



Questions and Answers: EU Customs Reform

Brussels, 17 May 2023

Why is the EU Customs Union so important?

The Customs Union is a true success story of European integration and prosperity. The EU benefits strongly from being connected with the rest of the world through the international trade facilitated and made possible by EU Customs. The Customs Union also means that goods can move freely within the EU Single Market, the world's largest integrated single market area. In 2021, the value of EU trade with other countries amounted to €4.3 trillion, accounting for 14% of world trade, while up to 56 million jobs in the EU are dependent on intra-EU trade.

Customs also collects €80 billion annually in customs duties, excise duties and Value-Added Tax (VAT) which help to fund the EU and national Member State budgets. At the same time, customs are now being tasked with enforcing an ever-growing body of ambitious legislation that sets the environmental, social, and digital EU standards for products in the EU, shaping how businesses operate within and beyond the Single Market.

In short, the capacity of customs to control and enforce which goods enter and leave the EU Customs Union is of strategic importance for the EU's economy, prosperity, safety and security.

Why is the Commission putting forward this reform?

In its current form and following recent trends, the EU Customs Union is struggling to deliver effectively on all of its tasks. In particular, customs have recently been faced with several challenges:

- a surge in trade, and in particular an exponential rise in low value consignments sold online (e-commerce) and entering the EU each year;
- a huge increase in the number of EU standards that it must enforce on goods, especially so-called '[prohibitions and restrictions](#)' - the rules that support EU priorities and values such as legislation on climate change, environmental protection, forced labour and firearm control;
- the need to continuously react to geopolitical changes and priorities, and in support of crisis management and the enforcement of EU sanctions.

The processes, systems and governance of EU Customs today are also too complex for both authorities and traders to navigate efficiently. EU importers need to deal with 27 national customs administrations, and more than 111 separate interfaces and IT systems, all of which are expensive for authorities to run and are not necessarily interconnected. There is no central EU customs database or EU supply chain supervision.

This leaves the EU vulnerable to all sorts of risks: from the loss of public revenues to terrorism, criminal activity and fraud, to dangerous products being placed on the market. Our strategic values and competitiveness are also at risk of being undermined by unfair competition from non-EU traders.

What is the Commission putting forward?

Customs can only enforce the rules when they know in advance which goods are arriving and can decide whether an intervention and inspection are necessary. In an ideal world, procedures for compliant trade flows would be simple, accessible and fully automated. Customs administrations would then be able to focus their resources on dealing with more targeted risks. For this to happen, customs' attention must shift from a focus on process compliance of individual consignments, towards a focus on the problems and risks of overall supply chains, based on the information available to them.

This customs reform will therefore strengthen customs' capacity to supervise supply chains and intervene, wherever necessary. It will reduce administrative formalities and unnecessary red tape, while boosting customs' ability to control and stop goods entering the EU when necessary.

That's why the Commission is today proposing to reform the Customs Union according to three main pillars:

- A **new partnership between customs and business** based on transparency and responsibility, and supported by data-driven artificial intelligence that massively simplifies or even removes altogether the need for customs declarations;
- An **updated surveillance and risk assessment model, managed by a new EU Authority**, which helps Member States to focus their control efforts where it matters most, and to better enforce compliance with EU standards;
- A **more modern framework for e-commerce** that cuts down on the huge levels of fraud in the sector while introducing more transparency and peace of mind for consumers.

A NEW AND INNOVATIVE PARTNERSHIP BETWEEN CUSTOMS AND BUSINESS

What will change in the new system?

This reform seeks to put in place a simpler, smarter and safer Customs Union. It will establish a more cost-efficient and effective cooperation framework governing the Customs Union, based on EU risk management and building on a new partnership among EU customs authorities and between customs and businesses.

Under the reformed EU Customs Union, traders will be able to provide the information they usually need to provide customs on their imports and exports directly via one single interface - the **EU Customs Data Hub**. Different actors involved in moving the goods, such as transporters or warehouse operators, will also enter relevant information on the movement of these goods via the new tool. Stable information on supply chains, which is not expected to change in the short-term, can be provided once and reused for subsequent imports or exports. Over time, this will develop into a full overview of individual supply chains and business activities.

In the current system, several actors often take care of the customs formalities for goods moving in or out of the EU and it is not necessarily easy to know who the importer or the exporter is. In the new system, each consignment of goods will be linked to one business or person in the EU who is liable for compliance with duty payments and product rules. Importers and exporters will become solely responsible for paying the applicable duties and taxes and ensuring compliance of the goods with EU standards and legislation.

How will the reform benefit customs?

Customs will have all the real-time information they need on which goods are coming and when, while developing a bird's-eye view of ongoing trade and supply chains. Customs and partner authorities can intervene on any given consignment according to their risk analysis and at any time – before loading, at entry, during transport within the EU or at final destination. They will be able to more precisely, target and control possible risks related to safety and security, fraud, or circumvention of legislation on prohibited and restricted goods, regardless of where goods enter the EU.

How will the reform benefit businesses?

Under the proposals, the Data Hub will open for e-commerce consignments in 2028. The Data Hub will then open for all other businesses in 2032, leading to immediate benefits, simplifications, and savings for those companies.

Building on the successful programme of Authorised Economic Operators (AEOs), a specific group of 'Trust & Check' traders will be created as of 2032. These traders offer maximum transparency of their supply chains (see separate question below) and will be able to clear all of their imports with the customs authorities of the Member State in which they are based, no matter where the goods enter the EU. Under certain conditions, they will even be able to import goods without the need for any active customs intervention and free of administrative burden. A review in 2035 will assess whether this possibility can be extended to all traders.

Overall, the proposed reform of EU Customs will significantly reduce the time and costs for traders to get customs clearance. At the heart of the reform is a shift from a declaration-based to a data-led system. For transparent and compliant supply chains, paperwork and formalities are reduced to a minimum, and duties can be paid periodically rather than on import.

Through the proposed simplifications, businesses will cut compliance costs by €2.7 billion a year. Legitimate business will also be able to rest easy in the knowledge that customs will have more time and resources to deal with fraudulent competitors who can undercut them on price.

Nothing will change regarding the level of detail that importers will have to provide to customs. The

information will simply be delivered and analysed in a different, more efficient way.

What is the timeline for the reform?

While some key provisions of the new Union Customs Code Regulation will apply shortly after adoption, there will be a 10-15 years transition period during which some of the current practices would continue. This will ensure that the ongoing IT deployment of the 2016 reform can be completed while the benefits of the new model gradually materialise without disrupting customs operations.

The EU Customs Data Hub will be developed and rolled out over time, building on some and integrating other existing customs IT systems and the Digital Product Passport. The tailor-made customs regime for e-commerce will apply from 2028 onwards, when the EU Customs Data Hub will go into a first, limited operational phase. In a second step, customs IT systems that are already centralised will start to be migrated to the EU Customs Data Hub, after which the migration of the remaining, national IT systems could take place. Traders may start using the EU Customs Data Hub as of 1 January 2032 and will be obliged to do so from 1 January 2038 onwards.

The EU Customs Authority shall assume its tasks on 1 January 2028 and will be immediately operational as regards its responsibilities in risk and crisis management. It will gradually expand its scope in sync with the roll-out of the EU Customs Data Hub.

How will the 'trust and check' traders' system work?

Major simplifications are envisaged for a small group of selected 'Trust & Check traders'. This is a scheme which upgrades and strengthens the current [EU Authorised Economic Operator \(AEO\)](#). Trust and Check traders will have to comply with strict criteria, including a clean legal record, a high level of control of their operations and supply chain, and proof of financial solvency. They will also need to connect and provide real-time data on the movement of their consignments and evidence of their compliance with all relevant requirements through the EU Customs Data Hub. This will give EU Customs a full supply chain overview for these traders, which can be analysed in full or in part at any time.

If they meet these conditions, they will be able to import goods without any need for active customs intervention. They will also be able to self-monitor the compliance of their goods and pay duties periodically, without submitting customs declarations for every consignment. Stable information on supply chains not expected to change in the short term can therefore be provided once and reused for subsequent imports or exports. This will cut out a huge layer of administration for the traders in question and will be a major boost for their ease of doing business.

Customs will be able to perform risk analysis and check information on a continuous and predictable basis over the whole supply chain and request an inspection whenever they deem it necessary. The quality, coherence and accuracy of the received information will allow the operator's trustworthiness to be monitored and assessed. If needed, customs can revoke the Trust and Check authorisation if a business no longer meets the criteria or in case of misconduct.

Which Member State's customs authority will be responsible for clearing goods when the trader is based in a Member State other than the one where the goods enter the EU?

From 2032, Trust & Check Traders will have one single customs administration as a partner while operating across the EU. Instead of having to deal with up to 27 national customs administrations with different practices, those traders will exchange with one customs administration in the Member State in which they are based, facilitated by the EU Customs Data Hub. A review in 2035 will assess whether this possibility can be extended to all traders, who in the meantime must continue to liaise with the customs administration of the country where their goods enter the EU.

MORE COORDINATED RISK AND CRISIS MANAGEMENT

How will the reform improve EU Customs' capacity to stop unsafe or non-compliant goods?

Given the vast quantity of goods that move in and out of the EU, customs authorities already rely on risk management techniques to decide which goods to check or inspect. They assess shipments against several different criteria and target goods that threaten the security and safety of the EU and its citizens, the interests of legitimate traders and the EU's financial interests.

Currently, Member States assess and manage risks through national systems and data, without EU-wide supply chain supervision. There is no EU-wide overview of the consignments, operators, or supply chains, for risk management and control purposes. Neither is there an EU-wide approach to evaluating the risk of fraudulent imports, which can pose a threat to the health of EU consumers and harm the EU's budget.

This reform will overhaul the way in which risk assessment, management and prioritisation is carried out, so that customs checks are more targeted and effective at every point of entry to the EU. It will introduce more collaboration between customs authorities at EU level, allowing them to pool resources and expertise and exchange information in real-time, for more efficient controls at the EU's border. National authorities will have access through the EU Customs Data Hub to comprehensive, real-time information which allows them to focus inspections and action where it is needed most.

The new regime will also allow for information sharing and joint risk analysis between customs and non-customs authorities such as market surveillance authorities, law enforcement authorities, border management authorities and tax authorities. EU level authorities such as the European Anti-Fraud Office (OLAF), the European Public Prosecutor's office (EPPO), Europol and Frontex will also have access to the EU Customs Data Hub, substantially strengthening their analytical capabilities. This will help build an EU-wide overview of risks, allowing issues to be tackled across the EU, regardless of where goods enter.

What is the EU Customs Data Hub?

The new EU Customs Data Hub will be the engine of the reformed Customs Union. It will support and simplify traders' customs-related processes, while strengthening supervision and risk analysis for authorities (see separate question below).

Businesses will provide information to customs directly via the EU Customs Data Hub, instead of through multiple national systems. Businesses will be able to file once for multiple consignments. If stable, data can be provided once and reused for subsequent imports or exports. It will allow businesses to enjoy simplified customs procedures and reduced compliance costs, while also delivering similar benefits for the authorities.

How will the new system benefit Member States?

Over time, the EU Customs Data Hub, developed and managed centrally by the EU Customs Authority (see specific question below), will replace the existing IT infrastructure in EU Member States, saving them up to €2 billion a year in IT development and maintenance costs.

Along with these savings at national level, authorities will gain access to a 360-degree overview of individual supply chains. With this information and the support of the EU Customs Authority, they will be able to carry out more targeted risk assessment and focus customs checks where they are most needed.

All Member States will have access to the same real-time data, and based on a new mix of machine learning, artificial intelligence and human intervention, will be able to pool information and focus their efforts on more effective checks and identifying risks before the goods even leave for the EU. Customs will also be better equipped to protect the security and safety of all EU citizens and uphold common EU strategic priorities and values like global human rights and the fight against climate change.

How will the EU Customs Data Hub support risk and crisis management?

The information provided by businesses into the EU Customs Data Hub will be used for EU-level and national-level risk analysis. Using a combination of deep-learning, artificial intelligence and human intervention, customs will be able to mine the data in the Customs Data Hub to detect and prevent risks in real-time. The Data Hub will ensure that national authorities have a comprehensive overview when it comes to the movement of goods in and out of the EU and allow them to act where intervention is needed most.

While the EU Customs Authority will be in charge of the EU risk and crisis management (see specific question below), the Commission, OLAF, and EPPO (upon request) will also have access to the EU Customs Data Hub, substantially strengthening their analytical capabilities. This will allow for an EU-overview of risks, enabling them to be tackled regardless of where goods enter the EU. The Data Hub will essentially allow EU customs to act as one.

What is the EU Customs Authority?

The new EU Customs Authority will be a decentralised agency, pooling expertise and resources from the Member States and the Commission. The EU Customs Authority will manage the EU-level risk assessment, using the constantly updated data in the EU Customs Data Hub. The EU Customs Authority will continually analyse the data and recommend Member States which goods posing a risk should be stopped at the border. This will create a truly common external border for goods.

This will be key in tackling so-called 'border shopping', where unscrupulous traders target the weakest link of the EU's external border to get their goods into the Single Market. National customs authorities will continue to perform their own national risk analysis tailored to their specific needs.

However, Member State collaboration under the EU Customs Authority and the vastly improved intelligence gained thanks to the EU Customs Data Hub will be a game-changer for these tasks.

The EU Customs Authority will also coordinate crisis management. It will develop and enforce protocols and procedures for different crisis scenarios, such as public health emergencies, disrupted or blocked supply chains, or the enforcement of EU sanctions. The EU Customs Authority will also be the central customs contact for non-customs authorities (market surveillance, law enforcement) tasked with preserving the integrity of the Single Market.

SIMPLER AND MORE TRANSPARENT E-COMMERCE

Why do we need to change how customs work for e-commerce?

The extraordinary growth of e-commerce in recent years has led to an exponential number of small packages of low-valued goods entering the EU, each of which needs to be accompanied by an individual customs declaration since the entry into force of new VAT rules for e-commerce in 2021. In 2022, for example, almost 1 billion customs declarations for low-value goods were filed. While national authorities and officials are doing their best to assess and supervise these flows to collect taxes and ensure compliance, it has become clear that the sheer volumes of e-commerce are testing customs' limits.

At the same time, e-commerce has become worryingly prone to fraud due to the current customs duty exemption for goods valued at under €150. Estimates show that 65% of parcels entering the EU are deliberately undervalued in their customs declaration to benefit from this exemption at the expense of EU businesses, especially SMEs, who find it difficult to compete with the consequent lower sales prices. Furthermore, the current exemption encourages sellers to split larger consignments up into smaller packages when sending them into the EU, contributing further to an unlevel playing field for EU businesses, and increasing packaging and harmful emissions.

Finally, the way customs duty and VAT are charged on non-EU online goods can cause difficulties for EU consumers. The buyer is currently considered the importer in this situation. This means that buying online from outside the EU can be accompanied by a lack of transparency, unexpected paperwork, and hidden costs.

How will the reform benefit consumers buying online from outside the EU?

For the first time, online platforms who sell goods into the EU will become the so-called 'deemed importer'. Platforms will therefore be responsible for ensuring that customs duties and VAT are paid at purchase, and for passing this revenue on to their Member State of registration.

EU consumers will thus no longer be faced with hidden charges when the parcel arrives. Moreover, they will no longer be considered the importers of the goods that they have ordered online from third countries.

Platforms will be the first sector to log their sales into the EU Customs Data Hub (as of 2028), giving customs an immediate overview of the third country goods being sold online to consumers in the EU.

How will the reform improve the flow of e-commerce goods through customs?

From 2028, the first iteration of the EU Customs Data Hub will allow platforms selling into the EU to send customs targeted information on all their sales. This will mean that there will be no need for a customs declaration for each specific parcel. But with a complete overview of the parcels, customs will be in a better position to enforce compliance with fiscal and product requirements via risk management analysis. If customs encounter a problem related to a specific parcel, they can stop it and further investigate. The new system will also help to uncover more systemic problems and give EU consumers confidence that the products they buy will not harm them or their families.

How will the removal of the current customs duty exemption for low-value consignments help to prevent fraud?

The current exemption from customs duty for goods valued at less than €150 will be abolished. This means that duty will be charged on every single product sold online into the EU. The removal of this threshold will help to cut down on fraud from the undervaluation of goods entering the EU. It will also discourage sellers from splitting larger consignments into smaller packages to benefit from the exemption.

Calculating the duties on goods bought from outside the EU will however be much simpler. A new classification system will make it easier for customs authorities to identify goods for the purposes of calculating customs duties, thereby reducing backlogs caused by the high volume of small packages. The operator will be able to choose between the traditional calculation method or a simplified method, based on a 4-tier bucketing system with respective ad valorem duty rates of 5% (e.g. for

toys, umbrellas), 8% (e.g. for silk products, ceramics), 12% (e.g. leather handbags, clothes) and 17% (e.g. for footwear). A similar system has already been put in place by other international partners, such as Canada, and is working well.

Overall, the new, tailor-made e-commerce regime is expected to bring additional customs revenue to the tune of €1 billion per year.

GENERAL

What preparatory work was undertaken to support the reform proposals?

Extensive and in-depth preparatory work over the last number of years has focused on the best way for EU Customs to tackle existing and expected future challenges. For example, the [Future of Customs in the EU 2040 report](#), carried out by the Commission's Joint Research Centre (JRC) reflected on the Customs Union's future, relevance and long-term effectiveness.

In 2022, the [High-Level Wise Persons Group on the Future of Customs](#) called for 'urgent structural change' and made a series of recommendations on how to make the Customs Union more agile, more geo-political and more coherent. Finally, a [2021 European Court of Auditors report](#) called for more uniform application of customs controls, and a fully-fledged analysis and coordination capacity at EU level.

The new EU Customs Reform package is based on this preparatory work and is also supported by an extensive Commission Impact Assessment, as well as a public consultation which gathered views from all stakeholders.

What are the next steps?

The legislative proposals will now be sent to the European Parliament and the Council of the European Union for agreement, and to the European Economic and Social Committee for consultation.

For more information

[Press release](#)

[Factsheet on the customs reform proposals](#)

[More information on the DG TAXUD website](#) (including legislative texts)

QANDA/23/2644

Press contacts:

[Daniel FERRIE](#) (+32 2 298 65 00)

[Francesca DALBONI](#) (+32 2 298 81 70)

General public inquiries: [Europe Direct](#) by phone [00 800 67 89 10 11](#) or by [email](#)