Customs Reform Proposals

WCO Symposium on E-Commerce and Customs Valuation

Brussels, 23 October 2023
Why a Customs Reform
Reasons for a Customs Reform

• Customs are the guardian of the internal market at external borders and for the security and safety of supply chains

• Many developments within the EU have an influence on how the customs union performs and delivers (Green transition, Digital transition)

• Tectonic shifts in geo-political landscape

• The EU customs legislation does not fit the current challenges
Establish a more **cost-efficient and effective cooperation framework** governing the Customs Union, based on a **new partnership** among EU customs authorities and between customs and business, with two overarching objectives:

(i) **Reduce compliance costs** for administrations and businesses through simplified and modernised procedures

(ii) **Enable EU Customs** to better protect the financial and non-financial interest of the EU and its Member States as well as the Single Market, based on common, EU-wide risk management and more harmonised controls
Reform pillars

Simpler Customs Union

- Reduced compliance costs through simpler procedures
- Tailor-made e-commerce regime
- Better protection of Single Market due to EU risk management
- Acting as one across the external border

EUCA will construct and manage the Hub

Simpler Customs Union → Reinforcing objectives → Stronger Customs Union

Key enablers

EU Commission
E-commerce context

Increased regulation of digital services and trade: Digital Services Act, Digital Markets Act

WCO: 2022 framework of standards for e-commerce

Previous customs reforms (MCC, UCC) did not address e-commerce
The Reform Proposal
Typical e-commerce transaction - Third hand data
The new e-commerce regime: from problems to solutions

**Today: problems/impact assessment**

- No level playing field: split consignments, incentive for distribution centers at the border → **revenue loss**
- No compliance with non-financial requirements: difficult to control, consumer=importer → **less protection**
- **Administrative burden** for customs and operators: more than 1 billion H7 declarations in 2022

**Reform: solutions**

- Alignment with VAT e-commerce rules on B2C flows (no threshold, scope, liability, reporting)
- Large platforms will be responsible to ensure compliance with EU rules (financial and non-financial)
- The EU Customs Data Hub facilitates processing of declarations

- **Removal of the 150€ threshold**
- **Simplified calculation of duties**
- **New definitions and obligations in UCC**
Deemed importer

Main elements

- Distance sales of goods
- To be imported from a third country
- Registered for VAT Import One Stop Shop
- Online platform or non-Union seller with intermediary in Union
- Provide information to the data hub
- Responsible for fiscal and non-fiscal risks in front of customs
Customs value includes transport costs to destination + No need to proof non-pref origin + Simplified rate (buckets) = CUSTOMS DEBT
Simplified tariff treatment (buckets system)

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

- **5%**
  - Toys, games, houseware articles

- **8%**
  - Silk products, carpets, glassware

- **12%**
  - Cutlery, electrical machinery, clothes

- **17%**
  - Food, beverages, tobacco, footwear

- **0%**
  - Goods having a 0% duty rate currently will continue to benefit from zero duties
Customs value and origin

Where the importer has opted to apply the simplified tariff treatment for distance sales of goods:

- both the *costs of transport* of the imported goods up to the place where goods are brought into the customs territory of Union and the costs of transport after their entry into that territory, shall be included in the customs value.

- Customs shall *not require* the importer *to prove the origin* of the goods.
The proposed process

Platform / deemed importer
- Calculates the duties and VAT at sale
- Reports the sale to customs
- Periodic payment to one MS

Data Hub
- Customs risk analyses the sale info
- Requests controls or releases the goods upon arrival
- Provides advanced cargo information
- Informs about physical arrival of goods

Postal or express carrier
2023 Customs Reform

On 17 May 2023, the Commission put forward proposals for the most ambitious and comprehensive reform of the EU Customs Union since its establishment in 1968.

Where to find!