Summary

The Community Customs Code

Member States of the European Union operate one common customs union with a common tariff system for third country operators. Trade between member states is free of tariffs. The Union Customs Code (UCC) which is the legislative background to the customs proceedings, can be found in Regulation 952/2013. UCC entered into force in October 2013 and its main provisions apply from May 1, 2016. In addition to the main Regulation, there are two other policies: a Delegated and an Implementing Act that detail the actual procedures, the forms and the required documentation for importers and exporters.

The Union Customs Code's Implementing Act specifies the procedural rules for some of its elements. It intends to ensure the existence of uniform conditions for the implementation of the UCC and a harmonized application of procedures by all Member States. The delegated act establishes transitional rules for operators and customs authorities pending the introduction of new IT systems to create a fully electronic customs environment. These three laws replace the previous Regulation called Modernized Community Customs Code (MCCC) and signal a complete shift to fully electronic customs procedures.

Customs Classification and Tariffs

The Combined Nomenclature and the HS Code

The Combined Nomenclature (CN) is the European system of customs classification that is legally binding in its entirety on all EU Member States. It provides a system of customs classification identifying products being imported into the EU’s customs territory using a numeric code that is eight digits long. The first six digits of the CN are based on the Harmonized System (HS), developed and periodically amended by the Customs Cooperation Council of the World Customs Organization. The last two digits are added under the European classification system. TARIC (see below) adds another two digits to the end of the CN for goods traded with states outside the EU, bringing the total number of digits to ten. These extra two digits are intended to provide additional clarification on a product’s proper classification. Knowing the HS code, or even how a firm’s product is classified in the United States or other markets, is important to identify the classification of a product in the EU.
TARIC

TARIC ("Tarif Intégré de la Communauté") is the EU Integrated Tariff code. TARIC is directly binding on all EU Member States and duty rates are similar throughout the EU-28. It lays out the various rules applying to specific products being imported into the EU Customs Union or, in some cases, applies to exports from the EU. TARIC identifies the duty to be assessed for each product classified under the CN, and any quotas or other import restrictions that may apply. Many EU Member States maintain a list of goods subject to import licensing. TARIC can be searched by country of origin, HS code, or product description on the interactive website of DG-TAXUD. The online TARIC is updated daily. The easiest way to determine if a product is subject to restrictions is to check the TARIC using the CN code for that product and verify if specific codes such as CITES (Convention on International Trade and Endangered Species) or references to import suspensions/restrictions are mentioned.

Researching a Tariff Rate/Classification on TARIC

1. Access the TARIC Homepage at:
2. Search by CN Code or by using the other options under the advanced search option.
3. For any questions on using this feature, consult the user manual at:
4. Restrictions and conditions that Member State customs authorities use to mitigate and recommend the application of one classification over another are included in the Explanatory Notes, found here: https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/what-is-common-customs-tariff/harmonized-system-general-information_en

Binding Tariff Information (BTI)

A Binding Tariff Information (BTI) is a legally binding classification opinion that is issued by the customs authority of an EU Member State. Under the Community Customs Code, a BTI issued by one Member State is legally binding on all other Member States. For a BTI to be legally binding, it must be invoked with each and every import/export action. This can be done by making reference to the BTI on import documentation and by ensuring that distributors and agents are aware of its existence and use.

A BTI is generally valid for 3 years, but in certain cases (e.g. the publication of a classification regulation or a change in the interpretation of the nomenclature at the international level), a BTI may cease to be valid. It is worth noting that BTIs issued before May 2016 have a validity of 6 years. Relevant website: https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/what-is-common-customs-tariff/binding-tariff-information-bti_en

A company can influence the outcome of the classification opinion by discussing its case with the Member State customs authorities. Companies are advised to consider all possible alternative classifications of their products by researching classifications and tariff rates on the TARIC web page, and through the Explanatory Notes by researching any qualifications or conditions relevant for a given customs classification. The Nomenclature Committee (also called the Customs Code Committee) adjudicates differences in customs classifications among Member States. See the “Customs Advocacy” section below for further information.

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1 Value-Added Tax (VAT) rates apply in addition to duty rates but will differ from one Member State to another
Duty Modifications

Duty Relief: The EU affords a few situations for duty relief as outlined in Regulation 1186/2009. In addition to personal property being imported duty free, educational, scientific and cultural materials may also be exempted. Annexes I through IV of the Regulation contain a detailed listing of exempted products. National authorities must approve entities engaged in scientific and/or educational research for eligibility to import goods duty free.

Tariff Suspensions: Once a good has received either a partial or total tariff suspension, it can freely move within the European Union. This explains why Member States are extensively consulted during discussions on possible suspensions. The rationale is economic stimulus; affected goods consist of raw materials, semi-finished goods or components not available in the EU. No suspensions are granted for finished products. Nor are suspensions granted when items are available in sufficient quantity within the EU or from third countries with GSP status (generalized system of preferences). Council Regulation 1378/2013 lists all affected products in its Annex.

- Airworthiness – Customs duties for the import of parts, components and other goods used for aircraft have been suspended on the basis of the conditions set in Council Regulation 581/2018.
- Military – Competent authorities within the Member States may procure weapons and military equipment free of import duties per Regulation 150/2003. The Regulation’s Annexes contain lists of affected goods.

ATA (Admission Temporaire/Temporary Admission) Carnet: This customs document, also known as the “Merchandise Passport,” allows for certain goods to be imported into one or more Member States with minimal customs procedures, no duties, and no VAT. An ATA Carnet may be requested for commercial samples, professional equipment, and goods intended for exhibitions and fairs. It does not cover disposable or consumable goods. Issued for a period of one year, an ATA Carnet allows for unlimited exits from and entries into the United States for the goods in question. This document meets the customs requirements of all EU Member States, meaning goods can pass between Member States with ease and without customs or tax-related expenses. For more information on how to apply, visit: http://www.uscib.org/index.asp?documentID=1843.

Import Documentation

Single Administrative Document (SAD)
The official model for written declarations to customs is the Single Administrative Document (SAD). (However, other forms may be used where the provisions of the customs procedure in question permit). Goods brought into the EU customs territory are, from the time of their entry, subject to customs supervision until customs formalities are completed. Goods presented to customs are covered by a Summary Declaration, which is lodged once the goods have been presented to customs. The customs authorities may, however, allow a period for lodging the Declaration, which cannot be extended beyond the first working day following the day on which the goods are presented to customs.

The Summary Declaration can be made on a form provided by the customs authorities. However, customs authorities may allow the use of any commercial or official document that contains the particulars necessary for identification of the goods. The summary declaration may also be in computerized form. The SAD serves
as the EU importer's declaration. It encompasses both customs duties and VAT and is valid in all 28 EU
Member States. The declaration is made by whoever is clearing the goods, normally the importer of record
(or his/her agent).

“Bond” facilities
The EU has "Free Zones" which allow for temporary storage of goods prior to release into the EU marketplace.
While products are in a Free Zone, payment of customs duties can be postponed. Free Zones offer relief
from local duties under certain conditions. Similarly, customs warehouses are available and allow goods to
be imported into the EU with a delay in duty payment.

Processing
Inward Processing: Imported raw materials and semi-manufactured goods can be processed for re-export
within the EU by European manufacturers without payment of customs duty and VAT on the goods. Either
the duty is suspended upon entry or it is paid and later reimbursed.

Processing Under Customs Control: goods may be processed into products that are subject to a lower duty
rate before they are put into free circulation.

EORI
EORI stands for Economic Operators' Registration and Identification Number. Since July 1, 2009 all
companies established outside of the EU are required to have an EORI number if they wish to lodge a customs
declaration or an Entry/Exit Summary declaration. An EORI number must be formally requested from the
customs authority of the specific member state to where the foreign company first exports. Member state
custom authorities may request additional documents to be submitted alongside a formal request for an
EORI number.

The use of the EORI number is meant to make it easier for exporters to be identified across EU member
states. It is used for statistical and security purposes. The EORI number will be included on all pre-arrival and
pre-departure information on goods entering or leaving the customs territory of the European Community,
and when importing, exporting and moving goods under a transit procedure. Companies will need an EORI
number regardless whether they are using a freight forwarder or shipping their products themselves.

The European Union registers all EORI numbers in the EORI database for the customs authorities of the
various Member States. Once the client receives the number, he can check on this webpage whether the
assigned EORI number is valid.

Once an operator holds an EORI number, he can request the AEO status. This also requires a formal request
to be sent to the relevant member state authorities. The list of relevant authorities can be found on the
Commission’s website.

Trusted Traders
The UCC revised the concept of Authorized Economic Operator (AEO). This is similar to the U.S.’ voluntary
Customs-Trade Partnership Against Terrorism (C-TPAT) program in which participants receive certification as
a “trusted” trader.

AEO status is granted as an authorization rather than a certification. In order to make use of certain customs
simplifications, AEO authorization is mandatory. Authorized companies are recognized across all member
states. The revised AEO guidelines can be found here.
There are two types of AEO authorizations:

- Customs simplifications (AEOC) - AEOs are entitled to benefit from simplifications provided for under Customs rules.
- Security and Safety (AEOS) - AEOS can benefit from facilitation of Customs controls relating to security and safety at the entry of the goods into the EU or when goods leave the EU.

AEO status is issued to companies established in an EU Member State by a national customs authority, and is recognized by all 28 EU customs agencies. A U.S. subsidiary established in the EU can request AEO status. An AEO can hold both authorizations simultaneously. Certified economic operators can also choose to adopt the EU AEO logo, allowing them to promote their status as a secure partner in the supply chain.

The list of economic operators who have gained AEO status, and have consented to make their name publicly available, can be found here.

Before submitting an AEO application, businesses should undertake a self-assessment of their procedures to ensure that they can meet the qualifying criteria. DG TAXUD has designed a self-assessment questionnaire to help businesses prepare for the evaluation.

In May 2012, representatives from the EC Directorate-General for Taxation and the Customs Union (DG-TAXUD) and U.S. Customs and Border Protection signed an agreement recognizing the compatibility of AEO and C-TPAT, thereby facilitating faster and more secure trade between U.S. and EU operators. In February 2013, the agreement was fully implemented when the EU began re-classifying shipments from C-TPAT members into a lower risk category. This action marked the final implementation phase of the compatibility agreement.

**Customs Advocacy**

**Customs Code Committee**

The Customs Code Committee is comprised of technical experts from each of the EU Member States’ Customs administrations. The Committee meets in different formations, according to the chapter of the CN under consideration, with experts representing their respective Member States in each formation. The goal of the Customs Code Committee is to ensure consistent application of the Community Customs Code. To that end, the Committee mitigates differences in opinion among Member State customs authorities on the proper classification of specific products.

All voting in the Customs Code Committee is by Qualified Majority\(^2\). The Committee is chaired by a Representative of DG-TAXUD, who is the Commission’s expert on the chapter of the CN under consideration. The chairperson negotiates solutions before the committee meets to formally hear the matter at hand, but does not have a vote. Third country governments and organizations (including the United States government) may attend meetings of the Customs Code Committee as observers, but only if invited by the Committee, and must withdraw when the Committee begins confidential discussions or moves to a vote. Documents produced by the Committee may be made available to the public only after the European Commission has approved an individual request. The Committee’s discussions are kept confidential.

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\(^2\) **Qualified Majority** voting is a complex system for EU decision making whereby countries have their votes weighted to reflect their population and the size of their economy. A Qualified Majority is reached when 255 votes out of 345 are secured from Member States representing at least 62% of the total EU population.
Appealing a Customs Decision
A company faced with the inconsistent application of the customs nomenclature can appeal to a Member State to have the matter resolved at the Customs Code Committee. Alternatively, one can appeal directly to DG-TAXUD. It is recommended that any appeal to DG-TAXUD be addressed to Directorate-General Taxation and the Customs Union and copied to the relevant Member State customs authorities. But, if the EC or a Member State feels that the CN is being applied inconsistently, a case may be brought before the Committee without the company in question even being consulted. Below are the stages of the appeal request process:

- EC informs the Customs Code Committee that it has received a request; EC informs parties of the progress made;
- proposals are supported by the Member States who gather enough votes under “qualified majority;” EC drafts a proposed regulation to classify the product;
- the draft regulation is submitted to the Committee for opinion (only meeting once yearly between June and the end of September);
- EC adopts the regulation at the latest on 31 October. It then becomes legally binding on January 1 of the following year.

All decisions of the Customs Code Committee become legally binding on the date of publication in the Official Journal of the European Union. The Committee usually provides a grace period before the application of the classification opinion takes effect. This grace period is designed to allow the company to exhaust all outstanding contracts that were executed prior to the date of the publication of the decision of the Committee. In any case, the company in question will be notified in writing by DG-TAXUD of the decision taken.

Looking forward

On 22 January 2018, the European Commission published a report on the state of play of implementation of the UCC since its entry into force on 1 May 2016. The report also deals with how the Commission has exercised its power to adopt delegated acts supplementing the UCC.

On 2 March 2018, the European Commission proposed that customs authorities and economic operators be allowed to continue using, until 2025 at the latest, already existing systems for the completion of a small number of customs formalities. While most of the new or upgraded electronic systems that are necessary to apply the provisions of the UCC will be operational by 2020, some electronic systems may not be fully completed until 2025. Therefore this proposal would ensure that, in the case of customs formalities to be managed by electronic systems that will not be completed by 2020, already existing electronic systems or paper-based procedures can continue to be used until the new systems are ready.

The U.S. Commercial Service at the U.S. Mission to the European Union can be contacted via email at: brussels.ec.office.box@trade.gov or at http://www.export.gov/europeanunion.

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