adequate to address all challenges of the next decade?

The specific objectives of the Fiscalis 2013 programme are not sufficient to address all challenges lying ahead for taxation in the next decade. As elaborated in the problem description and supported by the external consultant, studying the future Fiscalis programme, the future programme needs to put **additional focus on the fight against fraud** and tax avoidance[60] and the **changing tax environment**[61]. These findings are confirmed by all those interviewed in the midterm evaluation who consider the high level of tax fraud and tax evasion by far the highest challenge faced by the national administrations[62]. Further it is advised to add a separate objective related to decreasing the **administrative burden** on tax taxpayers[63] as well as the costs of tax collection for tax administrations and to have a separate objective aiming to enhance **cooperation with third countries and** third **parties**[64]. Again, the feedback provided in the midterm Evaluation identified a similar need[65]. Due to the lack of budget increase, this option will have to choose priorities among the issues that will be tackled.

7.1.2.2. Does the programme offer an efficient framework to support tax administrations?

The baseline scenario will not alter any of the shortcomings regarding Member States' differences in using taxation IT systems namely the different interfaces with the final users of the systems and the different implementations of the systems. The baseline scenario will not allow to address the resulting problems of higher tax collection costs for tax administrations, due to duplications and lack of integration and the higher administrative burden on taxpayers as explained in the description of the third problem.

Under the baseline scenario, it will not be possible to introduce possible solutions like

- Increased harmonization of the national systems, through collaboration

- Increase the agility in systems' development as progress will still depend on the delivery of the national components;

59 RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 172-198.
60 DELOITTTE, Alternatives for taxation cooperation, p 21.
61 DELOITTTE, Alternatives for taxation cooperation, p 21-22.
62 RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 329-395.
63 DELOITTTE, Alternatives for taxation cooperation, p 17-18.
64 DELOITTTE, Alternatives for taxation cooperation, p 19-20.
65 RAMBOLL, Fiscalis 2013 midterm evaluation, paragraph 359.

- The already mentioned differences in IT implementation and interfaces will persist

For the future **VAT mini-One Stop Shop (mini 1SS)** system this would mean for instance that taxpayers are likely to face a variety of interfaces across administrations as the common part of the mini 1SS will be limited to the exchange of information between Member States administrations.

From a budget point of view, the baseline scenario only has the means to support the taxation administrations within the current policy context. Any new policy initiatives fall outside the scope of this option. This option will therefore only ensure the business continuity for IT systems that will be available by 2013. The entry in operation of any new IT system required by policy evolution will either be lengthened by several years or not be supported. The appropriation of the related budget for any new initiative will need to be part of the legal process and therefore addressed case by case by the Council and the European Parliament. This implies:

– No major upgrading of existing trans-European IT systems under the Fiscalis programme;

– No new trans-European IT systems deployed under the umbrella of the programme;

– No new IT systems with third countries;

– No possibility to build flexibility and agility and contribute to the global decrease of IT costs at the Union level either via more consolidation or more collaboration between Member States.

This option will not introduce the changes suggested by the stakeholders in the Midterm Evaluation to further improve the efficiency of the programme[66]. This concerned reinforcing **cooperation** between tax administrations and making it more organised, by learning from each other or sharing expertise **more systematically** than today. This is essential in particular in view of the resource constraints faced by Member States. Also, the **potential of experts** should be used in a more efficient way than today. The external consultant that studied the future of taxation cooperation also warned that in view of the challenges that will face tax cooperation in the next decade the programme as it is today is not able to use efficiently the expertise present in Member States for collaboration at operational level[67].

7.1.3. Acceptability of the baseline scenario

First indications from public authorities and Member States show that the baseline scenario is acceptable from a purely budgetary point of view, albeit only a theoretical possibility. The fact that the baseline option will not allow Member States and the Commission to support tax administrations to overcome all problems identified for the next decade, and will oblige Member States to contribute more from the national budget is expected to seriously weaken the overall support for this policy option.

This option falls within the provision made in the Budget for Europe 2020.

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[66] During the midterm evaluation, the roundtable Fiscalis 2013 Committee meeting and the June workshop.
[67] DELOITTE, Analysis of different scenarios for tax cooperation, p 39.

7.2. Option 2: Upgrade the baseline scenario

7.2.1. Assessment of the achievements

7.2.1.1. Upgrade: Tailor the objectives to the problems identified

This policy option will tailor the objectives to the needs that are described in detail in the problem description. As such this option will strengthen the **fight against fraud by** providing a **framework for cooperation enhancing coordination and coherence of EU tax policy application and implementation (SO2)**. This will for instance build further on the experiences gained at present with **Eurofisc**, which addresses new trends in tax fraud and is designed to be an early warning mechanism. These trends may lead to new working fields which will in turn trigger more Multilateral Controls and presences in the administrative offices of other Member States, as well as other activities supported by the programmes.

Under this option, the continuity of the existing IT systems will be secured and allow some – albeit not major - technology alignments **(Effective and efficient information exchange and administrative cooperation - SO3)**. It will be possible to tackle the shortcomings related to the differences in implementation and interfaces as described in the baseline scenario and problem description. For instance, in the case of the **mini 1SS**, it is expected that under this option it will be possible to develop common specifications of the national components of the system; - promote the adoption of a common system's architecture, enhancing interoperability and have a common mini 1SS interfaces for businesses for those willing to use it. Additionally duplication would be cut by increased sharing of best practices and IT solutions among Member States. This would result in less administrative burden and compliance costs for taxpayers and businesses, less costs for Member States administrations for developing IT and more coherence in the use of tax-related IT systems across the whole EU.

Under option 2, it will also be possible to invest in new IT developments and projects**, though only those** with a **limited budgetary impact**. For instance it is very likely that sensitive information on transactions and businesses as well as knowledge on newly identified fraud schemes especially through Eurofisc will increasingly be exchanged in electronic format, thus offering new opportunities for data and risk analysis. As such, the Member States and the Commission will have a framework available to ensure that they have the means to react rapidly and with agility to newly arising needs for cooperation and exchange of information in the tax area.

This option will provide the means to **contribute to the reduction of the administrative burden taxpayers** as well as the costs of tax collection for tax administrations (**SO4**) by bringing together experts in the area but also stimulating the exchange of best practice and possibly development of benchmarks, as well as through the development of common training tools to improve administrative procedures. The follow-up work to the FISCO Recommendation which aims at making withholding tax relief procedures simpler and more efficient is very relevant in this respect. The programme will also build further on experience like the one gained with VIES on the web which answered 126 million queries in 2010. If each of these queries had had to be dealt with by five-minute telephone call, for instance, it would have cost, according to compliance cost calculations, more that 130 million euros to national tax administrations and a similar amount to businesses[68]. The impact of these

[68] Amounts were drawn from the administrative burden reduction calculator.

activities for business should be the facilitation of dealing with the fragmented tax landscape and, albeit not directly, contribute to lowering the administrative burden.

In the next decade, tax administrations are also expected to increasingly opt for voluntary compliance and apply real time monitoring and auditing (**SO6**). To use this new way of work and **increase their efficiency**, some Member States still have to acquire new capacities and competences while those that are more advanced face continuously the challenge of staying up to date. An important measure to enhance the efficiency and effectiveness of the tax collection could for instance be the further development and use of modern information technologies for the collection and filling in of tax forms or by improving e-taxation, for instance by setting up one stop shops. Another emerging trend is voluntary compliance policies based on an enhanced dialogue and cooperation between business and tax authorities. This is particularly important in cross-border situations when taxpayers may face many difficulties in obtaining information on the tax systems of other Member States. All these offer opportunities to free up resources for tax controls and preventive measures and would create a win-win situation for taxpayers and taxation authorities.

As shown also by the recent financial crisis, tax revenues do not depend only on the effectiveness of the fight agaist tax fraud and administrative cooperation. The efficiency of the tools for mutual assistance actually depends on the administrative capacity of tax administrations to collect taxes. Increasing the administrative efficiency (**S06**) is becoming more and more crucial[69]. Moreover, experts from Member States and from the private sector having acquired an expertice in a particular field may be requested to provide **technical assistance** to other Member States. This technical assistance has already been provided to Member States. For the short term the Fiscalis programme offers the possibilities of targeted working visits of a few days and organising workshops. However, for the longer term, in particular taking into account the complexity of the problems that may have to be be addressed, the programme should also include the possibility of funding different ways of providing technical assistance, for instance by sending experts for a longer period of time (for instance half a year).

Finally the intensification of cooperation with **third countries and third parties** (**SO5**) should raise awareness in third countries and for third parties of EU taxation rules, leading to improved voluntary compliance and less fraud, e.g. in the areas of e-services supplied to private consumers in the EU (as well as broadcasting and communication services as of 2015). While EU legislation provides for taxation of these supplies in the EU, more cooperation is needed from non EU countries to enhance compliance. Third parties may also provide valuable input at the policy formulation and implementation stage, not just in terms of comment on drafts but at a higher level in terms of totally new approaches to taxation.

In the field of direct taxation, closer relations with the non EU OECD countries are necessary for administrative cooperation, tax compliance and prevention of tax fraud, tax evasion and tax avoidance. Such enhanced relations together with joint actions and harmonised developments benefit Member States as these permit, through the development of common tools and instruments, economies of scale and rationalisation of the functioning of administrative cooperation, tax compliance and prevention of tax fraud, tax evasion and tax avoidance. Some work has already taken place. For example, the EU developed its

[69] Article 49, paragraph 7 of Council Regulation (EU) No 904/2010 arranges for the possibility for Member States to ask the Commission for its expert opinion, technical or logistical assistance.

computerised format for the EU savings directive on the basis of a computerised format developed at the level of the OECD. In contrast, the application of e Forms for exchange of information in direct taxation is developed by the EU taking into consideration the OECD Member countries needs. It has already been provided to the USA, Canada, Norway and Mexico at their request and could be officially adopted in the coming months by the OECD itself as the EU/OECD eForms for exchange of information in direct taxation. In the near future, more similar tools and instruments should be developed in close conjunction with the OECD. Under this objective particular attention will be paid to the needs of the candidate and potential candidate countries.

7.2.1.2. Upgrade: Introduce some small efficiency gains

Some small improvements will increase the efficiency of the programme by strengthening the cooperation instruments (the human component) thus addressing the concerns expressed by the stakeholders regarding the efficiency of the present programme. **Online collaboration** has the potential to become the facilitator to **make results more easily accessible** to tax officials but also to be the cornerstone of a **more systematic** and structured **cooperation** between experts and a more intensive usage of their expertise. The combination of these three elements should increase the strength of the framework for cooperation.

The **experience** gained with the present Programme Information and Collaboration will be the starting point for increasing the usage of online collaboration. The **first steps** of the programme in online collaboration were taken with the pilot project "Taxation and Customs Training Interactive Campus" or **TACTIC**. This was a joint pilot project with the Customs 2013 programme destined to asses how online collaboration could improve cooperation between on the one hand tax and on the other hand customs administrations in the area of training. The pilot project demonstrated significant value added in particular for the sharing of eLearning courses and learning resources from Member States. Consequently, the Programme Information and Collaboration Space (PICS) project was launched early 2011 to widen the online collaboration approach to the entire Customs and Fiscalis programmes.

Still under the present programme, online collaboration will be used to **strengthen** the existing **networks** for instance of electronic auditing experts, Multilateral Control coordinators and Eurofisc liaison officials and make them work more efficiently, for instance by exchanging more experience online. These experiences with online collaboration will progressively be widened to other networks under the new programme. Providing a single online collaboration platform under the programme should also **avoid** that each network of experts develops its own platform which would be detrimental for the cooperation between tax officials.

Combining the above efficiency improvements with the widened objectives will give **new impetus to tax cooperation** in the next decade and support an integrated coordination and coherence of tax policy implementation. The changes in the instruments and the enlarged set of objectives will allow the tax administration to face adequately the challenges identified in the problem definition.

7.2.2. Assessment of the shortcomings

Like the baseline option, option 2 will only have the budgetary means to support the taxation administrations within the current policy context. Any new policy initiatives will fall outside the scope of this option which will only ensure the business continuity the IT systems that will be available by 2013. The entry in operation of any new IT system required by policy evolution and involving significant expenditure will either be lengthened by several years or not be supported. In such a case, the Commission may have to look for a dedicated budget appropriation outside the programme. Annex 4 provides an overview of possible future systems whose introduction would fall outside the scope of option 2.

7.2.3. Acceptability

This option will not support any new policy initiatives; exception could be made though for those policy initiatives that could be supported by the programme using a marginal number of instruments.

Public authorities and Member States confirm that policy option 2 provides a balanced way of tackling the problems identified and that it remains coherent with existing mechanisms for cooperation. Member States are therefore expected to respond positively. This option equally falls within the provisions made in the Budget for Europe 2020[70]

7.3. Option 3: Upgrade and cater for new policy needs

7.3.1. Assessment of achievements

7.3.1.1. Provide a framework to address the problems identified

This policy option will give the tax administrations in the EU full scope to cooperate to improve the proper functioning of the taxation systems in the Internal Market and give support to EU tax policy for the benefit of the EU tax administrations, businesses and citizens. This option will allow all the objectives (P1-P5) that are identified for the next decade to be addressed without the need to prioritise, as well as providing scope to include new areas for cooperation that may be required by possible new EU tax legislation of which the adoption can be expected in the coming years (see Annex 4 for an overview). The assumption is that this new EU legislation would require the development of significant new IT systems, together with related joint actions and training activities.

This option will allow the introduction of the necessary efficiency improvements mentioned under option 2. Because of its budgetary leeway, it will be possible to introduce these improvements on a wider scale in a shorter time period.

7.3.1.2. Provide the adequate budgetary framework

This option includes a substantial budget increase compared to the 2008-2013 programme, Nevertheless, the precise scope of the policy evolution remains rather uncertain and hence it is difficult to assess with precision the needs to exchange information and share expertise. Based on the experience with the previous programmes and notably the development of IT systems, it is clear that the implementation of the above legislation would require a substantial **budgetary increase** compared to the baseline scenario.

[70] COM(2011) 500 of 29 June 2011.

7.3.2. Acceptability of option 3

Taking into account the present economic difficulties, constraints on Member States' budgets and the unambiguous signals from some Member States that a substantial increase of the Fiscalis budget is out of the question, the **acceptability** of the above scenario is rated low and therefore not analysed in more detail. This option equally falls outside the provisions made in the Budget for Europe 2020[71].

This option will therefore be discarded.

7.4. Option 4: No continuation of the programme

In this scenario the programme will be discontinued and no EU funding will be provided for IT tools, joint actions or training activities that support taxation cooperation.[72] Member States may have to look for alternative ways to substitute the cooperation driven by the Fiscalis programme. Digitised information exchange between tax authorities is likely to continue, but will become more cumbersome and costly. Without the joint actions the exchange of good practices is expected to become more fragmented, more costly and less frequent across the EU. It is expected that peer pressure stimulation of cooperation will reduce or at least have less impact. It is expected that the current differences in efficiency and effectiveness of tax activities between Member States will increase. The lack of EU funding for the coordinated development and implementation of common training programmes related to tax will, for example, have a detrimental impact on the common and good understanding of EUlaw, and will lead to duplication of training efforts. In this scenario taxation cooperation will be seriously hampered in its ability to contribute to the realisation of any of the specific objectives in the field. Ceasing the EU funding through the Fiscalis programme will therefore have a serious negative impact on the efficiency and effectiveness of taxation cooperation and on its ability to deal with the future challenges of the next decade.

If there would not be a Fiscalis programme anymore, Member State tax officials will no longer be able to participate in various types of joint actions, such as working visits, project groups, seminars and workshops. The structured and systematic identification and exchange of good practice and experience related to tax matters and the possibilities of networking with each other will cease to exist. As a result of this, the overall efficiency and effectiveness of working methods of tax authorities across the EU is expected to decrease as Member States will no longer be able to learn from each other and will risk making costly mistakes. Tax officials also will no longer be able to participate in training developed by the programme. National tax authorities will have to invest more in the development and delivery of training or else less training opportunities will exist for tax officials. The overall result will be less efficiency for tax authorities and less uniformity of training across the EU. The EU funding for the secure network (CCN/CSI) and centrally deployed and trans-European IT systems will stop. This is expected to bring about significant additional burdens to national tax authorities in terms of financial and human resources and operational coordination between the Member States.

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[71] COM(2011) 500 of 29 June 2011.

[72] DELOITTE, Analysis of different scenarios for tax cooperation, p 47-52.

7.5. Overall impact of the programme

The impact on the public authorities, the primary stakeholders of the programme has been described at length in the chapters elaborating on the different policy options. The impacts on other stakeholders are described below.

7.5.1. Impact on business and consumers

The Fiscalis programme,as it stands today (baseline scenario) offers a framework to support cooperation between tax administrations, allows best working practices to be passed on between different tax authorities and thereby improves tax officials' understanding of EU tax legislation and its implementation in the Member States. As a result, businesses face less unfair competition and tax controls are more effective and smooth than they would be in the absence of such a program. As detailed in the subsection for social impacts, individual consumers enjoy a fairer income distribution due to a more effective fight against fraud. However, the present programme does not envisage to systematically contribute to the reduction of administrative burden for taxpayers. The programme as described under policy options 2 and 3 though will provide the framework to contribute to a further reduction of administrative burdens not only by exchanging best practices, but also by efficiency gains at the IT level.

7.5.2. Economic Impacts

The programme has a positive economic impact to the extent that it supports activities that pursue the reduction of administrative burdens. Already in the baseline option, automation has a positive impact. A clear benefit is offered by VIES on the web that allows taxpayers to check a VAT number, information that previously had to be provided by a tax official. This impact will be strengthened in option 2 and 3 where the contribution to the reduction of administrative burden is an explicit objective of the programme.

The programme provides a framework for tax administrations to perform better tax collection and reduces tax fraud and evasion, for instance by sharing information on loopholes or new fraud schemes. The possibility for taxpayers to interact with tax administrations by electronic means and across borders would not only lead to better service to taxpayers and lower compliance costs but also enhance the efficiency of tax administrations and increase revenues (e.g. automation of working and control methods in order to allow real-time instead of ex post controls, an increase of voluntary compliance through easy-to-use e-government tools in the taxation area)[73]. This impact is expected to be reinforced under option 2 and 3, as these will put more emphasis on the fight against fraud. The activities supported by the programme do contribute to a reduction in the divergence in interpretations of tax law which contribute to a decrease in unfair competition and possibly unjustified double taxation faced by taxpayers, both businesses and consumers.

7.5.3. Assessing environmental impacts, impacts on SMEs and social impact

Given the nature of the options to address the identified problems, no direct **environmental impacts** are expected[74]. Indirect environmental impacts concern for instance the electronic

[73] DELOITTE, Alternatives for taxation cooperation, p 21-22.

[74] The fact that actions supported by the programme may be one of the drivers for better is ???

exchange of information rather than a paper based information exchange although on the other hand IT systems require energy to function. The programme may further be a supporting factor for creating environmental impacts, e.g. a programme action may contribute, amongst other factors to an improved collection of energy taxes, which then contributes to improved environmental impact. This impact only happens in a second degree and the programme is never the only determining factor as the impacts are also generated by other triggers.

The impact on **SMEs** of the programme relates to the support of the programme in creating a situation that allows for the reduction of administrative burden on business and is as such also of an indirect nature and influenced by other triggers.

The **social impact** is also of an indirect nature as the programme creates the framework to support tax administrations to improve tax collection. It could be said that through improved tax collection will lead to a better income distribution. However, also in this respect the programme is only one of the triggers to generate this impact.

7.5.4. Assessing other impacts across the policy options

The policy options described in this Impact Assessment have an impact on the fundamental right of protection of data[75], notably the objectives related to the exchange of information between Member States or Member States and third countries. In this respect, it is important to note that the Commission provides the gateway to exchange the data between the Member States or Member States and third countries but that the Commission has no access to the data itself. The infrastructure set up by the Commission with the support of the Fiscalis programme to support the exchange of information does provide a sufficient security level to protect data from unauthorised access, compliant with data protection requirements[76]. The specific secondary tax legislation organising the exchange for information contains the necessary provisions for data protection (option 2). In case this legislation does not yet exist (option 3), the future legal proposal will be made compliant with data protection provisions.

7.6. Preferred option

The impacts of the different options, selected in terms of effectiveness, efficiency and acceptability are summarized in Table 2 below. The impact assessment leads to the following recommendation:

The preferred option is policy option 2: Upgrade the baseline scenario

Option 2 is the preferred option despite the fact that it scores lower on effectiveness than option 3. The much higher acceptability by Member States is decisive. This option fits in the envelope foreseen in the next Multi-Annual Financial Framework[77].

[75] Art.8 of the EU Charter) and Article 16 of the TFEU.
[76] EU Charter and the secondary EU data protection legislation, namely Council Directive 95/46/EC and Council Regulation 45/2001.
[77] COM(2011) 500 of 29 June 2011, "A budget for Europe 2020".

Table 2: Summary comparison of options

Criteria	Effectiveness and relevance							Efficiency		Coherence		Other	Overall Assessment
	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	Objective 6	Future Policies	Output orientation	Efficiency gains	Coherence with other EU initiatives	Within Budget for Europe 2020	Acceptability by Member States	**Rating of options**
Option 1: Baseline Scenario	0	0	0	0	0	0	0	0	0	0	Yes	MEDIUM	**0**
Option 2: Upgrade the baseline option	++	0	++	0	+	++	0	++	+	++	Yes	HIGH	**+++ = PREFERRED OPTION**
Option 3: Upgrade and cater for new policy	+++	++	+++	++	++	+++	+	++	+++	++	No	LOW	**++**
Option 4: No programme	--	--	--	--	--	--	0	NA	LOW	LOW	NA	LOW	**--**

Annotation: Magnitude of impact indicated compared to the baseline scenario:
+++ strongly positive, ++ quite positive, + positive, 0 like baseline scenario, - negative, -- quite negative, --- strongly negative, NA not applicable
Source: DG TAXUD

8. HORIZONTAL ASPECTS

Sections 6 and 7 developed adequate options to address the identified problems and to ensure that the set objectives can be achieved in the most efficient and effective way. The document provides a clear link between individual problems, objectives and ways how to address these problems.

Further to this proof of the necessity of the programme and the discussion on its adequate "vertical" scope, the discussion is complemented by an assessment of "horizontal" aspects of the programme. These horizontal aspects cover a different dimension of the programme and refer to implementation aspects, governance issues, simplification, etc. While there are obvious links to the options as they were developed in section 6, they can be considered as applicable to each of the policy options. All of these horizontal aspects are policy options that are fully consistent with the Budget for Europe 2020[78] and focus on how the programme will be implemented in accordance with the objectives as set out in the Multiannual Financial Framework.

These options also cover a reflection on the options to spend less on certain aims, reprioritisation and concentration that were also considered as part of the options.

The aspects discussed in this section are based mainly on the findings of the related midterm evaluation and/or reflect the ongoing discussion and results of external studies.

8.1. Implementation Scenarios

8.1.1. Programme management by executive agency

The reflection related to the possible creation of an Executive Agency took place in the framework of the reflection on **simplification**. The Executive Agency would have related to options 2 and 3 in the sense that the programme would have been implemented by an external agency. This option has been discarded because it would not bring the expected business advantages. A study commissioned by DG TAXUD on the "Future business architecture for the customs union and cooperative model for taxation" conducted a specific analysis of the business case for an EU executive agency for programme management (see report on task 2.2 p 33-37) as part of a in-depth analysis on how resources could be better used at EU and national level. The reflection was made for the Customs programme but its conclusions mutadis mutandis also apply to the Fiscalis programme. The political environment/context is considerably more complicated in the fiscal area. A summary of the analysis can be found in Annex 6.

It is assessed that the potential benefits related to the set-up of an executive agency do not outweigh the costs. As such, the establishment of an executive agency has not been considered as a full option for the implementation of the 2020 programme. Grading the executive agency against the other options, it should be noted that –as a different management mode to the current one- the executive agency option could potentially support the realisation of all options selected (and not one in particular). To this end, realising the different options by means of an executive agency would be appreciated as a "status quo to a grading less

[78] COM(2011) 500/I final and COM(2011) 500/II final

positive" in terms of effectiveness and in efficiency. In terms of acceptability it would receive a LOW appreciation.

8.1.2. Alternative allocations between the programme instruments

Alternative allocations of the budget between the programme instruments: exchange of information, joint actions and training activities has been considered.

One of the alternative scenarios concerned a **substantial increase** of the share of the budget spent on Joint Actions. This option, for instance raising the Joint Actions share to 50% of the programme budget, was discarded though because the Member States administrations would not have been in a position to absorb the additional potential for capacity building. **Decreasing** the share of Joint Actions has also been considered, but was discarded because it would jeopardise the positive impact realised to strengthen cooperation and information sharing[79].

Spending less on IT activities has been considered by investigating if IT implementation could be transferred to the national administrations in Member States with the exception of the CCN/CSI network and related services. Considering the negative impact on results and performance at overall programme level, this scenario has been discarded. For a more detailed analysis, see the following chapters.

8.1.2.1. IT implementation by Commission

Within the given scope of the preferred option 2, we can foresee alternatives of how the programme would be implemented. The first scenario would be in general a continuation of the approach currently used in the programme. Here, the trans-European IT systems (TEIT systems) – the major budget expenditure of the programme – are implemented by the Commission through a number of procurement contracts.

8.1.2.2. Alternative: IT implementation by Member States

In an alternative scenario, all relevant IT activities (and the corresponding budgets) would be transferred to national administrations with the exception of the CCN/CSI network and its related services. More precisely, the maintenance and the further evolution of the CCN/CSI network – the backbone of IT exchanges between national tax administrations, and services related to it – would remain under the full responsibility of the Commission. This would guarantee the required level of security and interoperability. The governance in place today to manage the required IT activities would continue to operate.

However, the design, development and operation of the required business TEIT applications and systems would be under the full responsibility of the national administrations. These activities would be funded by the programme and be subject to a new governance structure which would arbitrate and prioritise the various business requests.

[79] RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 396-424.

8.1.2.3. Comparative assessment of alternatives for IT implementation

(i) Effectiveness

The national administrations are well placed to reply to business requirements concerning external stakeholders of the relevant business processes. In that sense they can provide under the second scenario (IT implementation by Member States) an acceptable service on an individual level. However, where it comes to equivalence when all national administrations are to provide the same level of service there is no guarantee that this will happen under the second scenario unless a new central governance structure will be put in place which does not exist today. Furthermore, as the Commission will in this case not develop nor operate business IT components to be used by national administrations, this will create divergent development and deployment plans for what are now considered common IT assets. Consequently, some advantages notwithstanding, the second scenario as alternative to the current situation would lead to divergent IT developments, and thus deserves a very low score in achieving operational objectives 3, 5 and 7.

(ii) Efficiency

IT activities are currently (and under scenario 1) executed using IT contracts managed by the Commission. Under the second scenario, these activities would have to be managed by each individual national administration. This would require the set-up of specific IT contracts in each and every national administration with the relevant IT providers. Furthermore, it would require the assignment of more human resources in each and every national administration. The overall implementation duration would increase as all business IT activities would have to be planned according to the slowest party in the overall EU implementation chain. The overall IT cost would increase, the consistency of data and application of rules on the other side would decrease and the potential of IT scale at EU level could not be exploited. Under the second scenario, it would be impossible to achieve an improved level of standardisation compared to the current situation or to profit from the potential benefits for synergies. Possible wrong IT implementations at EU level would damage severely the public administration image and could even create financial damages.

(iii) Simplification

At first glance, the second IT implementation option seems to be a simplification compared to the current situation (scenario 1), as the Commission would only be responsible for the CCN/CSI network and would only have to provide funding to the national administrations for the design, development and operation of the business IT activities. But, the risk is very high that gradually there would be needs and initiatives to set-up more central governance structures in order to resolve all above-mentioned weaknesses.

8.1.2.4. Conclusion

Considering the negative impact on results and performance at overall programme level, the second scenario of introducing an alternative IT implementation is to be discarded.

8.2. Alignment between the Customs and Fiscalis Programmes

For reasons of **simplification**, the management of the Customs and Fiscalis programme will be fully aligned based upon identical procurement rules and grant models, common management guides and IT based systems. The management model includes clear and **simple**

procedures for organising programme activities. The **programme management team** of the Commission **is assisted** by programme management teams in the different tax administrations acting as facilitator and first point of contact for taxation officials in Member States. The management model allows the deployment of activities in a **short time span**, some weeks at the most, reacting quickly to **newly emerging needs**, while at the same time guarding coherence between the different activities. The Member States have expressed their satisfaction with the management model of the programme in the midterm evaluation[80].

The results of the evaluation questionnaire show a high appreciation for the guides and IT tools supporting the management of the Programme. Activities involving customs as well as tax officials have been set up under the Customs and Fiscalis Programme in a very efficient and cooperative way.

The Programmes have been used as a reference for other EU Programmes given the efficient management model i.e. centralised management mode implemented through annual grant agreements for multiple beneficiaries covering all the joint actions together.

The Midterm evaluation of the DG HOME programmes on Prevention of and Fight against Crime (ISEC) and Prevention, Preparedness and Consequence Management of Terrorism & other Security Related Risks (CIPS)[81] considers the Customs and Fiscalis programme management model "offers the most promising prospects for improving the management of ISEC/CIPS as it allows to promptly and flexibly respond to operational needs".[82]

The backbone for trans-European IT systems is the **CCN/CSI network**, is also being used by OLAF for the exchange (and storage) of information on irregularities and fraud. For this purpose both DGs benefit from economies of scale.

8.3. Use of innovative financial instruments

Considering that the direct beneficiaries of the Programme are the public authorities and given the specific nature of the Programme activities, the potential use of innovative financial instruments such as public-private partnerships has been reflected upon but not considered appropriate in the case of the Fiscalis 2020 Programme.

9. EVALUATION AND MONITORING

Monitoring of the programme's activities will be carried out in order to ensure that the rules and procedures for the implementation of the programme have been applied properly (audit function) and to verify if the programme is successful in achieving its objectives. A monitoring framework will be put in place, including: an intervention logic, a comprehensive set of indicators, measurement methods, a data collection plan, a clear and structured reporting and monitoring process and midterm and final evaluations.

The **intervention logic** has been established in the context of this impact assessment, outlining drivers, problems and objectives at three levels (general, specific, operational).

80 RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 268-305.

81 COM(2005) 124 of 6 April 2005 has a budget of 745 million euro in the 2007-2013 financial framework.

82 Evaluation of "Prevention and Fight against Crime" and "Prevention, preparedness and consequence management of terrorism and other security related risks" COM(1991) 341.

Indicators to measure the effects and the impact of the programme – where possible in a quantitative way – have been developed for each type of objectives. Indicators take into account that a combination of tools is often implemented to pursue one objective. This implies that the effects and impacts generated cannot be traced back to an individual tool of the programme. Impacts may also be clustered according to the three main groups of tools, i.e. joint actions, training and IT tools. For the measurement of impacts and results, measuring the evolution of the view of stakeholders will be an important instrument. The development of indicators is an ongoing process though. DG TAXUD will continue to fine-tune the indicators throughout the programme closely collaborating with policy experts in the Member States and in the Commission using the programme (seen Annex 7).

The **monitoring** of the programme will be performed from the very beginning. The output indicators will be monitored on a yearly or permanent basis while the result and impact indicators will be measured at three different time intervals: a first time before the start of the programme, a second time in the middle and a third time at the end of the programme. These monitoring exercises will be integrated in the evaluation procedures from the present (first) or the future (second and third) programmes for efficiency reasons. The first monitoring exercise will be the baseline against which the future results will be compared. Targets for the programme objectives will be established after the baseline monitoring has been completed.

The data collection for the result indicators will use where possible electronic tools, like the system which contains all data related to Joint Actions: the Activity Reporting System (ART2) or the collaboration platform the Programme Information and Collaboration Space (PICS). For the IT systems and eLearning modules, the data will be collected through mechanisms built-in in the electronic databases or network. At the level of the impact and results indicators, for instance standardised action follow up forms will be used to collect feedback for each activity. Any measurement of perception will be integrated in the evaluation exercises of the programme as mentioned earlier and will be repeated at different moments in order to develop the evolution of perception over time. The questions will be then repeated to facilitate the comparison. The evaluation and monitoring exercise will be steered by the Commission. However, Member States, as main beneficiaries of the programme will do an important part of the data collection either by providing information at the level of the individual tools (mainly through ART) or on the wider impact of the programme (either by participating in perception measuring exercises or through the issuing of reports).These monitoring mechanisms will be integrated in the procurement contracts and grant agreements. The information and data will be collected from beneficiaries using statistics from the existing IT systems, through questionnaires issued to direct and indirect stakeholders. These questionnaires (or the link to them) are spread with the support of the Member States.

The programme will be **evaluated** twice. The baseline is set by measures at the end of the current programme against which the later impacts will be compared. The targets for the results and impact indicators will be set after this baseline has been established. For efficiency reasons this measurement will be integrated in the final evaluation of the present programme. The results of the midterm evaluation of the Fiscalis 2020 programme will be available by mid-2018. This is sufficient in time to allow the Commission to introduce adjustments if required and will be based on a sufficient set of activities and data. The final evaluation of the programme will be completed towards the end of 2021.

As mentioned earlier, the Commission will incorporate address future evaluations not only to primary stakeholders of Fiscalis, namely tax authorities and their experts but also to those stakeholders that are external to the programme (i.e. economic operators) on measure the impacts the programme has on them and to what extent they benefit for instance from better cooperation between tax administrations.

The above arrangements tackle the current shortcomings of the evaluation and monitoring system as identified in the midterm evaluation of the 2013 programme[83].

83 RAMBOLL, Midterm evaluation, recommendation 3.

Annexes

Annex 1 Objectives Fiscalis 2013 Programme

The objectives of the current Fiscalis 2013 Programme are

a) in respect of value added tax and excise duties:

   i. to secure efficient, effective and extensive information exchange and administrative cooperation;

   ii. to enable officials to achieve a high standard of understanding of Community law and its implementation in Member States; and

   iii. to ensure the continuing improvement of administrative procedures to take account of the needs of administrations and taxable persons through the development and dissemination of good administrative practice;

b) in respect of taxes on income and on capital:

   i. to secure efficient and effective information exchange and administrative cooperation, including the sharing of good administrative practices; and

   ii. to enable officials to achieve a high standard of understanding of Community law and of its implementation in Member States;

c) in respect of taxes on insurance premiums, to improve cooperation between administrations, ensuring better application of the existing rules; and

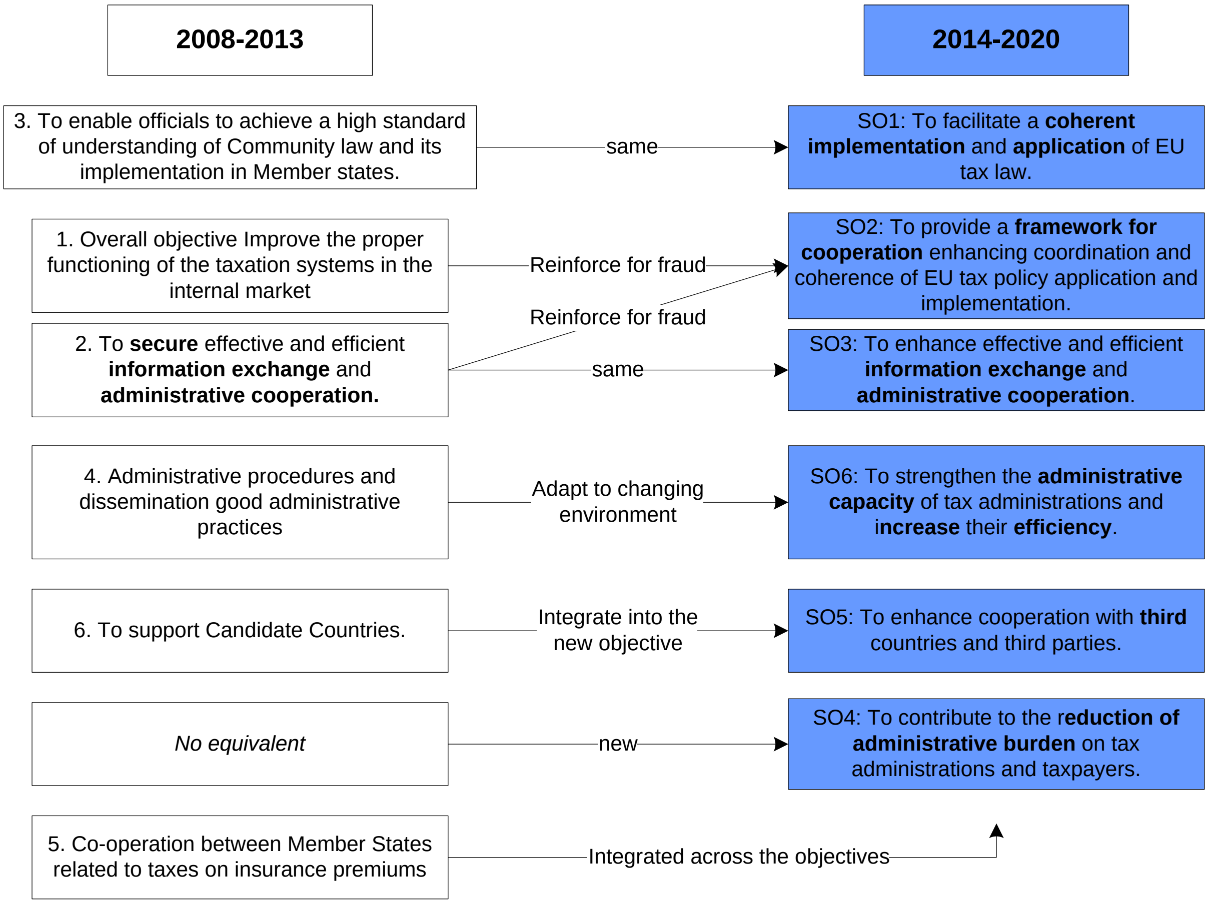
d) in respect of candidate and potential candidate countries, to meet the special needs of those countries so that they take the necessary measures for accession in the field of tax legislation and administrative capacity.

In the Annual Work Programme (AWP) of the Fiscalis 2013 programme, these objectives have been restructured as follows as from the AWP 2009:

Header Annual Work Programme	Reference Fiscalis 2013 Decision
1. Improve the proper functioning of the taxation systems in the internal market, including the fight against fraud	*Overall objective of Article 4 §1 of the F2013 Decision*
2. Information exchange and administrative co-operation among Member States	*Objectives 2 (a) i and 2 (b) I (part 1 of sentence) of Article 4 of the F2013 Decision*
3. Understanding of Community law and of its implementation in Member States	*Objectives 2 (a) ii and 2 (b) ii of Article 4 of the F2013 Decision*
4. The sharing, development and dissemination of good administrative practice [84]	*Objectives 2 (a) iii and (b) I (part 2 of sentence) of Article 4 of the F2013 Decision*
5. Co-operation between Member States related to taxes on insurance premiums	*Objective 2 (c) of Article 4 of the F2013 Decision*
6. Meet the special needs of Candidate Countries	*Objective 2 (d) of Article 4 of the F2013 Decision*

[84] For direct taxation only in relation to administrative cooperation

Annex 2 Overview objectives Fiscalis 2013 and 2020 Programmes



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Annex 3 Division of competences between the EU and its Member States in the different categories of taxes

1. Division of competences between the EU Institutions and the Member States regarding Indirect Taxation

The basic provision in this respect is Article 113 of the Treaty on the Functioning of the EU ("TFEU"), which reads as follows:

"The Council shall, acting unanimously in accordance with a special legislative procedure and after consulting the European Parliament and the Economic and Social Committee, adopt provisions for the harmonisation of legislation concerning turnover taxes, excise duties and other forms of indirect taxation to the extent that such harmonisation is necessary to ensure the establishment and the functioning of the internal market and to avoid distortion of competition".

a. On the basis of this provision the EU has set common rules for the operation of VAT (through Directive 2006/112/EC) and a lower limit on the VAT rates that can be charged (15%). This nevertheless leaves Member States considerable leeway for national differences in VAT rates, which is due to (i) the lack of maximum rates, (ii) the optional application of one or two reduced rates, (iii) the choice of categories of goods or services eligible for reduced rates remaining with the Member States (they may choose from an exhaustive list that includes food and medicine), and (iv) temporary derogations granted to certain EU countries under particular conditions.

b. Further, it is for Member States to take all legislative and administrative measures appropriate for ensuring collection of all the VAT due on its territory. In that regard, Member States are required to check taxable persons' returns, accounts and other relevant documents, and to calculate and collect the tax due. Member States enjoy in that respect a certain measure of latitude, which is nevertheless limited by the obligation to ensure effective collection of the EU's own resources and not to create significant differences in the manner in which taxable persons are treated, either within a Member State or throughout the Member States.

c. Also on the basis of Article 113 of the TFEU certain common rules have been set up at EU level concerning excise duties on energy products, alcohol and cigarettes. However, rules are flexible enough to leave plenty of room to cultural and economic differences between Member States.

d. Another important provision concerning taxation is Article 110 TFEU, which provides as follows:

   "No Member State shall impose, directly or indirectly, on the products of other Member States any internal taxation of any kind in excess of that imposed directly or indirectly on similar domestic products. Furthermore, no Member State shall impose on the products of other Member States any internal taxation of such a nature as to afford indirect protection to other products."

e. This provision is particularly important in the field of vehicle taxation. There is no harmonization on this matter, which entails that Member States are entitled to levy these taxes on means of transport on the occasion of their first entry into use within their territory and to set the tax rates at the level they see fit. However, Article 110 TFEU, as consistently interpreted by the EU Court, lays down a clear limit there since Member States may not charge higher taxes on vehicles imported from other Member States than those levied on similar and competing domestic products.

2. Division of competences between the EU Institutions and the Member States regarding Direct Taxation

Article 115 TFEU provides for the Council, acting unanimously, to issue Directives for the approximation of such laws, regulations or administrative provisions of the Member States which directly affect the establishment or functioning of the Internal Market. Under this provision, some recommendations and legislation have been adopted in the area of personal tax, company tax and capital duty. At present under EU law, Member States have broad freedom to design their direct tax systems (income tax, company tax, inheritance tax etc.) in the most appropriate way to meet their domestic policy objectives. They are also free to come to agreements with other Member States on how to share taxing rights over the same income.

a. Citizens

A Member State may not, in principle, treat cross-border situations less favourably than purely national situations, in particular by disadvantaging non-nationals or foreign income. The use of the Commission's problem-solving services and application of EU Treaty rules can resolve many problems of discrimination in the tax area that may face EU citizens when they engage in cross-border activity. However problems such as double taxation, incompatibilities between different tax systems and lack of access to information on the tax rules of Member States that arise from the parallel exercise of sovereignty by two Member States is not contrary to the Treaty on the Functioning of the EU and the Treaty rules cannot, therefore, resolve these problems. At the same time, the Commission believes that it is not appropriate in a single market that such problems should deter individuals from engaging in cross-border activity or penalise them when they do. Harmonisation of all aspects of Member States' tax rules would be neither necessary nor feasible. Solutions are needed that recognise the legitimate interests of citizens in an area of free movement, such as the one established by the Treaties. The Commission considers it important that EU action should be taken to make the tax systems of the different Member States more compatible. That is why it announced in its Communication of December 2010 on removing cross-border tax obstacles for citizens that it wanted to establish a dialogue with Member States' tax administrations and stakeholders on other appropriate solutions to EU citizens' cross-border tax obstacles. The FISCALIS programme would facilitate this work of removing tax obstacles by providing a forum for Member States to exchange best practices and by supporting the development of appropriate IT tools.

b. Companies

National corporate tax systems operate within a context of globalisation, international tax competition and companies which increasingly look beyond borders for market opportunities. However, the co-existence of 27 highly disparate sets of tax rules in the single market means that companies are faced with significant tax obstacles which may discourage and impede their cross-border activities. This divergence in national tax rules reduces the transparency of tax systems and creates obstacles in the internal market which give rise to significant distortions and compliance costs for businesses. With the aim of reducing the tax-related obstacles that businesses face in these situations, on 16 March 2011 the Commission has tabled a proposal for a Council Directive on a Common Consolidated Corporate Tax Base (CCCTB), COM(2011) 121, which provides for a system of common rules for computing the tax base of companies which are tax resident in the EU and of EU-located branches of third-country companies. Specifically, the common fiscal framework provides for rules to compute each company’s (or branch's) individual tax results, the consolidation of those results, when there are other group members, and the apportionment of the consolidated tax base to each eligible Member State. FISCALIS would allow the creation of a working group or groups of tax experts of Member States to discuss the implementing measures of the administrative framework of the new proposed system.

Annex 4 Areas where the Fiscalis programme might be used under policy option 3

Indirect taxes:

On 1st December 2010, the Commission adopted a Green Paper on the future of VAT – towards a simpler, more robust and efficient VAT system[85] launching a broad consultation process with all stakeholders on the evaluation of the current VAT system and the possible ways forward to, in particular, strengthen its coherence with the single market and its capacity as a revenue raiser whilst reducing the costs of compliance and collection.

Depending on the outcome of the consultation process, the future VAT strategy may encompass the following possible new legislations and actions:

- The setting up of a database and a comprehensive web portal for providing business with information in several languages on EU and national VAT rules and obligations such as registration, invoicing, periodicity and content of VAT returns, VAT rates applicable, special obligations, limitations to the right of deduction etc.;
- Extending the scope of the current "mini one-stop-shop" to include, in the first place, similar other cross border Business-to-consumer (B2C) supplies and then, if such transactions were taxed under a new VAT regime based on the destination principle, Business-to-Business (B2B) transactions and the deduction side;
- Excise operators and administrations are also interested in the development of a OSS/Single window, but for the time being they will follow the work carried out in the field of VAT and customs;
- Extending the territorial scope of VAT grouping, a common database of the "single legal entities" having made use of the option, of their members and possibly the transactions covered by the scheme could be needed;
- The future VAT strategy may also trigger a substantial increase in the exchange/sharing of information insofar as it considers comprehensive invoice databases and a new payment process for VAT as core options. For example, new methods of collection such a the "split payment" on cross-border B2B transactions if they were taxed could require further IT development;
- Extending the scope of the small business scheme to all transactions carried out in the single market, a special identification process of those businesses might be needed with a common register.
- As the analysis of the contributions received, the discussions with Member States and the economic evaluation of the current VAT system are still ongoing; the previous items are just examples of possible actions and legislations for the next decade which could require the involvement of the Fiscalis Programme.
- The Commission intends to propose a legislative initiative for introducing an EU-wide Financial Transaction Tax, the receipts of which would – based on a separate proposal – partly constitute EU Own Resources. Given, on the one hand, the

[85] COM(2010) 695 of 1 December 2010, Green Paper on the future of VAT.

subsidiarity principle and the related prerogative for Member States on the actual operation and administration of such tax and, on the other hand, the complexity of the object of the tax (financial markets) one cannot exclude a future role of Fiscalis also in this field.

Moreover, the current programme can only finance the EU component of the trans-European IT systems, Member States being responsible to develop their own (e.g. the web portals of any OSS scheme). This is less efficient as interconnection is more difficult and more costly due to the existence of 27+1 IT contracts. It could be envisaged that the next Fiscalis Programme could also cover some items of the national components of a trans-European IT system when it is needed for practical (interconnectivity) and financial reasons (economies of scale). One could also envisage that the Fiscalis programme could cover the development of common IT tools such as e-audit tools, when there is a potential use at EU level.

Direct taxes:

- The proposed Directive on the Common Consolidated Corporate Tax Base (CCCTB) provides for a central database which all tax authorities can access. This is important for the functioning of the CCCTB. The manner in which this can be implemented will require careful analysis.

Annex 5 Budget Fiscalis 2014-2020[86]

Option 1: Baseline Scenario - Status Quo								
Activity	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2014-20*
IT Capacity Building	21 000 000 €	21 000 000 €	21 000 000 €	21 000 000 €	21 000 000 €	21 000 000 €	21 000 000 €	147 000 000 €
Joint Actions	7 500 000 €	7 500 000 €	7 500 000 €	7 500 000 €	7 500 000 €	7 500 000 €	7 500 000 €	52 500 000 €
Human Competency Building (Training	1 300 000 €	1 300 000 €	1 300 000 €	1 400 000 €	1 400 000 €	1 400 000 €	1 400 000 €	9 500 000 €
Total	**29 800 000 €**	**29 800 000 €**	**29 800 000 €**	**29 900 000 €**	**29 900 000 €**	**29 900 000 €**	**29 900 000 €**	**209 000 000 €**

Option 2: Upgrade the baseline scenario								
Activity	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2014-20*
IT Capacity Building	23 300 000 €	23 300 000 €	23 300 000 €	23 300 000 €	23 300 000 €	23 300 000 €	23 300 000 €	163 100 000 €
Joint Actions	8 500 000 €	8 500 000 €	8 500 000 €	8 500 000 €	8 500 000 €	8 500 000 €	8 500 000 €	59 500 000 €
Human Competency Building (Training	1 300 000 €	1 300 000 €	1 300 000 €	1 400 000 €	1 400 000 €	1 400 000 €	1 500 000 €	9 600 000 €
Total	**33 100 000 €**	**33 100 000 €**	**33 100 000 €**	**33 200 000 €**	**33 200 000 €**	**33 200 000 €**	**33 300 000 €**	**232 200 000 €**

Option 3: Upgrade and cater for new policy								
Activity	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2014-20*
IT Capacity Building	30 000 000 €	33 400 000 €	36 700 000 €	36 700 000 €	36 700 000 €	36 700 000 €	36 700 000 €	246 900 000 €
Joint Actions	9 000 000 €	9 000 000 €	9 000 000 €	9 000 000 €	9 000 000 €	9 000 000 €	9 000 000 €	63 000 000 €
Human Competency Building (Training	2 250 000 €	2 250 000 €	2 250 000 €	2 250 000 €	2 250 000 €	2 250 000 €	2 250 000 €	15 750 000 €
Total	**41 250 000 €**	**44 650 000 €**	**47 950 000 €**	**47 950 000 €**	**47 950 000 €**	**47 950 000 €**	**47 950 000 €**	**325 650 000 €**

Source: DG TAXUD

[86] Amounts expressed in real prices.

Annex 6 Analysis of the potential for an executive agency

If an executive agency were established, it would be entrusted with certain tasks related to the management of the Fiscalis Programme. It would be empowered to execute tasks such as the selection of the activities under the programme, the administrative preparation and follow-up of the activities, monitoring of the activities, grants and procurement of IT systems (development, maintenance and hosting of the systems). The responsibilities for managing the Fiscalis Programme would be transferred from the Commission to the agency. The Member States responsibilities as they stand today would remain unchanged.

A recent study[87] refers to the following constraints of this mechanism for the Customs 2020 programme and applies mutadis mutandis also for the Fiscalis programme:

In the study, the outsourcing of some of the management tasks of the Customs Programme to a dedicated executive agency was considered as a way of potentially:

a) improving the efficiency of the programme management process (by allowing the agency staff to fully concentrate on this task and allowing the Commission to increase its focus on strategic and policy preparation tasks), and

b) increasing the visibility of the customs union (by promoting a more unified image of the customs union towards the outside world).

The above-mentioned study identified the following disadvantages and risks though. This approach would:

a) complicate the governance structure of the customs union by adding a new actor: the agency would represent a new actor in the governance of the customs union – the additional layer entails the risk of increasing the cost of coordination and checks, of complicating and lengthening decision making, of adding new administrative procedures, etc and will as such risk to increase red tape or bureaucracy;

b) increase the potential for conflicts in acceptance of decisions: there might be a potential conflict between the customs policy group (steering customs policy and the priorities for the Annual Work Programme implementing the Customs Programme) and the agency in terms of leadership on certain topics;

c) have a negative impact on the level of know-how within the Commission and increase the risk of a defragmentation of content versus administrative aspects of the Programme: part of the executive agency's staff will consist of officials seconded as temporary staff members to positions of responsibility in the executive agency – there is a risk that valuable expertise and know-how will be "lost" in the Commission service;

d) given the size (in terms of budget to manage) of the Customs Programme as well as its scope (in terms of identified beneficiaries, being mainly customs authorities), the executive agency would only entail a limited number of staff which does not represent

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[87] Deloitte, "Future business architecture for the Customs Union and cooperative model in the taxation area in Europe – Business case of selected options" p 33-37.

sufficient critical mass to justify the creation of an agency and the related costs – which would lead to an overall amount of 720.000 Euro according to the external study.

Annex 7 Indicators of the Fiscalis 2020 programme

N°	General Objective	Impact Indicators
1	To improve the proper functioning of the taxation systems in the Internal Market by increasing cooperation between Participating Countries , their tax administrations, their officials and other relevant stakeholders.	1. Evolution of the view[88] of programme stakeholders regarding the contribution of the programme towards better functioning of the tax systems in Europe (scale 1-10) **OUTPUT:** Stakeholders to have a positive view on the contribution of the programme towards the general objective. **TARGET:** The output should stabilise or evolve positively compared to the baseline that will be drawn at the start of the programme. ** The above output and target apply to all indicators measuring the view of stakeholders.*

N°	Specific Objective	Result Indicators
1	To facilitate a coherent application and implementation of EU tax law	1. Evolution of the view of programme stakeholders regarding the level of coherent application and implementation of EU law 2. Evolution of the view of programme stakeholders regarding the contribution of the programme to the coherent applications and implementation of EU law. 3. Evolution of the view of stakeholders using dedicated eLearning modules.
2	To provide a framework for cooperation enhancing coordination and coherence of tax policy application and implementation	1. Evolution of the view of programme stakeholders regarding the contribution of the programme to an integrated coordination and coherence of tax policy application and implementation. 2. The amount of tax assessed through the Multilateral Controls **OUTPUT:** The amount of tax assessed during the Multilateral Controls **TARGET:** The amount of tax assessed should remain in line with the evolution

[88] Any measurement of the feedback will be integrated in the evaluation of the present and future programme. The final evaluation of the present programme will as such establish the baseline.

N°	Specific Objective	Result Indicators
		outlined in the previous years. 3. The evolution of results obtained through the Multilateral Controls[89] **OUTPUT:** For each Multilateral Control a set of 7 result indicators is measured among others whether or not cases missing traders have been detected and recommendations were made to the Commission or Member States' tax administrations. **TARGET:** The kind of results obtained should remain in line with the results obtained in the preceding years. 4. The distribution of the initiation of Multilateral Controls over the Participating Countries **OUTPUT:** The distribution of the initiation of Multilateral Controls over the Participating Countries. **TARGET:** The initiation of the Multilateral Controls should become more evenly spread among the Participating Countries by the end of the 2020 programme 5. Indicators for Eurofisc
3	To secure effective and efficient information exchange and administrative cooperation	1. The availability of the common network[90] **OUTPUT:** The availability of the network **TARGET:** The availability should be at least 97%. 2. Evolution of the view of stakeholders regarding the contribution of the programme to the secure, effective and efficient information exchange and administrative cooperation.
4	To contribute to the reduction of the administrative burden on tax administrations and taxpayers	1. Evolution of the view of programme stakeholders regarding the contribution of the programme to the reduction of the administrative burden on tax administrations and business.

[89] For each MLC, the MLC initiator reports the amount of tax assessed as well as the results obtained namely whether or not cases were sent to the prosecutor, false invoices were detected, transfer pricing corrections occurred, black labour, unreported sales or missing traders were detected, any recommendations were sent to the national authorities or to the Commission.

[90] The percent of the time the network is up and running.

N°	Specific Objective	Result Indicators
5	To enhance cooperation with third countries and third parties	1. Evolution of the view of programme stakeholders regarding the contribution of the programme to the cooperation with third countries and third parties.
6	To continuously strengthen the administrative capacity of tax administrations and increase their efficiency	1. Evolution of the view of programme stakeholders regarding the strengthening of the administrative capacity of tax administrations and their efficiency. 2. The number of procedures and practices changed in stakeholder's administrations where expertise was acquired from at least one other Member State with the support of the programme. **OUTPUT:** The number of procedures and practices changed **TARGET:** At least one procedure should be changed per Member State. 3. Evolution of the view of stakeholders using dedicated eLearning modules.

N°	Specific Objective	Context Indicators
1	To facilitate a coherent application and implementation of EU tax law	1. Number of infringement procedures related to direct and indirect tax (Internal Market Scoreboard)
2	To provide a framework for cooperation enhancing coordination and coherence of tax policy application and implementation	1. The number of new legal initiatives that trigger activity under the programme (only relevant for option 2) 2. The evolution of the perception of language as a constraint to cooperation by stakeholders
4	To contribute to the reduction of the administrative burden on tax administrations and taxpayers	1. The evolution of the number of verifications of VAT numbers through VIES on the web

N°	Operational Objective	Output Indicators
1	To set up actions enhancing common understanding and implementation of EU tax law	1. The number of Fiscalis activities organised that support this objective. **OUTPUT:** The number of activities organised **TARGET:** The number of activities

N°	Operational Objective	Output Indicators
		organised should remain in the same order of magnitude unless there are major policy evolution. **The output and target apply to all similar indicators.* 2. The number of consultations of the taxes in Europe database **OUTPUT:** The number of consultations **TARGET:** The number of consultations should remain stable throughout the programme 3. The number of times the dedicated eLearning modules have been used to train stakeholders
2	To support and facilitate joint operational tax activities	1. The number of Fiscalis activities organised that support this objective. 2. The number of Multilateral Controls supported by the Fiscalis programme. **OUTPUT:** The number of Multilateral Controls **TARGET:** The number of Multilateral Controls should remain stable throughout the programme 3. The number of online collaboration activities organised under this objective *(* The online environment is currently set up, outputs and targets will be defined when the environment is up and running)* 4. The number of times the dedicated eLearning modules have been used to train stakeholders 5. Indicators for Eurofisc
3	To develop and maintain European information systems for taxation	1. The number and volume of messages exchanged through the common network (and its evolution)[91] 2. The number of Fiscalis activities organised that support this objective. 3. The number of training activities organised

[91] This concerns messages related to exchange of VAT registration and turnover information (via VIES and Mini 1SS), verification of VAT numbers (VIES on the web), VAT refund applications (VAT Refund), forms exchanges with requests for information (CCN Mail), and movements of excise goods under duty suspension (EMCS).

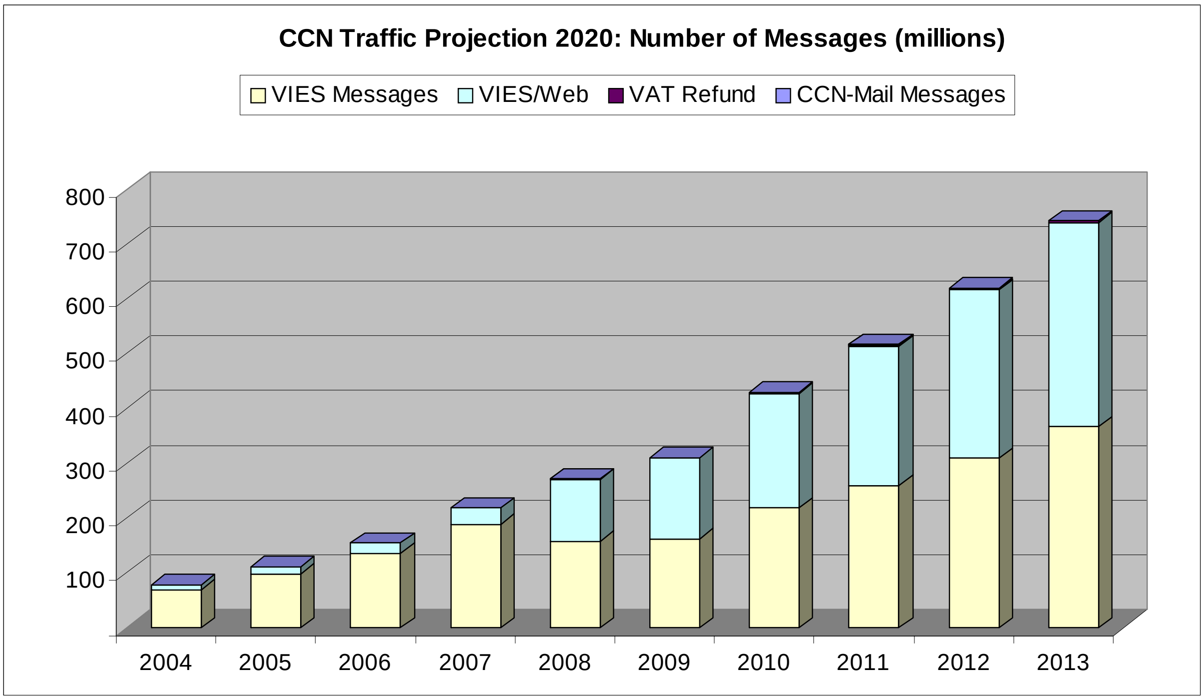
N°	Operational Objective	Output Indicators
		under this objective. 4. The number of times the dedicated eLearning modules have been used to train stakeholders. 5. The number of online collaboration activities organised under this objective
4	To reinforce skills and competencies in EU tax matters for tax officials and other relevant stakeholders	1. The number of Fiscalis activities organised that support this objective. 2. The number of online collaboration activities organised under this objective. 3. The number of eLearning modules developed under the programme**.** 4. The use made of the guides and manuals produced by Project groups and platforms **OUTPUT:** The use made of guides and manuals by stakeholders **TARGET:** The use made of guides and manuals should increase by the end of the programme
5	To support the development of an e-administration for tax authorities and taxpayers	1. The number of Fiscalis activities organised that support this objective. 2. The number of online collaboration activities organised under this objective.
6	To set up actions relating to EU tax matters involving third countries and third parties	1. The number of Fiscalis activities organised that support this objective. 2. The number of online collaboration activities organised under this objective.
7	To enhance the identification and sharing of best practices	1. The number of Fiscalis activities organised that support this objective. 2. The number of online collaboration initiatives organised under this objective.

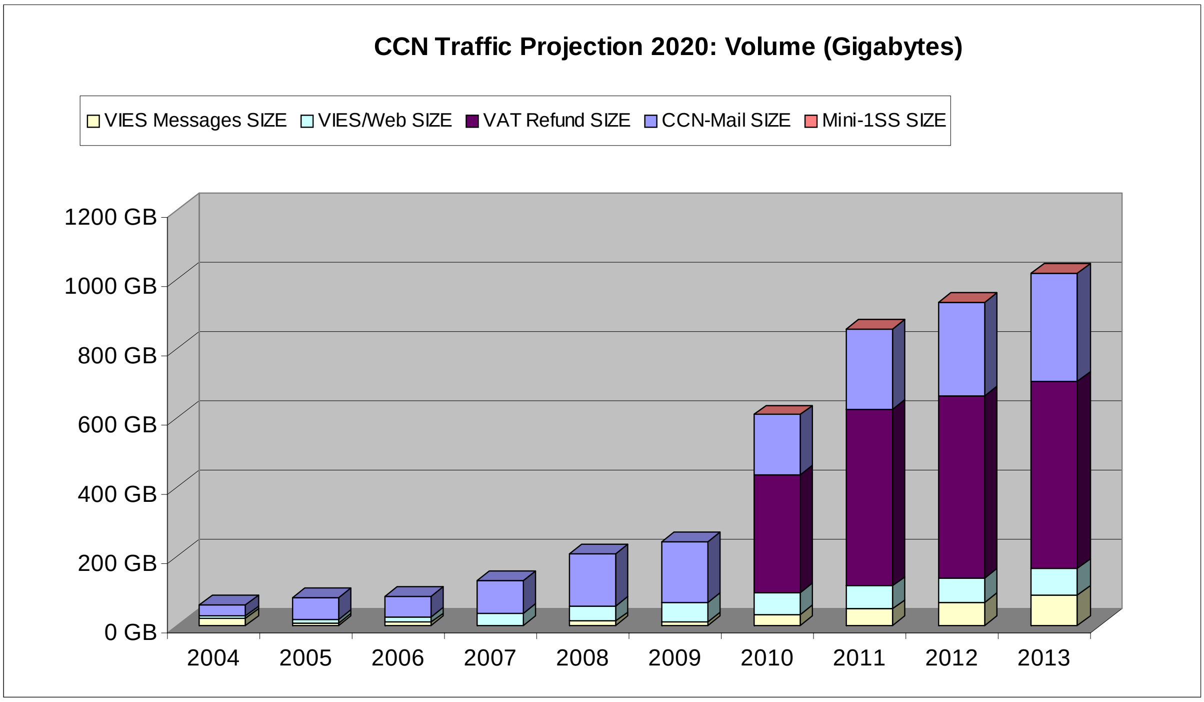
Annex 8 Instruments of the Fiscalis 2020 programme

Operational Objectives	Programme instruments that will primarily contribute to realise this objective
To set up actions enhancing common understanding and implementation of EU laws	IT activities (database tax ...), training activities (VAT module), Joint Actions (workshop, seminar, project group, working visit, guides and manuals)
To support and facilitate joint operational tax activities	Multilateral Controls, sharing operational expertise (steering group and expert team), training activities, Eurofisc
To develop and maintain European Information systems for taxation	IT activities, training related to IT , development of specifications (project group, expert team),
To reinforce skills and competencies in EU tax matters for tax officials and other relevant stakeholders	eLearning modules, project group
To support the development of an e-administration for tax authorities and taxpayers	Project group, seminar, workshop, expert team, steering group (like eAudit), working visits
To set up actions relating to EU tax matters involving third countries and third parties	IT activities related to 3rd countries, expert team, workshop, technical assistance and working visits
To support the identification and sharing of best practices	Expert team, project group, workshop

Annex 9 Statistics of the Fiscalis programme

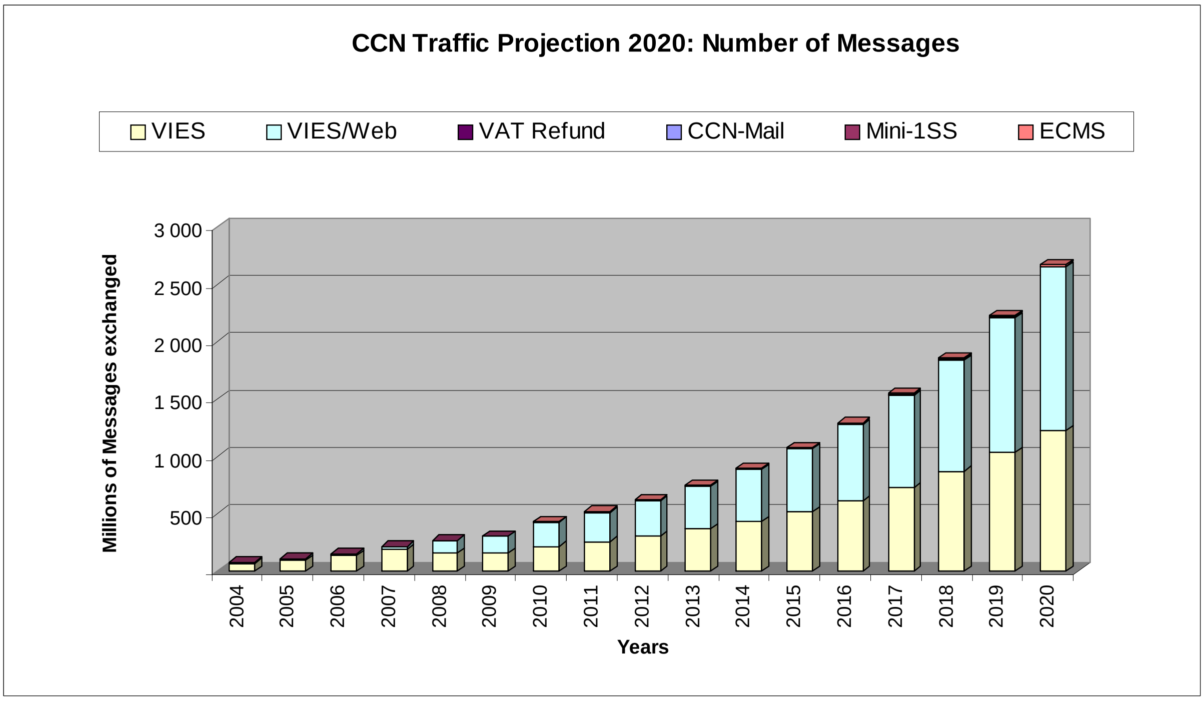
Figure 2: Number and volume of messages exchanged between tax administrations between 2004-2010 and estimations for 2011-2013

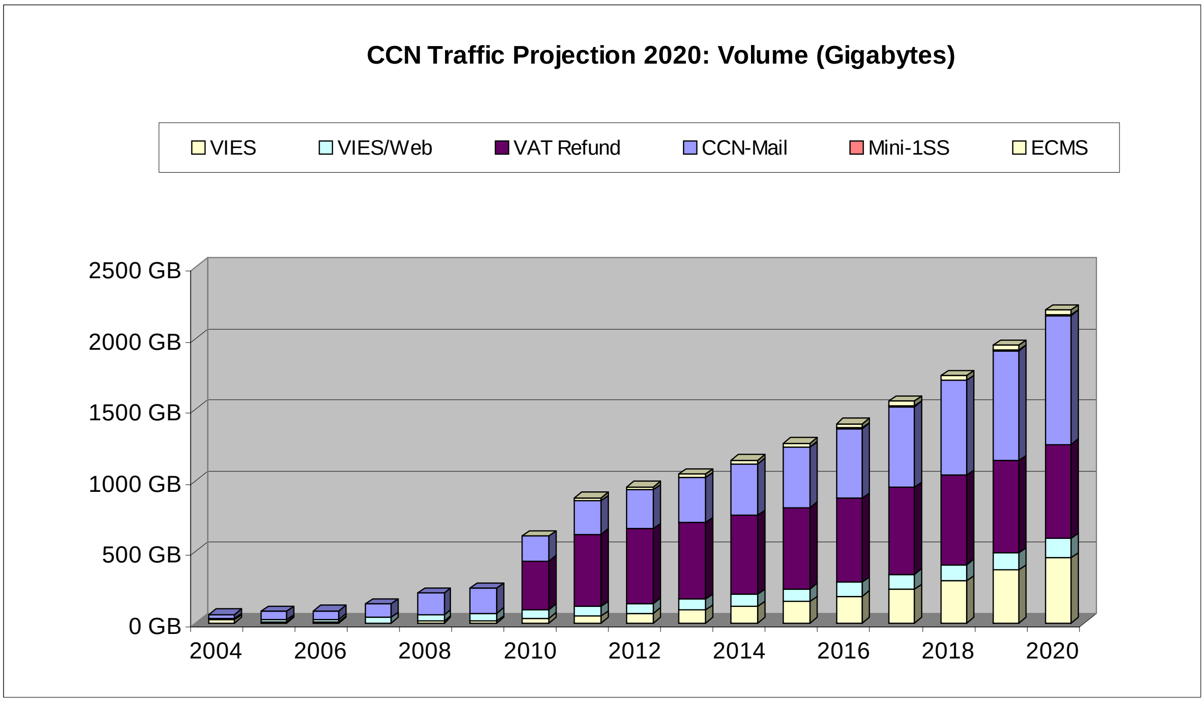




Source: DG TAXUD

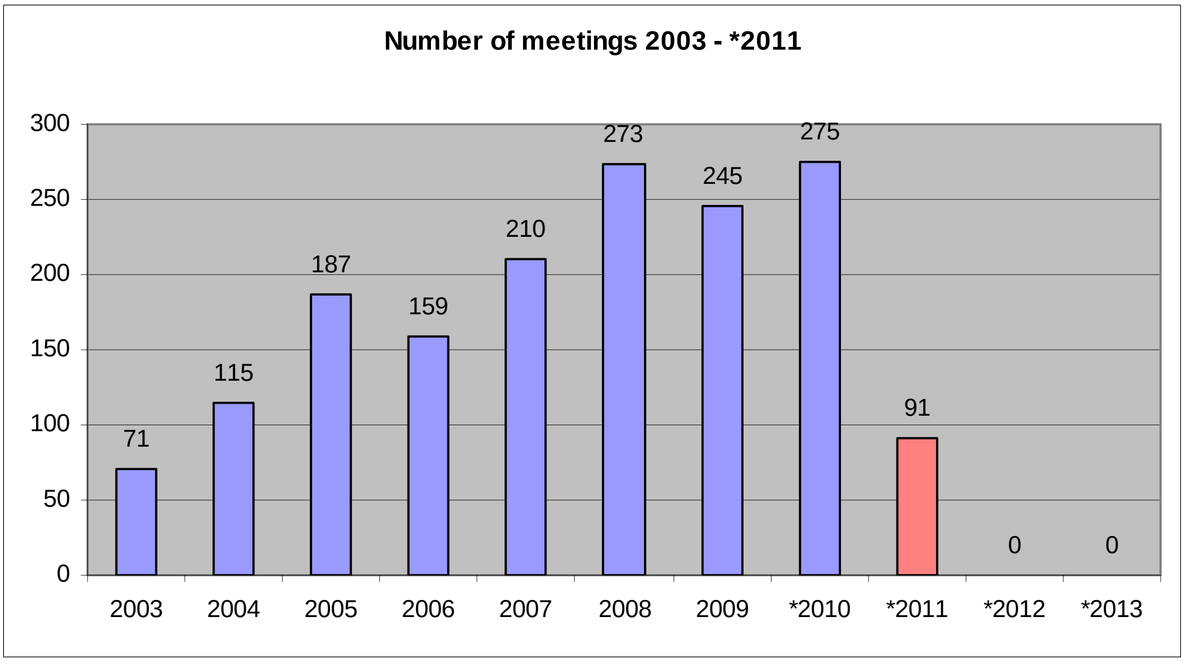
Figure 3: Forecast of the number and volume of messages exchanged between tax administrations (2004-2020)





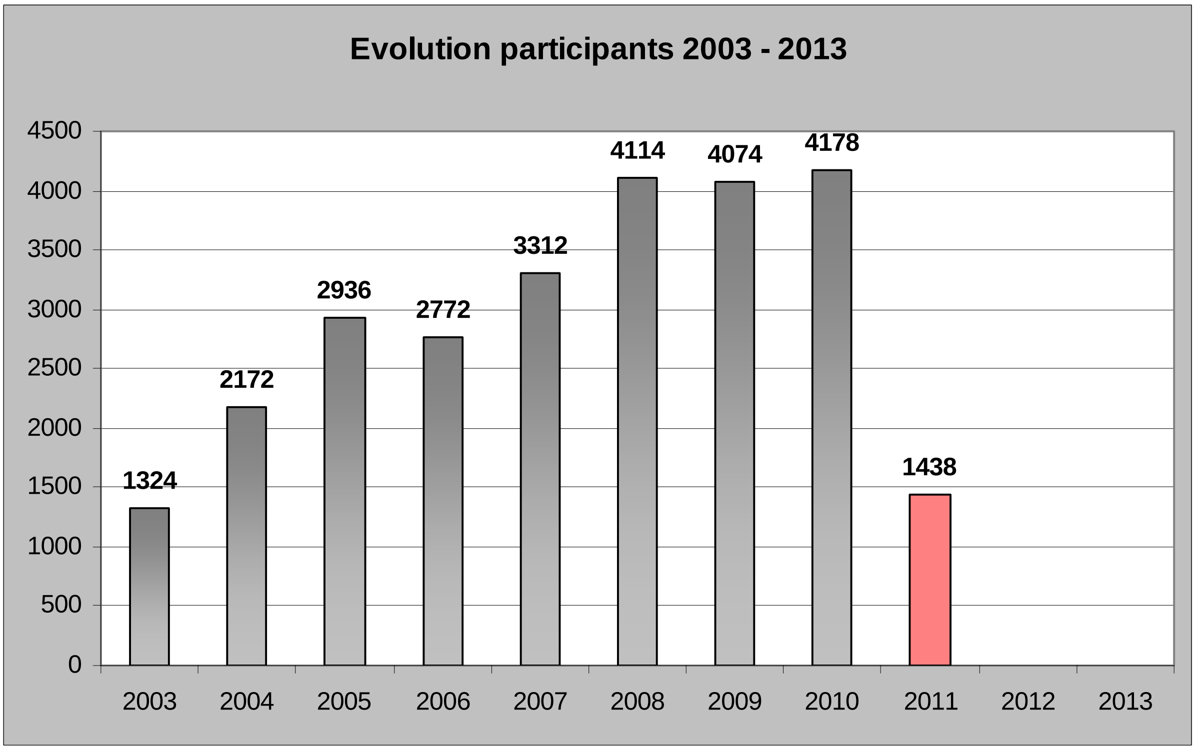
Source: *DG TAXUD*

Figure 4: Number of events organised for tax officials



Annotation: 2011 covered only partially, no estimates for future years
Source: DG TAXUD

Figure 5: Number of participants in Joint Actions for tax officials (2003-2011)



Annotation: 2011 covered only partially, no estimates for future years
Source: DG TAXUD