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European Commission

Strategic Plan 2020-2024

DG TAXATION AND CUSTOMS UNION

Contents

Fair taxation is the springboard that will help our economy bounce back from the crisis. We need to make life easier for honest citizens and businesses when it comes to paying their taxes, and harder for fraudsters and tax cheats. These proposals will help Member States to secure the revenues they need to invest in people and infrastructure, while creating a better tax environment for citizens and businesses throughout Europe.

Paolo Gentiloni, Commissioner for Economy

INTRODUCTION

The unprecedented COVID-19 crisis has caused deep social and economic disruption, in the EU and elsewhere. At the same time, our society is in the midst of a pervasive digital revolution and confronted with the existential challenge of climate change. Simultaneously, external partnerships are being reshaped by, arguably, the most radical geopolitical shift we have seen in decades.

As part of a strong and fair economy that works for people and in the aftermath of the COVID-19 pandemic, the European Union needs, now more than ever, tax and customs policies that support economic recovery and ensure that financial resources are allocated in a sustainable way. In the coming five years, DG TAXUD's policies and actions, both at EU and at international level, will be oriented towards strengthening the Single Market and creating a level playing field.

In 2020, DG TAXUD will set out its strategy for the years to come to address the requests expressed by President von der Leyen in her 2019 political ambitions:

- A Tax Package for fair and simple taxation supporting the recovery strategy;
- An agenda for action to take the Customs Union to the next level, equipping it with a stronger framework to better protect our citizens and Single Market;
- An action plan for business taxation for the 21st century, setting out the EU's corporate tax agenda for the years ahead.

In line with the political guidelines, DG TAXUD will table two Green Deal proposals in June 2021, one on the review of the Energy Taxation Directive and another one on a Carbon Border Adjustment Mechanism to promote climate carbon neutrality by 2050, avoid carbon leakage and ensure that EU companies can compete on a level playing field.

In the context of the Multiannual Financial Framework for 2020-2027, DG TAXUD is preparing the adoption and subsequent implementation of the proposals for the Customs Control Equipment Instrument and the Customs and Fiscalis programmes. It is of paramount importance that these programmes will be equipped with the full funding as requested to deliver on the agreed political priorities, in support of the recovery after the COVID-19 outbreak. DG TAXUD will also play a central role in preparing the proposals for some of the new EU Own Resources, to respond, post-crisis, to the financing needs of our economies.

The first part of this strategic plan elaborates on what DG TAXUD will deliver, while the second part informs on how DG TAXUD will deliver, including by modernising its way of working.

PART 1. Delivering on the Commission's priorities

A. Mission statement

DG TAXUD has a critical role in supporting a swift economic recovery and the transition to a greener, digitalised and fairer economy in the EU. We work to ensure that taxation and customs deliver on the Union's priorities and provide the revenues needed to fund European investment and growth.

We uphold the principle of fair taxation and strive for a simpler tax environment, in which businesses can innovate and grow. Modernising our tax policies and fighting tax abuse is a key way to boost public finances and stimulate investment, without burdening those hit by the crisis.

We are committed to harnessing the potential of green and digital taxation, to provide new resources for Europe's recovery and support the Green Deal and Digital Union. We also ensure that EU tax policy actively supports other high-priority policy objectives, given the impact of taxation on behaviours and consumption.

The Customs Union – an exclusive EU competence – is essential to EU prosperity, with its dual role of facilitating smooth trade and protecting our citizens and businesses. We are committed to substantially modernising customs, in line with today's realities, so that it is better equipped to protect our Single Market and budgetary resources. Exploiting the full potential of data analytics and innovative technologies and strengthening our cooperation with third countries is key to meeting the challenges of a globalised and digitalised world.

DG TAXUD works in partnership with EU Member States and businesses in delivering on all of our policies and priorities and promotes better and closer cooperation between Member States through its funding programmes. We work with third countries and international organisations to make our above mentioned objectives a reality, influence international standards and reinforce the implementation of EU trade policy.

B. Operating context

Taxation and customs has an essential role in improving the functioning of the Single Market. DG TAXUD supports this by helping Member States to make taxes fairer, tackle cross-border tax fraud, evasion and avoidance, and to ensure tax compliance. It also supports Member States in performing efficient and effective customs controls and ensuring the smooth handling of legitimate trade at the external borders. DG TAXUD is adding value with EU-wide support for the reform of tax systems and the optimization of customs controls. EU actions reduce the risk of competitive distortions in the Single Market.

The work to urgently reform tax rules, to respond to the challenges of the modern economy, has not been confined to Europe. It has been a global movement. In recent years, the G20 and the OECD have played a crucial role in the fight against tax fraud and evasion, and have created new global standards to improve tax transparency and tackle aggressive tax planning. The Commission and the Member States actively contributed to the development of the new international norms in these areas. Many of these global standards have now been enshrined in EU law and are binding on all EU Member States. The Commission also works closely with the European tax administrations to promote jointly-elaborated solutions to common challenges, in the framework of the EU Summit of Heads of Tax Administration (TADEUS)

The European Commission presents proposals for tax legislation where it considers that EU-wide action is needed for the Single Market to work better (Articles 113 and 115 TFEU). It can also make recommendations and issue policy guidance in specific areas. Any European Union tax legislation based on the above articles must be unanimously agreed by all EU Member States before entering into force. This sometimes hampers the pace of progress.

The Commission has launched a debate on a progressive transition to ordinary legislative procedure, with qualified majority voting (QMV), in taxation. Following up on this initiative, the Commission's European Green Deal Communication announced that it would use the relevant passerelle clause for the proposals to revise the Energy Taxation Directive and create a carbon border adjustment mechanism. This passerelle clause for environmental fiscal measures would enable these proposals to be adopted by qualified majority in an ordinary legislative procedure.

Infringement policy aims to enforce the proper application of EU tax and customs legislation in all Member States and to remove distortions of competition. Compliance actions in the area of taxation and customs are often driven by complaints. Over the coming years, the Commission intends to focus on enforcement actions in areas where they are mostly required and set higher ambition on own-initiative investigations, which are a powerful instrument to steer and enhance coherence of the application of the rules across Europe by exercising the Commission's obligation to act as a Guardian of the Treaty.

DG TAXUD also shapes EU customs policy internationally. It negotiates and implements customs-specific agreements or other agreements with a customs component.

This includes rules of origin, customs cooperation and trade facilitation chapters in Free Trade or Partnership Agreements or IPR customs enforcement provisions. DG TAXUD represents the EU in the World Customs Organisation (WCO) where it promotes EU values and practice worldwide on customs matters. Coordination with Member States is crucial to ensure a unified position in the WCO.

The Customs Union is an exclusive competence of the European Union. It is built on the principles of free movement of goods within the Union and a common external tariff towards third countries. The Customs Union also has an important security and safety component, protecting EU trade and citizens. These elements of Treaty law have given rise to secondary legislation adopted under the ordinary legislative procedure under co-decision by qualified majority vote.

The current legislative framework is primarily laid down in the Union Customs Code, applicable since 1 May 2016, and its implementing and delegated acts. The Customs Union is administered by Member States but the Commission actively supports them in this work. In particular, the Commission ensures that the Customs Union is applied in the same way throughout the European territory. DG TAXUD's support includes managing most of the EU import quotas, keeping all tariff-related information up to date and developing or upgrading several of the UCC electronic trans-European systems for EU-wide use.

DG TAXUD works closely with the institutional stakeholders: OLAF, Europol, Frontex, Eurojust and the European network of judicial authorities. DG TAXUD will implement in direct management mode three financing EU programmes: FISCALIS, CUSTOMS and the Customs Control Equipment Instrument (CCEI).

C. Strategy

General Objective 1: European Green Deal

The **European Green Deal** is not only a response to the predicament facing our planet. It is also an ambitious new growth strategy for the twenties and beyond.

Paolo Gentiloni, Commissioner for Economy

Specific Objective 1.1: Design EU wide tax policy actions that contribute to building the first carbon neutral continent by 2050

The **European Green deal** adopted by the Commission on 11 December 2019 aims to transform the EU into a modern, resource-efficient and competitive economy, without net emissions of greenhouse gases by 2050 and where economic growth is decoupled from resource usage. The Green Deal increases the EU climate ambition towards a 50-55% Green House Gass (GHG) emission reduction for 2030, requiring effective carbon pricing and the removal of fossil fuel subsidies. Well-designed taxes will play a direct role in steering sustainable practices of producers, users and consumers. The revision of the Energy Taxation Directive forms part of a group of policy reforms to deliver on this increased ambition for 2030 and should focus on environmental issues.

Taxation is a vital policy instrument to steer behaviours towards the right objectives. In this context, it will support the transition towards a climate neutral economy while also helping to bring additional public revenues for the recovery from the pandemic.

The **evaluation** of the **Energy Tax Directive (ETD),** published in September 2019**,** pointed out that the EU's energy taxation framework is significantly misaligned with other EU policies. Among others, the ETD currently does:

- not fulfil its potential in contributing to the reduction of greenhouse gas and air pollutant emissions;
- not contribute sufficiently to improvements in energy efficiency and in the sustainability of the energy mix;
- not provide sufficient incentives for investments in clean technologies in the relevant energy sectors which are expected to play a relevant role in enabling the energy transition

The key problems to be solved are threefold:

- **Persistence of fossil fuel subsidies**: Highly divergent national rates are applied together with a wide range of tax exemptions and reductions, to safeguard the competitiveness of EU industries and economies and pursue other national policies. The wide range of exemptions and reductions are de facto forms of fossil fuel subsidies, and not in line with the objectives of the European Green Deal. These exemptions concern important sectors, such as aviation and maritime transport that are currently fully exempt from energy taxation, while land transport bears an important burden of the energy taxation. All this increases the fragmentation of the Single Market and distorts the level playing field in the relevant sectors of the economy.
- **Lack of alignment** between the ETD and, among others, the EU Emission Trading System, the Renewables Directive and the Energy Efficiency Directive. The Directive does not adequately promote greenhouse gas emission reductions, energy efficiency, or use of alternative fuels (hydrogen, synthetic fuels, e-fuels, advanced biofuels, electricity, etc.). The ETD does not provide sufficient incentives for investments in clean technologies. The treatment of the business sector varies considerably, in particular energy intensive business and manufacturing sectors.
- **Lack of relevance for the Single Market**: The ETD no longer achieves its primary objective in relation to the proper functioning of the Single Market, as the minimum tax rates have lost their effect. In the absence of an indexation mechanism, their real value has eroded over time. Also, they no longer have a converging effect on national rates, as the vast majority of Member States tax most energy products considerably above the ETD minima.

Therefore the Commission intends to **revise the Energy Taxation Directive**, focusing on environmental issues. On 23 July 2020, citizens were invited to express their views in the **public consultation** of the proposal. This will be accompanied by appropriate **communication actions** highlighting the benefits of qualified majority voting in the area of taxation.

As long as many international partners do not share the same environmental ambitions as the EU, there is a risk of carbon leakage. This is either because production is transferred from the EU to other countries with lower emission reduction ambitions, or because EU products are replaced by more carbon-intensive imports. If this risk materialises, there will be no reduction in global emissions, and this would wipe out the efforts of the EU and its industries to meet the global climate objectives of the Paris Agreement. Should differences in levels of ambition persist worldwide, the Commission will propose a **Carbon Border Adjustment Mechanism**, for selected sectors. This would ensure that the price of imports reflects more accurately their carbon content. This measure will be designed to comply with World Trade Organization rules and other international obligations of the EU. It would be an alternative to the free allowances that currently address the risk of carbon leakage in the EU's Emissions Trading System.

General Objective 3: An economy that works for the people

Taxation Policy

The **EU and international corporate tax systems are in urgent need of reform**. They are not fit for the realities of the modern global economy and do not capture the new business models in the digital world. **I will stand for tax fairness – whether for bricks-and-mortar or digital businesses**. I will ensure that taxation of big tech companies is a priority.

Ursula von der Leyen, President

Following the COVID-19 crisis, the EU has to work on a fair and inclusive recovery for all. This means allowing our economies to grow while ensuring that social fairness and welfare come first. In terms of Union tax policy, this notably translates into fair taxation where everybody pays their fair share, to ensure sustainable public revenues and a level playing field for all taxpayers. It also means simplifying tax rules for entrepreneurs and innovators who create jobs, invest and innovate and foster economic growth.

It will be vital to support public finances through fair taxation. Actions to fight tax evasion and avoidance will help to ensure a fair burden-sharing between taxpayers and play a crucial part in raising much needed revenue as the recovery proceeds.

At the same time, removing obstacles for businesses and simplifying tax compliance – including through digital tools and self-compliance – will improve the business environment, increase competitiveness and contribute to economic growth. Tax administrations also need support to share best practices and coordinate, where appropriate, their actions, in particular to avoid divergent approaches that could negatively impact the smooth functioning of the Single Market.

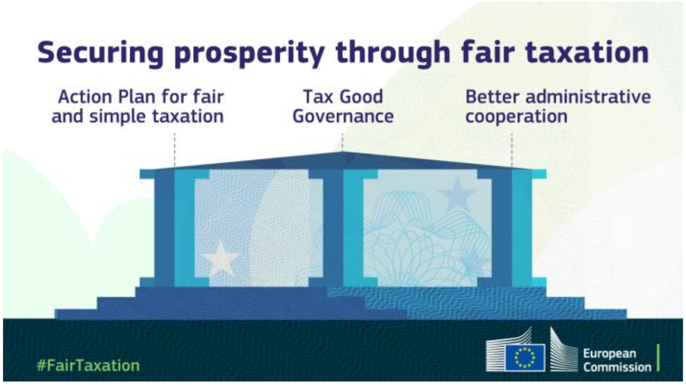
National tax policy measures will play a vital role in supporting the recovery, and through the European Semester the Commission will continue to ensure that the design of Member State's tax policies helps to boost investment and employment and to support social fairness.

Over the next five years, DG TAXUD aims to move the tax agenda forward by combining a very clear political drive with a more inclusive approach. The business community and citizens have an interest in supporting an ambitious tax agenda and should be included in this process. DG TAXUD will consider the appropriate level for action (global, EU, or national) and whether legislation or soft-law instruments, including recommendations within the European Semester cycle, are most suitable means to reach the tax policy goals.

Reforms to decision-making processes, including a move towards qualified majority voting, would also be instrumental.

Specific objective 3.1: Develop tax policy actions for a stronger, fairer and more efficient Single Market

Over the past 5 years, the economic and financial crisis had increased the pressure to consolidate public budgets and to promote efficient and growth-friendly tax systems. As Europe works to recover from the COVID-19 crisis, there will be a new focus on taxation policies supporting economic growth. At the same time, the level of public interest in restoring fairness to the international tax system will remain high in the coming years and there will be continued impetus to ensure that all companies making business in the Single Market pay tax where value is created.



To this end, in July 2020, DG TAXUD presented an **Action Plan for fair and simple taxation supporting the recovery strategy**. This included some key initiatives to tackle tax fraud and evasion, while also simplifying the tax systems to make compliance easier. The initiatives in the Action Plan are designed to respond to the dual challenge of the current COVID-19 pandemic crisis: supporting a swift economic recovery and ensuring sufficient public revenue in the EU.

The measures that shall be tabled in the course of this Commission mandate, aim at:

- **simplifying the legal framework** amending specific provisions of the VAT and excise duties rules to provide for legal certainty to taxpayers and to tax administrations;
- **reducing administrative burdens** for taxable persons having VAT liabilities in Member States in which they are not established by moving towards a single EU VAT registration;
- **making full use of digital solutions**, including data analytics and modernising VAT reporting obligations, possibly by real-time reporting to improve tax compliance, simplify rules and procedures (through e.g. one stop shop models),
- **updating VAT rules on certain sectors** (e.g. financial services, travel agents…) to ensure a level playing field within the Union and take into consideration the international competitiveness of EU companies in market segments with foreign competition;
- **adapting the VAT legal framework to the new business models** and technological developments (e.g. platform economy);
- **introducing a common EU-wide system for withholding tax relief** at source, accompanied by an exchange of information and cooperation mechanism
- **elaborating pragmatic solutions to transfer pricing problems** in the EU;
- **improving the prevention and resolution** of **tax disputes** within the EU

- **taking stock of taxpayers' rights** to improve the interaction of businesses and citizens with the tax administrations, simplify compliance and support young, innovative and micro businesses in particular;
- **engaging more with stakeholders**, including tax administrations, international organisations, third countries and citizens.

A deep reform of the business taxation system to fit the modern economy will remain a priority for the EU in the coming years. To this end, the Commission will put forward an **Action Plan for business taxation in the 21st century** before the end of 2020. It will be necessary to take a holistic approach to:

- make the current corporate tax rules fit for the modern economy
- support the digital transition, and
- tackle excessive tax competition in corporate taxation.

Online communication campaigns and stakeholder events will be organised to publicise the Action Plans on taxation. They will emphasize the benefits to citizens and businesses of the various initiatives, while underlining the basic goals of making taxation fairer, simpler, fit for the modern economy and aligned to the EU's wider objectives.

The OECD/G20 is expected to conclude the ongoing discussions at global level on the reform of the international corporate tax framework in 2020. This process will need to be followed up at EU level with a package of legislative and non-legislative measures. DG TAXUD will also continue to push for progress on the **Common Consolidated Corporate Tax Base** (CCCTB) – which can significantly simplify the Single Market for businesses while reducing opportunities for tax abuse.

The digitalisation of the global economy is happening fast and permeates almost all areas of society. Taxation should also be adapted to this development, to ensure long-term, sustainable revenues and an even burden-sharing for all companies, large and small. Companies that draw huge benefits from the Single Market should contribute to rebuilding it in the recovery phase. DG TAXUD will study the introduction of a digital tax that would build on OECD work on corporate taxation of a significant digital presence.

Taxation policy should also take advantage of technological developments to ensure more effective and easier collection of taxes. Smart tax policies can help in this respect. Tax administrations in Member States face similar challenges in responding to a more digitalised and globalised economy, in exploiting and administering the large potential of big data and data analytics, as well as other innovative technologies (e.g. blockchain) and in efficiently employing resources to ensure high tax (self) compliance.

Specific objective 3.2: Implement tax policy actions that contribute to more fairness and social justice

Tax fraud and evasion are a threat for sound public finances. Tax loss due to international tax evasion by individuals is estimated at €46 billion in 2016. The VAT gap (i.e. the difference between expected VAT revenues and VAT actually collected) is estimated to have been €137 billion in 2017, including cross-border VAT fraud of €50 billion.

Tax abuse undermines fair burden-sharing among taxpayers and tax morale in the EU. This feeds citizens distrust and damages social justice. 74% of Europeans demand more action at EU level to fight against tax fraud (2017 Eurobarometer). As the vast majority of citizens and businesses is willing to comply with tax rules, it is crucial to avoid imposing undue burden on them in the fight against a minority of fraudsters.

In the coming years, pending Commission proposals which have not yet been adopted should be pushed forward such as:

- the public Country-by-Country Reporting;
- the review of the VAT rates or;
- the definitive VAT regime to put an end to carousel fraud.

In addition, recently adopted proposals will have to be fully implemented such as:

- the VAT simplifications for SMEs;
- modernisation of the general arrangements for excise duties and;
- VAT payment data to develop the Central Electronic System Of Payment information (CESOP) to combat VAT fraud in the field of e-commerce.

DG TAXUD will work to strengthen administrative cooperation between tax authorities and with other authorities. Developing further the Eurofisc network to become a true EU capability against VAT fraud in cross-border transactions will be key in this respect. Updating the directive on administrative cooperation to address the identified shortcomings and expand its scope to an evolving economy will also be a step forward. DG TAXUD intends to set up an **EU Tax observatory** as an external body, in cooperation with the European Parliament, to facilitate evidence-based policy making and to stimulate a pan European debate on international tax issues.

The principle of fair taxation is not limited to the Single Market. The EU also invests heavily in promoting tax good governance globally and in supporting countries that need assistance in protecting and collecting sound domestic revenues. In July 2020, DG TAXUD presented a **new strategy for tax good governance, in the EU and beyond**, setting out the priority areas for action in this field over the coming years. President von der Leyen made clear in Commissioner Gentiloni’s mission letter that she wants the Commission to “develop stronger measures to combat harmful tax regimes around the world, including by making full use of the list of non-cooperative jurisdictions". The Commission has a central role in the **EU listing process**, and this is likely to grow in the years ahead. DG TAXUD will provide technical assessments and advice on jurisdictions' reforms and to propose strategic approaches to new issues as they arise. It will also continue to engage in very regular dialogue with the jurisdictions, at technical, diplomatic and political level on all issues related to tax good governance. Aggressive tax planning and illicit financial flows disproportionately impact developing countries, and many low income countries struggle in their capacity to secure sustainable revenues. In this context, DG TAXUD will work to ensure a high level of coherence between EU taxation policy and the EU's external policies to promote global good governance and support domestic resource mobilisation, in the context of the Sustainable Development Goals 2030.

The fight against tax abuse also puts strong focus on excise goods (alcohol products, energy products and tobacco). These have a high inherent fiscal risk, as their duty rates impose a taxation burden that is much greater than the net value of the goods. In addition, the duty rates that vary greatly from one Member State to another act as a strong incentive to fraudsters to divert excise goods from low-rate Member States and re-sell them illicitly in high-rate Member States. It is estimated that almost € 10 billion[1] is lost (including VAT fraud loss) due to tax fraud and tax avoidance only on tobacco products, while fuel fraud loss is estimated at € 4 billion[2].

Excise-related fraud is also a threat to internal security. Organised criminal groups exploit any vulnerabilities in the current legal system, including intra-community traffic, to carry out their activities. DG TAXUD will work on measures to reduce cross-border evasion, in particular the existing rules applied for private consumption. In addition, the current rules effectively make distance selling of excise goods impossible due to the high regulatory burden and costs involved for economic operators. DG TAXUD will look at simplification of these rules to minimise fraud and distortion of competition between economic operators based online and those with physical shops.

Tobacco and alcohol taxes are important behavioural taxes, which help in reaching public health improvement objectives. The **roadmap** for Europe's Beating Cancer Plan notes the pivotal role of taxation in reducing alcohol and tobacco consumption, in particular to deter youth from smoking and abuse of alcohol. In 2020, DG TAXUD will start the work on a possible **revision of the Tobacco Taxation Directive** as well as the rules for cross-

[1] Communication "Stepping up the fight against cigarette smuggling and other forms of illicit trade in tobacco products - A comprehensive EU Strategy" / COM(2013) 324 final

[2] Commission Staff Working document on the Evaluation of the Council Directive 95/60/EC of 27 November 1995 on fiscal marking of gas oil and kerosene, SWD(2019) 304 final

border acquisitons by individuals in the directive on the general arrangements for excise duties.

The globalisation and digitalisation of the economy, in particular e-commerce, increased exponentially the delivery of goods and services across and into the EU. Fraudsters exploit the opportunities offered by the e-commerce, with an estimated VAT loss of EUR 5 billion in 2015. **New VAT e-commerce rules, entering into force in 2021**, will oblige non-EU suppliers to pay VAT on all goods imported into the EU, thus diminishing the potential for fraud and evasion. At the same time, the effective control of these transactions will require an interoperability between tax and customs authorities at EU level, using the data available such as payment data on on-line purchases. Cooperation with third countries will be critical in the digital economy and the Commission will work towards an agreement with major EU trading partners. An integrated **communication campaign** will encourage the uptake of novel EU digital solutions for VAT registration and payment for online businesses and platforms.

DG TAXUD also plans to exchange with Member States on how legislation could be adapted to allow for the full exploitation of data gathered through the automatic exchange of tax information in a coordinated way. This could be a building block in the development of a **tax data strategy** and the development of a joint capacity for the analysis of tax data to improve compliance and to reduce administrative burdens. Similar work will be done on the customs side and DG TAXUD will look for complementarity in the approaches, which could culminate in a customs and tax data strategy proposal half way through the mandate.

Customs Policy

[...] take the **Customs Union to the next level**, equipping it with a stronger framework that will allow us to better protect our citizens and our single market [....] Propose an integrated E**uropean approach to reinforce customs risk management and support effective controls** by the Member States.

Ursula von der Leyen, President

In recent years, it became apparent that Member States' customs authorities are struggling to perform their various roles. Despite a major modernisation of EU customs legislation in 2016, there is evidence of problems such as misdeclaration of goods to avoid customs duties and VAT, and smuggling of unsafe goods. There are also concerns about imbalances between Member States in customs controls, which can lead to goods being diverted towards the weakest entry and exit points of the EU customs territory to avoid detection.

The catastrophic effect of the COVID-19 pandemic has confirmed the importance of ensuring intelligent management of the EU Customs Union. No matter what challenges arise for the EU, customs authorities are expected to remain at their posts, safeguarding the EU's revenues, the security and safety of supplies and the integrity of supply chains.

Changing business models including e-commerce put great strain on Member States' customs services, which have to deal with large and rapid trade volumes. UNCTAD estimated that the number of smaller parcels arriving by air, road or train last year was worth almost USD 29 trillion[3]. Customs data from Member States suggests that the volume of parcels that arrives at present in a month in the EU's biggest logistical centres today, will arrive in a single day within 5 years. Patchy enforcement at national level leaves the EU increasingly vulnerable to organised forms of cross-border fraud that cause large losses of revenue for the EU budget.

The **Union Customs Code** (UCC) provides the comprehensive framework for customs rules and procedures in the EU customs territory. It is a key element of the ongoing actions to modernise EU customs. Customs legislation is adopted at EU level, but its implementation is the responsibility of the national customs administrations. Therefore, there must be an equivalence of results by customs authorities operating in different geographical, budgetary and organisational conditions. The EU wide interoperable IT systems and uniform application of rules by all national customs administrations are crucial elements for the uniform application of the UCC.

In the coming years, DG TAXUD will bring forward **initiatives to make the Customs Union smarter and work better** for Member States, citizens and compliant businesses.

Specific Objective 3.3: Ensure the delivery of commitments on the implementation of the new customs legislation

DG TAXUD's long term objective is to ensure the full **implementation of the Union Customs Code legal package,** while adapting customs rules to modern trade realities and communication tools. The envisaged end result is a paperless and fully automated customs environment. The UCC package of legislative measures is already in force since 1 May 2016. The electronic systems required for the fulfilment of all customs formalities provided for in the Code are being developed in phases until 2025.

In Autumn 2020, DG TAXUD will present specific actions for the next five years, in an **Action Plan to take the Customs Union to the Next Level**, which will focus on:

- ensuring protection at our borders;
- promoting compliance with the rules;
- improving the governance of the Customs Union.

[3] A survey carried out in the first semester of 2019 within the DG TAXUD supported Customs Union Performance (CUP) Network of EU Member States estimated that between 450 million and 874 million of small consignments with a value below 22 EUR were imported for release for free circulation into the EU during 2018, based on information from 24 Member States. This figure is a proxy based on the use of either postal services (UPU) or express couriers.

DG TAXUD's role in the coming years is multi-fold:

- keep the legal framework up to date and ensure it is correctly applied;
- deliver the customs electronic systems on time together with Member States;
- operate and maintain a large portfolio of customs information systems.

From 2021, DG TAXUD will have to significantly increase the operational capacity of the transeuropean systems for Customs. This follows the deployment of trader portals and single EU access points, as well as the launch of new centralised and large scale systems, DG TAXUD will continue to be instrumental in supporting the electronic exchanges between traders and customs authorities and ensuring customs operations 24 hours a day, each day of the year.

DG TAXUD will continue to draw up, on a yearly basis, a **work programme with the key milestones for the development the electronic systems**. This is an important tool for the smooth transition from one system to the next. The work programme concerns national systems, developed and deployed by the Member States, and transeuropean systems, developed and deployed by the Commission and the Member States. The Commission will report on the progress and the national planning information by the end of each year, until all the Union Customs Code's electronic systems have been fully implemented.

DG TAXUD is preparing an **interim evaluation of the UCC package** (its legislation and electronic systems) to assess whether the package is still fit for purpose. This should be completed by end 2021 and DG TAXUD will follow up its recommendations. More specific monitoring exercises will also be launched to check compliance of Member States with the UCC rules on guarantees and on repayment and remission of customs duties. The work on compliance with the UCC rules will be completed with a project group working on a **harmonised system of customs infringements and sanctions**.

In addition, DG TAXUD will continue to work to adapt the customs legal framework and electronic systems to ensure the implementation of the VAT e-commerce package which will lift the current VAT exemption for imported goods of a value below €22, so called low-value consignments. Customs will, therefore, have to obtain customs declarations and collect VAT on a dramatically increased volume of imports, in addition to providing regular reports to tax authorities.

Improving governance of the Customs Union has been an objective for some time, even if somewhat overshadowed by the need to implement the UCC. To bring this activity to the next level, enhanced European-level oversight and monitoring of what is happening on the ground is needed to drive policy and operational activity. Key performance indicators for Member States need to be established at a EU level, and to be tracked and followed up on. This can be delivered through an upgrading of the **Customs Union Performance project** which may require legislative action to ensure the regular reporting of quality data by the Member States. Governance structures will then have to deliver appropriate policy and operational responses.

The day to day operations of the Customs Union require close co-operation between customs administrations themselves and also with the Commission. DG TAXUD will continue to fulfil its central role in these activities. All measures that are related to the Common Customs Tariff (CCT) are integrated in a single IT system, the **Integrated Tariff of the European Union (TARIC).** This system is critical for the uniform application of tariff measures by Member States and provides economic operators with a comprehensive view of all measures applicable when importing or exporting goods into/from the EU. DG TAXUD will continue to ensure that TARIC is regularly updated, for instance with the daily allocation of tariff quotas. On an annual basis this requires ca. 150 000 measures and descriptions to be either added or updated in the system. Besides TARIC, there are several other IT tools that ensure the uniform application of the tariff, such as European Binding Tariff Information (EBTI), Quota, Surveillance and European Customs Inventory of Chemical Substances (ECICS). In the coming years, there are several important developments foreseen in order to ensure more coherence and alignment between these systems.

Customs in the world

DG TAXUD will continue to negotiate, implement and strengthen international agreements covering customs matters. These include Customs Cooperation and Mutual Administrative Assistance Agreements (CCMAA), and customs related provisions in Free Trade Agreements (FTA), Economic Partnership Agreements (EPAs) and Partnership and Cooperation Agreements (PCAs). The objective is to facilitate legitimate trade, ensure efficient controls on safety and security, counter illicit trade and fighting fraud as well as to determine and ensure the correct application of rules of origin in coherence with EU trade and industry policy objectives. In addition to those currently in force, FTAs with Australia, Indonesia and New Zealand are currently under negotiation and are expected to come into force between now and 2024. This is in addition to the FTAs with Mercosur and Vietnam, and the modernised agreement with Mexico, where negotiations have already been concluded and are pending ratification.

Negotiations with other countries and organisations will start, resume or continue as well. DG TAXUD is leading the negotiations to modernise the **rules of origin** applied in the pan-Euro-Mediterranean (PEM) area (EU neighbouring countries), where the next step is the introduction of the modernised rules in the origin protocols of the bilateral preferential agreements with most PEM countries, expected to be effective between 2020 and 2021.

Finally, alignment of partner countries' legislation and practices with the EU acquis will continue to be pursued with **candidate and neighbouring countries**.

In line with the Action Plan for monitoring the functioning of **preferential arrangements**[4] and as underlined by the European Court of Auditors (ECA)[5], DG TAXUD will keep monitoring the functioning of the rules of origin of the EU preferential trade arrangements, with the objective to both safeguard the EU's financial interests and ensure fair trade between the EU and the beneficiaries of these arrangements. This monitoring will be used to identify areas where the rules could be improved and updated. The promotion of the use of Binding Origin information (Advance Rulings) for both preferential and non-preferential purposes will remain among the objectives of DG TAXUD in the coming years.

In addition, DG TAXUD will pursue work aimed at putting in place a functioning **Binding Valuation Information (BVI) system** by 2025. BVIs would play an important role in increasing predictability for traders, thus facilitating legitimate trade, while helping customs authorities in their task of ensuring efficient and effective controls.

DG TAXUD will also engage in a reflection on the way EU international customs cooperation is conducted. It will analyse whether the tools it has at its disposal, through the relevant international agreements, are still adequate in the light of the new challenges faced by customs notably e-commerce and will seek to extend and enhance them. This may include the development of initiatives such as facilitating the electronic exchange of customs documents and supporting risk management and supply chain security (such as customs-to-customs information exchanges, mutual recognition of Authorised Economic Operators and customs controls).

Specific Objective 3.4: Develop actions to facilitate legitimate trade and contribute to a full and fraud proof digital Customs Union

DG TAXUD will work to boost the competitiveness of the Union industrial community by adopting **autonomous tariff suspensions and quotas** measures. Such measures

provide EU manufacturing businesses with an opportunity to import raw materials, semi-finished goods or components that are not sufficiemtly available within the EU at zero or reduced duty rates. The lists of suspended products are announced twice a year by DG TAXUD.

Promoting compliance with customs formalities and procedures will strengthen the system for honest traders, and will allow customs to target their resources on high risk areas and operators. Important areas to be addressed under this mandate include :

- **improving the trusted trader** (Authorised Economic Operator - AEO) programme;
- **assessing the existing simplifications** for simplified declarations and entry into the declarants' records;
- **integrating e-commerce** business models in customs processes;

[4] COM(2014)105 Final of 26.2.2014
[5] Special Report 2/2014

- **engaging with business** on the clarification and simplification of rules;
- **extending monitoring** of preferential agreements and;
- **targeting capacity building** and assistance initiatives.

Customs enforces an increasing number of legislative measures at the EU borders. Traders would experience a significant reduction of administrative burden if all formalities at the border were handled at once, in a fully digital way. This requires not only digitalisation of all clearance processes at the border but also closer cooperation between customs and other regulatory authorities,

The EU **Single Window Environment for Customs initiative** brings these two challenges together and aims to link the interfaces of all regulatory government authorities at the border (customs, health, veterinary, environmental), at the time of import, transit and export. This Single Window will also enhance the electronic information sharing between all these entities. The project is at present in a pilot phase, linking a limited number of systems. DG TAXUD plans to table a legislative proposal to regulate the EU Single Window environment for customs by Q4 2020. An **impact assessment** will accompany the proposal. Online **communication actions** aimed at customs and regulatory authorities will support the legislative proposal. These activities also contribute to the general objective a Europe fit for the digital age.

With a solid 12 years experience, the **EU Authorised Economic Operator (AEO) Programme** has proven that granting benefits and facilitating trade access to trusted traders is an effective concept. It can ensure security of international supply chains without jeopardizing trade facilitation. In the coming years, DG TAXUD and the EU Member States will continue working on the harmonious implementation of the EU AEO Programme. This will include strengthening links with customs risk management and increasing traders' understanding of the programme.

DG TAXUD will also monitor whether the Member States have reassessed pre-existing authorisations in accordance with the UCC legal provisions, as well as Member States' implementation of customs simplifications, including the scope of their use, customs audits and controls, as well as the efficiency and effectiveness of the resources available. The monitoring will mainly focus on simplified declarations and entry into the declarants' records.

Following the **UK's withdrawal** from the EU (Brexit) on 1 February 2020, DG TAXUD continues to prepare for the end of the transition period on 31 December 2020, after which the UK will be treated like any other third country and Union law, including Union customs legislation, will apply to the movement of goods at the borders with the UK. Customs issues is a key priority for the EU team negotiating the future relationship with the UK. DG TAXUD services are involved in the negotiations regarding customs and taxation during the transition period.

EU support programmes

Specific Objective 3.5: Implement the EU programmes supporting EU tax and customs policy[6]

The Customs and Fiscalis as well the Customs Control Equipment Instrument will be essential to deliver on the agreed political priorities and to further the digitalisation and integration of customs processes and administrations. Real-time exchange of information between customs/tax administrations, interconnectivity between the IT systems of EU customs/tax administrations, the use of new technologies (block chain) and state of the art data analysis are key to support efficient tax and customs policy and to prevent revenue losses in public revenue.

The EU programmes "Customs" and "Fiscalis" are financing the operation of transeuropean IT systems for customs and taxation as well as the use of new technologies. In addition, the programmes fund concrete operational cooperation of Member States across the EU to work together on common challenges (such as transnational fraud and evasion) and to define and/or implement common solutions. Such operational cooperation is key in a governance model where the policy definition is at EU level, the implementation and operations however at national level.

In order to ensure that the Customs Union is adequately equipped and disposes of state of the art non-intrusive detection technology at all its border crossing points, the **new Customs Control Equipment Instrument** (CCEI – proposed budget €1,3 billion) will co-finance the acquisition of equipment for controlling the flow of goods entering into the EU. It will contribute to adequate, improved and equivalent results of customs controls through the financing of the purchase, maintenance, and upgrade of customs control equipment, by Member States at the EU land, sea, air and postal hubs or border crossing point as well as in customs laboratories. The creation of this new instrument responds to long-standing calls by a significant number of Member States, especially the newer Member States. DG TAXUD will roll out this new instrument as from 2021.

The new **Customs programme** (proposed budget €950 million) will support the functioning of the EU Customs Union and allow the EU customs administrations and officials to better carry out their four core duties:

- facilitating legitimate trade
- protecting the financial and economic interests of the EU and Member States;
- ensuring the security and safety within the Union
- protecting the Union from unfair and illegal trade.

[6] The ambitions and objectives of the EU programmes may have to be adjusted in view of the final amount assigned through the 2021-2027 MFF.

85% of the Customs programme is devoted to funding core IT systems that are legally required by the Union Customs Code.

Similarly, the new **Fiscalis programme** (proposed budget €270 million) will support the EU tax authorities and tax officials to:

- enhance the functioning of the Single Market;
- foster fair competition in the Union;
- improve tax collection and
- protect the financial and economic interests of the Union and its Member States, including from tax fraud, tax evasion and aggressive tax planning.

A large part of Fiscalis funding is devoted to IT system development and support.

General Objective 5: Promoting our European Way of Life

Specific Objective 5.1: Work towards an integrated European approach to reinforce customs risk management and support effective controls

Customs authorities nowadays have an enormous range of supervisory and control responsibilities, in addition to their traditional task of collecting customs duties, VAT and excise duties on goods imported into the EU customs territory. New EU legislation in other policy areas often brings new responsibilities for customs, and this is likely to continue. For example, customs are already required to share trade flow data with market surveillance authorities and are likely to face further requests for data sharing. If an EU-wide carbon border adjustment tax (*see 1.1*) is agreed, depending on the nature of the mechanism, customs would also be likely to play a role in its collection.

Analysis capabilities and risk management

The area of protection covers both revenue and non-revenue aspects of customs work. In the coming years, strengthened EU customs supervision, control and risk management processes should assist Member States to better protect the financial interests of the Union, and should contribute to greater security and safety in the Single Market.

A joint EU layer of customs data intelligence and analysis capabilities is a key feature in the further development of the Customs Union. This EU layer should exploit the wealth of data available from customs and non-customs sources, and provide tools to share and interlink the data. The EU Joint Analytics Capabilities (JAC) initiative should complement the information and tools already available to Member States and result in:

- more focused, efficient and cost effective controls;
- rationalisation of the use of resources.

The JAC initiative will address revenue issues as a priority. Therefore, the **cooperation with tax authorities** and the exchange of data is essential, as already proven by the actions to tackle VAT fraud through Customs procedures. In the next years, it needs to be examined how data available to tax authorities, such as payment data, can be integrated with customs data, to tackle new challenges for instance related to e-commerce.

Risk management is pivotal to customs controls. Given the substantial volumes of goods coming in and out of the customs territory, customs authorities cannot examine all of these on an individual basis. Customs authorities already perform risk management on the basis of an EU-wide common risk management framework. This is comprised of common risk criteria and standards, measures to exchange risk information, and the performance of electronic risk analysis. The central principle is a two lines of defence strategy: (i) assessing in advance, and (ii) controlling when and where required. The existing **EU-wide Customs Risk Management Framework** (CRMF) is based on electronic risk analysis. It is designed to face the challenges arising from the now overwhelming amount of e-commerce goods entering the EU customs territory. The future risk management framework should cover financial as well as non-financial risks, including security, safety, health and protection of IPR. In the coming years, the Commission intends to revisit the current risk management strategy and include:

- analysis of big data,
- expand the data sources,
- leverage joint analytics capabilities.

Customs controls

From a protection perspective, analysis capabilities will support customs' detection of non-financial threats, including managing prohibitions and restrictions or a customs crisis response. Customs authorities must control an increasing number of prohibitions and restrictions. To be able to support effective controls, customs needs to ensure coherence of the specific prohibitions and restrictions legislations with the customs legislation. To strengthen protection at the external borders, DG TAXUD will lead the overhaul of advance cargo risk management, investing in the **new Import Control System** (ICS2) with new and better quality data, new real-time collaborative risk management processes and new risk analysis capabilities.

The ICS2 will be introduced progressively over 2021-2024. It will begin with air postal and express packages in 2021 and progress across air, maritime, road and rail cargo in 2023 and 2024. DG TAXUD will work closely on this with the Member States' customs and other Commission services and EU agencies. DG TAXUD will also organise a worldwide **communications campaign**, to ensure that traders are aware and ready for the changes that ICS2 will bring.

These capabilities could complement existing European fora and customs could be empowered to cooperate and exchange information with Eurofisc, OLAF, Europol and Financial Intelligence Units, where appropriate and feasible in the context of the threat.

Supporting effective controls by the Member States also entails maintaining and developing the customs laboratories and organising various activities to share/increase their capacity and their expertise.

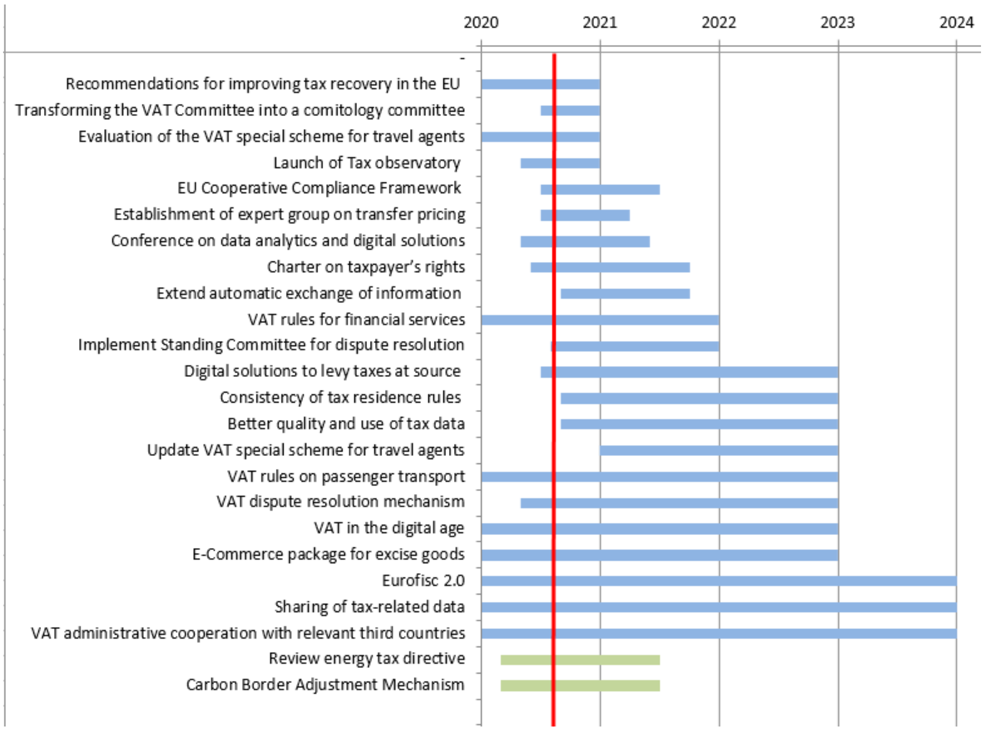
The **Customs Control Equipment instrument** (*see 2.5*) will provide the means to support Customs administrations in acquiring the necessary equipment.

Improved analysis capabilities, risk management and controls should benefit in particular the following areas:

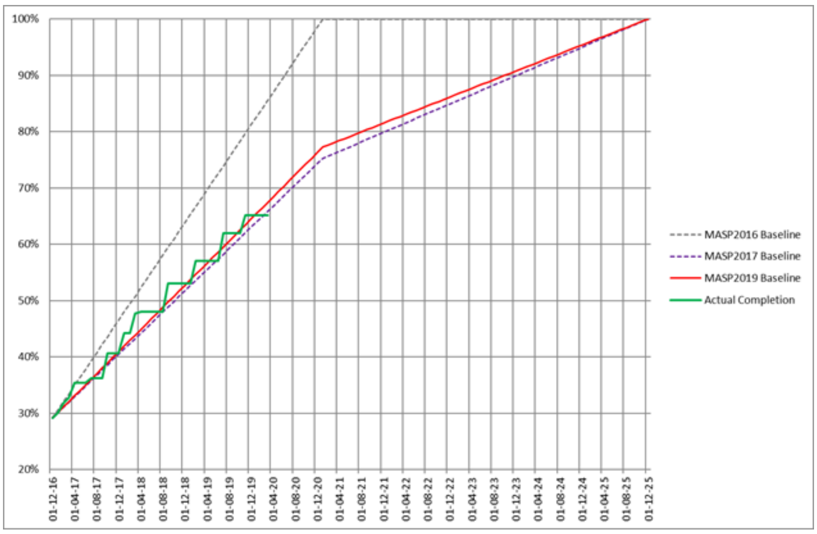
- The fight of Intellectual Property fraud with the implementation of the **EU Customs Action Plan to combat IPR infringements** for the years 2018-2022.
- **Controls on cash entering or leaving the EU** widening as from June 2021 the scope of the controls and enhance cooperation between customs and Financial Intelligence Unit's (FIUs) in each Member State. This will implement the Financial Action Task Force's (FATF) international standards on combating money laundering and terrorism financing.
- Controls on the illegal **import of cultural goods**.
- Combat the illegal import of chemicals used in illicit synthetic drug manufacture, the so called **drug precursors**.

D. Key performance indicators

- KPI-1: Tax Action Plan Implementation Indicator (see page 32-33-34)



- KPI-2: Modernisation and simplification of the Union Customs legislation (see page 34-35)



PART 2. Modernising the administration

DG TAXUD will continue to strive for excellence in the coming years. Collaborative working will remain the key characteristic of DG TAXUD's working culture, looking for synergies between customs and tax, as well as different types of expertise. DG TAXUD will continue to improve its internal organisation and working methods in view of the experience gained during the COVID-19 lockdown.

DG TAXUD will do the necessary to remain an agile organisation, staying tuned with opportunities provided by new technologies. The DG will pay special attention to preserving its organisational memory. Two-way communication with staff will remain a key principle in DG TAXUD.

As a modern public administration, the Commission implements an internal control framework inspired by the highest international standards. The Commission's system covers all the principles of internal control identified in the Committee of Sponsoring Organizations of the Treadway Commission 2013 Internal Control framework, including financial control, risk management, human resource management, communication and the safeguarding and protection of information.

DG TAXUD has established an internal control system tailored to its particular characteristics and circumstances, and regularly assesses its implementation and overall functioning. This assessment is based on indicators, the most strategic of which are listed in this section of the strategic plan.

A. Human resource management

DG TAXUD needs to invest continuously in a competent and engaged workforce, to be able to deliver effectively on the Commission's priorities,. The DG ensures a high level of competence of its staff in a number of ways. In terms of recruitment of new staff, DG TAXUD will continue to make use of the two specialist competitions in the field of customs and taxation. This way, it will reinforce the personnel with the right set of skills and relevant knowledge.

At the same time, DG TAXUD will develop further the competence of existing staff. It intends to design a learning and development strategy, involving learning paths specifically targeted at customs and taxation specialists. It also plans to improve further its knowledge management strategy. This addresses, among other things, the risks presented by the fact that a substantial number of colleagues are approaching retirement age.

Moreover, DG TAXUD intends to look at how its existing staff capacity can best respond to future HR requirements. To this end, it will put in place a mechanism to map the tasks and skills covering all activities of the service. By comparing the current workforce with the required future demand, it will identify potential gaps in terms of recruitment, redeployment, learning and development. DG TAXUD will complement these actions by careful monitoring of staff movements. It intends to reinforce HR reporting processes and to analyse better the reasons for staff departures to other DGs or EU institutions.

The focus on an engaged workforce is a central part of DG TAXUD's work culture. Internal communication will continue to stimulate dialogue, collaboration and sharing across the different Directorates and with other Commission services. Moreover, nurturing a culture of trust and supporting senior management in maintaining high levels of transparency and, when necessary, facilitating organisational change and development, will continue to be among the top priorities. The DG will maintain the efforts invested in listening to, and following-up on, staff wishes and concerns, to ensure that DG TAXUD staff do not lose their commitment and motivation.

DG TAXUD remains committed to contributing to gender equality at all levels of the management. In order to be better equipped for the delivery for the Commission's priorities, it has carried out a rotation of Heads of Unit. These middle management changes are a chance both to prepare the organisation for new responsibilities and to offer the possibility for further female first appointments.

DG TAXUD will develop a local HR strategy with a medium to long-term outlook (3–5 years) in order to ensure the effective management of human resources and to optimise the capacity to deliver on priorities in this strategic plan. This will be consistent with the overall corporate HR strategy. It will include the actions mentioned above.

Objective: DG TAXUD employs a competent and engaged workforce and contributes to gender equality at all levels of management to effectively deliver on the Commission's priorities and core business	
Indicator 1: Number and percentage of first female appointments to middle management positions **Source of data**: Commission Decision SEC(2020)146 of 1 April 2020	
Baseline (female representation in management) (1 December 2019)	**Target**[7] (2024)
30% (6 out of 20)	4 first female appointments by 2022

[7] The target will be reviewed for the period 2023-2024 by January 2023

Indicator 2: **Source of data:** Commission staff survey	
Baseline (2018)	**Target** (2024)
EC=69% and TAXUD=75%	DG TAXUD aims to maintain a staff engagement index that is higher than the Commission average and at least as high as in 2018.

B. Sound financial management

To provide the Authorising Officer by Delegation with a reasonable assurance as regards legality and regularity of transactions, the Directorate-General's control system encompasses the following dimensions:

- the review and follow-up of exceptions and non-compliance instances;
- the review and follow-up of the effectiveness of the internal control framework;
- the follow-up of the implementation of audit recommendations both from the Internal Audit Service and the European Court of Auditors;
- implementation of the DG TAXUD Anti-fraud strategy with focus on fraud and ethics awareness raising amongst staff;
- an effective control system for procurement and grants financial transactions based on extensive ex-ante verifications with little or no error at the moment of payment.

For procurement, all errors and irregularities (if any) are corrected before the actual payment. **The error rate is therefore close to zero.**

As far as grants are concerned, DG TAXUD's grants have the particularity of having beneficiaries directly defined in the Customs/Fiscalis and Customs Control Equipment Instrument legal acts (i.e. the Member States' Customs and Tax administrations). There are no open calls for proposals. The control strategy for grants includes the following steps:

- Upon receipt of the National Administration's financial report, basic and high level checks are performed.
- The report is provisionally closed and settled (either via an additional payment or a recovery order).
- Detailed ex-post on the spot audits with recoveries if and when possible.

This control strategy for procurement as well as for grants allows the error rates and amount at risk to be kept at low level (*cf. below indicators*).

The COVID-19 crisis has made it clear that paperless management of the complete expenditure lifecycle is of the utmost importance. DG TAXUD will actively contribute to the on-going corporate endeavours to rollout the new eProcurement/eGrants platforms and toolsets, which will enable such electronic and paperless management of all financial transactions. DG TAXUD commits to implement these new tools according to the planning defined at corporate level.

Objective: The authorising officer by delegation has reasonable assurance that resources have been used in accordance with the principles of sound financial management, and that cost-effective controls are in place which give the necessary guarantees concerning the legality and regularity of underlying transactions	
Indicator: Estimated risk at closure **Source of data:** DG TAXUD's annual activity report	
Baseline (2018)	**Target** (2024)
0,41%	< 2% of relevant expenditure

C. Fraud risk management

DG TAXUD is a policy DG with a relatively small budget, managed and implemented in a centralised approach. The fraud risk environment in this particular context shows relatively low budget spending, but with high IT expenses, a relatively high proportion of external staff (intra-muros IT experts and Seconded National Experts) and highly political sensitive files/issues.

DG TAXUD's anti-fraud strategy focusses on developing a strong anti-fraud culture within the Directorate-General, through awareness raising activities on potential fraud risks and ethical behaviour among DG TAXUD staff. The strategy furthermore ensures active cooperation with OLAF and the integration of fraud aspects into the SPP cycle of the DG.

The current anti-fraud strategy (valid for the period 2018-2020) will be reviewed and aligned with the 2019 Commission Anti-Fraud Strategy, and the Commission anti-fraud actions for which DG TAXUD is in lead or co-lead will be integrated in DG TAXUD strategy to be implemented by end 2024

As before, DG TAXUD's anti-fraud trategy will be reviewed every 2 years. Monitoring of actions in the DG's anti-fraud strategty will be done on a yearly basis.

Objective: The risk of fraud is minimised through the application of effective anti-fraud measures and the implementation of the Commission Anti-Fraud Strategy[8] aimed at the prevention, detection and correction[9] of fraud	
Indicator: Implementation of the actions included in DG TAXUD's anti-fraud strategy over the whole strategic plan lifecycle (2020-2024) **Source of data:** DG TAXUD's annual activity report, DG TAXUD's anti-fraud strategy, OLAF reporting	
Baseline (2018)	**Target** (2024)
95%	100% of action points implemented in time

D. Digital transformation and information management

DG TAXUD participates actively in the Data, Information & Knowledge Management programme to transform the Commission in a data-driven organisation. DG TAXUD adopted a data strategy that sets the direction to evolve the maturity of the service in terms of using data for policy-making and decision-making, increase the data skills of its staff, manage data as a real asset and provide the right tools and computing power to manage and analyse data.

In the next years, DG TAXUD will continue to ensure compliance with the internal data protection regulation (IDPR). One of the key action points will be to maintain the awareness of staff on the data protection requirements. This will be achieved amongst others by

- an annual targeted event for middle managers;
- general as well as specialised training events for staff;
- targeted communication through the weekly newsletter.

In the context of the trans-European IT systems for customs and taxation, DG TAXUD will closely cooperate with Member States to ensure compliance and, where appropriate, conclude data protection arrangements.

DG TAXUD will continue to ensure that appropriate processes and procedures are in place to ensure that the DG's document management is secure, efficient and compliant with the e-Domec principles. It will support the corporate efforts to modernise the existing document management principles. Regular monitoring and follow up actions of the network of DMO correspondents in the DG will be maintained.

[8] Communication from the Commission 'Commission Anti-Fraud Strategy: enhanced action to protect the EU budget", COM(2019) 176 of 29 April 2019 – 'the CAFS Communication' – and the accompanying action plan, SWD(2019) 170 – 'the CAFS Action Plan'.

[9] Correction of fraud is an umbrella term, which notably refers to the recovery of amounts unduly spent and to administrative sanctions.

The degree of implementation of the digital strategy principles has been calculated for the three most important IT solutions. The New Computerized Transit System (NCTS) is fully automating the transit flows of goods across the 34 Countries of the Transit conventions enabling paperless E-CUSTOMS services. The central electronic system for payment information (CESOP) supports Member States' investigation and detection of suspected VAT fraud. Finally, the Import Control System (ICS2) will underpin the EU customs pre-arrival security and safety programme and will be one of the main contributors towards to reinforce customs risk management.

Objective: DG TAXUD is using innovative, trusted digital solutions for better policy-shaping, information management and administrative processes to forge a truly digitally transformed, user-focused and data-driven Commission		
Indicator 1: degree of implementation of the digital strategy principles by the most important IT solutions **Source of data**: DG TAXUD		
Baseline (2020)	**Interim milestone** (2021)	**Target** (2024)
New Transit Computerised System (NCTS) 50%	77%	90%
Central Electronic Systems for Payment Information (CESOP) 25%	50%	100%
Import Control System 2 (ICS2) NA – under development	*91%*	91%
Indicator 2: Percentage of DG TAXUD's key data assets for which corporate principles for data governance have been implemented **Source of data:** DG TAXUD Local Data Correspondent		
Baseline 2020	**Interim milestone** (2022)	**Target** (2024)
10%	50%	80%
Indicator 3: Percentage of staff attending awareness raising activities on data protection compliance **Source of data:** DG TAXUD		
Baseline (2018)	**Interim milestone** (2021)	**Target** (2024)
0% of staff	40% of staff	100% of staff

E. Sound environmental management

DG TAXUD aims to remain a first-class, exemplatory environmentally-friendly service in the Commission and contribute actively to the Commission Action Plan on the Green Deal. Within the corporate EMAS framework, DG TAXUD will continue to actively promote the greener approach incorporated in its working methods.

DG TAXUD will continue to raise awareness both internally and with Member States, and encourage plastic and waste free conferences and expert meetings. It will use green supplies and limit the paper versions of documents, both for participants at meetings and for interpreters. Awareness of these efforts within the DG is high and the 'bring your own cup' is already a well-established practice.

DG TAXUD will continue its actions like :

- the **installation of common printers with personal connection** to reduce paper consumption.
- **reduction of single use items for meetings**,
- use of **waste sorting stations**
- rationalize the use of office supplies within the DG and **minimize the use of plastic** items and paper.

DG TAXUD will also continue working on more structural initiatives. The DG is already well-equipped digitally and will be further promoting the maximum use of digital tools. For instance, a wider use of video-conferencing will be encouraged, replacing face-to-face meetings and the related travel, when appropriate. As additional benefit, this will allow the DG to react with agility to unplanned events or crises like COVID-19. The impact of all actions will be monitored.

ANNEX: Performance tables

General objective 1: European Green Deal		
Impact indicator 1: Greenhouse gas emissions intensity of energy consumption		
Explanation: Taxation is a powerful tool for steering the behaviour of both producers and consumers in order to help reduce carbon emissions and to promote more sustainable choices. The review old the Energy tax Directive and the introduction of the Carbon Border Adjustment Mechanism will contribute to other EU policies in the fight against climate change **Origin of the indicator**: Monitoring Mechanism Regulation (EU) No 525/2013; EU Sustainable Development Goal indicator **Source of the data**: Eurostat (Eurostat online data code: sdg_13_20)		
Baseline (2017)	**Interim milestone** (2022)	**Target** (2024)
86.7	Decrease	Decrease
Impact indicator 2: Share of renewable energy in gross final energy consumption		
Explanation: A new energy taxation framework in line with other EU policies on climate and energy will provide the right price signal to consumers of energy products and therefore encourage a higher participation of less polluting fuels in the energy mix. **Origin of the indicator**: Renewable Energy Directive (EU) 2018/2001; EU Sustainable Development Goal indicator **Source of the data**: Eurostat (Eurostat online data code: sdg_07_40)		
Baseline (2018)	**Interim milestone** (2022)	**Target** (2024)
18.88%	20%	32%

Specific objective 1.1: Design tax policy actions to build the first carbon neutral continent by 2050		Related to spending programme: Fiscalis
Result indicator 1: Tax Action Plan Implementation Indicator (KPI-1)		
Explanation: This indicator monitors the policy work carried out by the DG, measuring if and when DG TAXUD delivers on key actions, giving a percentage of the actions implemented over time. This indicator will measure as percentage how many of the actions planned by DG TAXUD under this specific objective are launched respectively completed. The ratios used will be Actions Planned/Launched and Actions Planned/ Completed) Information on DG TAXUD actions are gathered from policy documents such as communications and action plans. For proposals (directive, regulations, decisions and recommendations), the indicator of effective implementation is adoption by the Commission; for studies, acceptance by the Commission of the final report; for the remaining actions, delivery of reports on results achieved. **Source of data:** DG TAXUD		
Baseline (2020)	**Interim milestone** (2022)	**Target** (2024)
0%	See planned dates initiatives	100%

General objective 3: An economy that works for the people		
Impact indicator 1: **Intra-EU trade in goods and services (% of GDP)**		
Explanation: The taxation and customs policy will ultimately contribute to a better functioning Single Market with taxation related actions influencing in particular the inside dimension of the Single Market whereas customs policy impacts in particular conditions at the external border of the Single Market. Both tax and customs policy are working towards creating a smoother environment for taxpayers and traders to operate with the intra-EU trade in goods and services as exponents of these improved conditions.		
Origin of the indicator: EUROSTAT Data		
Source of the data: Eurostat, Balance of payments (Eurostat online data code: bop_gdp6_q)		
Baseline (2019)	**Interim milestone** (2022)	**Target** (2024)
43.5% (goods)	Increase	Increase
10% (services)	Increase	Increase

Specific objective 3.1: Develop tax policy actions for a stronger, fairer and more efficient Single Market		Related to spending programme: Fiscalis
Result indicator 1: **Tax Action Plan Implementation Indicator (KPI-1)**		
Explanation: This indicator monitors the policy work carried out by the DG, measuring if and when DG TAXUD delivers on key actions, giving a percentage of the actions implemented over time. This indicator will measure as percentage how many of the actions planned by DG TAXUD under this specific objective are launched respectively completed. The ratios used will be Actions Planned/Launched and Actions Planned/ Completed) Information on DG TAXUD actions are gathered from policy documents such as communications and action plans. For proposals (directive, regulations, decisions and recommendations), the indicator of effective implementation is adoption by the Commission; for studies, acceptance by the Commission of the final report; for the remaining actions, delivery of reports on results achieved. *This is illustrated by the graph on page 28.*		
Source of data: DG TAXUD		
Baseline (2020)	**Interim milestone** (2022)	**Target** (2024)
0%	See planned dates initiatives	100%
Result indicator 2: **Member States' compliance with EU Tax and Customs Law**		
Explanation: Measurement of the work carried out in relation to the compliance of EU tax and customs law in the Member States		
Source of data: DG TAXUD		
Baseline (2020)	**Interim milestone** (Yearly)	**Target** (2024)
▪ Number of infringement cases closed in NIF ▪ Number of EU PILOT cases closed ▪ Number of newly opened cases (in both EU PILOT and NIF) ▪ Number of non-communication cases closed in NIF ▪ Number of newly opened non-communication cases in NIF	Values will be measured each year in December	▪ Attaining compliance with EU law by Member States and supporting implementation of important tax and customs policy objectives ▪ Where possible, attaining compliance with EU law by Member States at the stage of the EU PILOT ▪ Keep the number of pending non-communication cases to a minimum.

Specific objective 3.2: Implement tax policy actions that contribute to more fairness and social justice		Related to spending programme: Fiscalis
Result indicator 1: Tax Action Plan Implementation Indicator (KPI-1)		
Explanation: This indicator monitors the policy work carried out by the DG, measuring if and when DG TAXUD delivers on key actions, giving a percentage of the actions implemented over time. This indicator will measure as percentage how many of the actions planned by DG TAXUD under this specific objective are launched respectively completed. The ratios used will be Actions Planned/Launched and Actions Planned/ Completed) Information on DG TAXUD actions are gathered from policy documents such as communications and action plans. For proposals (directive, regulations, decisions and recommendations), the indicator of effective implementation is adoption by the Commission; for studies, acceptance by the Commission of the final report; for the remaining actions, delivery of reports on results achieved. *This is illustrated by the graph on page 28.* **Source of data:** DG TAXUD		
Baseline (2020)	**Interim milestone** (2022)	**Target** (2024)
0%	See planned dates initiatives	100%

Specific objective 3.3: Ensure the delivery of commitments on the implementation of the new customs legislation		Related to spending programme: Customs
Result indicator 3: Modernisation and simplification of the Union Customs legislation (KPI-2)		
Explanation: The Union Customs Code completes the shift to a paperless and fully electronic customs environment and guarantees interoperability of national customs IT systems, while streamlining legislation and procedures. A Work Programme has been adopted and is reviewed at set intervals to ensure the complete deployment of the electronic systems by 2025. The Modernisation and simplification of the Union legislation indicator monitors the percentage of completion by the Commission, of the implementation of the IT part of this Work Programme; it is based on up-to-date information about the status of each of the (17) IT system implementation projects planned in this Work Programme, assessed over the whole project cycle (from analysis of business requirements through business case, vision, implementation, to transition to operations). On a periodic basis (monthly or quarterly), each TAXUD IT Project Manager provides status information concerning the completion of 8 key project milestones as compared to baseline in this Multi-Annual Strategic Plan. The overall percentage of completion is then computed by weighting the estimated completion of each project by its estimated complexity. *This is illustrated by the graph on page 28.* Remark: The indicator focuses on the progress of the Commission's activities; in parallel, activities carried out by the Member States are also measured over time as they are complementary to the Commission's. **Source of data:** DG TAXUD		
Baseline 2020	**Interim milestone** 2022	**Target** 2025
65% implementation of the work programme (mid-march 2020) - Systems for which the Commission's work is completed: REX1; BTI; Customs Decisions Iter.1 (update to 2015 specs); UUM&DS Rel.1 (User Management); AEO;	85% implementation of the work programme	100% implementation of the work programme (95% by end of 2024)

EORI2; SURV3; Commission's contribution to Special Procedures EXP and IMP; - <u>Systems still under implementation:</u> REX2 FTA; Customs Decisions Iter.2 (full UCC support); UUM&DS Rel.2 (digital signature for ICS2 and eAFA); PoUS; NCTS Phases 5 and 6; Trans-European AES; Information Sheets for Special Procedures; Centralised Clearance; GUM; ICS2		

Result indicator 4: Member States' uniform implementation of the EU Tariff (CCT)

Explanation: The Surveillance database contains information on import and export transaction extracted from Member States' customs declaration systems. The TARIC database contains all the measures in the Common Customs Tariff (CCT). By comparing TARIC with Surveillance data the compliance of the Member States data can be be automatically identified (credibility checks). This is very important in order to ensure the quality of the data in Surveillance which is used in various Union policy areas. Member States uniform implementation of the CCT can be measured by the volume of non-credible and inconsistent Surveillance Data Records (SDRs) prior and after credibility checks.

Source of data: DG TAXUD

Baseline 2020	**Interim milestone** 2020-2024 (annually)	**Target** 2024
Starting of measurement	Decreasing trend of non-credible Surveillance Data Records (SDR)	Significant decrease of non-credible SDRs
Credibility checks on 450 codes **Indicator on compliance**	100% Increase of codes covered *Indicator 4 is also a compliance indicator*	300 % Increase of codes covered

Specific objective 3.4: Develop actions to facilitate legitimate trade and contribute to a full and fraud proof digital Customs Union	Related to spending programme: Customs

Result indicator 5: Legitimate Trade Facilitating Indicator

Explanation: The evolvement of legitimate trade facilitation is the result of the implementation of the simplifications provided for under the Union Customs Code (UCC) and the willingness of companies to apply for Authorised Economic Operator status (AEO). AEO authorised companies benefit significantly more from these simplifications as a reward for introducing compliance in their standard business processes.. The evolvement is measured through two components:

- Uninterrupted response to Union industry requests for autonomous tariff suspensions and quotas to enhance its competitiveness;
- the evolution of valid Authorised Economic Operators

Source of data: Member States

Baseline (2020)	**Interim milestone** (2022)	**Target** (2024)
- Uninterruped response to quota/suspension requests	- Uninterrupted	- Uninterrupted

- Number of traders with AEO status: 18 400 valid AEO authorisations on 31/12/2019	- Remain stable or increase	- Remain stable or increase

Specific objective 3.5: Implement the EU programmes supporting EU tax and customs policy		Related to spending programmes: Customs Fiscalis Customs Control Equipment Instrument

Result indicator 6: Programme performance Indicator

Work is in progress for establishing the indicators for the programmes. The core performance indicators that are part of the legal programme proposal will be added after the adoption of the initiative.

Explanation: The indicator will of different components like for example under the present programmes:

- Availability of European Information Systems and of the Common Communication Network (in percentage terms)
- Collaboration Robustness Indicator (degree of networking generated, number of face-to-face meetings, number of on-line collaboration groups)
- F&C2020 Learning Index (Learning modules used; number of officials trained; quality score by participants)
- Union Law and Policy Application and Implementation Index (number of actions under the Programme organised in this area and recommendations issued following those actions)
- Best Practices and Guideline Index (number of actions under the Programme organised in this area; percentage of participants that made use of a working practice/guideline developed with the support of the Programme)
- Only for CUSTOMS: Use of key European electronic systems aimed at increasing interconnectivity and moving to a paper-free Customs Union (number of messages exchanged and consultations carried out)

Result indicator 7: Customs Control Equipment Instrument

Explanation: *Work is in progress for establishing the indicators for the CCEI. These will be added after the adoption of the initiative*

Source of data: DG TAXUD

Baseline (2020)	**Interim milestone** (2022)	**Target** (2024)
TBA	TBA	TBA

General objective 5: Protecting our European way of life
The activities developed by DG TAXUD under this general objective contribute to safeguarding of internal security within the European Union by strengthening the external border. These activities contribute indirectly to realisation of the impact indicators for this general objective by focusing on the creation of part of the necessary conditions for ensuring internal security.

Specific objective 5.1: Work towards an integrated European approach to reinforce customs risk management and support effective controls	Related to spending programmes: Customs

Result indicator 8: **Implementation of security-related customs risk management actions indicator**

Explanation:

The 2014 EU Strategy and Action Plan for customs risk management identified 22 sets of actions (covering 54 sub-actions in total) under seven objectives to improve customs risk management in the EU. The Action Plan provides an indicative timing for the implementation of the various actions, ranging from 2014 to 2020.

This result indicator measures the level of completion/implementation of the security related measures/actions in the Action Plan. The target is to complete actions contained in the Action Plan, in accordance with the indicative timing provided in this Action Plan .

The Commission plans to reshape and strengthen the current Risk Management Strategy and Action Plan to achieve an even more responsive and structured approach to risk management. The new strategy which shall be adopted in the 1st quarter of 2021will aim to strengthening the framework in the first place by leveraging on the proposed new joint analytics capabilities. It will also develop a sound and efficient governance for addressing financial risks in the context of the implementation of the Commission's decision of 2018 on Financial Risk Criteria. It also aims to strengthen the current risk management process for non-financial risks such as security, safety (including food and feed safety), public health, animal and plant health, protection of Intellectual Property Rights, cash controls and consumer protection. This indicator will measure the progress made with the implementation of these actions.

In addition, the new strategy will also include a monitoring system that will make it possible to evaluate its progress and results iteratively.

Source of data: DG TAXUD

Baseline (2020)	**Interim milestone** (2022)	**Target** (2024)
100% of the existing action plan activities implemented	See dates in the action plan	100% of the new action plan activities implemented

Result indicator 9: **Implementation of Joint Analytics Capacities initiative**

Explanation:

TAXUD will establish an EU layer of joint analytics capabilities, consisting of EU level data and of Union wide data analytics tools and data platforms for customs supervision, control and risk management processes..

This result indicator measures the level of completion/implementation of the actions contained in the Action Plan, in accordance with the indicative timing provided in this Action Plan

Source of data: DG TAXUD

Baseline (2020)	**Interim milestone** (2022)	**Target** (2024)
0	See dates set in the TAXUD data lab action plan	100%