

The EU Customs Union about to face significant reforms

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On 17 May 2023, the European Commission has published [proposals](#) of significant reforms of the EU Customs Union, describing them as 'the most ambitious and comprehensive reform of the EU Customs Union' since its inception 1968. The reforms will create a data-driven vision for EU customs and simplify and enhance the customs procedures. According to the Commission's [press release](#), the reforms respond to the current pressures under which EU customs operates, including a huge increase in trade volumes especially in e-commerce, a fast-growing number of EU standards, unnecessarily complex customs procedures and shifting geopolitical realities and crises. The reforms are promised to make the customs framework fit for a greener, more digital era and contribute to a safer and more competitive Single Market and to reduce costs significantly. The Union Customs Code will be repealed and a new UCC introduced with a complete rearrangement of articles. The reform is awaited, as especially the national customs administrations wish for cost savings and streamlined and simple processes through digitalization.

What are the concrete changes?

Two game-changing tools: a centralised platform and a new authority

A so-called EU Customs Data Hub will act as the engine of the whole new system. Over time, the Data Hub will replace the existing customs IT infrastructure in EU Member States. Also, a new authority, called EU Customs Authority, is presented. The EU Customs Authority will manage and oversee the Data Hub as well as help to improve risk management and customs controls in the EU. So far, **there are more than 100 individual IT systems in the EU.**

Partnership with businesses

In addition, the reforms include a new partnership with businesses and aim to simplify their process of submitting customs information. In the future, the businesses wanting to bring goods into the EU will be able to log all the information on their products and supply chains into one online environment. This means that companies will no longer have to engage separately with up to 27 national customs authorities.

The most trusted traders, whose business procedures and supply chains are completely transparent, can put their goods into circulation within the EU without any active intervention by customs authorities. These "Trust & Check" traders will constantly share data

on their transactions with the customs administration and are therefore regarded as reliable.

Responsibility about the customs compliance from consumers to platforms

Nowadays, the responsibility of ensuring that goods sold online into the EU comply with all custom obligations belongs mostly to individual consumers and carriers. The reform makes the online platforms key actors in this field in the future. Platforms will be responsible for ensuring that customs duties and VAT are paid at purchase, so consumers will no longer be surprised by hidden charges or unexpected paperwork when the goods arrive. By making online platforms the official importers, the aim is also to ensure that the products comply with EU environmental, safety and ethical standards.

Changes concerning also low-cost purchases

At the same time, the reform will end the duty-free treatment for goods worth less than EUR 150, because this loophole is constantly exploited by fraudsters. In up to 65% of cases, the value of parcels entering the EU is under-declared to avoid custom duties on import.

The reform will also simplify the way customs duties are calculated on the most purchased low-value goods from outside the EU, with only four possible customs categories instead of the thousands of categories currently available. This should make the customs calculation easier on small packages and will help both platforms and customs authorities to better manage online purchases from outside the EU. One of the aims is also to prevent fraud. This new e-commerce regime is expected to bring additional customs revenues to the tune of EUR 1 billion per year.

A bird's eye view to the authorities and support from the AI

One of the main objectives of the new system is to give the customs authorities an even broader insight into the supply chains and production processes of goods entering the EU. All the Member States will have access to real-time data and will be able to respond to risks more effectively. Also, artificial intelligence will be used for analyzing and monitoring the data, to allow the customs authorities to focus their resources on the sections where they are needed the most. Focused checks and identifying risks before goods even depart for the EU will allow authorities to uphold EU values better and protect the security and safety of all EU citizens.

Timeline

The European Council and Parliament need to adopt their positions so that an agreement is reached by both co-legislators on the final legal text under the brokerage of the Commission. This will probably happen late 2024 or early 2025 and it is possible that several changes may still happen to the final text.

The reforms are planned to be rolled out within the next 10 to 15 years. It is suggested that from 2028 onwards, e-commerce companies will get access to the Data Hub, followed, on a voluntary basis, by other businesses in 2032. The Data Hub becomes obligatory for all companies importing to EU from 2038 onwards.

Conclusion

In conclusion, with the help of digitalization, the EU Customs Union is aiming to take a leap towards a smarter, more functional and safer future. The reform also aims for significant cost savings for the Customs Union, authorities and businesses. Only the Data Hub is estimated to save merchants up to EUR 2.7 billion annually.

The reform can indeed be expected to simplify the processes for businesses to deal with the custom matters and different custom regulations, especially for the ones operating in many Member States. For the Trust & Check merchants, the new system will likely be a boon. Businesses may also more easily expand their territory and add countries of origin from which to source their products.

However, to achieve all the good objectives and possibilities of the reform, it is important that the reform will be a transparent and equal procedure. As the trade volumes and situations widely vary from one Member State to another, the individual expectations of the Member States must be noted.

It is also important to take into account businesses of all sizes and not to forget about the small and medium-sized enterprises. As an example, also the smaller businesses should be able to participate in the Trust & Check – system without a too complicated or burdensome process for their resources. It is remarkable that transferring the responsibility about the customs compliance from consumers to platforms will probably not affect major players, but for small and medium-sized enterprises, this might rise the expenses majorly. The change may, for instance, lead to a need for additional resources to the company, not to forget that they will have the responsibility to pay the Custom Duties and the VAT, and that the duty-free treatment of purchases below EUR 150 will be abolished. Concerning the Trust & Check, it has also been questioned, why the reform creates a completely new system instead of maintaining or improving the current AEO trader system.

The end of the duty-free treatment for goods worth less than EUR 150 has been facing critics for not being the proportional instrument for combating fraud. There will be a considerable additional effort for the customs administration, as all imports must be cleared. Thus, many see that the effort and the goal with this update are not in balance. Noteworthy is also the discrepancy with the USA, where a significantly higher exemption limit applies (USD 800).

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With setting up the Data Hub, it is important that there will be interaction also with other policy areas, e.g., excise duties. Cybersecurity, performance and availability must be ensured before the new system can be converted.

BLOMSTEIN will continue to monitor the upcoming changes concerning the EU Customs Union. If you have any questions on the topic, [Dr. Roland M. Stein](#) and [Dr. Leonard von Rummel](#) are at your service.