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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT

[...]

Accompanying the document

Proposal for a Regulation of the European Parliament and of the Council
establishing the Union Customs Code and the European Union Customs Authority, and
repealing Regulation (EU) No 952/2013

{COM(2023) 258 final} - {SEC(2023) 198 final} - {SWD(2023) 140 final}

Executive Summary

Impact assessment on the revision of Union customs legislation

A. Need for action

What is the problem and why is it a problem at EU level?

The current system is not satisfactory. The EU loses revenue. Illicit and non-compliant products enter the EU and put at risk EU citizens' safety and security.

1. *Customs struggle in their mission to protect the Union financial interests, and the ever-increasing non-financial requirements* under sectoral policies (product safety, security, protection of human, animal, plant health, of the environment etc.). Co-operation between customs and other competent authorities is not sufficient.

2. *Current customs processes* require traders to provide similar information on goods several times in the supply chain to different authorities via multiple and not always interoperable IT systems. This creates *administrative burden for legitimate operators*.

3. *The customs model is not fit for e-commerce* - the huge rise of e-commerce has changed the nature of trade, from goods traditionally brought into the EU in big quantities via cargo, to millions of small consignments shipped directly to individual consumers. Customs is not prepared to cope with the increase of volumes of goods and declarations.

4. *Data quality, access and analysis is limited* - Although customs processes are digitalised, *the data needed for carrying out customs supervision, risk analysis and controls are fragmented* and duplicated across multiple systems in a decentralised customs IT infrastructure. This is costly for customs authorities, not flexible and hampers an efficient use of data.

5. *The operational implementation in Member States diverges significantly* in control practices and methods. There is no appropriate EU risk analysis to properly supervise trade flows and detect non-compliant trade.

What should be achieved?

The Commission wants to take the Customs Union to the next level. The general objective is that customs authorities in the EU act as one, for stopping non-compliant goods, collecting more customs duties and carrying out adequate controls without putting excessive burden on authorities and traders.

The specific objectives are:

- Strengthen EU customs risk management for financial and non-financial risks, by having an EU view and analysis of the whole supply chain in real time.
- Reduce the administrative burden and simplifying the procedures for traders, consumers, and customs authorities, without jeopardising effective customs supervision.
- Ensure a level playing field between e-commerce and traditional trade as regards customs, in line with the VAT rules.
- Enhance access to and use of customs data for strategic action, to improve customs supervision and ensure an integrated risk management approach.
- Enable the Customs Union to act as one by ensuring effective EU-wide protection, irrespective of where the good crosses the external border.

What is the value added of action at the EU level (subsidiarity)?

Action must take place at EU level. The Customs Union is an exclusive competence, and an essential component for the proper functioning of the Single Market. National action would not effectively address the problem.

B. Solutions

What are the various options to achieve the objectives? Is there a preferred option or not? If not, why?

Four options are considered to address the identified problem:

1. *A package of simpler processes*: clarifying the responsibilities of the actors, removing unnecessary steps in import procedures, introducing measures for e-commerce and further benefits for transparent traders, under the current digitalisation model and the existing customs governance structure. Simplification of processes with focused responsibility will increase effectiveness.
2. *An EU Customs Authority for co-ordination*: in addition to step one above, create a new EU Customs Authority to coordinate cooperation between the Member States in risk management, define uniform implementation of rules, and manage customs programmes.
3. *A central EU Customs Data Space, managed by the Commission*: Simpler customs processes and focused responsibility on actors to be implemented in a centralised IT model. The data space would facilitate collecting information from different actors, processing it for EU customs risk management and exchanging it with other competent authorities.
4. *An EU Customs Authority for coordination and operations, managing an EU Customs Data Space*: Simpler customs processes implemented via the EU Customs Data Space managed by an EU Customs Authority in charge of (in addition to option 2) operational risk management, data management and delivery of simplified processes.

The preferred option is 4. Its three elements (reformed customs processes, implemented in a central EU Customs Data Space managed by an EU Customs Authority) reinforce each other to deliver better results and create synergies across the EU. This is the most efficient option, as the investment in central structures significantly reduces the cost for Member States and businesses.

What are different stakeholders' views? Who supports which option?

Stakeholders largely agree on customs authorities acting as one, simpler customs processes with clear responsibilities attached on each step, a more effective cooperation between customs and other authorities, and simplified provision of data in an EU-level IT customs environment. There is no significant opposition to any of the potential elements of a customs reform.

Customs authorities are mostly favourable to establishing a renewed partnership with traders in exchange for better access to data, but have different views on further expenditure in IT developments and the governance reform.

C. Impacts of the preferred option

What are the benefits of the preferred options (if any, otherwise of main ones)?

- **Customs supervision is strengthened.** Improved access to and processing of data via the EU Customs Data Space will make EU risk management more efficient and increase customs' capacity to detect fraud by profiling risky operators acting at EU level. It will generate additional revenues for the Union and its Member States. Improved access to data and better coordination among authorities will increase customs capacity to detect and stop goods not complying with Union requirements to the benefit of citizens and consumers.
- **Administrative burden and compliance costs for legitimate trade are reduced.** The revised processes are simpler, information is collected once from the right source via a single interface in

the EU Customs Data Space.

- **Centralisation of functions (IT, data and risk management)** in the EU Customs Authority results in significant **savings for Member States'** customs IT expenditure. The **EU Customs Authority ensures coordination** between national customs administrations and other authorities.
- **E-commerce playing field is levelled with traditional trade.** The revised processes allow e-commerce actors to provide financial and non-financial information in a simpler manner and make them liable for it; consumers benefit from more transparency of prices and fees, less disruption of supply chains for fiscal formalities, and better protection against harmful goods.
- **The Customs Union acts as one.** The revised processes are delivered in a central EU Customs Data Space by a central EU Customs Authority to facilitate uniform implementation in all Member States and avoid divergences.

What are the costs of the preferred options (if any, otherwise of main ones)?

The costs of the preferred option to the Union budget are due to:

- The **central development of the EU Customs Data Space.** Over 15 years, the EU services would invest EUR 559 million more than the baseline (higher one-off investments required in the first 7 years) and EUR 2 billion for maintaining the data space. Centralisation of costs would result in significant economic savings for the Member States IT expenditure.
- The **creation of an EU Customs Authority** would require over the 15-year period additional EUR 230 million in net Full-time Equivalent (FTE) costs at EU level. The Authority is progressively formed over 8 years and stabilises in year 9 with a total estimated staff of about 250 FTE.

Costs are estimated at current prices, based on the timing, transition and other assumptions indicated.

What are the impacts on SMEs and competitiveness?

The initiative is not expected to generate any adverse effects on SMEs. Its key elements are in line with SMEs' expectations and priorities and will make it easier for SMEs to participate in external trade. The most significant impact on SMEs will come from the reform of customs processes, which will bring simplification benefits for all traders. SMEs manufacturers will benefit from the measures aiming at reducing unfair competition from imported products that do not comply with EU rules and standards.

Will there be significant impacts on national budgets and administrations?

Centralisation in option 4 will decrease administrative costs for Member States, both IT and staff.

In 15 years, in total, it is estimated Member States would save in the region of EUR 21 billion in IT and an additional EUR 1 billion in staff time freed from current tasks. These benefits are estimated at current prices, based on the timing, transition and other assumptions indicated.

Proportionality?

The preferred option does not exceed what is necessary to fully address the problems, given the scale and severity of the challenges facing the customs union.

D. Follow up

The monitoring and evaluation is facilitated by the EU Customs Data space, and implemented by a reinforced Customs Union performance measurement.