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From: Presidency  
To: Permanent Representatives Committee/Council

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Subject: *Preparation of Economic and Financial Affairs Council on 4 October 2022*  
Fiscal and non-fiscal role of EU Customs  
- Exchange of views

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In view of the Economic and Financial Affairs Council of 4 October, Ministers are invited to exchange views on the fiscal and non-fiscal role of EU Customs, on the basis of the Presidency paper, set out in annex to this note, which was shared for comments with members of the Customs Union Working Party.

## ECOFIN – 4 October 2022

### Presidency Issue Note

#### FISCAL AND NON-FISCAL ROLE OF EU CUSTOMS

The aim of this note is to frame Ministers' discussion on the current and future role of EU customs, a cornerstone for the proper functioning of the Single Market.

#### Background

- In 2019 the European Commission President Ursula von der Leyen declared that *"It is time to take the customs union to the next level, equipping it with a stronger framework that will allow us to better protect our citizens and our single market"*. With this in mind, the Commission put forward a Customs Action Plan, which was welcomed in Council conclusions in December 2020. These conclusions tasked the Council preparatory bodies to examine the implementation of the actions of strategic relevance and their coherence. This was followed by creation of the Wise Persons Group, which finalised its report in March 2022. Currently this report and its recommendation is being discussed in the Reflection Group at the level of Directors General of EU Customs Administrations, preparing the forthcoming Commission proposal for a Customs reform package in December 2022.
- The EU customs administrations have traditionally played several roles in the control of international trade flows and these roles are clearly stipulated in the Union Customs Code as follows:
  - o Protection of financial and economic interests of the EU and its member states
  - o Ensuring security and safety of goods entering or leaving the EU
  - o Facilitating trade
- These basic tasks remain unchanged. However, the environment in which customs administrations operate have evolved substantially in recent years: Security and safety concerns have increased, environmental issues have risen to the fore and a large number of international sanctions, often implemented by Customs on the ground, have been put in place in response to the war against Ukraine.
- At the moment, there are more than 350 pieces of legislation, covering inter alia drug precursors, dual use goods, weapons, cash flows, medical products etc. which require Customs to check the compliance of products and admissibility of goods entering or leaving the EU. At the same time new legislation is under preparation which will entrust customs with additional control tasks in the area of forced labour or deforestation.
- In view of these developments, it is necessary to ensure that the legislation governing various sectors (environment, health, etc.) is enforceable on the ground by EU Customs. This cannot be achieved without early involvement of customs administrations in the preparation of new legislation creating new tasks for Customs so that they can prepare for them and put forward suggestions regarding their practical implementation.

- Recently, the expectations on EU Customs increasingly focus on tasks of non-fiscal nature. However, when performing this wide range of control tasks, custom authorities remain responsible for the protection of the EU financial interests and their respective member states are held accountable for any losses in the collection of traditional own resources of the EU in case of any failure. EU Customs collect more than EUR 70 billion annually at the EU border, including customs duties of close to EUR 25 billion in 2021, 1/4 of which go to Member States' budgets.
- At the same time the volume of international trade is growing very significantly with the rise of e-commerce, and the number of imported items has doubled in the last 5 years. In the second half of 2021, e-commerce represented 490 million customs declarations compared to 220 million in traditional trade, representing, however, less than 1% of the value of traditional trade.
- The world has changed faster than the capacity of EU customs to adapt and react united, putting the traditional operating model of customs under pressure. This fact has also been highlighted in the above-mentioned report of the Wise Persons Group which, in order to accommodate the above requirements, suggests among others:
  - New approach to customs data aiming inter-alia at improvements of risk management and targeting of customs controls. This envisages a continuous development of IT systems and use of modern IT tools, creation of EU Customs single window etc.
  - Setting up of a comprehensive framework for cooperation and data sharing between Customs and other Market Surveillance and Law Enforcement bodies.
  - Strengthening the central level coordination in the customs area to ensure a more integrated cooperation.

In order to give political guidance Ministers are invited to exchange views on the following questions.

### Questions:

- How to find a balance between the great number of new non-fiscal tasks put on Customs and the traditional tasks relating to protection of financial interests and the inherent requirement to facilitate trade?
- Should the central role and coordination of customs activities be strengthened and if so, in which areas (IT development, risk management, customs administrations acting as one, etc.)?

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