



**2014**

# **Annual Activity Report**

**Annexes**

**Directorate  
General for  
Taxation and  
Customs Union**

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## ANNEXES

### ANNEX 1: Statement of the Resources Director

*“I declare that in accordance with the Commission’s communication on clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission<sup>1</sup>, I have reported my advice and recommendations to the Director-General/Executive Director on the overall state of internal control in the DG/Executive Agency.*

*I hereby certify that the information provided in Parts 2 and 3 of the present AAR and in its annexes is, to the best of my knowledge, accurate and exhaustive.”*

*Brussels,*

*(signed)*

*Mirostaw Zieliński*

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<sup>1</sup> Communication to the Commission: Clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission; SEC(2003)59 of 21.01.2003.

## ANNEX 2: Human and Financial resources

DG	Activity		Establishment Plan posts	External Personnel	Total
<b>TAXUD</b>	14 02	Customs	208	37	<b>245</b>
	14 03	Taxations	168	30	<b>198</b>
	14 04	Policy strategy and coordination for Taxation and Customs Union	41	2	<b>43</b>
	14 AWBL-01	Administrative support for the Directorate-General for taxation and customs union	41	2	<b>43</b>
<b>TAXUD</b>	<b>Total</b>		<b>458</b>	<b>71</b>	<b>529</b>

<b>Grand Total</b>			<b>458</b>	<b>71</b>	<b>529</b>
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The above data rely on the snapshot of Commission personnel actually employed in DG TAXUD as of 31 December of the reporting year. These data do not necessarily constitute full-time-equivalents throughout the year.

Slight differences are observed in comparison with the 2014 AMP figures. These are mainly due to the staff reduction exercise and to a lesser extent to the momentary character of the respective snapshots.

Implementation of decentralised administrative authorised operations (payments and revenues) of their Global envelope as of 31 December 2014 (budget lines: 14 01 02 11 00 01 to 14 01 02 11 00 06).

	Budget Lines	FMC	Credits	Commitments	Payments	% EXECUTION
14	14.010211.00	TAXUD	2,932,518			
14	14.010211.00.01.10	TAXUD		1,025,000	957,365	
14	14.010211.00.01.30	TAXUD		61,000	48,944	
14	14.010211.00.02.20	TAXUD		640,000	610,486	
14	14.010211.00.02.40	TAXUD		23,500	9,253	
14	14.010211.00.03	TAXUD		961,494	820,627	
14	14.010211.00.04	TAXUD		58,891	50,601	
14	14.010211.00.05	TAXUD	15,000	14,704		
14	14.010211.00.06	TAXUD		162,633	117,103	
<b>14</b>	<b>Total</b>		<b>2,947,518</b>	<b>2,947,222</b>	<b>2,614,378</b>	<b>99.99%</b>

## **ANNEX 3: Draft annual accounts and financial reports**

### **Annex 3 Financial Reports - DG TAXUD - Financial Year 2014**

**Table 1 : Commitments**

**Table 2 : Payments**

**Table 3 : Commitments to be settled**

**Table 4 : Balance Sheet**

**Table 5 : Statement of Financial Performance**

**Table 6 : Average Payment Times**

**Table 7 : Income**

**Table 8 : Recovery of undue Payments**

**Table 9 : Ageing Balance of Recovery Orders**

**Table 10 : Waivers of Recovery Orders**

**Table 11 : Negotiated Procedures (excluding Building Contracts)**

**Table 12 : Summary of Procedures (excluding Building Contracts)**

**Table 13 : Building Contracts**

**Table 14 : Contracts declared Secret**

<b>TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2014 (in Mio €)</b>					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
<b>Title 14 Taxation and customs union</b>					
14	14 01	Administrative expenditure of the Taxation and customs union- policy area	5,19948321	4,96201389	95,43 %
	14 02	Policy strategy and coordination for the Directorate-General for Taxation and Customs Union	69,54757239	67,552294	97,13 %
	14 03	International aspects of taxation and customs	31,91896822	30,9942802	97,10 %
	14 04	Policy strategy and Coordination	3	2,99999925	100,00 %
<b>Total Title 14</b>			109,6660238	106,508587	97,12%
<b>Title 24 Fight against fraud</b>					
24	24 04	Anti-fraud information system (AFIS)	0,473	0,4728125	99,96 %
<b>Total Title 24</b>			0,473	0,4728125	99,96%
<b>Total DG TAXUD</b>			110,1390238	106,9814	97,13 %

\* Commitment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous commitment appropriations for the period (e.g. internal and external assigned revenue).

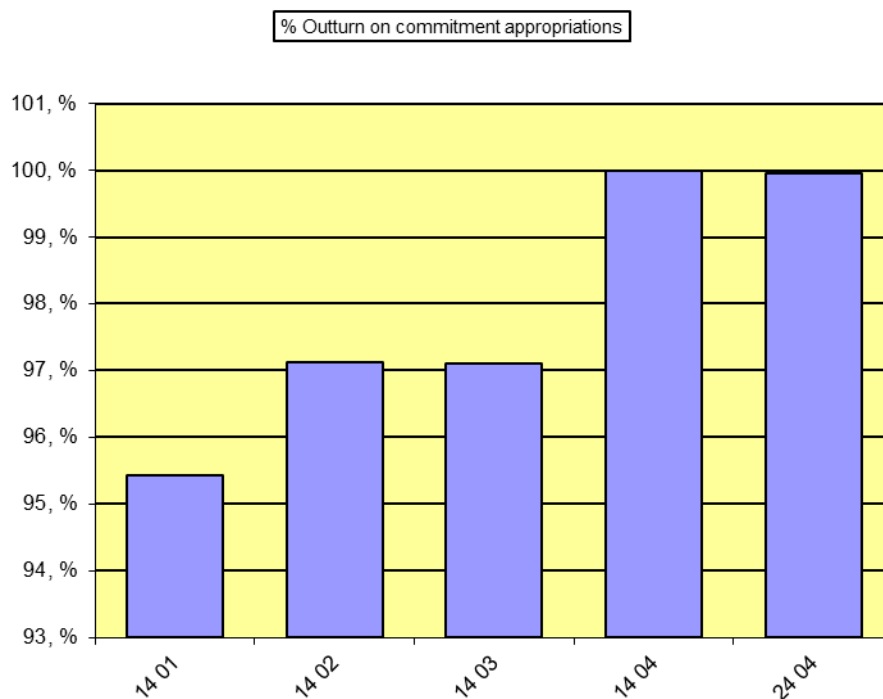
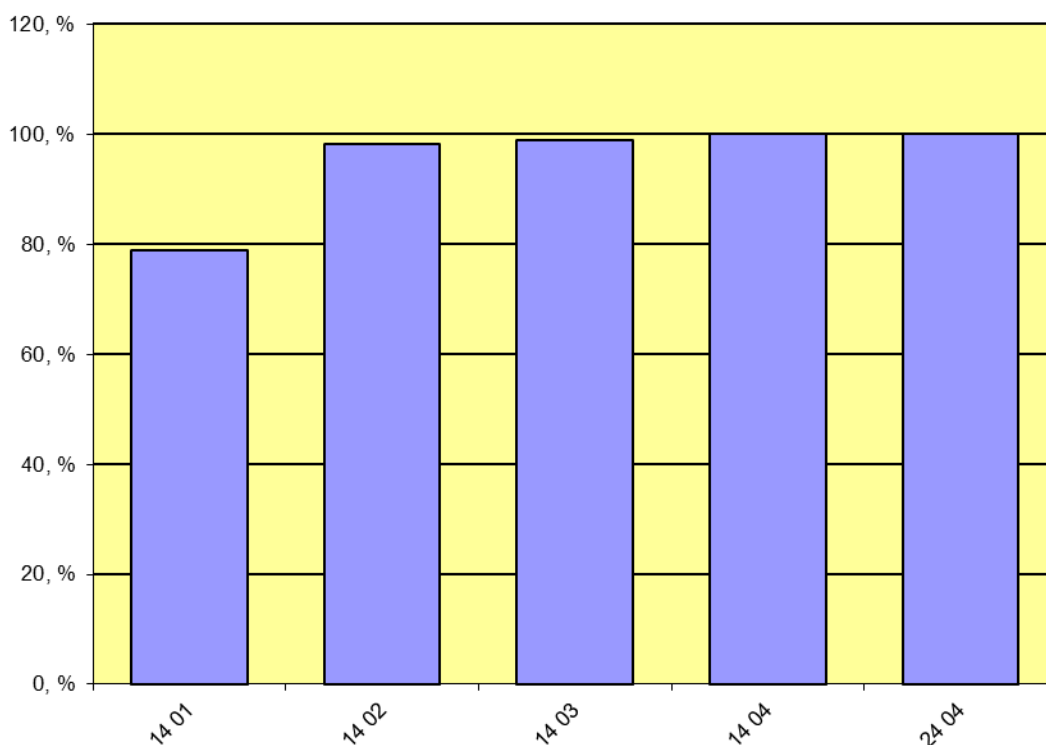


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2014 (in Mio €)					
Chapter			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
<b>Title 14 Taxation and customs union</b>					
14	14 01	Administrative expenditure of the Taxation and customs union-policy area	8,66439832	6,84352945	78,98 %
	14 02	Policy strategy and coordination for the Directorate-General for Taxation and Customs Union	50,61282096	49,75689903	98,31 %
	14 03	International aspects of taxation and customs	26,29651814	25,98345303	98,81 %
	14 04	Policy strategy and Coordination	2,68998505	2,68998505	100,00 %
<b>Total Title 14</b>			88,26372247	85,27386656	96,61%
<b>Title 24 Fight against fraud</b>					
24	24 04	Anti-fraud information system (AFIS)	0,49623	0,49623	100,00 %
<b>Total Title 24</b>			0,49623	0,49623	100,00%
<b>Total DG TAXUD</b>			88,75995247	85,77009656	96,63 %

\* Payment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous payment appropriations for the period (e.g. internal and external assigned revenue).

"% Outturn on payment appropriations"



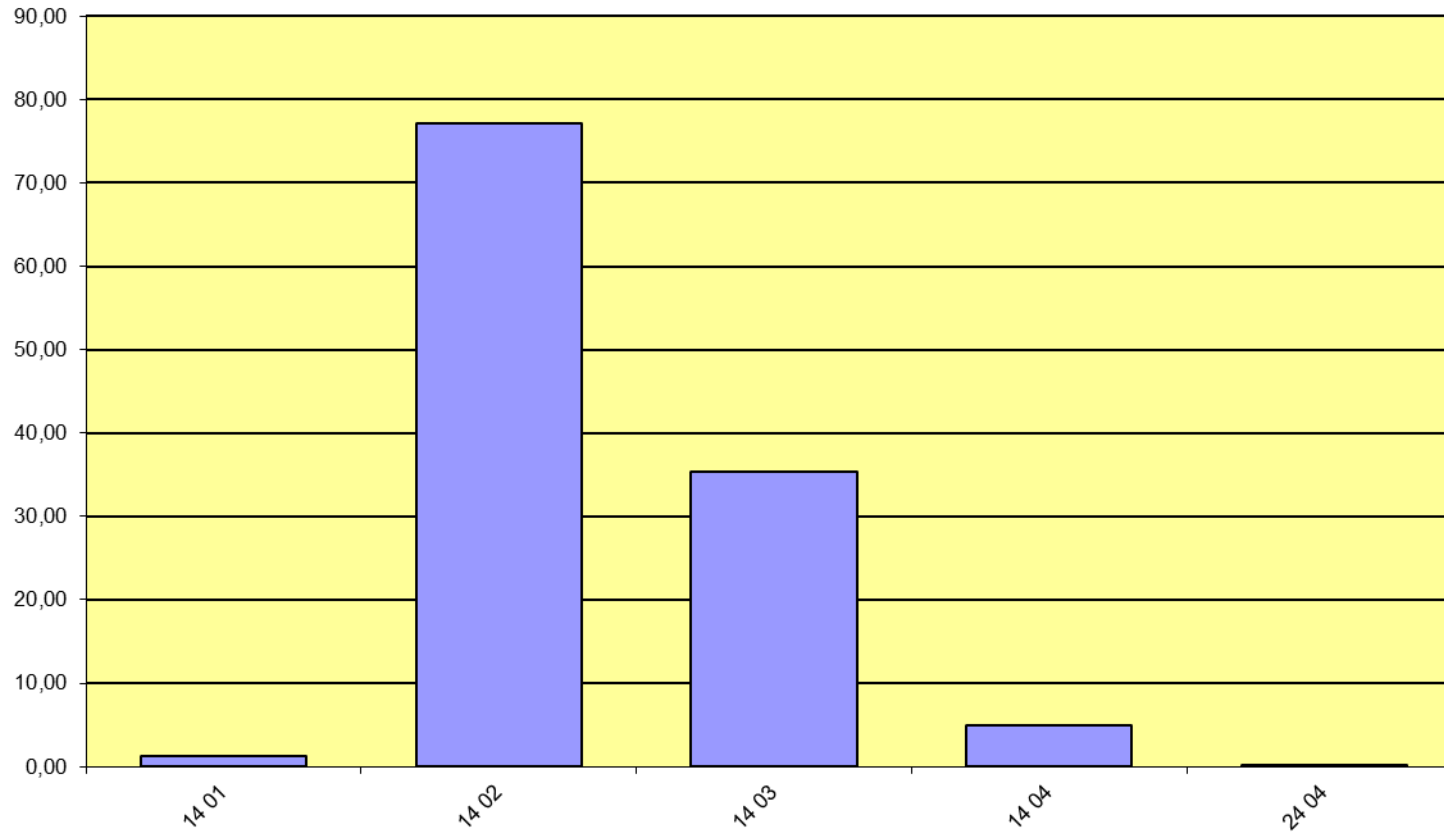




**TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2014 (in Mio €)**

Chapter			2014 Commitments to be settled				Commitments to be settled from financial years previous to 2014	Total of commitments to be settled at end of financial year 2014 (incl. corrections)	Total of commitments to be settled at end of financial year 2013 (incl. corrections)
			Commitments 2014	Payments 2014	RAL 2014	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
<b>Title 14 : Taxation and customs union</b>									
14	14 01	Administrative expenditure of the Taxation and customs union- policy area	4,96201389	3,65	1,31674197	26,54 %	0,00	1,32	3,46
	14 02	Policy strategy and coordination for the Directorate-General for Taxation and Customs Union	67,55229399	13,27	54,28440063	80,36 %	22,89	77,17	61,78
	14 03	International aspects of taxation and customs	30,99428016	6,42	24,57687221	79,29 %	10,84	35,42	32,56
	14 04	Policy strategy and Coordination	2,99999925	0,17	2,82778617	94,26 %	2,10	4,93	4,62
<b>Total Title 14</b>			106,5085873	23,50	83,00580098	77,93%	35,83351403	118,839315	102,42999
<b>Title 24 : Fight against fraud</b>									
24	24 04	Anti-fraud information system (AFIS)	0,4728125	0,28	0,1908125	40,36 %	0,00	0,19	0,22
<b>Total Title 24</b>			0,4728125	0,28	0,1908125	40,36%	0	0,1908125	0,218036
<b>Total DG TAXUD</b>			106,9813998	23,78	83,19661348	77,77 %	35,83351403	119,0301275	102,648026

= "Breakdown of Commitments remaining to be settled (in Mio EUR)"



**TABLE 4 : BALANCE SHEET**

<b>BALANCE SHEET</b>	<b>2014</b>	<b>2013</b>
<b>A.I. NON CURRENT ASSETS</b>	<b>15492813,78</b>	<b>9040223,1</b>
A.I.1. Intangible Assets	10.835.932,04	6.059.145,34
A.I.2. Property, plant and equipment	4.656.881,74	2.981.077,76
<b>A.II. CURRENT ASSETS</b>	<b>-6827727,71</b>	<b>4093863,04</b>
A.II.2. Current Pre-Financing	-7.710.685,44	3.371.424,29
A.II.4. Exchange Receivables	611.788,94	611.788,94
A.II.5. Non-Exchange Receivables	271.168,79	110.649,81
<b>ASSETS</b>	<b>8665086,07</b>	<b>13134086,14</b>
<b>P.III. CURRENT LIABILITIES</b>	<b>-23191702,47</b>	<b>-31233399,54</b>
P.III.4. Accounts Payable	-5.529.868,69	-4.507.204,64
P.III.5. Accrued charges and deferred income	-17.661.833,78	-26.726.194,90
<b>LIABILITIES</b>	<b>-23191702,47</b>	<b>-31233399,54</b>
<b>NET ASSETS (ASSETS less LIABILITIES)</b>	<b>-14526616,4</b>	<b>-18.099.313,40</b>
P.I.2. Accumulated Surplus / Deficit	90005716,73	2572243,1
Non-allocated central (surplus)/deficit*	-75479100,33	15527070,3
<b>TOTAL</b>	<b>0,00</b>	<b>0,00</b>

**TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE**

<b>STATEMENT OF FINANCIAL PERFORMANCE</b>	<b>2014</b>	<b>2013</b>
II.1 REVENUES	-1173665,63	-2540019,31
II.1.1. NON-EXCHANGE REVENUES	-536157,3	-1099753,28
II.1.1.6. OTHER NON-EXCHANGE REVENUES	-536.157,30	-1.099.753,28
II.1.2. EXCHANGE REVENUES	-637508,33	-1440266,03
II.1.2.2. OTHER EXCHANGE REVENUE	-637.508,33	-1.440.266,03
II.2. EXPENSES	77719101,93	89973492,94
II.2. EXPENSES	77719101,93	89973492,94
11.2.10. OTHER EXPENSES	53.303.369,32	73.987.478,42
II.2.2. EXP IMPLM BY COMMISS&EX.AGENC. (DM)	24.415.004,40	15.986.014,52
II.2.8. FINANCE COSTS	728,21	
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>	<b>76.545.436,30</b>	<b>87.433.473,63</b>

*Explanatory Notes (facultative):*

*For 2014 accounting figures in table 4 and table5, DG TAXUD has decided to implement the light cut-off procedure. This methodology has been proposed by DG BUDG to use on 31/12/2014 for DG TAXUD. It consist of a copy/paste of 31/12/2013 data calculated for the cut-off exercise and applied on 31/12/2014. Consequently this has an impact on the presentation of the annual account of DG TAXUD. It will be neutralized centrally by DG BUDG on the presentation of the EC accounts.*

**TABLE 6: AVERAGE PAYMENT TIMES FOR 2014 - DG TAXUD**

<b>Legal Times</b>							
<b>Maximum Payment Time (Days)</b>	<b>Total Number of Payments</b>	<b>Nbr of Payments within Time Limit</b>	<b>Percentage</b>	<b>Average Payment Times (Days)</b>	<b>Nbr of Late Payments</b>	<b>Percentage</b>	<b>Average Payment Times (Days)</b>
30	784	747	95,28 %	17,93708166	37	4,72 %	54,40540541
45	232	231	99,57 %	23,22077922	1	0,43 %	55
60	19	19	100,00 %	25,47368421			
90	21	19	90,48 %	53,63157895	2	9,52 %	93,5

<b>Total Number of Payments</b>	<b>1056</b>	<b>1016</b>	<b>96,21 %</b>		<b>40</b>	<b>3,79 %</b>	
<b>Average Payment Time</b>	<b>21,32670455</b>			<b>19,94685039</b>			<b>56,375</b>

<b>Target Times</b>							
<b>Target Payment Time (Days)</b>	<b>Total Number of Payments</b>	<b>Nbr of Payments within Target Time</b>	<b>Percentage</b>	<b>Average Payment Times (Days)</b>	<b>Nbr of Late Payments</b>	<b>Percentage</b>	<b>Average Payment Times (Days)</b>
20	58	27	46,55 %	14,40740741	31	53,45 %	28,38709677
30	526	487	92,59 %	19,9486653	39	7,41 %	54,8974359

<b>Total Number of Payments</b>	<b>584</b>	<b>514</b>	<b>88,01 %</b>		<b>70</b>	<b>11,99 %</b>	
<b>Average Payment Time</b>	<b>22,47431507</b>			<b>19,65758755</b>			<b>43,15714286</b>

<b>Suspensions</b>							
<b>Average Report Approval Suspension</b>	<b>Average Payment Suspension Days</b>	<b>Number of Suspended Payments</b>	<b>% of Total Number</b>	<b>Total Number of Payments</b>	<b>Amount of Suspended Payments</b>	<b>% of Total Amount</b>	<b>Total Paid Amount</b>
8	30	96	9,09 %	1056	2.615.943,49	3,17 %	82.485.184,04

<b>Late Interest paid in 2014</b>			
<b>DG</b>	<b>GL Account</b>	<b>Description</b>	<b>Amount (Eur)</b>
TAXUD	65010100	Interest on late payment of charges New FR	728,21
			<b>728,21</b>

**TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2014**

Chapter		Revenue and income recognized			Revenue and income cashed from			Outstanding balance
		Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total	
		1	2	3=1+2	4	5	6=4+5	7=3-6
57	OTHER CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH THE ADMINISTRATIVE OPERATION OF THE INSTITUTION	9048,32	0	9048,32	9048,32	0	9048,32	0
60	CONTRIBUTIONS TO UNION PROGRAMMES	980748	0	980748	893340,3	0	893340,3	87407,7
66	OTHER CONTRIBUTIONS AND REFUNDS	2747359,13	22773,06	2770132,19	2630474,79	22773,06	2653247,85	116884,34
90	MISCELLANEOUS REVENUE	226157,3	0	226157,3	226157,3	0	226157,3	0
<b>Total DG TAXUD</b>		<b>3963312,75</b>	<b>22773,06</b>	<b>3986085,81</b>	<b>3759020,71</b>	<b>22773,06</b>	<b>3781793,77</b>	<b>204292,04</b>

**TABLE 8 : RECOVERY OF UNDUE PAYMENTS  
(Number of Recovery Contexts and corresponding Transaction Amount)**

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2014  Year of Origin (commitment)	TOTAL Qualified		TOTAL RC(incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2011			1	2.730,25		
2012			57	1.786.186,88		
2013			50	937.215,40		
2014			3	21.226,60		
No Link			4	670.748,00		
<b>Sub-Total</b>			<b>115</b>	<b>3.418.107,13</b>		

EXPENSES BUDGET	Error		Irregularity		OLAF Notified		TOTAL Qualified		TOTAL RC(incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES	1	0,01					1	0,01	6	226.157,31	16,67%	0,00%
NON ELIGIBLE IN COST CLAIMS	1	32846,52	36	15746,66			37	48593,18	37	48.593,18	100,00%	100,00%
CREDIT NOTES	29	585272,63	16	25865,87			45	611138,5	46	727.553,35	97,83%	84,00%
<b>Sub-Total</b>	<b>31</b>	<b>618119,16</b>	<b>52</b>	<b>41612,53</b>			<b>83</b>	<b>659731,69</b>	<b>89</b>	<b>1002303,84</b>	<b>93,26%</b>	<b>65,82%</b>
<b>GRAND TOTAL</b>	<b>31</b>	<b>618119,16</b>	<b>52</b>	<b>41612,53</b>			<b>83</b>	<b>659731,69</b>	<b>204</b>	<b>4420410,97</b>	<b>40,69%</b>	<b>16,63%</b>

**TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2014 FOR TAXUD**

	<b>Number at 01/01/2014</b>	<b>Number at 31/12/2014</b>	<b>Evolution</b>	<b>Open Amount (Eur) at 01/01/2014</b>	<b>Open Amount (Eur) at 31/12/2014</b>	<b>Evolution</b>
2013	2		-100,00 %	22.773,06		-100,00 %
2014		8			204.292,04	
	2	8	300,00 %	22.773,06	204.292,04	797,08 %



**TABLE 10 : RECOVERY ORDER WAIVERS IN 2014 >= EUR 100.000**

	Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Account Group	Commission Decision	Comments

<b>Total DG</b>	
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<b>Number of RO waivers</b>	
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**TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES - DG TAXUD - 2014**

**Procurement > EUR 60,000**

<b>Negotiated Procedure Legal base</b>	<b>Number of Procedures</b>	<b>Amount (€)</b>
Art. 134.1(b)	1	2.967.776,00
<b>Total</b>	<b>1,</b>	<b>2.967.776,00</b>

**TABLE 12 : SUMMARY OF PROCEDURES OF DG TAXUD EXCLUDING BUILDING CONTRACTS**

<b>Internal Procedures &gt; € 60,000</b>		
<b>Procedure Type</b>	<b>Count</b>	<b>Amount (€)</b>
Exceptional Negotiated Procedure without publication of a contract notice (Art. 134 RAP)	1	2.967.776,00
Open Procedure (Art. 127.2 RAP)	2	48.715.369,32
<b>TOTAL</b>	<b>3</b>	<b>51.683.145,32</b>

**Additional comments**

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**TABLE 13 : BUILDING CONTRACTS**

**Total number of contracts :**

**Total amount :**

<b>Legal base</b>	<b>Contract Number</b>	<b>Contractor Name</b>	<b>Description</b>	<b>Amount (€)</b>

**No data to be reported**

**TABLE 14 : CONTRACTS DECLARED SECRET**

<b>Total Number of Contracts</b> :	
<b>Total amount :</b>	

<b>Legal base</b>	<b>Contract Number</b>	<b>Contractor Name</b>	<b>Type of contract</b>	<b>Description</b>	<b>Amount (€)</b>

**No data to be reported**

## **ANNEX 4: Materiality criteria**

DG TAXUD operates with a limited budget, which is spent essentially on the "Joint Actions" under the Customs 2020 and Fiscalis 2020 programmes and to finance contracts between the Commission and its contractors.

Within its financial circuits, DG TAXUD carries out extensive ex-ante controls which, based on analysis to-date, give a reasonable assurance of the legality and regularity of the underlying transactions.

### **4.1 Qualitative criteria for determining significant weaknesses**

In relation to contracts, and this is particularly relevant for high value IT contracts, an important criterion is the analysis of procedures applied by DG TAXUD, made by the IAC, IAS and Court of Auditors.

A critical risk identified by auditors, would constitute the basis for serious analysis of the need for a reservation, especially where there is a serious risk to the reputation of the service or the institution arising from the lack of appropriate procedures or agreements.

A significant risk can exist in relation to the tender procedures, so a weakness in the internal procedures of TAXUD would be considered serious. The Public Procurement Committee in DG TAXUD pays particular attention to this kind of risks and examines issues of substance and principle that could potentially arise.

In relation to the "Joint Actions", the nature of the expenditure (largely reimbursement of costs), dictates that frequency of error allied to the overall amount at stake is an important criterion for determining a significant weakness. To date, although some minor errors have been uncovered, the overall picture is satisfactory. Ex-ante controls, resulting in a total of 2,7 mil € recoveries relate to the recovery of unused pre-financing only. We do not consider this as "error" and therefore consider this to be without impact on the materiality criteria.

Detailed instructions prepared by the Commission services and made available to the Member States' administrations, help to ensure that transactions are dealt with in an appropriate manner. The Activity Reporting Tool (ART2) plays an important role in this respect.

### **4.2 Quantitative criteria for defining reservations**

DG TAXUD control strategy is based on significant ex-ante verifications. It follows that in quantitative terms the percentage of error accepted following the application of such procedures should not be high. Thus, DG TAXUD would consider the error rate affecting over 2% of each of the budget areas to be a priori unacceptable.

## ANNEX 5: Internal Control Template(s) for budget implementation (ICTs)

### 5.1 Procurement

#### Stage 1: Procurement procedures

#### Planning, Needs assessment, Selection of the offer & evaluation

**Main control objectives:** Effectiveness, efficiency and economy. Compliance (legality and regularity)

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>The needs are not well defined (operationally and economically) and that the decision to procure was inappropriate to meet the operational objectives.</p> <p>Discontinuation of the services provided due to a late contracting (poor planning and organisation of the procurement process)</p>	Publication of intended procurement	<p>100% of planned procurement procedures are defined in the appropriate financing decision.</p> <p>100% of planned procurement procedures are published on the TAXUD Europa website</p>	<p>Costs : staff involved</p> <p>Benefits : amount of unjustified procurement procedures</p>	<p>Effectiveness : number of planned procurement procedures cancelled</p> <p>Efficiency : cost of a tendering procedure</p>
	AOS justifies launching a procurement process	100% of planned procurement procedures justified – by note – by the concerned AOS		
	Decision are taken at management level	100% of procurement procedures are defined in the financing decision established following internal horizontal and hierarchical validation; inter-service consultation and finally adoption by the Commission		

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
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<b>Main risks It may happen (again) that...</b>	<b>Mitigating controls</b>	<b>How to determine coverage, frequency and depth</b>	<b>How to estimate the costs and benefits of controls</b>	<b>Control indicators</b>
Public procurement documents are leaked prior to publication and that the related procurement procedure needs to be cancelled	Use of SECEM for mail communication on tendering procedures.  Tendering specifications remain password protected until publication time.  Paper versions are destroyed with shredders.	100% of tendering documents secured until publication time	Costs : staff involved  Benefits : limit the risk of litigation and cancelation	Effectiveness : Number of times a procedures needs to be retendered due to leakages.  Efficiency : cost of a tendering procedure

<b>Main risks It may happen (again) that...</b>	<b>Mitigating controls</b>	<b>How to determine coverage, frequency and depth</b>	<b>How to estimate the costs and benefits of controls</b>	<b>Control indicators</b>
The best offer(s) are not submitted due to the poor definition of the tender specifications  Due to the complexity of some procurement procedures, inconsistencies between tendering documents may occur	AOS approves the specifications	100% of the procurement specifications are scrutinised and validated by the AOS	Costs : staff involved  Benefits: limit litigation risk. Limit cancellation risk.  Amount of procedures that could not be validated	Effectiveness: number of procedures with no offers. number of tendering procedures not accepted by financial unit  Efficiency : average cost of a tendering procedure
	Additional supervisory verification	100% of the procurement specifications are scrutinised by the financial unit (public procurement sector) prior to publication		
	Detailed cross-review of all tendering documents	100% of all tendering documents scrutinised by the operational unit and cross-reviewed and validated by the financial unit (public procurement sector)		

<b>Main risks It may happen (again) that...</b>	<b>Mitigating controls</b>	<b>How to determine coverage, frequency and depth</b>	<b>How to estimate the costs and benefits of controls</b>	<b>Control indicators</b>
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Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
The most economically advantageous offer not being selected, due to a biased, inaccurate of 'unfair' evaluation process	Formal evaluation process : opening and evaluation committee	100% of procurement procedures have a formally nominated opening and evaluation committee	Costs : cost involved  Benefits : compliance with FR/RAP	Effectiveness: number of 'valid' complaints from unsuccessful tenderers. Number of CMP rejected procedures.  Efficiency : average cost of a tendering procedure
	Opening and evaluation committee declare absence of conflict of interest	100% of members sign a formal declaration of conflict of interest and of confidentiality	Costs : cost involved  Benefits: amount of procedures that CMP rejects	
	Opinion by consultative committee (TAXUD Public Procurement Committee- CMP)	100% of the procurement procedures are validated by the CMP: (1) by written procedure if the procedure's value is equal or less than 1 million Euro and (2) during a formal meeting for all other procedures	Costs : cost involved  Benefits : avoid contracting with excluded economic operators	
	Exclusion criteria documented	100% of procurement procedures have exclusion criteria checked by the AOS and validated by the financial unit (public procurement sector)	Costs : cost involved  Benefits : amount of procedures successfully challenged during the standstill	
	Standstill period, opportunity for unsuccessful tenderers to put forward their concerns on the decision	100% respected		

**Stage 2: Financial transactions – ex-ante controls (contracts, commitments, payments)**

**Main control objectives:** Ensuring that the implementation of the contract is in compliance with the signed contract

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>The products/services/works foreseen are not, totally or partially, provided in accordance with the technical description and requirements foreseen in the contract and/or the amounts paid exceed that due in accordance with the applicable contractual and regulatory provisions.</p> <p>Business discontinues because contractor fails to deliver</p>	<p>Operational and financial checks in accordance with the financial circuits.</p> <p>Operation authorisation by the AOS (commitments)</p>	<ul style="list-style-type: none"> <li>- 100% of the contracts are controlled</li> </ul>	<p><b>Costs:</b> estimation of cost of staff involved.</p> <p><b>Benefits:</b> Total budget contracted in accordance with the applicable contractual and regulatory provisions</p>	<p><b>Effectiveness:</b> Number/amount of credit note received</p> <p><b>Efficiency:</b></p> <ul style="list-style-type: none"> <li>- Average cost per contract prepared.</li> <li>- % of costs dedicated to preparation and control of contracts over the total contracted amount</li> <li>- Average cost per payment processed.</li> <li>- % of costs dedicated to preparation and control of payments over the total paid amount</li> </ul>
	<p>Operational and financial checks in accordance with the financial circuits.</p> <p>Authorisation by the AOS (payments)</p>	<ul style="list-style-type: none"> <li>- 100% of the payments are verified ex-ante following the controls embedded in the financial circuits</li> <li>- Extra ex-ante verification of about 4,55 % of the number of payments and 21,25 % of the total amount paid<sup>2</sup>; (frequency: minimum one payment per week; based on risk and potential impact on the DG)</li> </ul>	<p><b>Costs:</b> estimation of cost of staff involved.</p> <p><b>Benefits:</b> Amount of irregularities, errors and overpayments prevented by the controls</p>	

<sup>2</sup> The extra ex-ante verification includes also payments paid for the grant agreements.

**Stage 3: Supervisory measures**

**Main control objectives:** ensuring that any weakness in the tendering procedures is detected and corrected

<b>Main risks It may happen (again) that...</b>	<b>Mitigating controls</b>	<b>How to determine coverage, frequency and depth</b>	<b>How to estimate the costs and benefits of controls</b>	<b>Control indicators</b>
Knowledge/experience of past procurement procedures is not retained and/or not taken into account when preparing/evaluating new procurement procedures	Systematic “lessons learned” exercise after each procurement procedure	50% of the procurement processes (risk-based selection) is scrutinised during a lessons learned exercise	Costs : cost involved  Benefits : limit litigation risk, limit retendering risk	Effectiveness: number reoccurrences of past detected procurement weaknesses.  Efficiency : average cost of a tendering procedure

## 5.2 Grants

### Joint Actions in the Customs 2020 and Fiscalis 2020 Programmes – Multi-beneficiary grant agreements

The grants awarded by DG TAXUD have certain specificities. More concretely, the beneficiaries of the grants are Member States customs and tax administrations and (potentially) candidate countries' customs and tax administrations and as beneficiaries they are designed directly by the legal bases (relevant programmes' Decisions). Therefore certain typical stages such as selection, evaluation and awarding and linked indicators are not applicable in DG TAXUD's context.

#### Stage 1: Programming

##### A. Programming

**Main control objectives:** Ensuring that the grants contribute the most towards the achievement of the policy or programme objectives (effectiveness); Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy)

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
The annual work programmes and the subsequent grants do not adequately reflect the policy objectives and priorities.	<ul style="list-style-type: none"> <li>- Horizontal and hierarchical validation within DG</li> <li>- Inter-service consultation, including all relevant DGs</li> <li>- Adoption via the Comitology procedure</li> <li>- Adoption by the Commission</li> </ul>	Coverage/Frequency:100%	<p><b>Costs:</b></p> <p>Estimation of cost of staff involved in the preparation and validation of the annual work programme</p> <p><b>Benefits:</b></p> <p>Not quantifiable (resulting from the legal base)</p>	<p><b>Effectiveness:</b></p> <p>Total budget of the grant agreements</p> <p><b>Efficiency:</b></p> <p>% of total cost of the FTE involved in the process/ total budget of the grant agreements</p>

##### B. Selecting and awarding:

The beneficiaries of the grants in the scope of Customs 2020 and Fiscalis 2020 programmes (i.e. the Member States) are defined in the legal basis of both programmes. Therefore, the selecting and awarding step is not applicable in DG TAXUD's particular context.

**Stage 2: Contracting:**

**Main control objectives:** Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy)

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>The description of the action in the grant agreement includes tasks which do not contribute to the achievement of the programme objectives and/or that the budget foreseen overestimates the costs necessary to carry out the action.</p> <p>Procedures do not comply with regulatory framework.</p>	<ul style="list-style-type: none"> <li>- Validation via financial and contractual circuits within DG</li> <li>- Signature of the grant agreement by the AOS</li> </ul>	<p>Coverage: 100%</p>	<p><b>Costs:</b> estimation of cost of staff involved in the contracting process.</p> <p><b>Benefits:</b> Not quantifiable (resulting from the legal base)</p>	<p><b>Effectiveness:</b> Total budget of the work program concerned</p> <p><b>Efficiency:</b> % of total cost FTE involved in the process / total value of the work program concerned</p>

### Stage 3: Monitoring the execution and desk reviews

#### A. Monitoring the execution

**Main control objectives:** ensuring that the operational results (deliverables) from the projects are of good value and meet the objectives and conditions (effectiveness & efficiency); ensuring that the related financial operations comply with regulatory and contractual provisions (legality & regularity); prevention of fraud (anti-fraud strategy); ensuring appropriate accounting of the operations (reliability of reporting, safeguarding of assets and information)

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>The actions foreseen are not, totally or partially, carried out in accordance with the technical description and requirements foreseen in the grant agreement and/or the amounts paid exceed that due in accordance with the applicable contractual and regulatory provisions.</p>	<ul style="list-style-type: none"> <li>- ART 2 IT system (comprising authorization and monitoring)</li> </ul>	<ul style="list-style-type: none"> <li>- 100% of the project proposals are authorised by EC ex-ante via IT system to be in-line with the legal bases, work programs, and grant agreements</li> </ul> <p>(project proposals are usually multi-annual and comprise several specific actions organised during relevant years)</p> <ul style="list-style-type: none"> <li>- 100% of the actual actions (linked to the proposals) are authorised via IT system considering the detail aspects of the actions (including relevant thresholds)</li> </ul> <p>(Actions are specific unique events organised in order to achieve the objectives set up for the project)</p>	<p><b>Costs:</b> estimation of cost of staff involved in the process</p> <p><b>Benefits:</b></p> <p>Amount of pre-financing paid in line with the grant agreements.</p> <p>Partly not quantifiable (reduces the possibility of errors for the ex-post control stage)</p>	<p><b>Effectiveness:</b></p> <p>Number of rejected individual project proposals. Number of approved individual project proposals.</p> <p><b>Efficiency Indicators:</b></p> <p>% of total ex-ante controls/ total value of operational payments made</p>

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
	<ul style="list-style-type: none"> <li>- Operational and financial checks in accordance with the financial circuits.</li> </ul>	<p>proposals)</p> <ul style="list-style-type: none"> <li>- 100% verified via the controls embedded in line the financial circuits</li> <li>- Extra ex-ante verification of randomly selected pre-financing;</li> </ul>		

## B. Desk reviews

**Main control objectives:** Ensuring through the desk reviews that the declared expenditures comply with regulatory and contractual provisions (legality & regularity); prevention of fraud (anti-fraud strategy); ensuring appropriate accounting of the operations (reliability of reporting, safeguarding of assets and information); ensuring appropriate accounting of the recoveries to be made (reliability of reporting, safeguarding of assets and information)

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
Declared expenditures do not comply with regulatory framework.	<p>Carry out desk reviews of a representative sample of operations to determine effectiveness of ex-ante controls (+ consider ex-post findings for improving the ex-ante controls).</p> <p>If error rate over tolerable threshold, control a risk based sample to lower the residual error rate below the tolerable threshold.</p>	<p>Representative sample:</p> <p>To verify representative sample taking into account the importance of the action and the budget involved.</p> <p>100% coverage of riskier operations</p>	<p><b>Costs:</b></p> <ul style="list-style-type: none"> <li>- estimation of cost of staff involved in the desk reviews.</li> </ul> <p><b>Benefits:</b></p> <ul style="list-style-type: none"> <li>- budget value of the errors detected by desk reviews.</li> </ul>	<p><b>Effectiveness:</b></p> <p>Total amount of detected errors/irregularities</p> <p><b>Efficiency:</b></p> <p>% of total cost for desk reviews/ total value of operational payments made</p> <p>% of detected errors / total value of operational payments made</p>



## Stage 4: Ex-Post controls

### *Reviews, audits and monitoring*

**Main control objectives:** Measuring the effectiveness of ex-ante controls by ex-post controls; detect and correct any error or fraud remaining undetected after the implementation ex-ante controls (legality & regularity; anti-fraud strategy); addressing systemic weaknesses in the ex-ante controls, based on the analysis of the findings (sound financial management); Ensuring appropriate accounting of the recoveries to be made (reliability of reporting, safeguarding of assets and information)

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>The ex-ante controls (as such) fail to prevent, detect and correct erroneous payments or attempted fraud.</p> <p>Declared expenditures do not comply with regulatory framework.</p>	<p>Ex-post control strategy:</p> <p>Based on the desk review and risk analysis results, carry out on spot audits performed by external independent contractor</p>	<p>Risk-based sample, determined in accordance with the selected risk criteria, aimed to maximise error correction (either higher amounts or expected error rate).</p>	<p><b>Costs:</b></p> <ul style="list-style-type: none"> <li>- estimation of cost of staff involved in the audits.</li> <li>- Cost of the appointment of audit firms for the outsourced on-the-spot audits (if any).</li> </ul> <p><b>Benefits:</b></p> <ul style="list-style-type: none"> <li>- budget value of the errors detected by the audits.</li> </ul>	<p><b>Effectiveness:</b></p> <p>Total amount of detected errors/irregularities</p> <p><b>Efficiency:</b></p> <p>% of total cost for audits/ total value of operational payments made</p> <p>% of detected errors / total value of operational payments made</p>

**ANNEX 6: Implementation through national or international public-sector bodies and bodies governed by private law with a public sector mission (if applicable)**

Not applicable for DG TAXUD

## **ANNEX 7: EAMR of the Union Delegations (DG DEVCO only)**

## **ANNEX 8: Decentralised agencies (if applicable)**

Not applicable for TAXUD

## ANNEX 9: Performance information included in evaluations

Title of the Evaluation: Final Evaluation of Fiscalis 2013	
ABB activity:	ABB 03/05
Type of evaluation:	Expenditure programme (E)
Summary of performance related findings and recommendations:	<p>The Fiscalis 2013 programme fitted within the framework for administrative cooperation in the fields of VAT, direct taxation and excise, by providing the tax administrations with the means to effectively exchange information (e.g. through the VIES system, EMCS, standardized tax e-forms, etc.) or pool expertise to cooperate on specific tasks (e.g. through multilateral controls, EUROFISC platform, workshops, seminars and other joint actions).</p> <p><b><i>In fighting tax evasion and avoidance Fiscalis 2013 helped to</i></b> identify fraud and fraud schemes in cross-border transactions. For example, the multilateral controls helped to identify additional VAT due of approximately 3.26 billion EUR. It also contributed to the creation of a ‘compliance effect’ amongst taxpayers and making fraudulent behaviour more difficult, risky and costly.</p> <p><b><i>In reducing administrative burden and cost Fiscalis 2013 helped to</i></b> streamline and simplify the exchange of information and monitoring of transactions thanks to <b><i>standardisation, digitalisation</i></b> and <b><i>interoperability</i></b> of means. In terms of administrative cost, Fiscalis 2013 helped saving an estimated 160 million EUR for economic operators and national administrations thanks to supporting the on-line database for verification of the VAT numbers.</p> <p><b><i>In improving understanding and implementation of EU tax law Fiscalis 2013</i></b> provided IT solutions for the implementation of EU law for administrative cooperation in the area of taxation (e.g. EMCS for excise duties, VIES for VAT, e-Forms in the field of direct taxation), helping to better respect the regulatory deadlines for exchange of information. It also facilitated sharing of good practice and views on the interpretation, implementation and enforcement challenges of specific EU provisions, and possible common solutions thanks to the highly valued sustainable human networks.</p> <p><b><i>In providing the EU added value,</i></b> Fiscalis 2013 was the only cross-border solution to the cross-border tax problems such as fraud or evasion, with the sole focus on the practical improvement of the tax systems in the internal market. Most importantly, no other initiative, or Member States alone, could provide comparable extent of electronic exchange of information between all Member States. Without the programme's support, its results were considered unsustainable operationally and financially.</p> <p>Approximately 75% of the budget was committed to the operation and support of the IT systems supporting the exchange of information between tax administrations, partially shared with the Customs 2013 programme. This single IT architecture was deemed pragmatic and cost-effective. There is scarce quantitative information available with regard to the costs and benefits of the IT systems deployed at the national level but the overall efficiency of the IT systems was judged positive.</p> <p><b><i>Main recommendation</i></b> included: (1) further awareness-raising of the programme and its benefits; (2) better description of roles and responsibilities; (3) promotion of the use of PICS (Programme Information and Collaboration Space); (4) facilitation of collaboration on national IT systems; (5) further development of central application; (6) further integration between tax and customs procedures, and; (7) more emphasis on reduction of administrative burden and cost for taxpayers.</p>

Availability of the report on Europa:	<a href="#">Fiscalis 2013 Final evaluation report</a>
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<b>Title of the Evaluation: Final evaluation of the Customs 2013 programme</b>	
ABB activity:	Policy strategy and coordination domain (ABB 02/4)
Type of evaluation:	Expenditure programme (E).
Summary of performance related findings and recommendations:	<p>1. The evaluation set out primarily to assess the extent to which the Customs 2013 programme contributed to enhanced safety and security, the protection of the EU's financial interest and the facilitation of trade. Even though many factors are at play in the functioning of the Customs Union, on all three counts, this contribution was found to be significant. The EU's exclusive competence in the field of customs combined with persistent disparities in customs traditions, (IT) infrastructure and working practices testify to the potential EU added value of a programme to foster cooperation and collaboration.</p> <p>The trans-European systems allowed for burden sharing between the European Union and participating countries. The enhanced effectiveness of risk management systems has contributed not only to the enhanced control of dangerous goods, but also to the effective identification and collection of customs duties. This had a direct and positive impact on protecting the EU's financial interests.</p> <p>The entirely paperless environment that now exists for handling customs declarations has allowed the Customs Union to become more secure while carrying out fewer of the manual controls that slow down the flow of trade.</p> <p>In addition to the IT systems, the networking fostered through the joint actions was also considered crucial for several reasons, including ensuring the consistent application of customs legislation, spreading best practices and building the trust needed for administrations to act as if they were one administration.</p> <p>2. The evaluation has identified a strong case for the European added value of the programme, particularly regarding its role in supporting the implementation of EU customs legislation at national level.</p> <p>At a general level, the national customs officials found that the IT systems funded through the programme were highly complementary to national initiatives as they were mostly related to implementing the EU customs legislation. According to them, this led to reductions in administrative costs, which would not have been possible if each Member State had to develop similar IT systems on its own. 23 out of 28 responding administrations indicated that the programme helped them "to a large or some extent" to implement such measures more quickly. Furthermore, 25 administrations felt that the programme had helped "to a large or some extent" to implement the necessary measures at a lower cost.</p> <p>3. Based on the findings of the evaluation the evaluators made ten recommendations to improve future iterations of the Customs programme. The recommendations related to operational findings, such as improvements to the IT systems and applications or broader dissemination of the programme's results, will be directly addressed in the course of the current Customs 2020 programme. Others relating to enhancing the integration of EU and national IT systems will support future discussions on the scope and design of the post-2020 iteration of the programme.</p>
Availability of the report on Europa:	<a href="#">Customs 2013 final report</a>

**Title of the Evaluation: Study on the measuring and reducing of administrative costs for economic operators and tax authorities and obtaining in parallel a higher level of compliance and security in imposing excise duties on tobacco products**

ABB activity:	
Type of evaluation:	Regulatory instrument (R)
Summary of performance related findings and recommendations:	<p>This study was conducted within the framework of the REFIT programme and aimed to assess the effectiveness and efficiency of the current arrangements for excise duties on manufactures tobacco products.</p> <p>With some exceptions, the current structure and rates of manufactures tobacco products generally allow for neutral conditions of competition and the free formation of prices and no evidence of changes in trade patterns induced by changes in the tobacco excise duty levels was found. Product definitions were generally appropriate for enabling adequate (correct categories and rates) collection of excise duties for the large majority of products. Derogations and exceptions were found to have a limited impact on cross-border shop-ping and illicit trade.</p> <p>However, the market is <b>negatively impacted</b> by the following: (1) differentiated application of the rules regarding the Minimum Excise Duty (MED), which non-uniform and inconsistent application led to distorting relative prices of the economy cigarettes and affected relative prices between Member States; (2) the inconsistent treatment of a number of tobacco products (particularly the 'border-line' products) and of e-cigarettes (currently outside of the Directive's scope and regulated nationally) and the tax induced substitution between and within product groups; (3) product definitions were not fully appropriate to enable effective and efficient monitoring of excisable tobacco products (e.g. the raw tobacco is moved outside of the Excise Movement and Control System (EMCS) and thus difficult to track); (4) lack of harmonisation of anti-forestalling measures (albeit to a lesser extent).</p> <p>In terms of <b>administrative and compliance costs</b> borne by tax administrations and economic operators, the greatest negative impact stems from the inconsistencies between the excise definitions and the CN classification for customs purposes, and the legal uncertainty it causes (including judicial contestations) Even though the costs at a systemic level are (still) relatively small as disputed cases concern niche products, the impact on the single business/tax administration can be significant (e.g, administrative fees, reallocation of resources, or foregone revenues in case of economic operators, etc.) and proportionately heavier for small operators.</p> <p>The amount of <b>duty lost to illicit trade</b> is estimated at about €11.1 billion; should the illicit trade be eliminated, the estimated level of duty to be recovered, after adjusting consumption volumes, would be in the range of €6.1 billion to €7.2 billion per annum (still subject to the price elasticity of a given market).</p> <p><b>Main recommendation</b> included: (1) in terms of product definitions to consider: inclusion of e-cigarettes within the scope of the harmonised system; raw tobacco within the monitoring of excisable products; single out a specific category for water-pipe tobacco; establishing more objective criteria for product classification (2) in terms of rates and structures: alignment of some of the MED and revision of rules around the MED on cigarettes; (3) in terms of tracking and excise stamps: continuous development of the track and trace systems should be continuously pursued and a future phasing out of excise stamps considered,</p>

Availability of the report on Europa:

[Evaluation of excise arrangements for manufactured tobacco products](#)

**Title of the Evaluation: Evaluation of the electronic customs implementation in the EU**

ABB activity: Policy strategy and coordination domain (ABB 02/4)

Type of evaluation: Regulatory instrument (R)

Summary of performance related findings and recommendations: 1. The European Union's e-Customs initiative is a project initiated by the European Commission that aims to replace paper-format customs procedures with EU-wide electronic ones. Decision 70/2008/EC on a paperless environment for customs and trade (the e-Customs Decision) is one of the key pieces of legislation which provides a legal base for the initiative. The Decision details the interoperable systems to be introduced, deadlines for their establishment and foresees a division of tasks and human, budgetary and technical resources between the Commission and the Member States.

The evaluation attempted to gauge the detectable impacts of recent changes to the e-Customs environment on economic operators, in terms of increased competitiveness, reductions in administrative costs and benefits of harmonisation / standardisation, as well as costs associated with the status quo. All of these issues relate to the higher-level objective of facilitating import and export procedures and thereby increasing trade.

2. The direct impacts of the e-Customs environment for economic operators fall mostly under the broad heading of changes that 'made life easier' for them, which depending on their importance were sometimes considered to have wider benefits. For example, economic operators interviewed for the evaluation found that recent changes in the e-Customs environment have delivered cost savings to their businesses through more streamlined customs processes, fewer errors when filling customs declarations and the relative ease of transmitting information.

More specifically, centralised databases were considered to have contributed positively to efficiency and economies of scale. Stakeholder satisfaction with the trans-European systems was generally positive but varied according to factors like the ease of implementation, perceived added value over existing practices and user friendliness. While there were also costs associated with adopting new systems (like training and infrastructure expenditure) and complying with new requirements, standardisation and harmonisation were generally seen as net positives.

Overall, the e-Customs systems introduced in recent years have delivered administrative cost reductions and more harmonised exchange of information among both authorities and economic operators. The development of an e-Customs environment has helped Member States' customs administrations to perform their key tasks more effectively and efficiently. Processes were carried out faster, more efficiently, and with less scope for human error.

3. Crucially, the e-Customs Decision led to the generation of the electronic customs Multi-Annual Strategic Plan (MASP), a management and planning tool developed in collaboration between the Commission and Member States in order to set the strategic framework and milestones for implementation of the e-Customs initiative. Providing a legal base for the MASP has been one of the main successes of the e-Customs Decision.

The area where least progress has been made towards the commitments set out in the e-Customs Decision is with regard to establishing a single window environment. None of the Member States has implemented a single window environment in full, although some are at the beginning to link up the authorities that coordinate border management. The difficulties inherent in trying to get authorities with different needs and mandates to work together should not be

	underestimated, especially at a European level, but coordination within the Commission should be a priority.
Availability of the report on Europa:	Evaluation of the electronic customs implementation in the EU

<b>Title of the Evaluation: Analysis of aspects of uniform tariff classification</b>	
ABB activity:	Policy strategy and coordination domain (ABB 02/4)
Type of evaluation:	Regulatory instrument (R)
Summary of performance related findings and recommendations:	<p>1. In accordance with Council Regulation No 2913/92 Article 12.7, a Binding Tariff Information (BTI) decision provides individual traders legal certainty regarding the tariff classification of goods that they import into or export from the EU.</p> <p>The European Binding Tariff Information (EBTI-3) system plays a very important role in the issuing and control of BTIs. By uploading the application in the database it becomes available to all administrations, thus facilitating the uniform classification of goods across the EU.</p> <p>The value of the BTI system for individual traders as well as the EU as a whole depends on a number of features, in particular how quickly a BTI application results in a decision and whether the BTI decisions being taken are consistent i.e. that multiple applications for BTI of identical products leads to the same classification across the EU.</p> <p>2. The analysis conducted in the framework of this study shows that in spite of a general positive situation regarding the current BTI landscape shortcomings do exist which could have an important impact on traders and administrations. As indicated, the total annual number of applications for BTI received in all EU-27 Member States remained stable over the period 2009–2011, at +50,000. Further, the analysis shows that over the same period, approximately 2/3 of all BTI applications received in the 27 Member States resulted in a BTI being issued within three months after the authorities' accepted the application. Also, the share of annual BTI decisions invalidated due to errors in the classification (including divergence) has been low in all three years at approximately only 2-3%.</p> <p>The main benefits of BTI are, as noted, two-fold. Individual traders wishing to import or export a given product can apply for, and obtain, a BTI that grants legal certainty regarding the tariff classification of that product and thereby they can assess any applicable import duties, export refunds or other customs charges, such as anti-dumping duties, and determine whether there are other measures attached to the product, for example, health or public safety restrictions. The BTI system also contributes to the uniform tariff classification of goods in the Customs Union. Thereby, the system helps ensure a level playing field where traders are treated equally and are faced with the same customs duties and charges for the same product throughout the EU.</p> <p>3. The findings suggest that shortcomings include long issuing times of BTI, occasional divergent classifications and divergent practices between individual customs authorities with respect to the issuing of BTI during discussions in the Customs Code Committee.</p> <p>The shortcomings of the current system result in the unequal treatment of traders and may distort competition on the internal market. Direct financial consequences for traders are found to include customs duties and compliance costs, while indirect economic consequences include a reduced willingness to engage in long-term contracts.</p> <p>A range of possible long-term solutions were identified and discussed in terms of their strength and weaknesses, including their ability to target the underlying</p>



	drivers of the identified shortcomings. These options will be further analysed in the course of 2015.
Availability of the report on Europa:	<a href="#">Analysis of aspects of uniform tariff classification final report</a>

<b>Title of the Evaluation: Evaluation of current arrangements for the cross border movements of excise goods that have been released for consumption</b>	
ABB activity:	Policy strategy and coordination domain (ABB 02/4)
Type of evaluation:	Regulatory instrument (R)
Summary of performance related findings and recommendations:	<p>1. Council Directive 2008/118/EC lays down general arrangements in relation to excise duty which is levied on the consumption of excise goods. The main objectives of the Directive are to ensure proper functioning of the internal market and the effective collection of the tax debt to safeguard the budgetary interests of Member States.</p> <p>Evidence from the data collected suggests that the duty paid arrangements are still relevant to businesses who mainly use them for reasons of volume of trade (i.e. infrequent movements) and scale of the business (i.e. small businesses with less substantial commercial and IT infrastructure).</p> <p>The paper-based arrangements combined with the fact that most administrations do not collect statistics on movements results in a lack of capacity to monitor duty paid movements. Limited capacity for control and enforcement can potentially lead to increased fraud.</p> <p>There were high levels of suspected fraud particularly for high-risk products in the mineral oil sector (e.g. diesel oil, lubricants) where Member States imposed high excise duties or there were relative differences in excise duties between Member States.</p> <p>2. The current arrangements have not promoted the harmonised application of common rules and procedures across the EU. The current implementation of the arrangements is proving to be a significant obstacle to potential cross-border trade. There appears to be a particular lack of coherence related to declaration, payment and reimbursement procedures.</p> <p>The analysis of implemented business to business (B2B) arrangements has shown that the administrative rules and procedures differ across the twelve sample Member States, as a result of the high degree of discretion that the Directive leaves to Member States to supervise the movements.</p> <p>As regards distance selling, although current levels of alcohol appeared to be relatively low, there were high levels of interest in distance-selling, particularly from small wine-producers in wine-growing countries such as France, Italy and Spain. Qualitative evidence from the interviews and survey suggests that there is a high potential market for cross-border sales of alcohol to consumers, but that it is currently not growing in line with e-commerce growth in other sectors.</p> <p>2. The current arrangements do not contribute to high levels of efficiency. National tax administrations considered the paperwork associated with the current procedures as burdensome, since this requires many administrative tasks to be done manually, increasing the time required to process applications and retrieve records. Some Member States reported spending up to 7 or 8 hours per movement.</p> <p>For economic operators, the high administrative cost of compliance constitutes one of the biggest obstacles to the cross-border trade of excise goods for which duty has been paid. Unclear requirements and lack of information are considered as hindering cross-border trade of these goods.</p> <p>3. Following the baseline analysis, there are strong arguments for improvements to be made at EU level. The evaluators put forward 6 recommendations</p>

	addressed to the European Commission and the Members states in order to improve the current system.
Availability of the report on Europa:	Not yet published – publication foreseen for 02/2015

**ANNEX 10: Specific annexes related to "Management of Resources" (Part 2) (if needed - free format)**

Not applicable for DG TAXUD.

**ANNEX 11: Specific annexes related to "Assessment of the effectiveness of the internal control systems" (Part 3) (if needed - free format)**

Not applicable for DG TAXUD.