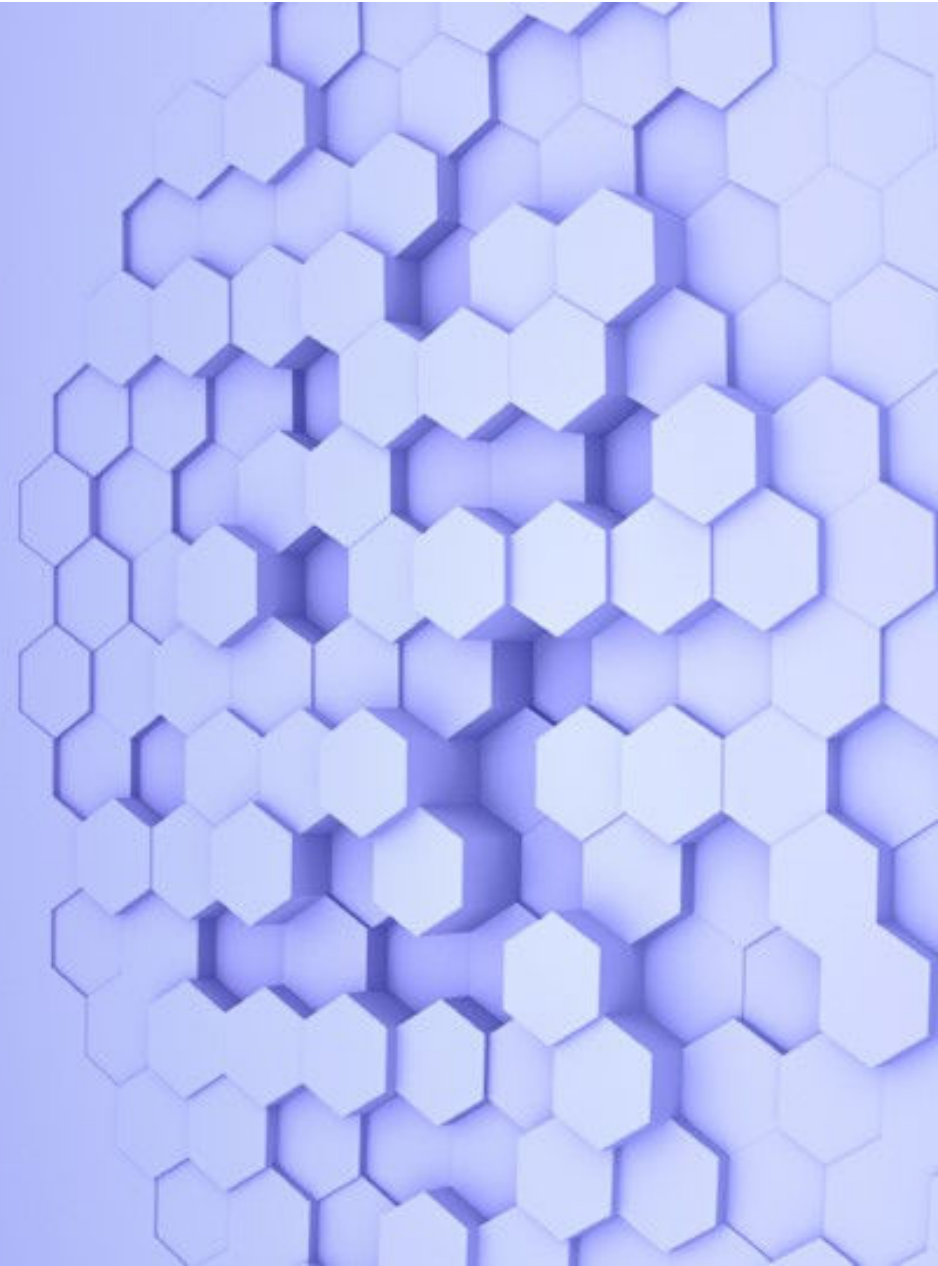


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**Annual Compliance
Conference 2024**



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McKenzie.**

Customs and key compliance developments

14 – 16 May 2024





Annual Compliance Conference 2024

01 Antitrust compliance
30 April – 1 May 2024

02 Sanctions and export controls
7 – 9 May 2024

03 Customs and key compliance developments
14 – 16 May 2024

04 Anti-bribery and corruption and economic crime
22 – 23 May 2024

05 ESG, supply chain and product compliance
3, 5 and 6 June 2024



EU customs reform: biggest overhaul since 1968

Tuesday 14 May 2024





Speakers



Nicole Looks
Partner (Chair)
Amsterdam



Thomas Kukanza
Senior Trade Advisor
Brussels



Sylvain Guelton
Senior Associate
Brussels



Esmee Kooke
Associate
Amsterdam





Agenda

01 Background

02 EU Customs Authorities and EU Data Hub

03 Trust & Check Trader

04 Reform of the customs e-commerce regime

05 Next steps & timeline



01 Background



Background to the Proposal



- EU's total import value has been rapidly rising
 - 2004: EUR 1 trillion
 - 2008: EUR 1.5 trillion
 - 2019: EUR 2 trillion
 - 2022: EUR 3 trillion
- As a result, the total amount of consignments have also drastically increased.

The reform aims to counter the ever-growing range of tasks that customs authorities need to fulfil and to align with other legislative and policy developments.
- E-commerce tariff moratorium extension (31 March 2026)





Background to the Proposal



Consistency with other existing policy provisions, e.g.:

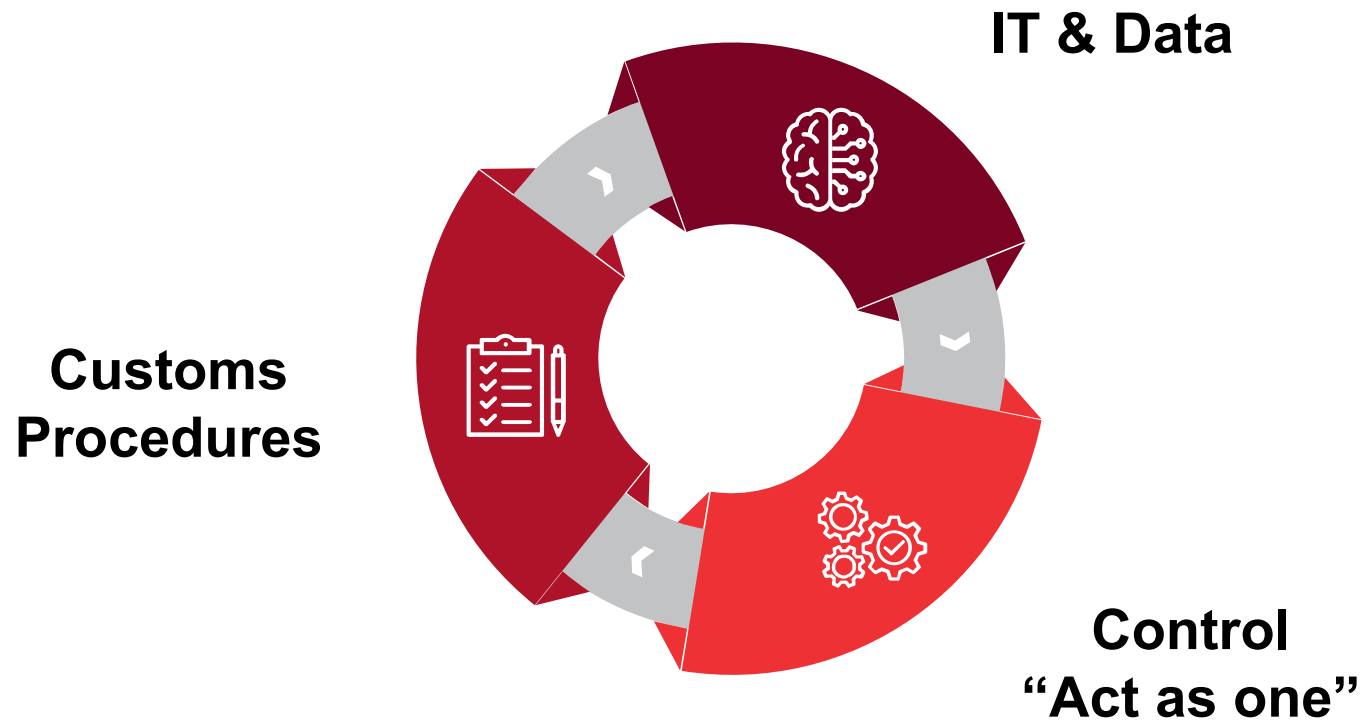
- Market surveillance regulation
- Product safety regulations
- Digital Product Passport
- Forced Labor measures
- Deforestation Regulation
- Carbon Border Adjustment Mechanism



Consistency with other Union policies, e.g.:

- Legislation on own resources
- VAT (e-commerce) legislation
- Windsor Framework

Background to the Proposal



Overview of introduced measures as from 2028

Pillars of the reform:



- 1. Reduced compliance** costs through simplified and modernized procedures



- 2. Better protection** of the financial and non-financial interests of the EU based on risk management and more harmonized controls
 - EU Customs Authorities and EU Customs Data Hub
 - The customs duty exemption for low value goods (< EUR 150) will be abolished (including the EUR 150 threshold for the VAT deemed reseller rules)
 - No origin requirements for low value goods
 - Introduction of so-called 'tariff buckets' for e-commerce sales
 - Introduction of the deemed importer phenomenon

02 EU Customs Authorities

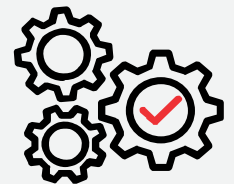
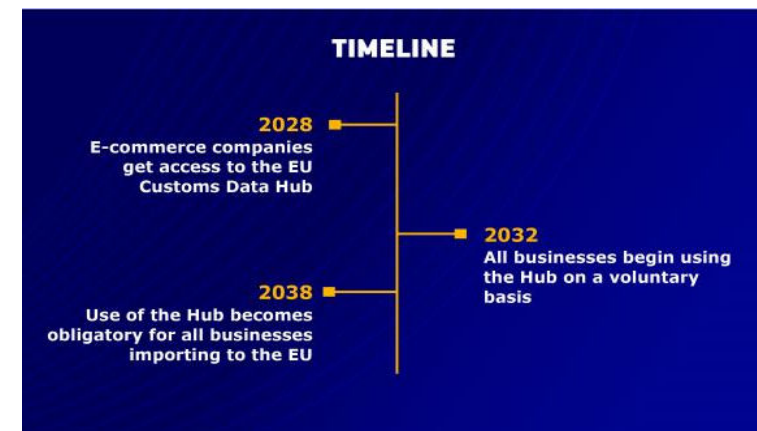
EU Data Hub



EU Customs Authorities and EU Customs Data Hub

The New Union Customs Code

- EU Customs Reform Proposal is planned to be fully operational in 2038 but will enter into effect in phases.
 - EU Customs Authorities ('Act as one') starting from 2028;
 - Enter data into the EU Customs Data Hub. No customs declarations, but digital reporting for multiple consignments.
 - Data becomes even more important
 - Use of AI to predict issues
 - **Check in 2035** to assess feasibility of obligatory use.
 - Expansion of AEO: Trust & Check

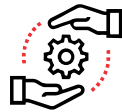


EU Customs Data Hub

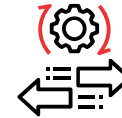
EU Customs Data Hub



One single EU portal for collecting, processing and exchanging information relevant for implementing customs legislation

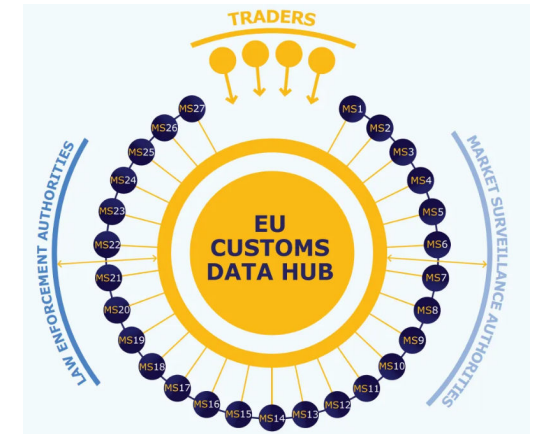
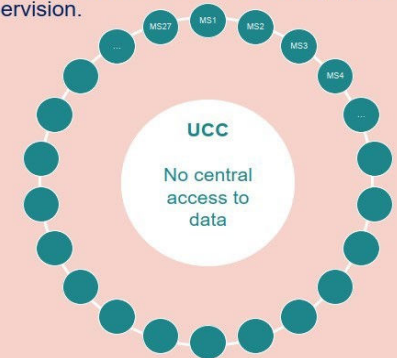


Provides 360-degree overview of supply chains and the movement of goods, including the exchange of information with third countries



Supports EU-wide risk analysis, customs supervision and controls allowing enforcement of both 'customs legislation' and 'other legislation'

Today:
111 separate IT systems across 27 Member States.
No central database, **no** common supply chain supervision.



EU Customs Data Hub

At a glance



- Information sharing and processing will be based on the EU Customs Data Model
- Stakeholders will be able to access and process data in the EU Customs Data Hub depending on their status, need and purpose and in compliance with the rules of confidentiality
- A general retention period of 10 years will apply for personal data
- The retention period is extended in the case of:
 - ❖ Investigations by relevant authorities, or
 - ❖ Infringement procedures by the Commission, or
 - ❖ Administrative and judicial proceedings
- The Commission is responsible for developing, implementing and maintaining the EU Customs Data Hub:
 - ❖ Member States may still develop own applications to connect to the Data Hub and/or may request the EU Customs Authority to develop connective applications which will be made available to all Member States
 - ❖ The Commission may delegate the development and operation to the EU Customs Authority

03 Trust & Check Trader



Trust & Check Trader

The 'AEO' of the future



- Legitimate traders, able to import goods without need for customs intervention
 - Self-monitoring will be a requirement!
- Supports EU-wide risk analysis, customs supervision and controls, as Trust & Check traders supply **real-time data** on the movement of their goods to the EU Customs Data Hub
- Conditions:
 - ❖ Clean legal record (this means heavy checks to get the simplification);
 - ❖ High level control of their operations and supply chain (and also their data); and
 - ❖ Proof of financial solvency.
- Main advantage: to reduce compliance burden and lead times.

04 Reform of the customs e-commerce regime



Reform of the e-commerce regime



Problems under the current regime

- Undervaluation and consignment splitting
- Unexpected and unpleasant surprises for customers
 - Confronted with hidden charges, such as customs duties and import VAT
 - Products do often not conform with product safety regulations



Solutions under the UCC reform

- Abolishment of exemption for low value goods (< EUR 150)
 - Simplified Tariff Treatment ("**STT**")
 - Origin simplifications
- Deemed importer and extension of the Import One Stop Shop ("**IOSS**")

Abolishment of exemption for low value goods (< EUR 150)

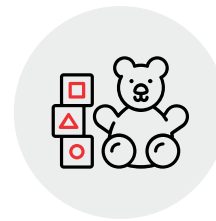


- Due to the exemption for low value goods a lot of shipments are undervalued and consignments are split
- Abolishment means that customs duties apply regardless of the value of the shipment
- However, two big simplifications will enter into force under the Simplified Tariff Treatment:
 1. The so-called bucket system (classification is based on HS Chapter); and
 2. No origin requirements anymore
- Measures should bring additional customs duty revenues of EUR 1 trillion



Simplified Tariff Treatment

- Bucketing system
- Classification based on HS Chapter (2-digit code)
- Scope and use
 - B2C-sales
 - Goods excluded
 - Customs value
 - On request of the importer
- Effective?



5%: Toys, games,
houseware
articles



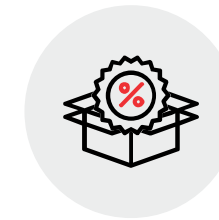
12%: Cutlery,
electrical machinery,
clothes



8%: Silk
products, carpets,
glassware



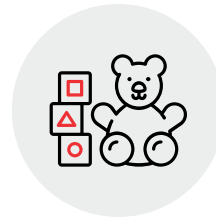
17%: Food,
beverages,
tobacco, footwear



0%: Good
currently having a
0% duty rate

Simplified Tariff Treatment

- Under STT, the importer is not required to prove the origin of the goods
 - Non-preferential origin
 - Preferential origin
- Effective?



5%: Toys, games,
houseware
articles



12%: Cutlery,
electrical machinery,
clothes



8%: Silk
products, carpets,
glassware

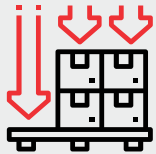


17%: Food,
beverages,
tobacco, footwear



0%: Good
currently having a
0% duty rate

Deemed importer concept



- **Definition:** Any person involved in the distance sales of goods to be imported from third countries into the customs territory of the Union who is authorized to use the Import One Stop Shop (IOSS) scheme
- Consequence: deemed importer is responsible for collecting and paying customs duties > online platforms will become the key actors.
- Closely aligns with the 'deemed supplier' VAT regime
- IOSS will be used to settle customs debt from 2028
 - VAT deemed supplier rule will be extended to imported distance sales with a value exceeding EUR 150 (currently limited to supplies with a value below EUR 150). IOSS VAT regime then also applies to shipments with a value exceeding EUR 150.

Extension of Import One Stop Shop (IOSS)

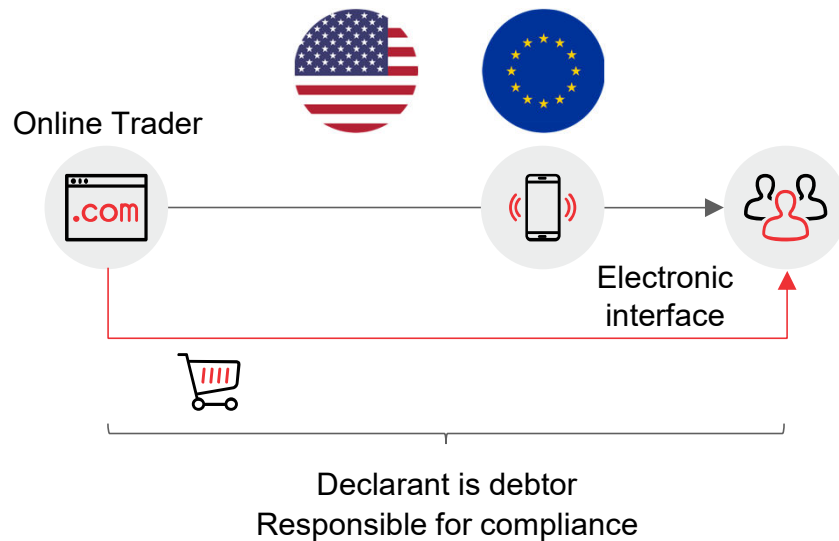


- Extension covers collection of both customs duties and VAT.
- No change of rules for registration of traders; traders would need to register only once for IOSS.
- Customs duty and VAT would both be charged at the moment of placing an order using:
 - ❖ The VAT rate of the Member State of the consumer.
 - ❖ Simplified rules for calculation of import duties.
- No need to pay VAT and customs duties upon arrival of the goods (customs can verify payment prior to the release of goods).
- Platforms obliged to send commercial data into a central system to customs on a regular (e.g., daily) basis:
 - ❖ Prior to arrival of the goods into the EU; and
 - ❖ Ideally before the entry summary declaration by the carrier is lodged.

Current and future customs situation

Current situation for all goods

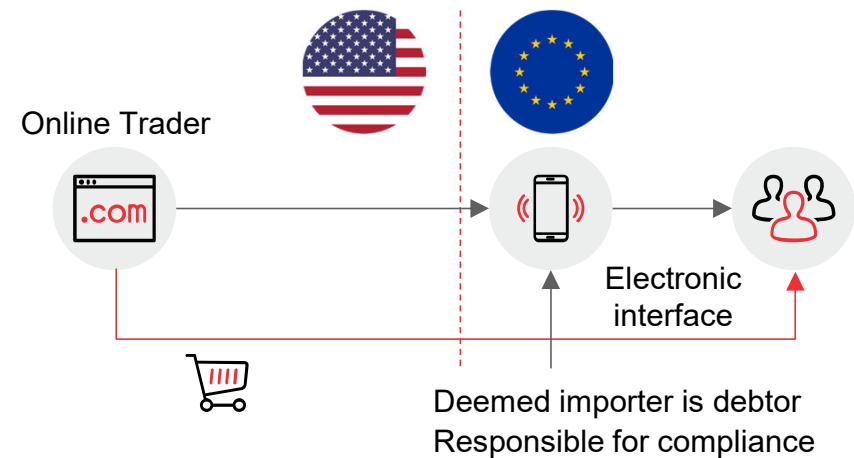
- E-commerce platforms are generally not involved in the customs formalities at import.



Future situation

Provided that the IOSS scheme is applicable
The IOSS scheme (Title XII, Chapter 6, Section 4 of Directive 2006/112/EC) can be used if non-excise goods:

- Are sold and shipped directly to a non-VAT-registered purchasers in the EU.
- Are imported from a non-EU country.
- Are dispatched or transported by or on behalf of the supplier.

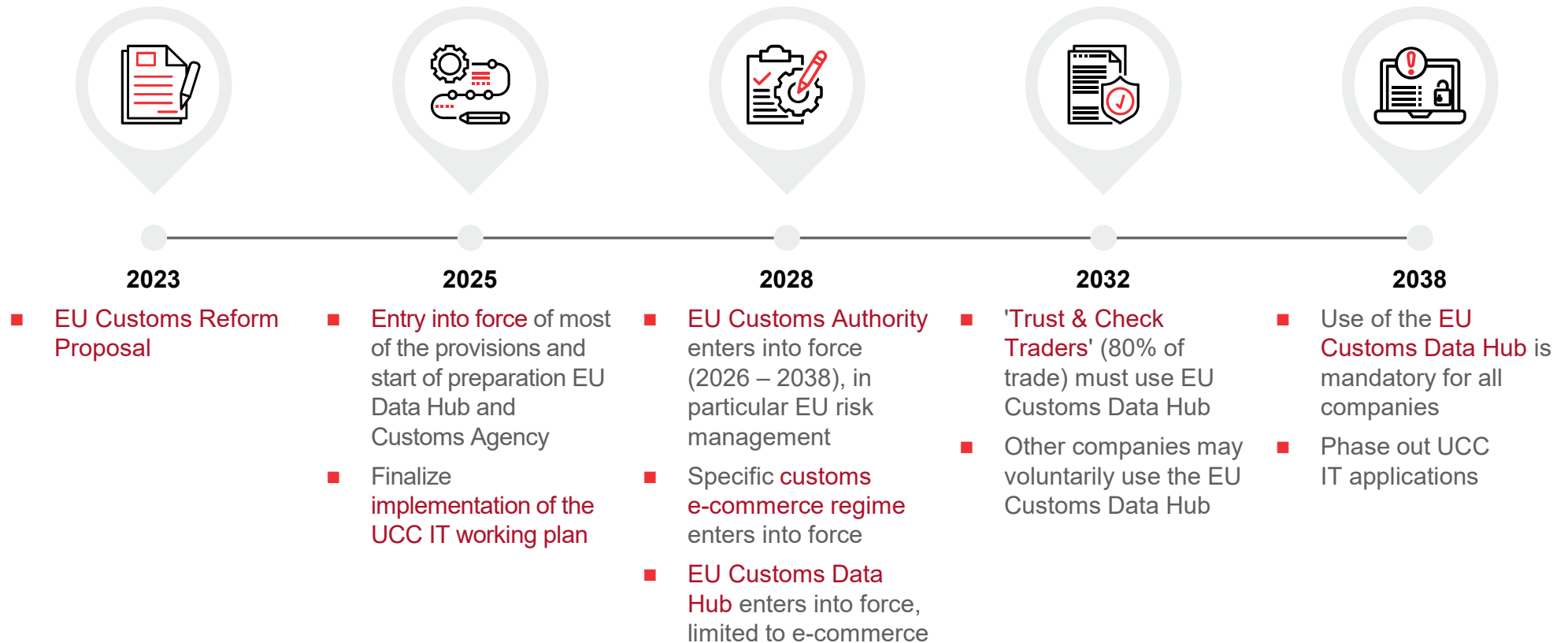


05 Next Steps & Timeline

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Timeline

Indicative planning





Tomorrow's session

EMEA customs: what's trending?

Wednesday 15 May, 3.00 - 4.00 pm BST | 4.00 - 5.00 pm CEST | 10.00 - 11.00 am EDT



Questions



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