

# Customs Declaration: Practical Facilitation for Trade

POSITION PAPER – UPDATE

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**Date:** 11 March 2011

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## **REMOVING RED TAPE TO FACILITATE TRADE & COMPETITIVENESS**

EuroCommerce calls on the European Commission to reconsider its proposal to abolishing oral declarations for export consignments and to maintain the possibility of oral customs declarations for commercial goods.

The continued availability of such facilitation would benefit all economic operators in every EU member state as it would enhance the flow of goods and, therefore, foster competitiveness, employment and sustained economic growth in the EU.

*This paper was first adopted on 14<sup>th</sup> February 2011. The present update adds additional facts and comments reflecting the advanced state of the discussions between stakeholders and legislators.*

### **1. Background**

Since 1993, the Customs Code Implementing Provisions (CCIP) allow customs authorities of all EU member states to refrain from a written customs declaration for goods of a commercial nature up to a certain total value. The commercial consignments may instead be orally declared on submission of evidence (such as the invoice) to the customs authorities.

This facilitation is predominantly used in various ways by SMEs in almost all EU member states. Without taking into account the threshold, major enterprises frequently notify all of their sales. However, these enterprises increasingly use oral declarations with regard to business transactions that are settled without invoice. This particularly involves express deliveries of spare parts, sample consignments, document deliveries, returns, repairs without calculation as well as gift parcels.

The draft text of the Modernised Customs Code Implementing Provisions (MCCIP) is expected to be voted by the Customs Code Committee in the second quarter of 2011. The scrutiny procedure by the European Parliament and the Council may take place in the second half of 2011.

### **2. Problem**

The aforementioned facilitation threatens to be abolished with the application of the Modernised Customs Code by 24 June 2013 at the latest. The European Commission primarily bases this abolition on the security of international trade in goods.

Within the context of the recent events in connection with the letter and parcel bombs the security argument is comprehensible for the purpose of importing goods. The tightening of customs legislation though cannot generally be based on the security of trade in goods, especially because one needs to ask for whatever reasons the oral declaration for private persons remains in effect. Even if the letter and parcel bombs have given rise to the discussion on stricter regulations in the supply chain, it remains to be noted that the bomb attacks have been committed by private persons and not by enterprises.

Against the background that most of the commercial oral declarations for import consignments are made by service providers, the additional expenditure of an obligatory electronic declaration for importing goods into the EU are limited and may thus be accepted.

However, this does not apply for the exportation of goods as the abolition of oral customs declarations for commercial export consignments has a significant impact on all economic operators.

### 3. Impact on Trade

The abolition of this facilitation predominantly affects SMEs which use the opportunity of oral declarations as a competitive advantage. Without the existence of this facilitation, a trader who sells an MP3 player and aims to send it by courier service must lodge a completely filled electronic declaration in the future.

- In this context, it is important to be clear about the definition, notion and profile of the SMEs in question. In fact, many small and medium-sized companies go through agents and other services.

The same applies to sample deliveries as well as free spare part deliveries. In addition to the costs of the customs declaration as a result of time delays, machine standstill, contractual penalty and the like, other financial burdens are to be feared. Those burdens inevitably emerge as soon as the data required for a customs declaration might not be available in due time. Consequently, removal of oral declarations seems to contradict the aims of the "Small Business Act".

Germany and Austria, for instance, already scrutinised the intended abolition of oral import and export declarations for commercial goods and undertook corresponding studies. In Germany alone, almost 90 percent of all enterprises working in import and export would be significantly affected by this new regulation when exporting small consignments into third countries.

- Approximately 9 million transactions per annum might be affected which imposes an additional bureaucratic burden of at least 100 million Euro only in *Germany*.
- After the questioning of some affected parties, *Austria* projected the figure of additional lodged customs declarations up to at least 600.000 per annum. This would increase an additional burden of 21 million Euro on the Austrian economy.

Furthermore, it must be noted that these facilitations are not only seen as a major facilitation by traders in Germany and Austria, but also in other countries including France, Spain, Italy, the Netherlands, Belgium, Denmark, Poland and Great Britain.

Finally, the introduction of a mandatory electronic declaration for exporting goods does not automatically ensure a secure international trade in goods as there exists no direct link that would guarantee more security. Indeed, it is not recognisable that the facilitation which has been prevailing already for 18 years might result or already resulted in security breaches. The economy constantly deals with supply chain security and as a result, there today consist many measures that provide security.

### 4. Way Ahead

Against the above background, EuroCommerce stands ready to discuss the matter with the European Commission and to examine possible ways and means that would allow the greatest feasible facilitation for customs declarations for low value commercial goods. Some initial ideas are outlined below.

EuroCommerce acknowledges the Commission's initial report on VAT and centralised clearance published in early 2011 and appreciates the Commission has also indicated VAT as a problem for maintaining oral declarations, although EuroCommerce is not proposing changes to the current system. Future discussions on making VAT rules more sympathetic for traders operating customs procedures might provide a good opportunity to helpfully address the issue oral declarations and VAT.

Another aspect that could merit some more reflection is the Authorised Economic Operators provisions. Introducing oral declarations as an AEO element could be driver for SMEs to seek AEO status and provide confidence regarding their suppliers.

As part of this discussion, EuroCommerce would strongly welcome the discussion of value thresholds for granting such facilitation, identical rules for import and export, and the question whether such facilitation should depend on an authorisation for its users.

EuroCommerce stands open to discuss these ideas, as well as any additional proposal for practical facilitation the Commission may still suggest, in a constructive and result-oriented dialogue with the relevant decision-makers involved.

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### **EuroCommerce and the commerce sector**

EuroCommerce represents the retail, wholesale and international trade sectors in Europe. Its membership includes commerce federations and companies in 31 European countries.

Commerce plays a unique role in the European economy, acting as the link between manufacturers and the nearly 500 million consumers across Europe over a billion times a day. It is a dynamic and labour-intensive sector, generating 11% of the EU's GDP. One company out of three in Europe is active in the commerce sector. Over 95% of the 6 million companies in commerce are small and medium-sized enterprises. It also includes some of Europe's most successful companies. The sector is a major source of employment creation: 31 million Europeans work in commerce, which is one of the few remaining job-creating activities in Europe. It also supports millions of dependent jobs throughout the supply chain from small local suppliers to international businesses.