



# Union Customs Code

Effective May 1, 2016

*Customer Guide*



### Why are we writing to you?

As a well-respected customer and as a business engaged in international trade, UPS is committed on informing you regarding forthcoming changes to import, export and storage procedures following the introduction of the Union Customs Code (UCC) across the European Union on 1 May 2016.

### Background

On December 29th 2015, the EU published the Delegated regulation (EU) 2015/2446 and the Implementing Regulation (EU) 2015/2447, both providing detailed rules and provisions for implementing the Union Customs Code, which will come into effect on May 1st, 2016.

However, certain provisions of the UCC will only be implemented when the required IT system is either deployed or upgraded. For that purpose, the European Commission created an additional Regulation that lays down provisions for a transitional period between May 1st 2016 and December 31st 2020 - during which these electronic customs enhancements would be finalized.

Although this delegated regulation has yet to be published, UPS representatives in the Trade Contact Group – are still engaged with the Commission and the Member States in providing detailed guidelines. Based on currently gained knowledge, we deem it important to inform you about the most important changes. The attached document should be considered incomplete. Some of its contents can change, pending the outcome of the current negotiations or IT developments and depending on the interpretation of the Member State.

### Objectives of the UCC

The UCC is part of the modernization of customs and will serve as the new framework Regulation on the rules and procedures for customs throughout the EU. The UCC and the related delegated and implementing acts aim to;

- Streamline customs legislation and procedures throughout the EU Member States
- Offer greater legal certainty and uniformity to businesses
- Increase clarity for customs officials
- Simplify customs rules and procedures and facilitate more efficient customs transactions in line with modern-day needs
- Complete the shift by Customs to a paperless and fully electronic environment
- Reinforce swifter customs procedures for compliant and trustworthy economic operators (Authorized Economic Operators)



### Authorized Economic Operator

As of May 1st, 2016, for Authorized Economic Operator Customs Simplifications, two new criteria are introduced for businesses wishing to be granted AEO status:

- Have a satisfactory compliance history in other taxation areas
- Display practical standards of competency (3 years of experience) or hold professional qualifications in customs matters. (only for AEO C)

Businesses already authorized for AEO will be assessed against these new criteria as part of the ongoing AEO monitoring activity. In order to obtain certain customs simplifications (i.e. centralized clearance, guarantees...), the authorization AEO C becomes mandatory.

A project to improve the business processes related to AEO applications and authorizations will provide an EU harmonized interface for trade to submit the AEO application and receive the AEO decision electronically.

*Start date of the deployment window of the electronic system* - TBD

*End date of the transitional period* - TBD

### Binding Tariff Information

As of May 1, 2016, the BTI will be binding not only for the customs authorities, but also for the economic operators. The period of validity of the BTI has been reduced from 6 to 3 years.

Since the electronic system relating to binding tariff information is yet to be upgraded, in order to offer traders' assistance in the determination of the correct tariff classification, the currently used means for BTI applications and decisions, in paper and electronic form, should continue to be used until the system is fully upgraded.

*Start date of the deployment window of the electronic system* - **March 1st, 2017**

*End date of the transitional period* - **March 1st, 2017**

### Origin

#### *Non preferential origin*

Current rule: goods originate in the country 'where they underwent their last, substantial, economically justified processing or working. The UCC introduces for some particular products (i.e. semi-conductors) list rules, which are a list of working or processing required to be carried out on non-originating materials in order that the product manufactured can obtain originating status. This list of working or processing is based on the Harmonized System contains for each position the appropriate condition(s).

#### *Preferential origin*

The Registered Exporter Scheme (REX) is a self-certification scheme for exporters that will replace the General System of Preferences certificates. REX registration will begin on 1 January 2017.



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From 1 January 2018 it will no longer be possible to use an 'EUR1' for bi-lateral accumulation (when goods of EU origin are used as materials to manufacture goods in a beneficiary country for import into the EU).

For GSP beneficiary countries there will be a phased approach with full implementation by 30 June 2020.

*Start date of the deployment window of the electronic system* - **January 1<sup>st</sup> 2017**

*End date of the transitional period* - **January 1<sup>st</sup> 2017**

## Valuation

### *Earlier sales rules*

The current earlier sale facility will be replaced by a last sale only rule.

The primary basis for the customs value of goods shall be the transaction value, that is the price actually paid or payable for the goods when sold for export to the customs territory of the Union, adjusted, where necessary.

Earlier sales prices may only be used after 1 May 2016 if a binding contract was in place prior to the Implementing Act (IA) coming into force (sunset clause). This is expected to be the twentieth day following its publication in the Official Journal of the EU.

### *Royalties and license fees*

Currently, the basic requirements as to whether or not a royalty fee is dutiable are that it:

- relates to the imported goods
- is paid as a condition of sale of those imported goods

In the UCC, the price actually paid or payable for the imported goods shall be supplemented by royalties and license fees related to the goods being valued that the buyer must pay, either directly or indirectly, as a condition of sale of the goods being valued, to the extent that such royalties and fees are not included in the price actually paid or payable.

This means that royalties and license fees will generally be considered to be paid as a condition of sale of the goods and should be included in the customs value.

## Guarantees

### *Changes under the UCC*

Under the current legislation, a member state has the discretion to decide when a guarantee is or isn't required.

Under the UCC there will be circumstances where the provision of a guarantee is compulsory.

### *Scope of the guarantee*

Guarantees can be used to cover import VAT and customs duties and levies. It's not currently expected that the same guarantee will be used to include excise duties.



### *How to waive or reduce a guarantee*

This will depend on the:

- type of guarantee held or required
- the circumstances in which the guarantee can be used

To get a waiver or reduction, you'll need to apply for a comprehensive guarantee and provide evidence to support any waiver or reduction of the amount secured.

### *Becoming an AEO to obtain a guarantee reduction or waiver*

An AEO C authorization will be required in order to reduce the guarantee to cover the payment of actual debts (e.g. reduce the level of deferment guarantee). An AEO C authorization isn't necessary to benefit from a waiver or reduction in the level of the guarantee for potential debts (e.g. goods held in duty suspension) but certain AEO criteria will have to be met.

An IT project will be initiated to assure the effective and efficient management of the different type of guarantees.

This project aims to assure the effective and efficient management of the different types of guarantees. The trans-European system will cover the management of the comprehensive guarantees that may be used in more than one Member State and the monitoring of the reference amount for each customs declaration, supplementary declaration or an appropriate information of the particulars needed for the entry in the accounts for the existing customs debts for all customs procedures as provided for in the Union Customs Code, except Transit which is handled as part of the NCTS project.

*Start date of the deployment window of the electronic system* - **October 1<sup>st</sup> 2020**

*End date of the transitional period* - **October 1<sup>st</sup> 2020**

## Entry Summary Declaration

- The UCC aims to improve the safety & security of the supply chain for all modes of transport and especially air cargo, by means of improving data quality, data filing, data availability and data sharing as regards the entry summary declaration and related risk and control information.
- 'De Minimis shipments' are no longer exempt from the lodging of an ENS, only items of correspondence are waived from the requirement. There is no value or weight cut-off anymore.
- The UCC introduces the multiple filing principle.
- In specific cases, where all the particulars of the entry summary declaration cannot be obtained from the carrier, other persons holding those particulars and the appropriate rights to provide them may be required to provide those particulars.
- Where the goods are brought into the customs territory of the Union by air, the entry summary declaration shall be lodged as early as possible. The minimum dataset of the entry summary declaration shall be lodged at the latest before the goods are loaded onto the aircraft on which they are to be brought into the customs territory of the Union.
- Where only the minimum dataset of the entry summary declaration has been provided within the time-limit referred to in the second subparagraph of paragraph 1, the other particulars shall be provided by the following time-limits;
  - For flights with a duration of less than four hours, at the latest by the time of the actual departure of the aircraft;



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- For other flights, at the latest four hours before the arrival of the aircraft at the first airport in the customs territory of the Union.

*Start date of the deployment window of the electronic system* - **October 1st 2020**

*End date of the transitional period* - **TBD**

### Temporary Storage

The new storage period is 90 days, independent of the mode of transport. A guarantee will be required. All goods in Temporary Storage on 1 May 2016 will commence a fresh storage period of 90 days. All goods entered to TS on or after 1 May 2016 will be entitled to a storage period of 90 days. Movements between TS premises will not require an NCTS document.

Until the implementation of a temporary storage system by the Member States, customs authorities may allow for means other than electronic data-processing techniques to be used for the lodging of a temporary storage declaration.

*Start date of the deployment window of the electronic system* - **TBD by Member States**

*End date of the transitional period* - **TBD by Member States**

### Proof of Union Status (PoUS):

#### *EU PoUS system:*

- T2Ls and T2LFs to be submitted using the electronic system
- Customs manifest and invoice declarations may only be used for goods under the value threshold of €15 000

Businesses wishing to be an Authorized Issuer for Proofs of Union Status under the UCC will be required to meet additional criteria:

- Have a satisfactory compliance history in other taxation areas
- Access to be provided at an agreed location to the commercial and customs records
- Have satisfactory procedures for managing customs documentation
- Have adequate IT security to protect systems and data.

*Start date of the deployment window of the electronic system* - **1<sup>st</sup> of March 2019**

*End date of the transitional period* - **1<sup>st</sup> of March 2019**



### Entry into the Declarants Records

Entry in Declarants Records (EIDR) allows economic operators to release goods to a customs procedure using a simplified data set via an entry in their electronic commercial records. The entry must be sufficient to fully identify the goods and the procedure to which they are being entered.

A supplementary declaration may be required at a later date providing the full fiscal and statistical information. The supplementary declaration is used to account for any duties and other charges payable on the goods.

EIDR may be used to enter goods to:

- Free circulation
- Storage (customs warehousing)
- Processing
- Specific Use
- Export or re-export

EIDR may not be used to enter goods to:

- Temporary Storage
- Low value imports
- Onward Supply Relief
- Transit
- Other special procedures where an INF form is required

The following benefits are available to economic operators authorized for EIDR:

- The ability to enter goods to a customs procedure without providing a full customs declaration at the point of release
- The ability to manage cash-flow by providing the fiscal data at a later date
- The ability to move goods between certain customs procedures via an entry in the records without the need to provide a supplementary declaration to Customs
- The ability to enter goods to a customs procedure without the need to notify customs in advance of their release for certain types of goods. This facilitation is only available to AEOC holders where the nature & flow of the goods requires immediate clearance and where the customs authorities have all the information necessary to control the risk.

### Centralized Clearance for Import

- Basic setup:
  - a declaration will be lodged at an office in the EU member state which granted that authorization
  - the goods will be presented and imported in another member state
- The current single authorization for simplified procedures which can be seen as a form of centralized clearance will continue in its current form until centralized clearance is finalized.
- Centralized clearance is available to any operator provided they hold an AEO C authorization and meet any additional conditions that may be in place.
- Centralized clearance operating models
- Four possible models for centralized clearance are expected these are:
  - full declaration
  - entry in the declarant's records with notification



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- entry in the declarant's records with notification waiver
- simplified declaration
- One or more (or none) of these models may be adopted.

*Start date of the deployment window of the electronic system* - 1<sup>st</sup> of October 2020

*End date of the transitional period* - TBD

### Customs warehousing

*Currently there are 6 types of warehouses in the EU;*

Current	Description	UCC
Type A	Public warehouse where anybody can store their goods and where the warehouse keeper is responsible for customs obligations.	Public customs warehouse of type I
Type B	Public warehouse where anybody can store their goods but the depositor is responsible for customs obligations.	Public customs warehouse of type II
Type C	The basic private warehouse where only the warehouse keeper can store the goods and is the same person as the depositor (but not necessarily the owner of the goods).	Private customs warehouse
Type D	Alternative private warehouse where only the warehouse keeper can store the goods and is the same person as the depositor (but not necessarily the owner of the goods)	Private customs warehouse
Type E	Private warehouse in which a company and its commercial accounting and stock control systems are authorized (the inventory system) rather than a defined location.	Private customs warehouse
Type F	Public warehouse where anybody can store their goods, which is operated by the customs authorities	Public customs warehouse of type III

#### *Type D customs warehouses*

Goods can't be entered to a Type D customs warehouse on or after 1 May 2016. However, goods entered prior to that date can be kept under Type D arrangements until they are correctly disposed of (for example, by release to free circulation). The charging rules appropriate at the time of entry can be maintained until 1 January 2019.

#### *Transitional measures for customs warehousing*

The following transitional arrangements are applicable:

- current customs warehouse authorizations may continue until reassessed by customs using the new UCC criteria - this reassessment must be completed before 1 May 2019
- goods entered to Customs warehouses types A, B, C, E and F on or before 30 April 2016 but released on or after 1 May 2016 must be removed under the applicable UCC rules
- goods entered to Type D Customs warehouses on or before 30 April 2016 may continue to be released under current rules until 1 January 2019
- all goods entered to a customs warehouse after 1 May 2016 must follow the UCC rules even if a current authorization is still being used
- no guarantee will be required until reassessment has taken place



### Export

#### *Lodging a pre-departure declaration*

Goods to be taken out of the customs territory of the Union shall be covered by a pre-departure declaration to be lodged at the competent customs office within a specific time-limit before the goods are taken out of the customs territory of the Union.

The time-limit to lodge a pre-departure declaration remains unchanged to at the latest 30 minutes prior to departure from an airport in the customs territory of the Union or in case of road at the latest one hour before the goods are to leave the customs territory of the Union.

As far as the pre-departure declaration is concerned, a waiver for goods of a commercial nature is still applicable under the UCC provided that the goods do not exceed EUR 1000 euro in value (or 1000 Kg in net mass). This might be subject to the interpretation of the Member State.

#### *Formalities on exit of goods*

Goods to be taken out of the customs territory of the Union shall be subject to customs supervision and may be subject to customs controls.

A hard copy of the Export Accompanying Document is no longer to be presented the office of exit, only the Master Reference Number needs to be notified.

The Automated Export System will cover the simplified procedures, split exit consignments and centralized clearance for export. It will also cover the development of harmonized interfaces with Excise Movement system (EMCS) and NCTSO. As such, AES will enable the full automation of export procedures.

*Start date of the deployment window of the electronic system* - **1<sup>st</sup> of October 2019**

*End date of the transitional period* - **2<sup>nd</sup> of March 2020**

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