

# The standardisation of customs services in the European Union

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## Abstract

Nowadays, customs services in international trade make an important contribution to the competitiveness of global companies, and the quality of the customs services provided can have a very real effect on companies' performance. Accordingly, in this age of the information society and virtual economy, it is essential to ensure that customs services are provided on time and to a high standard.

## 1. e-Customs initiative

The concept of an electronic environment for customs (e-Customs) was announced in 2004<sup>1</sup> and represented the culmination of a number of initiatives relating to the information society during the 1990s. These included 'eEurope – An Information Society for All' and 'e-Government',<sup>2</sup> which resulted from a report published in 1994 titled 'Europe and the Global Information Society'<sup>3</sup> (the 'Bangemann report', Brussels, 1999).

This report presented the vision of e-commerce, which promised considerable benefits for both economic operators and citizens. The report outlined the following strategic factors: the release of 'closed supply', 'effect of repetition' and significant reduction in the costs of conducting business activities in a modern economy. A comparison of paper-based operations with their electronic equivalents encouraged economic operators to look at ways of overhauling costly and inefficient business operations and provided an indication of where the impending changes were heading. For example, the report claimed that an electronic order service would cost one-tenth of the paper-based equivalent, whereas using electronic services for business transactions would increase efficiency by reducing for example, fax costs by up to 95%.<sup>4</sup> The findings in the report were quickly confirmed in practice.

In a Communication from the Commission (COM [2003] 567) dated 26 September 2003, Member States undertook to implement the concept of e-Europe—and e-Government in particular.<sup>5</sup> This Communication was approved by a resolution of the Commission on 5 December and was referred to in the document 'A Simple and Paperless Environment for Customs and Trade'.<sup>6</sup> This formed part of a series of activities directed towards the simplification and rationalisation of regulations and customs procedures and application of effective working methods such as information technologies, risk analysis and advanced controls within the existing customs union.

As set out in the e-Customs Project,<sup>7</sup> the main aims of e-Customs are as follows:

- limitation of customs charges
- combating fraud, organised crime and terrorism
- enhancement of goods and trade safety
- elimination of paper documents
- standardisation of functioning customs offices
- protection of intellectual property rights and national cultural heritage
- seamless flow of data between nations of exporter and importer.

The most important documents for the e-Customs initiative are the Multi-Annual Strategic Plan for Electronic Customs (MASP),<sup>8</sup> and a Decision of the European Parliament and Council No. 70/2008/EC of 15 January 2008<sup>9</sup> on a paperless environment for Customs and trade (e-Decision). Governments of certain Member States are obliged to implement particular systems and customs union services according to specific requirements and an agreed schedule, and to ensure their seamless operation and development.

The MASP is a quasi-strategy for the customs union which specifies particular undertakings, a schedule of legislation as well as the implementation of organisational and IT works. This provides the e-Customs concept with solid technical, legal and organisational foundations. Apart from that, the document provides unified rules for 27 customs administrations operating as one entity within the customs union. It also creates favourable conditions for entrepreneurs by for example, offering the possibility of electronic data exchange (customs documents) between customs offices and applicants as well as between customs offices of different countries of the European Union (EU) with regard to centralised customs clearance, electronic supervision over transit under customs control within the EU, the Authorised Economic Operator (AEO) and unified criteria for risk analysis.

The Modernised Customs Code (MCC)<sup>10</sup> contains new regulations which implement a number of simplifications and trade facilitation measures for both economic operators and customs administrations. However, the most important aspect regarding computer systems (that is, export and import control, the AEO joint database, risk management, integrated service and control of excised goods, system of securities and permits, tax and customs clearance, financial and accountancy aspects), is their interoperability between all customs offices in the EU as well as between customs offices and other entities involved in international trade (for example, regarding veterinary services, sanitary, phytosanitary matters, etc.).

The new regulations in the MCC are being introduced gradually; however, it is already common knowledge that the final effective date for completing the implementation of the MCC (originally planned for 24 June 2013) will not be met. In other words, it will not be possible to deliver all customs services electronically before the deadline. This also includes the 'Single Window' concept (that is, a single access point for Customs as a final initiative of e-Customs), which will be implemented in cooperation with other administrative entities.

As far as the MCC is concerned, there are two possible outcomes: either it will be introduced in an operable form without computerised systems and a further reform of customs law, or it will be amended and the grace period for the implementation extended for an additional two years taking into account the changes to comitology<sup>11</sup> and correction of regulations. The second outcome appears most likely, although this cannot be stated with certainty.<sup>12</sup>

As matters stand, the majority of customs services are now provided electronically: the electronic environment has become the new standard, with paper-based services being the exception.

## 2. Improving the quality of customs services

Since the beginning of the 21st century, customs services have undergone rapid transition, with traditional paper-based procedures being eliminated in favour of electronic forms of delivery which are also capable of incorporating security elements and trade facilitation measures for trustworthy economic operators. Such standards can be seen in the AEO status for which there exist three types of certificate:<sup>13</sup> AEO/C (Customs Simplifications), AEO/S (Security and Safety) and AEO/F ('Full': Customs Simplifications/Security and Safety).

Linking customs authorities and the AEO system represents a milestone in the harmonisation of customs services. Unifying the verification criteria of customs authorities by issuing certificates recognised throughout the EU has established a simple legal basis for the provision of customs services for the

whole European market. The EU has also extended these unified criteria to Sweden, Norway and Japan by entering into agreements concerning the mutual recognition of AEO certificates. It is currently negotiating agreements with China, the USA and South Africa,<sup>14</sup> which has created a new quality standard for the services provided by customs authorities at the international level. In a new development, AEO systems are being linked to conditions for simplified procedures, thereby unifying the standards for customs services provided at national and international levels.

The Act of 18 March 2011 on Amendments to the Goods and Services Tax Act and the Law on Measures Act<sup>15</sup> has significantly broadened the range of services by allowing tax representatives to act as customs agents in relation to imported goods and the resulting intra-community supply. In this case, tax representatives will be permitted to act as customs agents to represent taxpayers in relation to the documentation and registration of goods and services tax and in the preparation of taxpayers' declarations and summary information (that is, some of the activities, which have so far been performed by tax advisers and authorised accountants).

Regardless of their class or category, customs services have always been both the subject and result of customs activities. They are directly related to the customs clearance of goods (and cargo). The MCC recognised for the first time the leading role which customs services play in the supply chain considering their contribution to the monitoring and management of international trade. Customs services are instrumental to national competitiveness and they not only reflect new economic conditions but also create new tasks for both customs authorities and customs officers. Such tasks are directed towards safeguarding the incomes and financial interests of particular Member States and the EU as a whole, as well as clients' rights. They are based on effective cooperation between customs authorities.

Improving the quality of customs services and the competitiveness between customs agents at both national and community levels must comply with free and fair trade rules which are based on quality as opposed to price. These standards are reiterated in detail by the code of conduct for customs agents.<sup>16</sup> It stipulates a number of standard qualifications for customs agents relating to honesty and self-discipline, the guarantee, maintenance and improvement of the quality of customs services as well as the methodology to adopt when providing the services offered. They also oblige the persons authorised to provide customs services to undergo continuous vocational training.

The Quality Charter also establishes standards for improving the quality of customs services.<sup>17</sup> It consists of guidelines for service providers and rules for offering and providing customs services appropriately.

## **2.1 The range of e-Customs services**

The rapid development of electronic customs services has changed the delivery of those services from a paper-based to electronic method. However, the main goal of customs services providers (customs agents) is to protect their clients' interests to prevent fraud, corruption and other abuses as well as the infringement of customs and tax laws.

Using IT systems located on the websites of customs authorities, e-Customs services are approved and managed centrally by the Polish Customs Service.<sup>18</sup> Despite the fact that Polish Customs is highly computerised, it was initially the case that only 10% of all import customs declarations were filed in an electronic form. Within six months of the introduction of that technology, this figure increased to 35%. Although this appears a rapid growth, it still lags behind Europe as a whole where 60% of economic operators apply automated customs services.<sup>19</sup>

In Poland, the following computer systems are available to providers of e-Customs services:<sup>20</sup>

- CELINA – Customs Declaration Processing System
- EBTI – European Binding Tariff Information System

- ECS/AES – Export Control System/ Authorised Export System AES (envisaged date of implementation 2012-13)
- e-Customs – final component of the e-Customs initiative. This service is particularly visible at the external borders of the EU (that is, a ‘Single Window’ concept which is planned for completion in 2012-13)
- EORI – Economic Operators’ Registration and Identification
- EMCS – Excise Movement and Control System
- ICS/AIS – Import Control System/Automated Import System (implementation planned in 2012-13)
- ISZTAR-TARIC – Integrated Customs Tariff System
- NCTS – New Computerised Transit System
- SEED – System for Exchange of Excise Data
- TQS – Tariff Quota Management and Surveillance Sub-system
- ZEFIR – Financial Accounting and Tax/Duty Clearing System
- ZEFIR-OSOZ – The Polish Maintenance System of Securities and Permits. This is a central sub-system of ZEFIR and uses the XML standard to communicate with economic entities and customs IT systems (for example, NCTS, CELINA)
- ZEFIR-INFOP – a new function of ZEFIR enabling the transmission of information to contractors via email about methods of payment and liability
- Integrated Human Resources Management System (HERMES2 – implementation planned for 2012)
- The European Customs Information Portal and Single Access Point ECIP/SEAP PL (Association of Public Administration Education 2013).

### 2.2 The provision of e-Customs services

The promulgation of the MCC’s provisions<sup>21</sup> covering centralised customs clearance<sup>22</sup> is planned for 2015 at the earliest.<sup>23</sup> These provisions will completely eliminate the use of paper in customs operations. As a result, Customs will operate within a completely electronic environment and provide its services accordingly. In fact, the majority of customs services are already performed electronically, starting with the customs declaration, and electronic delivery is fast becoming the norm. Nevertheless, it is still possible to use paper-based procedures if necessary.

The IT system CELINA is used to put customs declarations into electronic form both in standard and simplified procedures and to forward electronic documents to CELINA, ECS, ICS or the INTRASTAT system.

The provision of e-Customs services requires an identification code (login) which is registered in the Reference Data Sub-system (Podsystem Danych Referencyjnych [PDR])<sup>24</sup> as well as a key for secure data transmission<sup>25</sup> issued by the Centre of Secure Data Transmission (Centrum Bezpiecznej Transmisji Danych [CBTD]) of the Customs Chamber in Cracow. According to the Act on Electronic Signature, this key is to be regarded as a means of identification rather than an authorisation<sup>26</sup> and generates a code pursuant to Article 199 (2) RWKC.<sup>27</sup>

In the case of INTRASTAT customs declarations, the Director of the Customs Chamber in Szczecin is responsible for assigning an identification code (login) and registering it in the Reference Data Sub-system (PDR).<sup>28</sup>

Since 1 July 2010, all Member States have been required to use an EORI number (Economic Operators’ Registration and Identification) in customs declarations for the CELINA, ECS, ICS and NCTS systems.<sup>29</sup>

The creation of a pan-European system for identifying economic operators ensures the availability of up-to-date information on those operators participating in customs initiatives administered by the

customs authorities of Member States. For economic operators, it provides access to specific data on other operators which has been published subject to their prior agreement. It is worth stressing that those operators have been required to register in the EORI system.

The next step was the implementation of the Export Control System<sup>30</sup> in 2011. This saw the automation of export procedures in all EU countries and implementation of the Excise Movement and Control System (EMCS),<sup>31</sup> which increased its functionality.

The Import Control System<sup>32</sup> should also not be forgotten. This is used to process documents and information relating to the summary import declaration (Przywozowej Deklaracji Skróconej [PDS]), as well as prior notification of arrival (Powiadomienie Wyprowadzające o Towarze [PTW]).

Most customs authorities have been using electronic procedures for a long time now. One example of a long-standing electronic service is the European Binding Tariff Information system (EBTI) and its Polish version EBTI-PL; the Integrated Tariff System ISZTAR (a reference system fully compatible with TARIC), which provides up-to-date tariff data for CELINA, the Customs Application Processing System; the ZEFIR Financial Accounting and Tax/Duty Clearing System, which is an IT system dealing with financial and accounting issues of the Polish Customs Service and the TQS (Tariff Quota Management and Surveillance) sub-system, which processes customs declarations applying for the application of preferential rates of duty. These declarations are processed in the order they are received.

The creation and implementation of IT systems is still work-in-progress (that is, an integrated, secure system, which is valid throughout the EU; a common system of risk analysis as well as a unified procedure for issuing customs decisions). This is also true of the creation of unified (appropriate) sanctions for customs law infringement. The creation of the necessary technical infrastructure is to be performed within a legal framework and supported by financial resources, thereby ensuring implementation of the relevant plans and tasks.

## Conclusions

It has not taken long for the EU to move towards a fully automated customs environment (e-Customs). However, the most optimistic date for fully implementing this vision is 2015 and although a lot of progress has been made in implementing the customs program (that is, a 'paperless' environment for customs administration and trade in the EU), there is still work to do on some initiatives. What is already clear is that the introduction of an electronic customs environment will change the conditions for international trade considerably.

## Notes

- 1 [www.sluzbacelna/projekt-programu-e-customs/](http://www.sluzbacelna/projekt-programu-e-customs/), [the customs services/e-customs project] of 9 July 2011.
- 2 According to the definition of the European Commission – e-Customs is an application of IT technologies in public administration. It is connected with the organisational changes and new abilities of public services, which aim to improve quality of provided services by the government.
- 3 European Council 1999, 'Europe and the global information society, Bangemann report recommendations to the European Council', Brussels, 26 May 1999, [www.epractice.eu/files/media/media\\_694.pdf](http://www.epractice.eu/files/media/media_694.pdf).
- 4 Bangemann report 1999, pp. 7-10.
- 5 See also, Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee: 'Role of e-government for the European future', COM (2003) 567 final, of 26 September 2003.
- 6 Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee of 24 April 2003, 'A simple and paperless environment for Customs and trade', COM (2003) 452 final, OJ C 96 of 21 April 2004, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52003PC0452:EN:HTML>.
- 7 [www.sluzbacelna/projekt-programu-e-customs/](http://www.sluzbacelna/projekt-programu-e-customs/), [the customs services/e-customs project] of 9 July 2011.

- 8 Document TAXUD/477/2004 rev. 9 of 8 May 2008 with enclosures, which presents the vision, aims, and strategic actions for creating an ‘e-Customs’ environment by 2013.
- 9 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:023:0021:0026:en:PDF>.
- 10 Regulation No. 450/2008 of the European Council and the European Parliament establishing the Community Customs Code (CC) (The Modernised Customs Code), J L EU L 145 of 4 June 2008.
- 11 Art. 291 TFUE.
- 12 ‘Reform of Customs Law in the European Union: The Modernised Customs Code and Law Enforcement Provisions’, conference material provided by Polish Customs Service at a conference on trade facilitation for business, held on 10 May 2011 in Warsaw (materials on file with author).
- 13 Implemented by the Modernised Customs Code, Regulation No. 450/2008 of the European Council and the European Parliament establishing the Community Customs Code (The Modernised Customs Code), J L EU L 145 of 4 June 2008.
- 14 Vito Totorizzo, IFCBA delegate for ANASPED Italy.
- 15 Act of 18 March 2011 Amending the Act on Goods and Tax Service and Law on Measure Act, (J L dated 28 March 2011, No. 64, item 332), referring to the Regulation of the Finance Minister of 28 March 2011 on tax representatives (J L No. 68, item 359). According to the regulation, importers will be able to appoint the customs agency as its tax representative in relation to imported goods and subsequent intra-community supply.
- 16 European Customs Brokers Code of Conduct, Confiad PanEuropean Network.
- 17 European Customs Representatives Quality Charter, Confiad PanEuropean Network.
- 18 See, [www.sluzbacelna/systemyinformacyjne/celina](http://www.sluzbacelna/systemyinformacyjne/celina) (the customs service/IT system/celina), 10 July 2011.
- 19 Communication to users of the CELINA system and entities undergoing registration in the Reference Data Sub-system (PDR), Ministry of Finance, Department of Customs Policy, 16 June 2011.
- 20 The IT systems are available on the homepage of Polish Customs: [www.sluzbacelna/systemyinformacyjne](http://www.sluzbacelna/systemyinformacyjne), 10 July 2011.
- 21 Art. 5 MCC (at sentence 1). All exchange of data of additional documents, decisions and notifications between customs authorities and between economic subjects and customs authorities as well as the storage of such data (as required by customs law) is performed using data processing.
- 22 Art. 106 MCC.
- 23 In the author’s opinion, the most unfavourable option would be 2018.
- 24 The applicant is bound by territorial jurisdiction. The authorised body is the Director of the Customs Chamber.
- 25 Instruction for assigning identification code (login), obtaining a key for secure data transmission and registering individual persons and economic operators in the Reference Data Sub-system (PDR) in order to forward electronic applications and other documents to customs systems (CELINA, ECS, ICS and INTRASTAT). Version 1.1, dated 4 October 2010, Ministry of Finance, Department of Customs Policy, pp. 4-9.
- 26 Act on Electronic Signature of 18 September 2001 (J L of 2001, No. 130, item 1450, as amended).
- 27 The Regulation of the European Commission (EEC) No. 2454/93 of 2 July 1993 establishing provisions for the implementation of Council Regulation (EEC) No. 2913/92 establishing the Community Customs Code (J L EC L 253 of 11 October 1993, pp. 1-766, as amended; J L EU, Polish edn, ch. 2, vol. 6, p. 3 as amended).
- 28 Regulation of the Finance Minister of 3 November 2010 on INTRASTAT declarations (J L No. 216, item 1422) and supplementary information for instruction on registration in the Reference Data Sub-system PDR – changes within INTRASTAT system, 13 January 2011, p. 2.
- 29 The legal basis for introducing the obligation to register economic operators in EORI system is found in: 1. Provisions of the Community Customs Code on the EORI system, resulting from the Regulation of the Commission (CE) No. TAXUD 1435/2007; Regulation of the Commission (EC) No. 312/2009 of 16 April 2009 amending Regulation (EEC) No. 2454/93 setting provisions in order to enforce Regulation of the European Council (EEC) No. 2913/92 establishing the Community Customs Code. 2. National regulations: Regulation of the Finance Minister of 5 June 2009 amending the regulation on territorial jurisdiction of the customs authorities. Regulation of the Finance Minister of 23 October 2009 amending the regulation on the system of forms used in customs procedures.
- 30 More information can be found on the homepage of Polish Customs, [www.sluzbacelna/systemyinformacyjne](http://www.sluzbacelna/systemyinformacyjne).
- 31 The EMCS (Excise Movement and Control System) is to be applied for the movement of excise goods (energy, alcohol and tobacco goods) in the suspensive procedure for the collection of excise tax in intra-community trade between Member States of the EU and movement of the aforementioned goods within the European Community in relation to import and export. This system is to replace the paper-based system of supplementing the administrative document accompanying the shipment of excise goods in relation to the suspensive procedure for the collection of excise duty.
- 32 Detailed information concerning implementation of the ICS System and rules of governing its application, covering instructions for economic operators is available at: [www.mf.gov.pl/index.php?const=2&dzial=1922&wysw=2&sub=sub17](http://www.mf.gov.pl/index.php?const=2&dzial=1922&wysw=2&sub=sub17), 7 July 2011.

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