



Press Release

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Weaknesses and loopholes in customs controls, say EU Auditors

Important weaknesses and loopholes indicate that EU customs controls are not being applied effectively, according to a new report from the European Court of Auditors. This has an adverse effect on EU finances, say the auditors.

Goods entering EU Member States from outside the European Union are subject to customs controls before they are released for free circulation within the EU. However, importers can deliberately reduce or evade customs duty liability by, for example, undervaluing their goods, declaring a false country of origin or shifting to a product classification with a lower duty rate.

The auditors examined whether the European Commission and the Member States had designed robust controls on imports. They visited the customs authorities of five Member States: Spain, Italy, Poland, Romania and the United Kingdom.

They found serious weaknesses indicating that there are shortcomings in the legal framework, as well as ineffective implementation of customs controls on imports. This adversely affects the financial interests of the EU.

“Customs duties make up 14% of the EU budget, or about €20 billion. Their evasion increases the customs gap and must be compensated by higher GNI contributions by Member States. This cost is ultimately borne by European taxpayers,” said **Pietro Russo, the Member of the European Court of Auditors responsible for the report.**

There is insufficient financial incentive for Member States to apply customs controls, say the auditors. Those which do apply customs controls, but are not successful in recovering losses to the EU revenue, risk financial consequences, whereas those which do not apply such controls may face no risk. In addition, a number of loopholes exist in the Member States with regard to the control of imports. For example:

- The auditors found that a lack of requests for guarantees by the UK led to significantly undervalued Chinese goods being cleared in the UK and then transported back to continental Europe. Undervalued Chinese textiles and footwear were sent from Hamburg to Dover, where they were released for circulation in the EU without release controls, and then transported back to Poland or Slovakia. A joint operation in 2016 by French customs and OLAF confirmed that this undervaluation fraud took place mainly in the UK and was compounded by the fact that VAT was not paid in the destination Member States. Fake invoices were 5 to 10 times undervalued. According to OLAF, between 2013 and 2016, the UK should have

The purpose of this press release is to give the main messages of the special report by the European Court of Auditors.

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made available nearly €2 billion more in customs duties than it did.

- The real origin of goods can be disguised via fraudulent transshipment in a country where the goods are stored temporarily and then sent to the EU with fake documents. The auditors found several companies offering this scam on the internet.
- Goods below a certain value are exempt from customs duty. But the auditors found that a lack of checks was leading to underpayment of duty on goods purchased on-line from outside the EU. The auditors say several courier companies are abusing this exemption.

Member States have made progress towards the uniform application of customs legislation, say the auditors. But they have differing approaches in terms of customs controls to tackle undervaluation, misstatement of origin and misclassification and to impose customs penalties. Burdensome customs controls can have an impact on the traders' choice of customs office for importing, and ports and airports with fewer customs controls attract more traffic.

The auditors recommend that the European Commission:

- produce periodic estimates of the customs gap from 2019 and use them to set customs controls targets;
- strengthen support for national customs services, including a review of collection costs;
- propose that the next EU action programmes contribute financial sustainability to the customs European Information Systems;
- be more precise in requests contained in Mutual Assistance communications;
- propose amendments to customs legislation to make the indication of consignors compulsory.

The Member States should:

- make overrides of controls suggested by a particular risk filter conditional on prior or immediate hierarchical approval;
- introduce checks in their electronic clearance systems to block import declarations applying for duty relief on goods with declared value above €150 or for commercial consignments declared as gifts;
- set up investigation plans to tackle abuse of this relief on e-commerce goods trade with non-EU countries.

Special Report No 19/2017: "Import procedures: shortcomings in the legal framework and an ineffective implementation impact the financial interests of the EU" is available on the ECA website (eca.europa.eu) in 23 EU languages.