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CUSTOMS TRADE AND SKILLS

WHAT'S THE DEAL? (FFF – Bruxelles – 15 novembre)

- *Qual è la visione del CLECAT su Mercato unico e Unione doganale?*
- *Come procede l'attuazione del CDU (rispetto ad AEO, Customs Decision System, etc.)?*
- *Quanto sono importanti competenze e formazione in materia doganale per la crescita del business di un'impresa?*
- *Cosa si aspetta e/o si augura il CLECAT rispetto alla Brexit?*

*Customs
Declarations*

Import VAT

*Potential
Customs Duty*

CUSTOMS

CUSTOMS AND INDIRECT TAXATION UPDATE

CLECAT – OCTOBER 2018

Topics

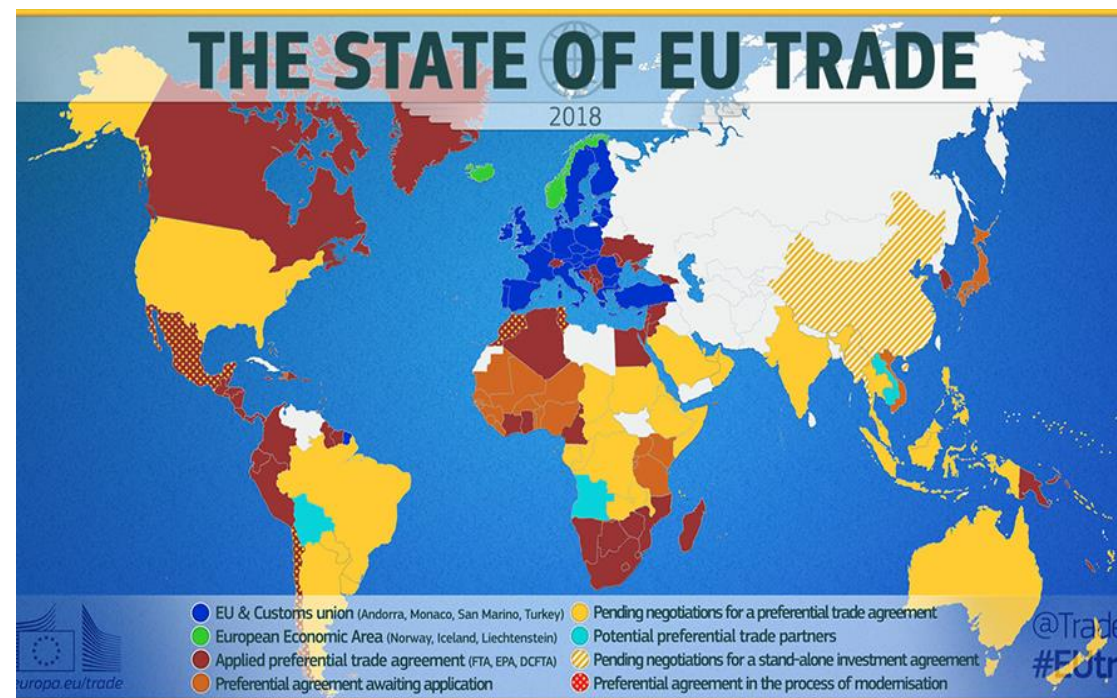


1. Changes and Challenges in Customs and Indirect Taxation
2. Union Customs Code (UCC)
3. New systems, procedures and the end of the SAD
4. REX and other Origin issues
5. Customs Decisions System
6. VAT Action Plan
7. eCommerce
8. BREXIT

Changes and Challenges in Customs and Indirect Taxation

Trade in the EU is currently changing fundamentally

- **Implementation of the UCC still ongoing**
(including update of all IT systems and re-assessment of all authorisations)
- **The VAT directive is being renewed**
(especially regarding international trade in goods)
- **New legislation is being created for agricultural products**
(Official Controls Regulation)
- **Several new trade agreements**
(Mercosur, Japan, US, Canada)
- **But also more sanctions, other restrictions and more focus on export controls**
- **Huge increase of eCommerce**
(low value consignments)
- **BREXIT...**
- **Many other related initiatives often concerning digitalisation.**
For example; Electronic Transport Documents (information) and Maritime Single Window



Union Customs Code (UCC)

UCC implementation is ongoing process

No major issues, but still requires a lot of efforts from Commission, customs and private sector:

- Most authorisations (incl. AEO) re-assessed (final date May 2019)
- New systems, processes and new EU Customs Data Model are being implemented or will start soon
- New AEO Benefits and other simplifications (for Freight Forwarders) are also being implemented. For example: possibility of declaration prior to presentation with notification of controls
- Important legal improvements were adopted in the summer (e.g. waiver for guarantees & definition of exporter)
- (New) concepts like Centralised Clearance and (Customs) Single Window becoming reality
- Nonetheless still discussions on interpretation and harmonisation



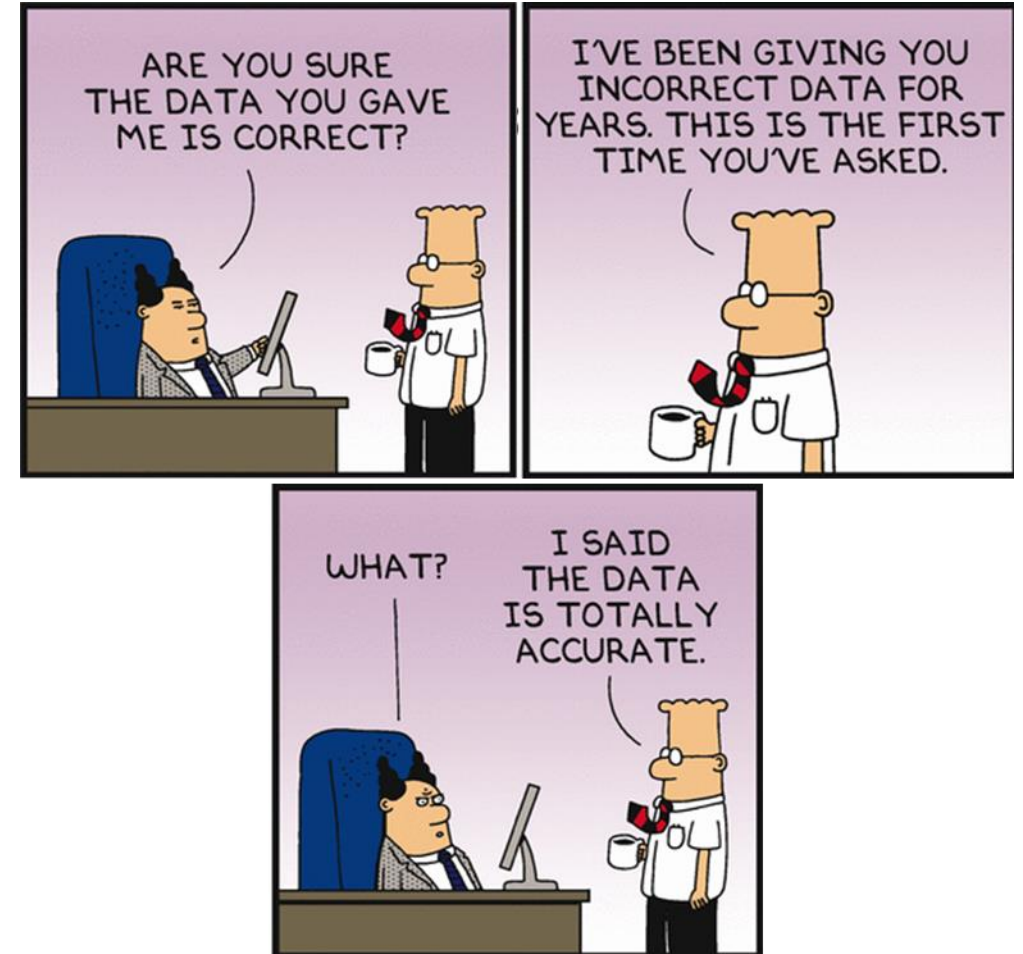
New systems, procedures and the EU Customs Data Model

Article 6 of the UCC:

ALL exchanges of information, such as declarations, applications or decisions, between customs authorities and between economic operators and customs authorities, shall be made using electronic data-processing techniques

- 35 pan EU projects and updates of almost all national systems (eg import, export, storage)
- The end of the paper-based Single Administrative Document (SAD) and introduction of the EU Customs Data Model (EUCDM)
- New system already introduced like Customs Decisions, REX (Registered Exporter) and CERTEX
- Others updated like EORI and AEO database (partially for mutual recognition)

IT is not just for the IT department anymore – it provides the tools we do our daily work with, you should get acquainted with them



REX and other Origin issues

REX state of play & issues

- Use of REX gradually increasing
 - Main partner country is India
 - in EU most registrations in UK
- However, most partner countries did not implement REX at the determined deadline
- Serious issues because legally preference can be applied, but in practice no proof can be provided
- There were meetings and additional training (for the partner countries), but not much result
- Dead line was extended in many cases, but still not enough (see table)
- For Canada (CETA) legislation did not cover everything – quick amendment had to be done over Christmas
- Furthermore, communication issues as COM did not fully report to trade about what was happening

GSP beneficiary countries	Effective application date of the REX system (*)	End of the transition period
Afghanistan	REX system not yet applied	31/12/2018
Angola	25/04/2018	30/06/2018
Armenia	01/01/2018	31/12/2018
Bhutan	01/01/2017	30/06/2018
Bolivia	08/05/2018	31/12/2018
Burundi	27/07/2018	30/06/2018
Central African republic	REX system not yet applied	31/12/2017
Chad	REX system not yet applied	30/06/2018
Comoros	06/01/2017	30/06/2018
Congo	REX system not yet applied	30/06/2018
Cook Islands	17/04/2018	30/06/2018
Democratic Republic Congo	REX system not yet applied	30/06/2018
Djibouti	REX system not yet applied	31/12/2017
Equatorial Guinea	REX system not yet applied	30/06/2018
Eritrea	REX system not yet applied	31/12/2018
Ethiopia	07/03/2017	31/12/2017
Gambia	REX system not yet applied	31/12/2018
Ghana	REX system not yet applied	31/12/2018
Guinea	REX system not yet applied	31/12/2018
Guinea Bissau	05/12/2017	30/06/2018
India	01/01/2017	30/06/2018

REX and other Origin issues

Requests by CLECAT

REX Re-consignor

- Some MS do not allow customs brokers or other service providers to act as a Registered Exporter,
- Question CLECAT: is a customs broker allowed to act as re-consignor?
- Answer COM; it is not excluded by the law that customs representatives are registered exporters, New guidance will be made to ensure proper implementation by MS

Checking of REX validity

- REX has new risk with provision of valid REX number...but from another company
- Request CLECAT: can you provide better possibilities to check REX numbers (same for VAT numbers).
- Answer COM: as of the next release system-to-system checks will be possible, including for several numbers.
- Providing access to more information on individual registered exporters is under consideration, but is considered a valid request



REX and other Origin issues

Other origin related issues and wishes

New possibilities which are being considered

Third party approved exporter

- Customs Broker/Third Party can act as approved exporter of art. 67 UCC IA
- Customs broker or freight forwarder can provide a proof of origin statement on the invoice of an exporter
- Can be helpful for customers not in the EU or smaller exporters
- COM is very willing to consider this option, as it helps digitalisation and less manual customs labour

Providing origin statements on other documents than invoice

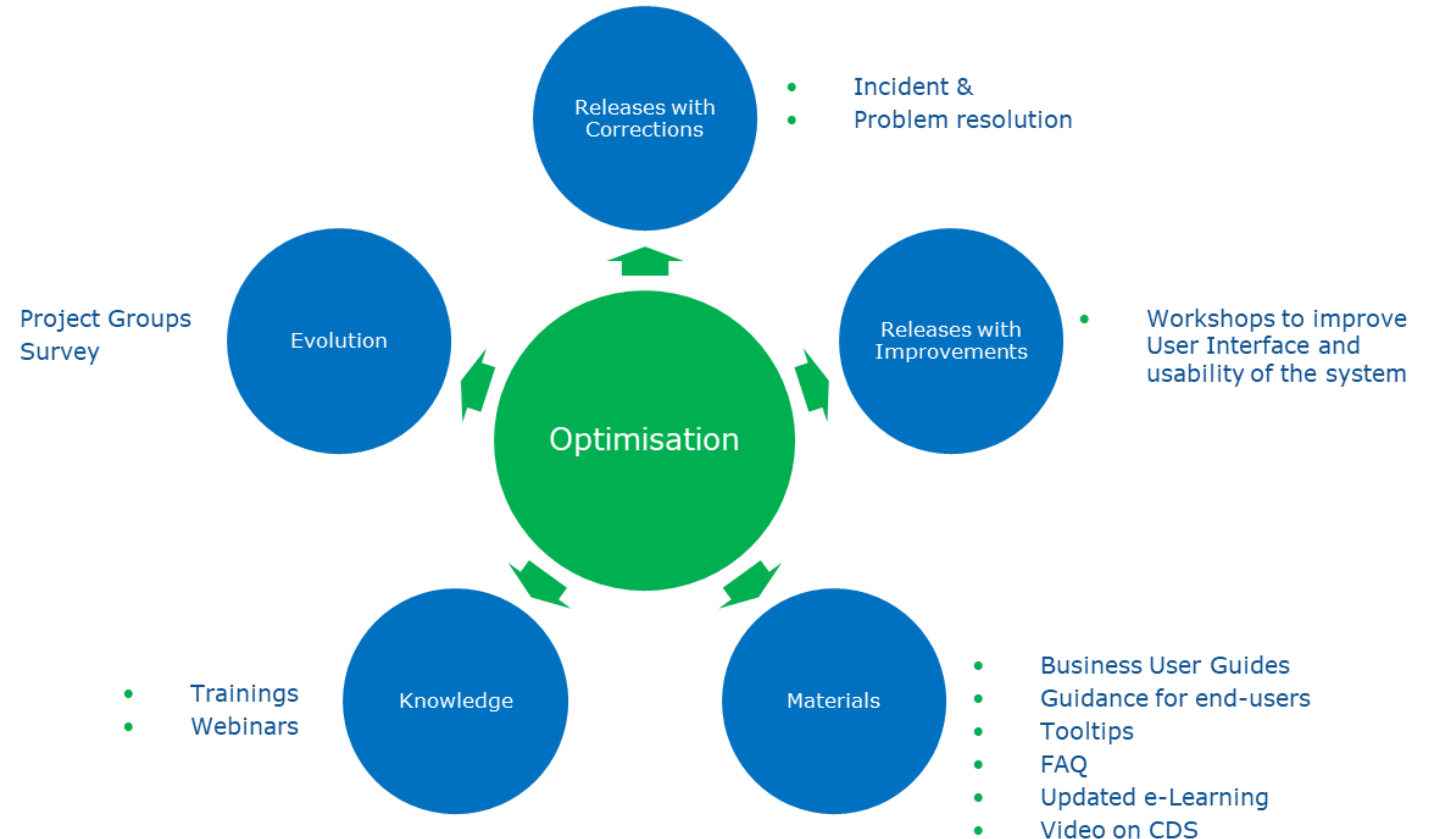
- If third parties are allowed, then also other documents must be allowed
- For example B/L or AWB or specific document
- Should also be possible to provide multiple statements on 1 document
- Will require adjustment of trade agreements, but COM is willing to do so



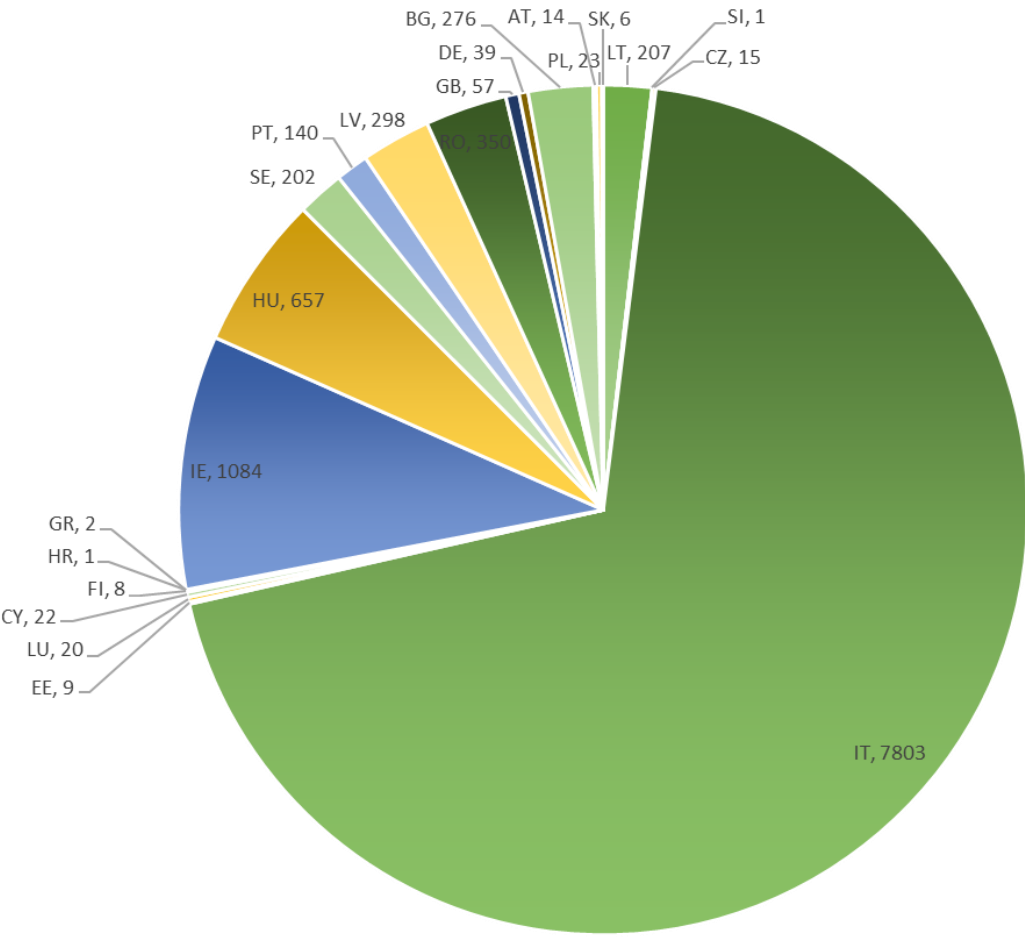
Customs Decisions System

Customs Decisions version 1.X

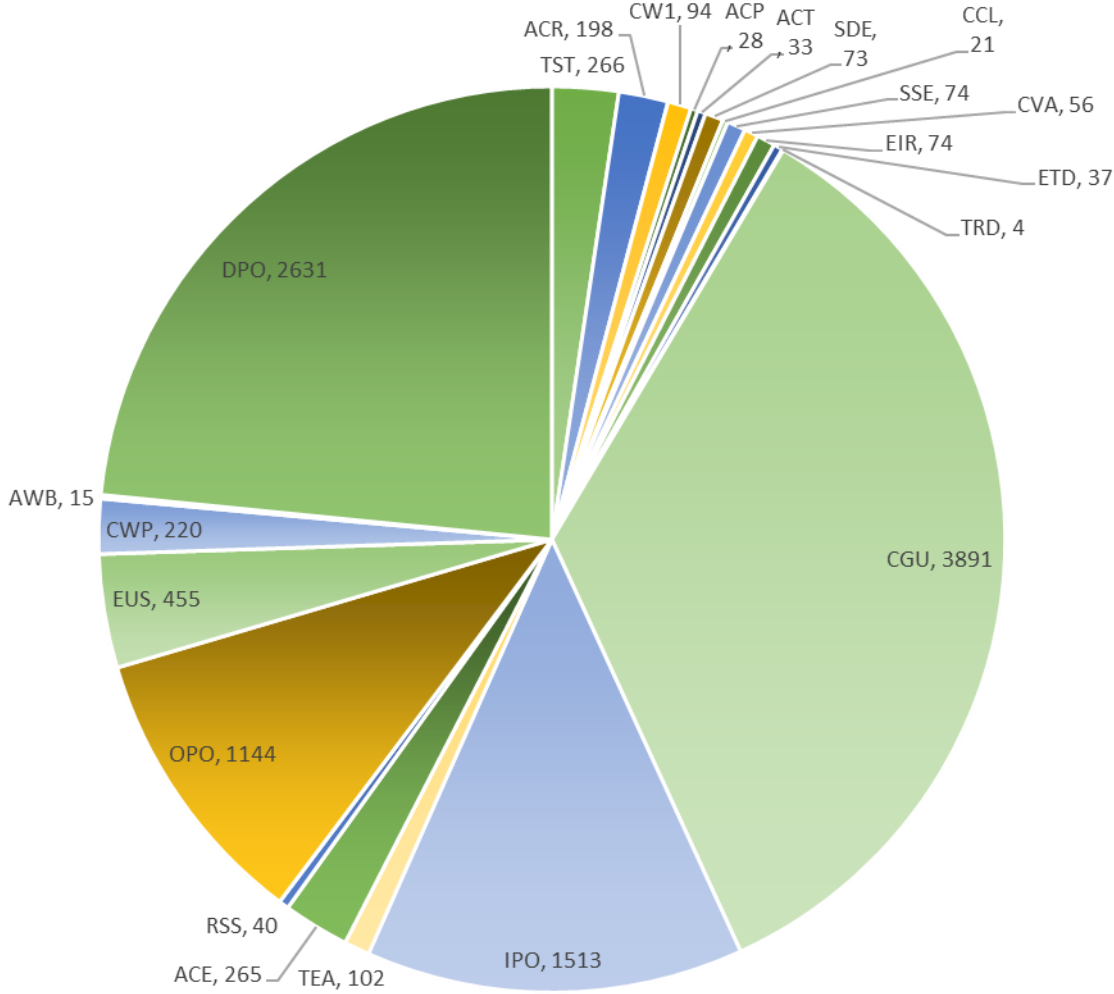
- PROD started on Oct 2, 2017
- Over 11000 applications and 5300 decisions entered in the system
- Several IT improvements already implemented
- Still a lot of improvements to be done
- Not every MS has implemented yet



Customs Decisions System



Total of 11343 applications (registered until 17/09/2018)



Types of applications (registered until 17/09/2018)

Projects and possibilities with significant importance

Centralised Clearance

- Lodge a customs declaration at customs office where established, for goods which are presented at another customs office in the EU
- Allows the economic operators to centralise and integrate accounting, logistics and distribution functions
- Commission proposed a distributed / decentralised system approach.
- Functional specifications being developed
- First implementation expected in 2021, but EU pilot already started with Customs Broker/Freight Forwarder

Entry into the Declarants' Records

- Provides possibility to lodge a customs declaration in the form of an entry into the declarants' records
- Possible in combination with Direct Representation
- Also possibility for waiver of presentation to customs
- Commission provides many opportunities, especially for the customs brokerage industry



Projects and possibilities with significant importance

EU Advanced Cargo Information System (ICS2.0 – PLACI)

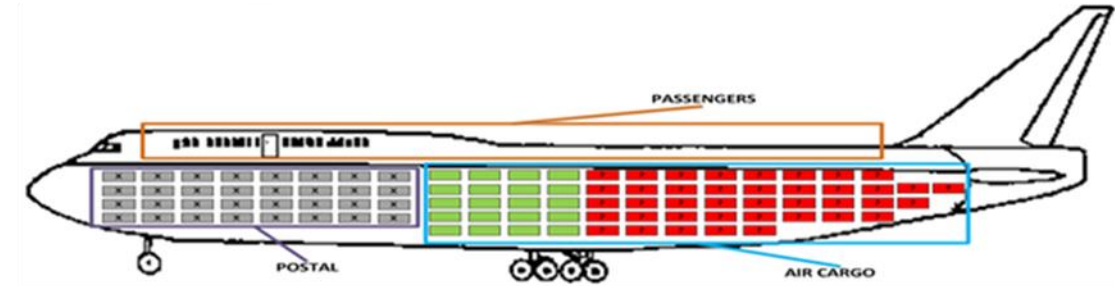
- Anti terrorism – “finding the bomb in the box”
- Not “just an update of ICS”. Biggest EU customs project; budget and capacity just as big as all other projects together
- Large role for freight forwarders and customs brokers foreseen by the Commission
- Possibility of multiple filing; broker can file own (house) information if he does not want to share with carrier
- Single EU Trader interface being developed
- All other wishes of CLECAT are included as well
- First phase implementation end of 2020, starting with post and express pre-loading - Air cargo “general” 2023 and Road Rail and Maritime 2024

Customs Single Window

- Ongoing project since 2016
- Focusses mainly on A2A communication between Customs and Health, Food & Environmental authorities
- For now only of Plants & Plant Products (CHED), Organic (COI) and Forest protection (Flegt)
- Solves issues of needlessly “playing postman between authorities”
- Good progress – CERTEX is in place, now exploring options for future use



Existing ICS gaps and weaknesses in the maritime transport. Around 60% of entry summary declarations in the current ICS contain inadequate information for a proper security and safety risk analysis (e.g. on average in each 18.000 container vessel, the EU COFE cannot properly assess security and safety risks efficiently for 10.000 containers)



Existing ICS gaps and weaknesses in air cargo. 100% gap in postal goods, X% gap in express consignments (value less than €22) and 60-90% of entry summary declarations in the air general cargo with inadequate data quality not allowing for a proper security and safety risk analysis.

VAT Action Plan

A definitive EU system

Definitive VAT system replacing the still temporary system

Reasons

- VAT Gap mainly caused by large scale EU Fraud (low value and carousel)
- Exponential growth of e-commerce
- Unfair competition for EU companies
- Outdated and needlessly complex VAT system



VAT Action Plan

Main principles

A series of fundamental principles, or "cornerstones" for a definitive VAT system:

- The principle of taxation at destination for intra-EU cross-border supplies of goods. Under this principle the VAT rate of the Member State of destination is charged.
- The confirmation that the vendor is liable in the case of an intra-EU supply of goods as a general rule, which means that the seller is responsible for charging and collecting the VAT.

However, if the buyer is a reliable taxpayer, a so called "certified taxable person" it is he who is liable for payment of the VAT due directly to the treasury of the Member State of destination.

- The One Stop Shop will be extended. Businesses will be able to make declarations, payments and deductions for cross-border supplies of goods through a single online portal, as is already the case for the supply of e-services.

Member States will then pay the VAT to each other directly, as is already the case for the supply of e-services

ONE PORTAL TO CUT FRAUD AND RED-TAPE

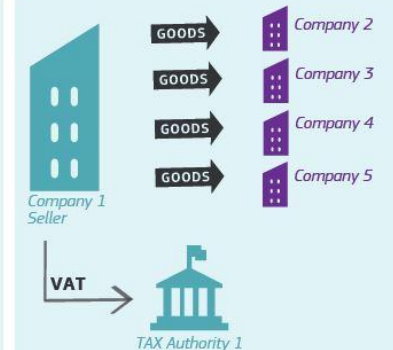
The proposed 'One Stop Shop' concept will dramatically improve and make it simpler to do business across borders and will reduce VAT fraud.

How?

If VAT were introduced on cross-border trade today under the current rules, businesses would have to register for VAT, file returns and make payments in every EU country where they operate.

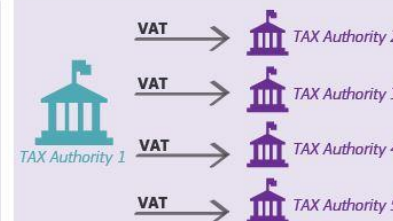
That's why we're introducing the "One Stop Shop" concept for VAT on cross-border trade between businesses.

VAT will be declared and paid by the seller via the one-stop-shop mechanism in the country and language of the company.



National tax authorities will then transfer the taxes due to each other directly.

This already happens for sales of e-services and the system works remarkably well. In 2016, Member States were projected to collect around €3.2 billion through the online portal.



VAT Action Plan

Certified Taxable Person

A NEW CONCEPT: "CERTIFIED TAXABLE PERSON"

A business can apply to its national tax authority and become a Certified Taxable Person (CTP) by proving compliance with pre-defined criteria such as:

- regular payment of taxes
- internal controls
- proof of solvency

Once certified, the company will be considered a reliable tax-payer.

Both the CTP and the companies that do business with it will enjoy a number of simplified procedures for the declaration and payment of cross-border VAT.

The status of Certified Taxable Person will be mutually recognised by all EU Member States.



eCommerce issues:

Imports

- Unfair competition for retailers at importation
- Exemptions partially outdated
- Large volumes of small transactions in combination with exemptions make supervision and enforcement almost impossible
- Numerous cases of fraud (although not fully visible)
- Liability issues with non-EU companies

Intra EU

- Faulty, outdated system of distance sales
- No harmonisation on thresholds
- Unfair competition between Member States
- Large volumes of small transactions in combination with exemptions make supervision and enforcement almost impossible
- Barely any cooperation between MS



eCommerce

eCommerce is growing exponentially, leading to specific customs and VAT challenges

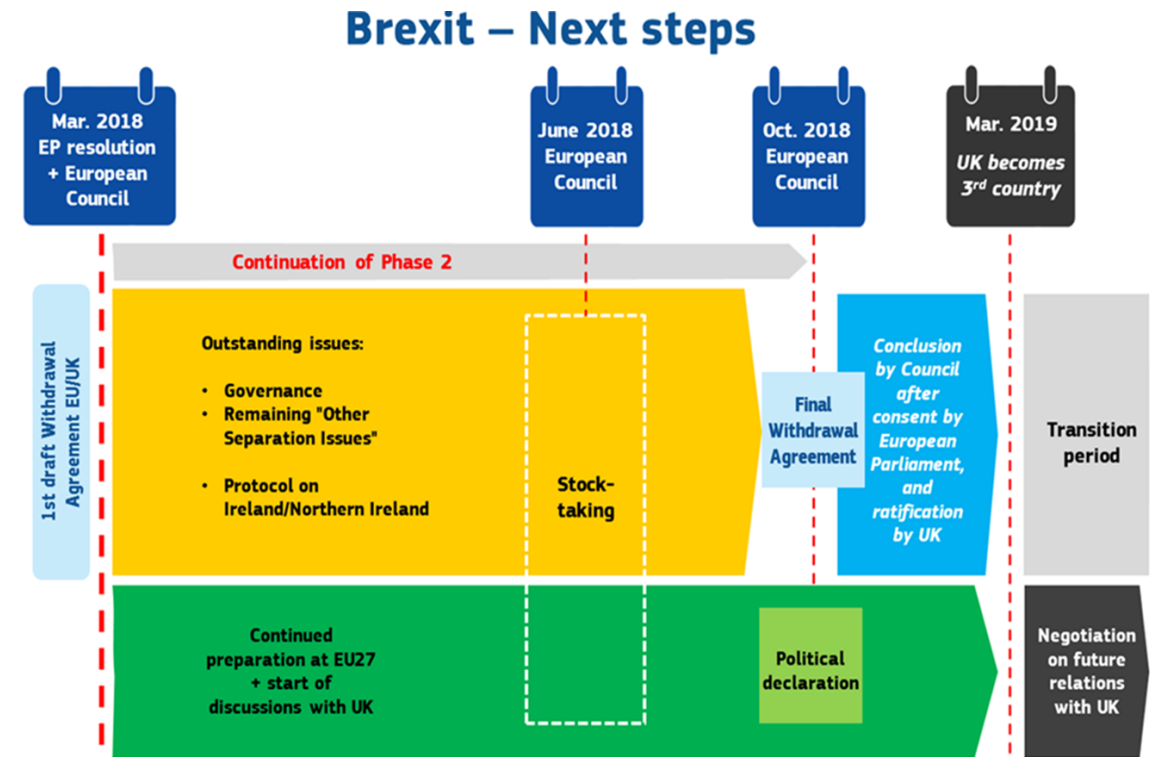
- Abolition of low value exemptions for VAT – electronic declaration will be required for every case now
- Complete reform of EU VAT system (both intra and extra EU trade)
- Unfair competition, tax fraud and consumer protection cause of radical changes
- E-Commerce not just business of express, post or internet platforms anymore – huge growth market for forwarders and customs brokers
- Challenge for customs to deal with high volumes – organisational and IT
- Various initiatives to ensure compliance while still enabling e-commerce
- Still possibilities for simplification proposed for customs up to €150 – super reduced data set (but with HS code)
- However, after requests by CLECAT Commission recently proposed to not limit these possibilities only to post and express. Will be available for all companies. No differences or special treatments for certain industries anymore



BREXIT

On 29 March 2019 the UK is not a member of the EU anymore

- Two main negotiation points: withdrawal agreement & future relationship
- Transitional period proposed until 2021
- No agreement on both topics yet; main issues are Ireland & Northern Ireland and the Customs agreement
- UK proposed a Facilitated Customs Arrangement (FCA), which actually means they will remain in the Customs Union and Single Market for goods
- EU is very willing to have a Free Trade Agreement (FTA) and customs cooperation, but not the FCA, because leaving the EU means leaving Customs Union and Single Market
- If there is no agreement before March 2019 the UK is a third country at that moment and all border rules and processes apply
- We need to be prepared for the worst



BREXIT

CLECAT objectives

- Ensure that logistics and transport have a voice in the Brexit debate
- An orderly Brexit process for trade between the EU27 and the United Kingdom
- Minimise trade barriers in the post-Brexit settlement between the EU and the UK
- Be a partner for Members to support companies in the Brexit process

Issues:

- Customs, other border inspections and VAT & excise
- Infrastructure – prevent border congestion
- Aviation market
- Road transport licensing
- Security requirements
- Capacity for private and public sector (human & IT)

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*Customs
Declarations*

Import VAT

*Potential
Customs Duty*

CUSTOMS

Thank you for your attention

CLECAT – OCTOBER 2018