TradeWatch

Insights – EMEIA

Issue 1 2026

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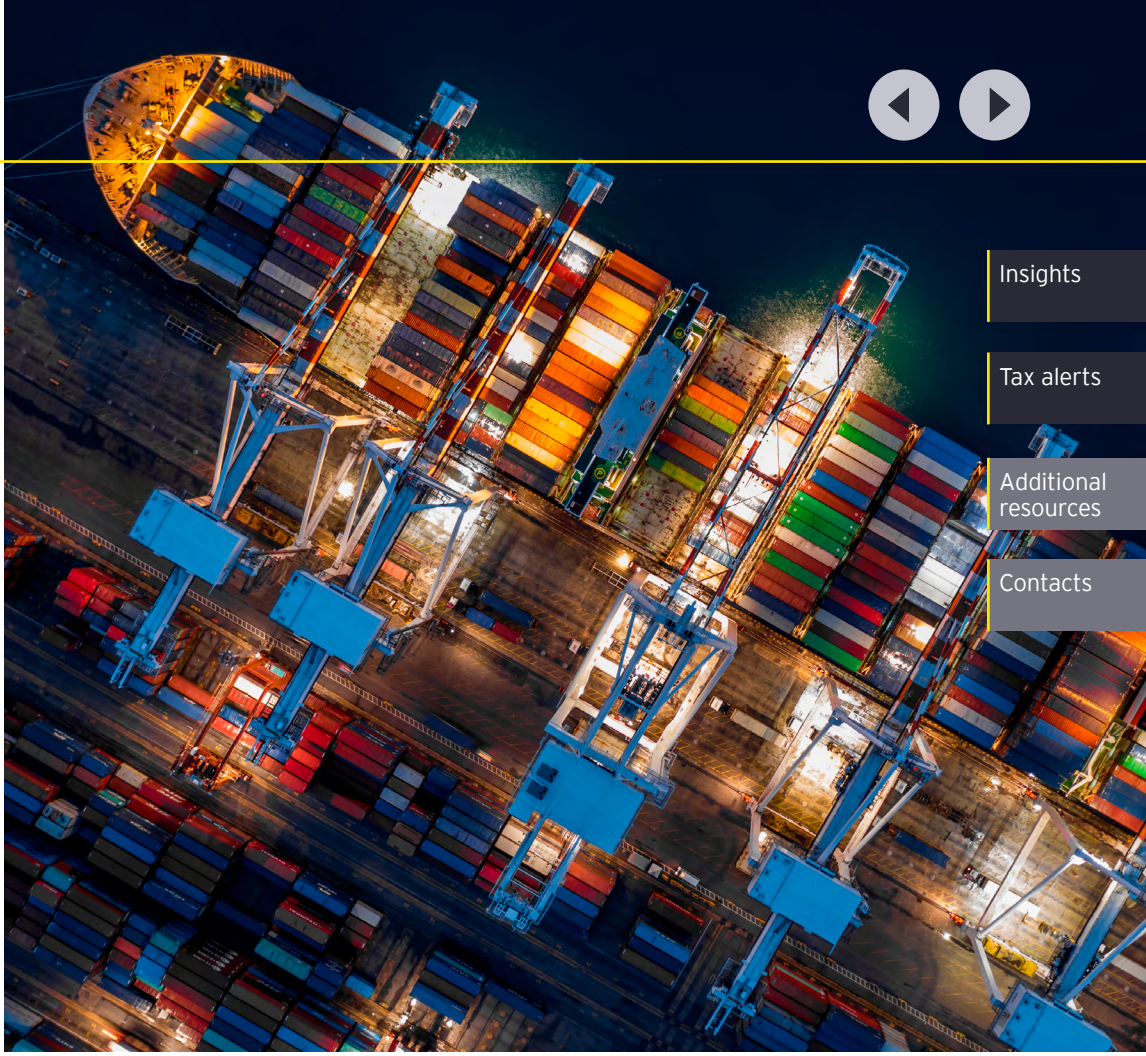
Insights

EMEIA

Authorized Economic Operator (AEO) program – trust-based trade facilitation



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The concept of the Authorized Economic Operator (AEO) program originated at the global level under the aegis of the World Customs Organization (WCO) in response to increasing concerns around supply chain security following the events of September 2001. In June 2005, the WCO adopted the SAFE Framework of Standards to Secure and Facilitate Global Trade, which introduced a harmonized, risk based approach to Customs control and established the foundation for trusted partnerships between Customs administrations and compliant trade participants. As part of this framework, the AEO program was formally introduced in 2007 as the WCO's flagship Customs to Business partnership model, recognizing entities that demonstrate high levels of compliance, robust internal controls and secure supply chain practices and granting them facilitation benefits in return.

India adopted this globally accepted framework in line with its commitments under the WTO Trade Facilitation Agreement, initially piloting the AEO program in 2011 and subsequently institutionalizing it through CBIC Circular No. 33/2016 Customs dated July 22, 2016. This marked a significant shift in Indian Customs administration towards trust based trade facilitation aimed at ensuring security of the international movement of goods from the point of origin (export) to the point of import in the receiving country while balancing the national security requirements of Customs administrations by partnering with entities that follow sound governance, strong internal controls and compliant business practices.

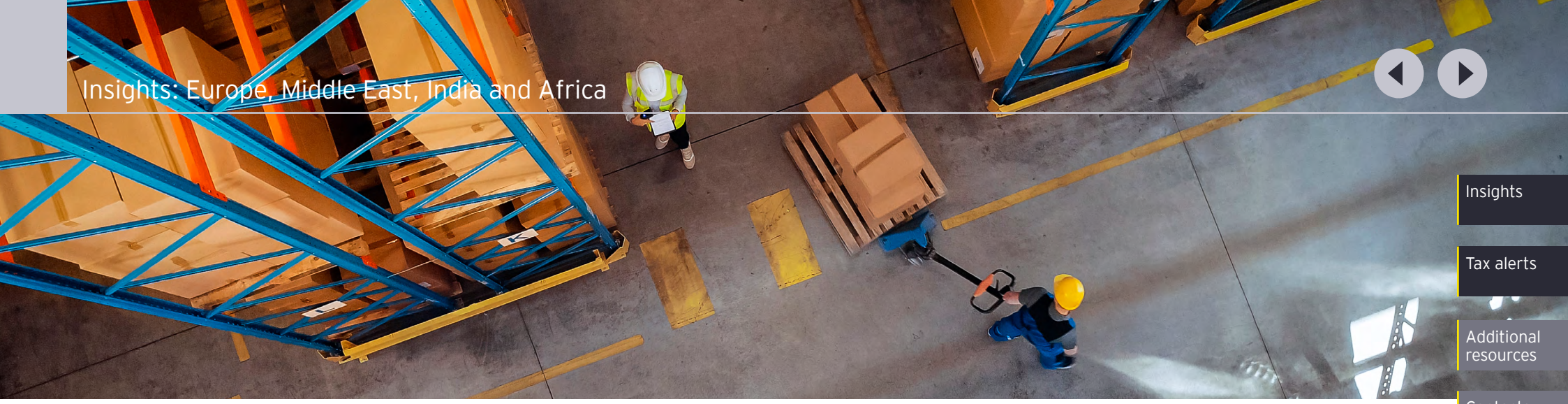
In line with the Circular, the AEO program in India was restructured into a multi tier framework to enhance its scope and provide graduated facilitation benefits to entities demonstrating increasing levels of compliance maturity and sustained adherence to laws administered by CBIC. Currently, the program operates through three tiers for importers and exporters (AEO T1, AEO T2 and AEO T3). In addition, a separate single tier AEO program has been introduced for other participants in the international supply chain, including logistics providers, custodians or terminal operators, customs brokers and warehouse operators.

Who can apply for an AEO certificate?

- Any entity involved in the international supply chain and undertaking Customs-related activities in India is eligible to apply for AEO status, regardless of the size of the business. Eligible categories include exporters, importers, logistics providers (such as carriers, airlines and freight forwarders), custodians or terminal operators, Customs Brokers and warehouse owners. Other entities such as port operators, authorized couriers and stevedores may also qualify. This list is illustrative and not exhaustive.
- An AEO application applies only to the individual legal entity submitting it. Certification is entity-specific and not automatically extended to other companies within the same group.
- AEO status covers all activities and locations of the legal entity involved in the international supply chain. Accordingly, eligibility criteria are assessed holistically across all such locations and activities.
- Applicants must be established in India. Evidence of establishment may include:
  - A certificate of registration issued by the Registrar of Companies.
  - Details of all locations where goods are handled (e.g., loading, unloading, storage) as part of import or export operations.
  - Proof that the business maintains its own accounts.
- An applicant should have conducted business activities for at least three financial years immediately preceding the application date. However, in exceptional cases, a newly established business may be considered for certification if the AEO Program Manager is satisfied about the adequacy and robustness of internal controls based on physical verification.
- To facilitate participation by small and medium enterprises, the AEO program is open to all importers and exporters that have filed at least 25 bills of entry or shipping bills during the previous financial year. Other economic operators should have handled a minimum of 25 such documents in the previous financial year.
- The AEO Program is open to economic operators of all sizes, including micro, small and medium enterprises (MSMEs), and the eligibility criteria apply uniformly.
- Due consideration is taken of the practical challenges faced by MSMEs, and reasonable flexibility is provided to ensure wider accessibility of AEO certification. Classification of MSMEs is based on the turnover thresholds defined under the MSME Act.

Key benefits

- Direct port delivery of imports to enable just-in-time inventory management by manufacturers
- Direct port entry for self-sealed containers meant for export
- Special facilitation for MSMEs, with eligibility threshold of 25 import or export documents annually
- Provision of deferred payment of duties — decoupling duty payment from Customs clearance
- Mutual Recognition Agreements (MRAs) with other Customs administrations
- Faster disbursal of drawback amount
- Fast-tracking of refunds and adjudications
- Extension of facilitation to exports in addition to imports
- Self-certified copies of preferential origin related or any other certificates required for clearance accepted
- Request-based on-site inspection/examination
- Paperless declarations with minimal or no supporting documents
- Recognition by partner government agencies and other stakeholders as part of the program



Key requirements

Legal compliance	▪ **Clean compliance record:** No show-cause notices should have been received in the past three financial years for serious violations such as fraud, forgery, outright smuggling, clandestine removal of goods or failure to deposit tax collected from customers. ▪ **No prosecution cases:** No instances where prosecution has been initiated or is being considered against the applicant or its senior management. ▪ **Acceptable ratio of disputed duty:** Show-cause notices (other than those involving serious offenses) issued in the last three years reflecting disputed duty/drawback should not exceed 10% of the total duty paid and drawback claimed. ▪ **Error identification, remediation and prevention:** Documented procedures must exist to detect, report and correct errors and to prevent recurrence.	**Managing commercial and transport records** The applicant must demonstrate a robust, auditable and reliable system for managing commercial and transport records, including: ▪ Accounting systems aligned with GAAP/IFRS ▪ Internal controls to detect irregular transactions ▪ Controls over import/export licences ▪ Secure record archiving and data protection practices ▪ Employee awareness of compliance responsibilities ▪ Procedures for verification of Customs declarations ▪ Adequate IT security and access controls
Financial solvency	The applicant must be financially solvent and not under insolvency, liquidation or bankruptcy proceedings and must not have defaulted on customs duty payments in the past three years.	

Safety and security

The applicant must have comprehensive internal controls to ensure security of cargo, procedures, conveyances, premises, personnel and business partners consistent with supply-chain security principles under the WCO SAFE Framework.

Procedural security requirements

To ensure the security of the international supply chain, the applicant must maintain strong internal controls and procedures that safeguard cargo integrity throughout handling and movement. The key requirements are:

1. **Security policy and procedures manual**
   The applicant must maintain a detailed security manual outlining procedures to protect cargo integrity during storage, handling, loading/unloading and transport. The manual must also specify how seals are affixed, controlled and monitored.
2. **Secure handling, transportation and storage**
   Security measures must be in place to protect all processes related to the transportation, handling and storage of cargo within the supply chain.
3. **Document management controls**
   The applicant must have documented procedures to ensure all cargo-related documents are accurate, complete, legible and safeguarded against loss, tampering or incorrect information.
4. **Accurate and timely data reporting**
   Procedures must ensure that information received from business partners is reported accurately, on time and in compliance with Customs-regulated timelines.
5. **Cargo verification and reconciliation procedures**
   Controls must exist to ensure that:
   - Import/export cargo is reconciled with the Bill of Lading.
   - Weights, labels, marks and piece counts are correctly ecorded.
   - Cargo details are verified against purchase or delivery orders.
   - Drivers delivering or collecting cargo are properly identified.
   - Shortages, overages and discrepanc ies are investigated and resolved promptly.

Safety and security

continued

Premises security

To secure the international supply chain, the applicant must ensure that all operational premises are protected against unlawful entry and unauthorized access. Key requirements include:

- Buildings must be constructed and secured to prevent unlawful entry.
- Gates, fences and windows must have proper locking or access-control systems.
- Issuance of locks and keys must be managed by authorized ersonnel.
- Adequate lighting must be installed at entry/exit points, cargo areas, perimeter lines and parking areas.
- Entry/exit gates must be monitored or controlled; vehicle details must be recorded when required.
- Sensitive document and cargo storage areas should have restricted access.
- Access-control security systems must be in place.
- Restricted zones must be visibly marked.
- Structures and systems must undergo periodic security inspections.
- Perimeter fencing must enclose cargo handling and storage areas.
- Clear segregation must exist for domestic, international, high-value and hazardous cargo.
- The number of access gates must be minimized.
- Unauthorized vehicles cannot be parked near cargo areas.

Cargo security

To prevent tampering, loss or unauthorized introduction of goods, the applicant must implement strong cargo-handling safeguards:

- Only authorized and properly identified persons may access cargo.
- Cargo must remain continuously monitored or stored in secure, locked areas.
- High-security seals meeting PAS/ISO 17712 standards must be used (mandatory for maritime containers).
- Seal integrity must be checked according to documented procedures.
- Seal distribution and control must be managed by authorized staff.
- Where applicable, a seven-point inspection of containers (walls, sides, floor, roof, doors, undercarriage) is recommended.
- Procedures must define actions to be taken if tampering or unauthorized access is detected.
- Goods must be properly marked/stored and verified against documents (transport, purchase/sales, Customs).
- Internal controls must ensure discrepancies are investigated and resolved.

Safety and security

continued

Conveyance security

To ensure secure transportation of cargo, the applicant must maintain measures that protect conveyance integrity:

- Conveyances used in the supply chain must be capable of being effectively secured.
- Operators must be trained to maintain cargo and conveyance security.
- Operators must report actual or suspicious incidents, with proper records maintained for Customs and the AEO team.
- Potential concealment areas on conveyances must be regularly inspected.
- Transporters must maintain logs or monitoring records to ensure conveyance integrity during transit.
- Predefined transport routes must be identified and monitored; random route checks should be conducted.
- Drivers must report route delays (weather, traffic, diversions) to dispatch.
- Management must periodically and randomly verify that transport logs and monitoring procedures are being followed.

Personnel security

To prevent internal threats, the applicant must conduct appropriate staff creening:

- Reasonable checks must be performed during recruitment to ensure candidates have no past security-related or Customs-related convictions.
- Employees in sensitive roles must undergo periodic background verifications.
- Employees must carry identification that uniquely links them to the organization.
- Processes must exist to identify and record unauthorized persons, including visitor ID and sign-in procedures.
- Identification and system access must be removed promptly when employment ends.

Safety and security

continued

Business partner security

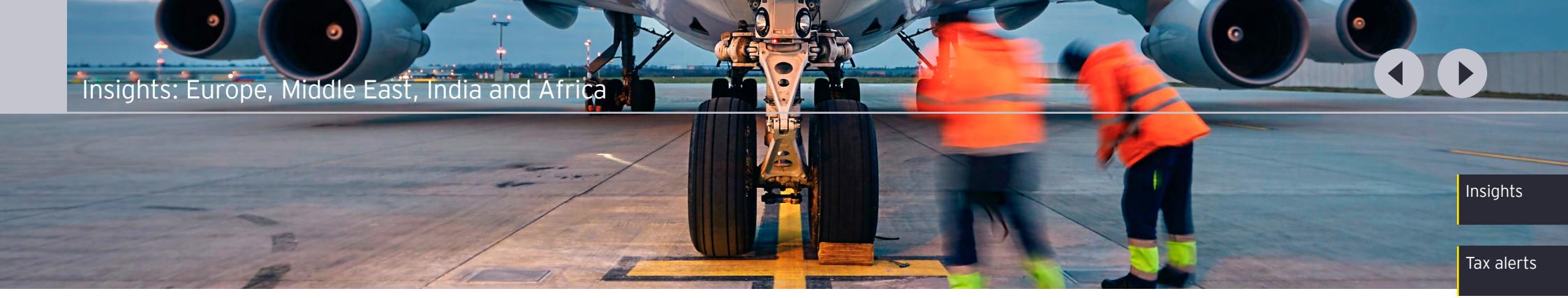
To maintain supply chain integrity, the applicant must ensure that business partners meet security standards:

- A documented and verifiable partner-selection process must exist covering financial soundness, safety compliance and corrective capabilities.
- Copies of AEO certificates must be obtained from AEO-certified partners.
- For non-AEO partners, written confirmation of meeting AEO-equivalent criteria must be obtained via:
- Contractual commitments, self-assessment questionnaires, written compliance statements, senior-officer declarations or proof of compliance with equivalent foreign accredited security programs.
- Periodic, risk-based reviews of partners' facilities and processes must be conducted to ensure ongoing compliance.

Security training and threat awareness

To maintain security standards, employees must be trained and aware of security threats and procedures:

- A threat-awareness program must be established and maintained.
- Employees must understand how to respond to and report security issues.
- Targeted training must help employees recognize internal conspiracies, protect cargo integrity and enforce access controls.
- Training must cover:
  - Company security policies, internal security risks, cargo security practices, access-control procedures, identifying/reporting suspicious persons or cargo, conveyance and cargo security requirements for transport staff.
  - Training records must be maintained and made available for AEO Program and Customs verification.



More facilitation measures announced for AEOs in the recent budget

CBIC has announced far-reaching automation-led facilitation measures for AEO-accredited companies in the recent budget.

1. **Automatic goods registration for imports**
   Under the new framework, AEO-T2 and AEO-T3 importers will receive automatic goods registration upon cargo arrival, eliminating manual intervention and reducing dwell time.
2. **Auto Out of Charge (OOC)**
   The Auto OOC facility for AEO-T2/T3 has been strengthened, ensuring swift release when no compliance issues exist.
3. **Enhanced export facilitation**
   Exporters will benefit from online goods registration and auto LEO for facilitated shipping bills, reinforcing risk based clearance.
4. **Extended deferred duty payment window**
   The deferred duty payment period has been extended from 15 days to up to one month for eligible AEO T2 and AEO T3 entities, significantly improving working capital efficiency.

AEO status – a hallmark of supply chain credibility

With CBIC's accelerated digitalization and automation agenda, AEO entities benefit from:

- Reduced Customs intervention
- Priority risk based processing
- Faster clearance across ports
- Predictable logistics timelines
- Lower detention and demurrage costs
- Enhanced global supply chain recognition

In light of the significant facilitation measures and financial benefits available under the AEO program, including the enhanced deferred duty payment facility, entities that are not currently AEO accredited may consider **undertaking a detailed assessment of the program's relevance and potential impact** on their operations to determine the commercial and compliance value of AEO status.

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Back to Welcome

Duty deferred, growth unleashed – the MOOWR revolution for Make in India

The Manufacturing and Other Operations in Warehouse Regulations (MOOWR), 2019, represents a cornerstone of India's customs framework, designed to facilitate manufacturing activities within bonded warehouses. This scheme allows businesses to import raw materials, components and capital goods without immediate payment of customs duties, deferring them until the goods are cleared for domestic consumption or exported. By aligning duty payments with revenue realization, MOOWR enhances operational efficiency and supports India's ambition to become a global manufacturing hub. This article explores the scheme's origins, benefits, key requirements, checks and balances, and reasons why companies should consider adopting it.

Evolution of MOOWR

The concept of manufacturing in bonded warehouses traces its roots to Section 65 of the Customs Act, 1962, which has enabled such operations since its inception. Initially introduced in 1966, the scheme underwent a significant revamp in 2019 to align with the "Make in India" initiative. The updated regulations, under Notification No. 69/2019-Customs (N.T.) dated October 1, 2019, streamlined processes, removed outdated restrictions and introduced modern features like digital accounting and risk-based oversight. This overhaul was driven by the Central Board of Indirect Taxes and Customs (CBIC) to attract foreign investments, reduce import dependencies and encourage indigenous manufacturing by deferring duties on imported goods used in production, re-labelling, re-packing or other operations. Before 2019, the scheme was underutilized due to stringent conditions and lack of flexibility, but the revisions have made it more accessible and appealing to a broader range of businesses.

Key benefits of the MOOWR scheme

MOOWR offers a host of advantages that directly address common challenges faced by manufacturers reliant on imported inputs.

- Duty deferment and cash flow optimization: Importers can defer Basic Customs Duty (BCD) and Social Welfare Surcharge (SWS) on raw materials and capital goods until clearance for home consumption. Integrated Goods and Services Tax (IGST) continues to be deferred at the time of import (as the amendment in the Finance Act 2023 to withdraw this deferment under Section 65A has not yet been notified, meaning the benefit remains intact as on date). No interest accrues on deferred duties, unlike traditional warehousing, which can tie up significant working capital. This deferment aligns outflows with inflows, providing substantial liquidity relief.
- No export obligation: Unlike schemes such as Export Oriented Units (EOU) or Special Economic Zones (SEZ), MOOWR imposes no mandatory export requirements or investment thresholds. Companies can sell finished goods domestically or export them, with duties remitted entirely on exports, making it ideal for businesses serving both markets.
- Unlimited warehousing and operational flexibility: Goods can be stored indefinitely without time limits, and operations extend beyond manufacturing to include testing, repair, sorting and even job work permissions. Integrated warehouse-to-warehouse transfers and no geographical restrictions further enhance flexibility.
- Ease of doing business: The scheme promotes a single licensing framework with perpetual validity, computerized records and reduced customs supervision, shifting from daily oversight to periodic audits. This reduces administrative burden and encourages global value chain integration.

While there are clear benefits for procurement of raw materials and capital goods, particularly where the manufacturer is engaged in exports and can achieve duty remission on exported finished goods, existing export benefit schemes under the Foreign Trade Policy continue to provide targeted incentives for exports. However, for imports intended for manufacture in India primarily for the domestic market, MOOWR stands out by offering duty deferment without any export-linked conditions. For exports under MOOWR, while duties on inputs are fully remitted (effectively zero duty incidence), exporters do not qualify for additional benefits like Duty Drawback or Remission of Duties and Taxes on Export Products (RoDTEP) on the same goods. Therefore, conducting a proper dip-stick analysis, comparing MOOWR's cash-flow advantages and simplicity against other schemes' potential additional refunds, is essential to determine the optimal structure based on the company's domestic vs. export mix, duty rates and operational needs.

Key requirements for availing MOOWR

To operate under MOOWR, businesses must meet specific eligibility and procedural criteria.

- **Licensing and permissions:** Apply for a private bonded warehouse license under Section 58 of the Customs Act and separate permission for manufacturing or other operations under Section 65. The application is submitted to the Principal Commissioner or Commissioner of Customs, including details like business nature, input-output norms and security measures.
- **Bond execution:** Execute a triple-duty bond or a general bond to cover potential duties, often backed by a bank guarantee (typically 5%-25% of the bond amount, based on risk assessment).
- **Infrastructure and compliance:** Maintain digital accounts for receipts, production and clearances; appoint a warehouse keeper; and ensure facilities for customs inspections. Input-output norms must be declared to track consumption and waste.
- **Eligibility:** Open to any importer or manufacturer dealing with dutiable goods, including those transitioning from other schemes like EOU or SEZ. No minimum export or investment criteria apply.

The application process is streamlined, with approvals typically granted within 6-10 weeks (depending on document completeness, site readiness and jurisdictional processing), though authorities conduct detailed examinations, including preliminary scrutiny, physical site inspection, and evaluation of compliance and financial aspects, to ensure revenue interests are protected.

Checks and balances in the MOOWR framework

While MOOWR emphasizes flexibility, it incorporates robust safeguards to prevent misuse and ensure revenue protection.

- **Audits and oversight:** Customs conducts risk-based audits rather than constant supervision, focusing on high-risk entities. Licensees must submit monthly returns on stock, production and clearances.
- **Inventory and accounting:** Adopt FIFO (first-in-first-out) compatible systems for tracking goods, with mandatory reconciliation of inputs and outputs. Digital records must be preserved for five years.
- **Movement controls:** Goods movements use standard documents without escorts, but improper removals trigger penalties, including duty recovery with interest and fines under Sections 72-74 of the Customs Act.
- **Exit:** To exit the scheme, clear all goods for home consumption (paying duties) or export them, settling any dues. Noncompliance can lead to license revocation.

These measures balance operational freedom with fiscal accountability, reducing revenue leakage while fostering trust-based compliance.

Why companies should opt for MOOWR

In a competitive global landscape, MOOWR provides a strategic edge for companies aiming to improve costs and scale operations. For export-oriented firms, it effectively nullifies duties on inputs used in exported products, enhancing price competitiveness. Domestic-focused businesses benefit from deferred duties, freeing up capital for growth initiatives like R&D or expansion. The scheme is particularly advantageous for startups and SMEs, as it lacks high entry barriers and supports value addition in India, reducing reliance on fully imported goods. Amid supply chain disruptions, MOOWR enables resilient manufacturing hubs, attracting FDI and aligning with government incentives. Companies transitioning from SEZ or EOU can leverage MOOWR for greater flexibility without export mandates. Ultimately, it drives efficiency, profitability and compliance, making it a must-consider for any import-dependent manufacturer.

Conclusion

The MOOWR scheme has transformed India's bonded manufacturing landscape since its 2019 revamp, offering duty deferment, flexibility and ease that propel the Make in India vision. By understanding its origins, benefits, requirements and safeguards, businesses can harness this tool to thrive in dynamic markets. As India positions itself as a manufacturing powerhouse, adopting MOOWR, after careful evaluation against other schemes, could be the key to unlocking sustainable growth and global competitiveness.

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Back to Welcome

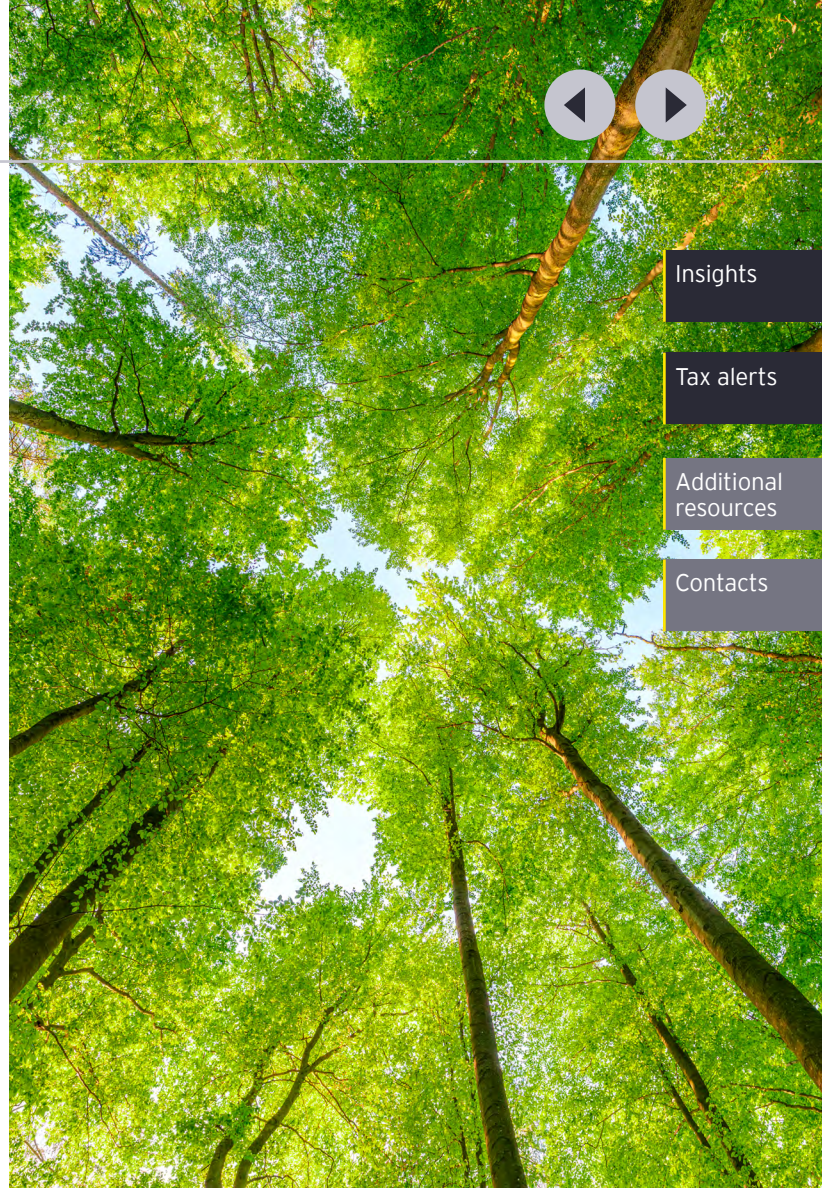
EU-CBAM entered in its definitive regime

The Carbon Border Adjustment Mechanism (EU-CBAM) definite implementation period began on 1 January 2026, marking the transition from a pure reporting framework to a regime with real carbon cost implications for imports into the EU. While EU-CBAM certificates for imports to the EU made in 2026 will only be purchased from February 2027, declarants are already required to accrue expected costs in their financial accounting and ensure that pricing and contracting reflect the new obligations to avoid misalignment in financial reporting and commercial transactions. In other words, if the cost going along with the importation of CBAM goods is not considered in procurement or sales decisions, there may be a loss to the transaction as the postponed cost will arise with the postponed EU-CBAM certificate purchase in 2027.

The initial operational rollout progressed smoothly. The EU Commission's administrative system, the CBAM Registry as well as the EU Member States' customs systems were successfully integrated across the European Union, enabling real time validation of import data. A new requirement is that the declarant must provide so-called TARIC-codes in the import declaration to flag its CBAM formal status. Based on official figures, by the end of 7 January 2026, more than 12,000 EU operators had applied for authorization and over 10,400 import declarations for CBAM goods had already been processed, covering approximately 1.66 million tons of goods, predominantly iron and steel.

A significant compliance milestone followed at the end of the first quarter. The grace period for obtaining the Authorized CBAM Declarant status has been concluded on 31 March 2026. Without an application submitted prior to this date, importers may be unable to release CBAM covered goods easily for free circulation. With administrative processing times of up to 180 days and national divergences in review procedures for authorizations filed from 1 April 2026, securing authorization remains essential for maintaining uninterrupted import operations.

As the regime develops, regulatory complexity continues to rise. Recent implementing acts introduced a 50 ton de minimis threshold from which the Authorized CBAM Declarant status is required and CBAM imports cause cost. Imports of hydrogen and electricity are in scope from the first import. Also indirect customs representatives must have an authorization in place from the first CBAM import as a general requirement. At the same time, debates around temporary exemptions, particularly for fertilizers, have intensified as there are concerns that the cost of CBAM rolls down the supply chain, causing inflation that could cause an economic and social shockwave. On the other hand, stakeholders warn that such carve outs may weaken decarbonization incentives and undermine the policy's environmental objectives. This not only compromises environmental organizations but also industry giants who have clearly communicated that large investments for transformation to a green(er) economy are dependent on EU-CBAM safeguarding the market.



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At this time, EY teams are experiencing great uncertainty about the expected EU-CBAM cost that impacts the business of non-EU manufacturers and traders as well as EU importers. Currently, most importers must calculate the EU-CBAM embedded emissions on the base of default emissions values which are a central driver of cost. While many non-EU manufacturers strive to have their actual embedded emissions calculations verified to serve the EU importers to benefit from the lower actual embedded emissions calculations, the question arises whether all declarants will have the chance to have a verifier that is available at a reasonable expense. While verifiers accredited for EU-Emission Trading System verifications can also verify CBAM emissions calculations, the larger number of "CBAM-only" verifiers can just hand in their application files to the control bodies in September 2026. Presumably, many of them will receive their accreditation late in the year. Hence, at this time, non-EU manufacturers can make so-called "pre-verifications" to review the appropriateness of the emissions calculation methodology, data consistency, available evidence and availability of a monitoring plan that meets the legislative requirements. EU importers aim to supplement their purchase contracts with CBAM-related clauses to nail down their expectations related to availability of verified actual embedded emissions, certain emission thresholds or damage payments.

The uncertainty of CBAM cost also requires the consideration of financial instruments like hedging CBAM certificate cost. While the market of instruments has just started to develop, due diligence is needed to contract with reliable partners and make sure the contractual details are fully understood and meet the requirements of the importer.

Non-EU manufacturers must understand the EU-CBAM emissions calculation logic as a requirement to document facts and circumstances of their manufacturing installations. On that basis, strategizing about optimization of the calculation methodology, strategic investments into decarbonization, procurement of lower-emission precursors, re-focusing of the customers and many more aspects is also due.

Though it is important to bear in mind the EU-CBAM anti circumvention rules, there is scrutiny on changes subject to tariff classification, such as changes to origin, making product routing and import choices, and precursor attribution in emissions calculation and so on, requiring companies to establish stronger internal controls and greater supply chain transparency. For example, while verifiers (supposedly) have not made final EU-CBAM certifications of actual embedded emissions, fake EU-CBAM emissions certificates are already circulating in the market.

The flux of EU-CBAM legislation remains a continuous challenge. Still, key pieces of regulation are pending, such as related to the consideration of carbon cost paid in manufacturing countries and details about the EU-CBAM declaration process. The monitoring of the regulatory framework and guidance issued by the EU Member State CBAM authorities remains a requirement. Moreover, operators need to plan for additional CBAM and CBAM-type measures that will be introduced in jurisdictions such as the UK, Norway, Serbia and others.

Looking ahead, the EU-CBAM's scope is expected to expand significantly. From 1 January 2028, around 180 additional tariff codes (EU Combined Nomenclature), particularly for downstream steel and aluminum intensive goods, are planned to be incorporated. This ranges from household goods to machinery components and even specific types of complete vehicles. The tariff range will encompass goods housed in chapters 84, 85, 87, 90 and 94.

As EU-CBAM matures into a real cost item for importers, the optimization options using special customs procedures like customs transit, customs warehousing, and inward and outward processing gain importance.

This year, it is about setting up a robust EU-CBAM governance (as typically multiple functions are part of CBAM-related workflows in a company); understanding, planning and considering EU-CBAM cost; setting up processes in finance, accounting, customs, sustainability and procurement functions; and connecting with external service providers to help manage the new duty. As EU-CBAM product coverage expands and associated costs increase significantly over the coming years, CBAM will move beyond a mere reporting exercise. For many sectors, it will evolve from a statistical obligation into a matter requiring C-level attention.

EY Services related to CBAM

Customs advisory

- Technical customs advisory (statements, workshops, help-desk, etc.)
- Customs classification, origin, trade data (incl. EY outsourcing services)
- Special customs procedures to optimize customs duty and CBAM burden
- Customs and trade risk management
- Dealing with the customs authorities

CBAM advisory

- Technical CBAM advisory (statements, workshops, help-desk, etc.)
- Authorized CBAM Declarant application, monitoring etc.
- Calculation of CBAM cost exposure
- Full CBAM workflow outsourcing
- CBAM risk management
- Dealing with the CBAM NCAs

CBAM emissions calculations

- Technical advisory on emissions calculation methodology, monitoring plan etc. (statements, workshops etc.)
- Emissions calculation by EY, or review of client methodology by EY
- "Pre-verification" of emissions calculation

Sustainability reporting

- Technical advisory on sustainability reporting regulations
  - Advisory and hands-on support to analyze corporate profile and include carbon pricing/ CBAM into sustainability reports (such as EU CSRD)

Corporate strategy

- Corporate strategy assessment and advisory:
  - Strategic procurement
  - Supply chain footprint
  - Investment strategy
  - Decarbonization strategy

Systems and data

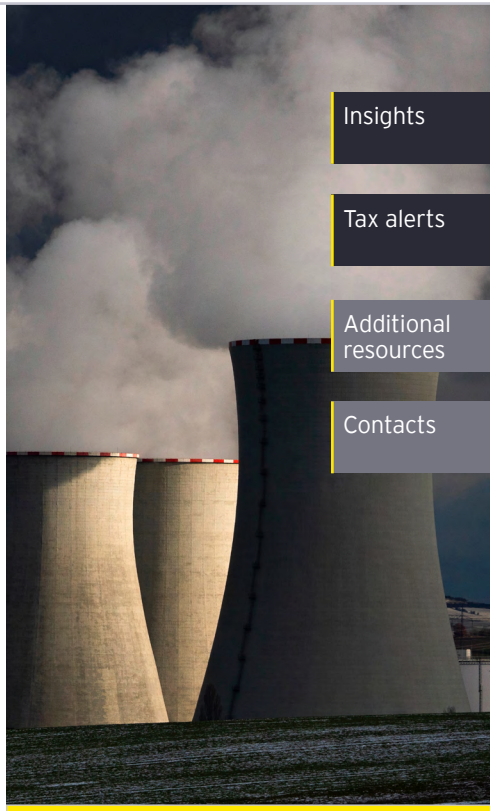
- Implementation of ESG data warehouses
- CBAM data cleansing and improvement projects
- Assessment of best fit CBAM IT solutions
- Advisory in IT solution tendering, customization, testing, documentation, etc.
- Quality assurance when implementing IT solutions with other providers

Legal advisory

- Review of legal contracts, specifically considering CBAM/ESG general requirements
- Drafting of legal contracts, specifically considering CBAM/ESG general requirements
- Support in commercial disputes, disputes with authorities

Transaction advisory/M&A

- ESG Due Diligence (incl. CBAM)
- Corporate Valuation (incl. CBAM)
- Inclusion of CBAM into Commercial, Legal and/or Tax Due Diligence Process



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Back to Welcome

EUDR at the gates: Key customs, tax and supply-chain considerations

As outlined in our previous edition, the EU Deforestation Regulation (EUDR) aims to ensure that products linked to key commodities — including cocoa, coffee, rubber, cattle, palm oil, soy and wood — enter the EU market only if they are proven deforestation-free and compliant with local legislation. To do this, companies must trace their products back to plots of origin, assess risks and provide due diligence statements (DDS) through the EU Information System (TRACES).

After a revised text published in December 2025 and the application date deferred by one year, the EUDR is entering a new phase. The focus is shifting from understanding the regulation's requirements to integrating operationally these obligations into supply chains and obtaining data as well as addressing the impacts on corporations' operating models.

This article explores what organizations should consider as they move toward execution, how technology can support a scalable compliance model, operating model considerations and key customs-related points that remain open.

Integrating EUDR into supply chain operations

For many organizations, operationalization is where EUDR compliance becomes real. Mapping flows, cleaning master data and understanding the sourcing journey of every relevant commodity are foundational steps, and often far more complex than anticipated.

Linking product flows to Harmonized System (HS) codes is a central element of the regulation, as the list of in-scope commodities and products refers exclusively to this classification. Yet, experience shows that HS and material/batch code classifications are frequently inconsistent, supplier master data is fragmented, and legacy purchasing systems are poorly connected to logistics and Enterprise Resource Planning (ERP) platforms. In practice, HS code classifications often do not match internal material codes, and mismatches between a company's and its suppliers' classifications are common. Further, companies purchasing goods inside the EU rarely have access to upstream import declarations and therefore cannot verify whether suppliers used correct HS codes. The challenge is heightened for complex or global supply chains involving contract manufacturers, intermediaries or processing steps that break the link between sourced and finished goods.

Ensuring traceability to every plot of land and compliance with applicable legislation requires intense engagement with suppliers. It requires structured supplier outreach, remediation processes and robust sourcing and contracting practices. Among other commitments and confirmations to comply with the EUDR's traceability and due diligence requirements, operators should ensure that suppliers be bound by contractual obligations to provide all relevant evidence and documentation (for example, of prior placement on the EU market) to

customs or national competent authorities (NCAs) upon checks and/or audits to ensure they can respond immediately to investigations.

EUDR compliance also requires close coordination between business departments including procurement, supply chain, tax/customs, manufacturing, sales, distribution, legal, sustainability and IT. Data must be captured consistently, connected to transactions (both inbound and outbound), and made auditable for customers and customs or NCAs. This requires clear decisions on where data is stored, an appropriate governance for traceability along operations and ownership on risk management, as well as regular reviews of the due diligence system.

Technology as an enabler

Amid the complexity, technology offers a sometimes-necessary path toward scalable and efficient compliance, especially when large volumes of transactions are involved. A key aspect is to build a digital architecture that supports the collection of data, supplier reach-out, traceability, DDS management and integration with TRACES. Companies are increasingly moving away from point-solution providers and exploring platform-based approaches that consolidate master data, automate workflows and connect ERP or logistics systems to EU systems. Such integrated platforms centralize commodity-level information, plot coordinates and supplier declarations, as well as risk assessment and mitigation outcomes, ensuring consistency across all functions involved.

Tax and customs considerations: where compliance becomes operational

From a tax perspective, EUDR implementation intersects with how supply chains are structured and how functions are allocated between group entities. Companies need to determine which entities perform which EUDR-related tasks and how these operational roles interact with existing VAT, customs, intercompany transfer pricing operating models and commercial documentation such as invoices, pro forma invoices and stock transfer documents. Because the entity responsible for EUDR obligations may not be the entity recognizing margins or assuming key risks under the transfer pricing model, governance choices must be carefully aligned across customs, tax and operational realities.

In particular, manufacturing and distribution agreements between entities should be examined to determine the title transfer, Incoterms, and import/export roles and responsibilities. In some cases, new service-level agreements or existing agreements may need to be drafted or revised, especially when an authorized representative submits DDSs on behalf of the entire group or when the personnel preparing and submitting DDSs is employed by another company.

The customs dimension is also a major aspect of compliance, with its own lot of complexity. Under the EUDR, DDSs must be lodged in TRACES before goods can be released for free circulation, meaning that customs clearance becomes an immediate compliance checkpoint. This increases pressure on companies using just-in-time models or those shipping large volumes across multiple EU entry points, as the relevant information must accompany the customs documentation when the products reach the border in order to avoid blockages at EU borders.

Reimports and imports of products made from components previously in free circulation in the EU also raise complexities. In principle, due diligence should not be re-exercised on commodities that are re-imported or on components of relevant products which were previously in free circulation in the EU. However, the regulation does not specify how companies must demonstrate this prior EU placement. Indeed, the amended text removed the obligation to create a DDS upon exports, making it impossible to rely on export DDS reference numbers in the reimport context. Possible options being discussed in industry spheres and pushed to EU authorities include the reliance on the existing conventional DDS reference number or developing dedicated TARIC (Integrated Tariff of the European Union) codes to identify inputs that have been previously placed on the EU market.

Non-EU established companies: different views in customs and company law

Especially where non-EU-based companies are concerned, open questions remain on the applicable legal regime to determine whether a company is EU-established or not, yet such determination is particularly important for identifying the extent of obligations and liability (especially in connection with Art. 7 EUDR). Indeed, the EUDR does not make clear whether general customs principles or general corporate law principles should prevail in determining EU

establishment. Under customs law, a permanent business establishment (PBE) can, in certain circumstances, make a non-EU company established in the EU. However, under general company law principles, a branch is typically regarded as a mere extension of the company and does not, by itself, create an establishment in the country where the branch is located. In the unlikely event that the position is taken that an EU branch can make a non-EU company EU-established, the conditions under which such establishment is granted should be clarified – for example, whether it is needed that the name of the relevant branch appears on invoices or customs documentation, or that its personnel be directly involved in negotiating or concluding the relevant transactions. Such considerations will also bear important implications on direct and indirect tax.

Looking ahead

The EUDR is more than a regulatory obligation: it is reshaping how companies understand their supply chains, manage risk and engage with suppliers. Organizations that invest early in robust processes and enabling technologies will be best placed to meet the expectations of regulators and customers and to turn compliance into a long-term competitive advantage.

As companies move from design to implementation, the ability to link product flows to accurate HS classifications, ensure supplier-level traceability and embed due-diligence responsibilities into the operating model becomes decisive. On the customs side, operators will need to manage DDS submissions as part of their clearance workflows and prepare for scenarios involving re-imports or mixed batches, where evidencing prior EU placement may be critical. Tax and transfer pricing teams will likewise need to align functional responsibilities and documentation so that the entities performing EUDR-related tasks are properly considered in the group's operating model. Against this backdrop, a coherent roadmap that strengthens data foundations, formalizes roles around due-diligence tasks and anticipates future regulatory clarifications will help organizations navigate the next phase of EUDR implementation with greater confidence and consistency. Aligning EUDR efforts with broader due-diligence frameworks such as the Corporate Sustainability Due Diligence Directive (CS3D) and Corporate Sustainability Reporting Directive (CSRD) is also key to reduce duplication and strengthen enterprise-wide risk management.

Summary: priority checklist for EUDR compliance

✗	Do not clear goods without DDS reference numbers or valid "TARIC Document Code"
✓	Embed DDS/TARIC codes into customs declaration workflows and broker instructions
✓	Align HS classifications with EUDR Annex I
✓	Address re-import complexities and evidence requirements
✓	Build ERP–Customs–Broker connectivity for EUDR data
✓	Implement training, governance and process boundaries
✓	Prepare for the TRACES and Customs Portal digital integration
✓	Support cross-functional scoping, master data and risk assessments
✓	Ensure additional planning for non-EU-established companies operating in the EU
✓	Update sourcing policies and contracts with suppliers, and review intercompany service-level agreements

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Reforming the EU Customs Union for e-commerce

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Why the EU is intervening now

The EU's Customs Union reform is increasingly being shaped by one dominant reality: the scale and speed of low value e commerce imports has outgrown a supervision model built for traditional, bulk trade. The European Commission has framed the May 2023 reform package as a shift to a more data driven, risk based model centered on an EU Customs Authority and an EU Customs Data Hub that would ultimately replace today's fragmented IT landscape and enable more consistent, EU wide controls.

In the e commerce context, the policy direction is clear: remove structural incentives for parcel by parcel imports, increase accountability for VAT and duty at the point of sale, and help customs authorities regain control through better data and clearer allocation of legal responsibility. The recent political steps on the €150 duty relief threshold and the interim €3 duty confirm that the EU is accelerating elements originally expected later in the decade. In this article, we elaborate on this change and other proposed changes affecting e-commerce import transactions.

The fixed import duty rate: the interim €3 measure (from 1 July 2026)

A major near term change is the abolition of the €150 customs duty relief threshold for low value consignments from 1 July 2026. An item entering the EU in consignments valued under €150 will be subject to a fixed customs duty of €3 if the import takes place under the Import One-Stop Shop (IOSS) or the goods are in a postal consignment. In other cases, the normal import duty rate will be applicable.

The fixed import is a temporary collection mechanism. The Council and Commission have explicitly presented the €3 duty as a bridge to the longer term customs reform architecture built around the EU Customs Data Hub (mid 2028). The Council communication indicates the €3 duty is applied per the different item/tariff heading contained in a consignment and is linked operationally to flows where non EU sellers are registered under the IOSS, which the Council notes covers the bulk of e commerce flows.

For many sellers and platforms, the interim €3 duty will not simply be a marginal increase in landed cost. Because the charge attaches to classification structure, product bundling strategies, SKU architecture and the way declarations are built can drive materially different outcomes, even before considering the separate handling fee layer discussed below.

The "deemed importer" scheme: shifting liability to platforms (expected from 1 July 2028)

The EU reform package aims to make e commerce compliance less dependent on the customer, the carrier or dispersed intermediaries and more dependent on the actors that shape the transaction by making platforms so-called deemed importers. Digital interfaces become the party "on the hook" for customs obligations in distance sale import models — aligning customs more closely with the logic already used in VAT e commerce rules.

Under the reformed EU legislative customs framework, e-commerce platforms designated as deemed importers will take on direct responsibility for the fiscal and regulatory integrity of cross-border distance sales. Platforms must remit customs duties and import VAT and should provide data on their sales of goods to be imported at the latest on the day after the acceptance of the payment to the EU Customs Data Hub and maintain comprehensive transaction records for up to 10 years to enable audits and verification.

Deemed importers also become accountable for ensuring product compliance: goods sold through the platform must meet EU safety, environmental and market surveillance requirements, with liability resting on the platform if unsafe or noncompliant items enter the EU.

Platforms are legally accountable for mis-declarations, undervaluation or fraud and will be subject to EU-wide audits by the new European Customs Agency. Those with strong compliance systems may apply for Trust & Check status, gaining access to simplified procedures and faster clearance in exchange for demonstrably reliable data and controls.

The "bucket system": simplified tariff treatment for e-commerce

Beyond the interim €3 duty, a central design idea in the reform was to simplify tariff determination for e commerce imports through a "bucket" approach — grouping goods into simplified categories to reduce friction and improve collection consistency for high volume, low value flows. This concept was widely discussed by practitioners as part of the e commerce regime under the revised Union Customs Code but is currently put on hold.

While the EU's public communications emphasize the broader shift to data led supervision via the EU Customs Data Hub and Customs Agency, the bucket logic fits the same blueprint: reduce the opportunity for misclassification arbitrage, lower the administrative burden created by millions of micro declarations, and make risk analysis and duty calculation more scalable.

Businesses should avoid treating the bucket system — if it is reintroduced — as "just a tariff change." It is better understood as a supervision and data quality tool: a simpler tariff interface, combined with richer transaction data, enables customs authorities to detect undervaluation, repeated misclassification patterns and noncompliance at scale. At the same time, it should be noted that more detailed classification codes may still be necessary given that other (tax) measures like excises, the Carbon Border Adjustment Mechanism and the EU Deforestation Regulation may still require importers to have classification codes available that go beyond a six-digit level.

Changes to IOSS: incentives, pressure points and compliance consequences

IOSS remains a VAT mechanism, but the customs reform is increasingly interacting with IOSS in two ways: coverage (how much of the e commerce ecosystem is pushed into IOSS) and operational coupling (how customs processes treat IOSS flows vs. non IOSS flows).

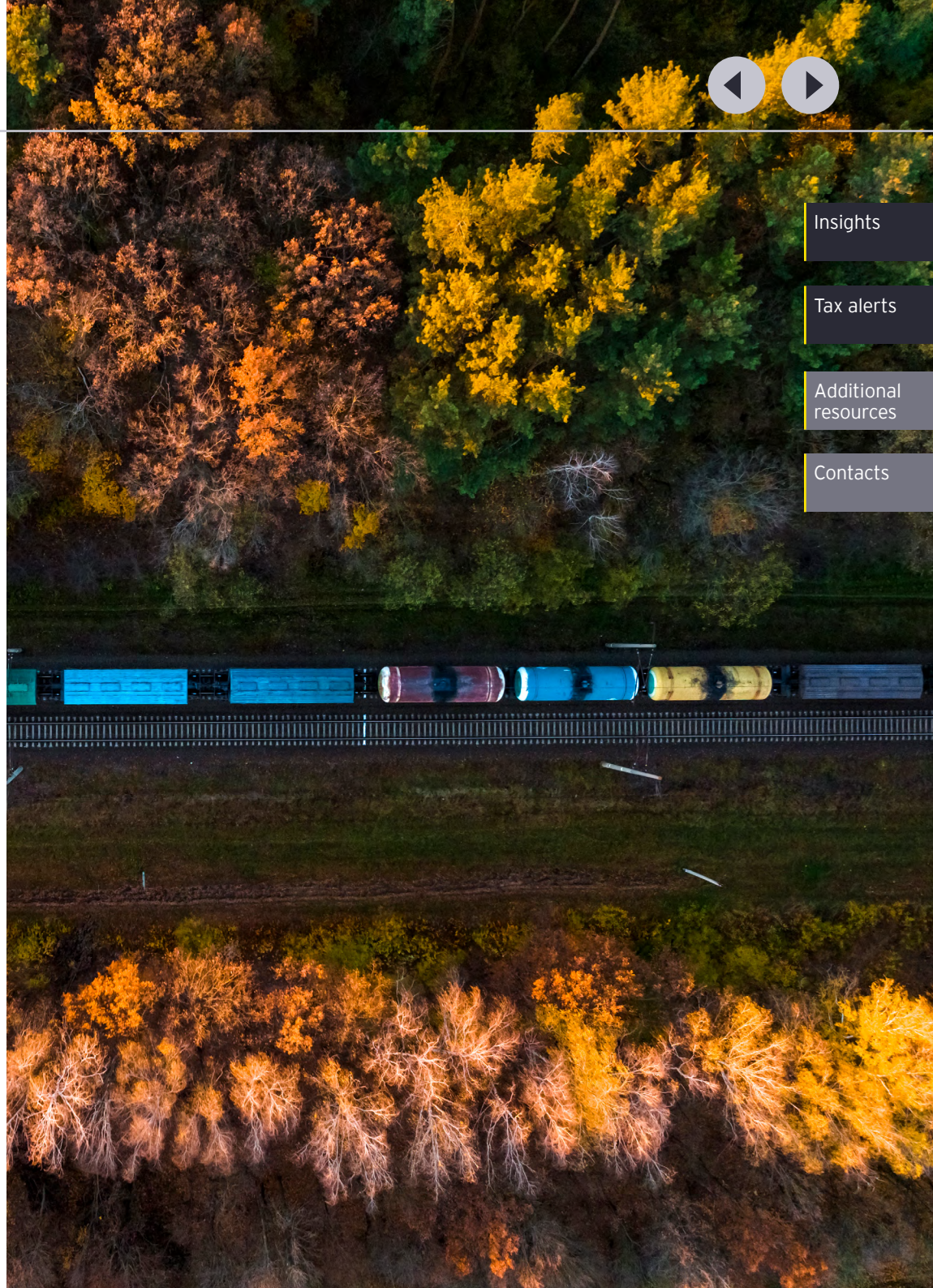
On the VAT policy side, changes under discussion and adopted positions have been described as increasing pressure on non EU sellers to use IOSS by making alternatives more burdensome, especially through local registration requirements and tax representative mechanics for non EU sellers where IOSS is not used. In parallel, the Council and Commission have linked the interim €3 duty operationally to IOSS registered flows, explicitly noting that IOSS registration encompasses the vast majority of e commerce imports in practice.

The practical question for many sellers will no longer be "Should we use IOSS?" but rather "If we do not use IOSS, can we absorb the VAT compliance fragmentation and still meet delivery experience expectations?" The reform environment is shifting costs away from the border and towards the point of sale and data governance, especially for high volume platforms and marketplaces.

Handling fees: an EU level fee is coming, but some national fees are (or were) already here

EU handling fee (under negotiation; targeted for November 2026)

Alongside the interim €3 duty, EU institutions have been discussing a Union handling fee intended to compensate customs authorities for the growing cost of supervising enormous parcel volumes. The Commission notes that the handling fee concept was introduced in early 2025 and brought into the customs reform file through the Council's negotiating mandate. The Council has explicitly distinguished the €3 duty (a revenue/level playing field measure) from the handling fee (a cost recovery/supervision measure).



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Based on the Council's mandate, the customs authorities shall collect the EU handling fee of a fixed amount per item for the services rendered for releasing for free circulation goods sold in distance sales. Based on a non-paper, the EU handling fee would amount to €2 per item, and €0.50 if the e-commerce goods are released from a newly developed customs warehouse arrangement.

National handling fees (already implemented in some Member States)

Because an EU wide handling fee is not yet fully in force, several Member States have moved ahead with national "small parcel" charges, creating the risk of fragmentation.

- Romania. Romania introduced a 25 RON (≈ €5) fee per parcel for certain low value, non EU distance sales delivered in Romania, effective 1 January 2026, with collection and reporting obligations typically routed through postal/courier intermediaries and supported by shipper/platform data declarations.
- France. France adopted a temporary €2 "small parcel" tax/handling fee, effective 1 March 2026, applied to low value imports (under €150) processed under simplified arrangements; liability and collection routes vary depending on whether the flow is under IOSS and the importer's French VAT/IOSS status.

Italy introduced a national handling fee but later postponed the introduction, where other countries like Belgium and the Netherlands were planning to introduce a national handling fee but ultimately decided to put the plans on hold. The emergence of national charges means businesses can face stacking cost layers: (i) the interim EU €3 duty (from July 2026), (ii) a future EU handling fee (targeted around late 2026) and (iii) national handling fees in the meantime, potentially depending on the routing of parcels and the Member State of import clearance.

What this means for operating models: a compliance and cost to serve reset

The combined effect of the interim duty, the direction of deemed importer responsibility, simplified tariff logic (buckets), IOSS driven VAT pressure and the emergence of handling fees points to a single strategic conclusion: the EU is trying to rebalance e commerce away from frictionless parcel by parcel importation and toward better controlled, data transparent models. That does not necessarily force every business into EU warehousing immediately, but it does materially increase the value of (a) data quality, (b) routing discipline and (c) coherent governance across tax, customs, trade compliance and logistics.

Practical preparation themes for 2026–2028

1. Quantify exposure by product structure. Because interim charges and national fees often track tariff lines/classifications, SKU strategy and declaration build logic can directly drive cost outcomes.
2. Stress test IOSS strategy. Evaluate whether IOSS remains the least bad option when weighed against the compliance cost of local registrations and differing national fee collection methods.
3. Prepare for a "platform accountability" world. Build contractual and operational levers — seller onboarding, verification, audit rights, product compliance checks — aligned to the deemed importer direction.
4. Plan for Member State fee fragmentation. Map where parcels are actually cleared for customs purposes and monitor national fee regimes that can be triggered by clearance location rather than destination alone.
5. Track the Data Hub timeline and data readiness. The reform's center of gravity is the EU Customs Data Hub and the shift to "submit once, use many times" supervision. Data maturity will become a competitive differentiator. ■

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Saudi Arabia introduces voluntary disclosure controls with full waiver of customs violations

Saudi Arabia has entered a new phase in its customs modernization journey with the introduction of comprehensive Voluntary Disclosure (VD) controls enabling importers and exporters to proactively correct customs declaration errors and potentially receive a full waiver of associated customs violations, provided specific conditions are met. Introduced by the Zakat, Tax and Customs Authority (ZATCA) and published in the *Official Gazette* on 30 January 2026, the VD framework came into effect 30 days after its publication and represents a defining shift in Saudi Arabia's customs regulatory landscape – one that emphasizes compliance, transparency and trade facilitation and aligns with the Gulf Cooperation Council (GCC) Unified Customs Law principles.

The initiative advances several pillars of Saudi Arabia's broader economic agenda under Vision 2030, including strengthening trade governance, improving border efficiency and aligning national practices with global customs standards. As Saudi Arabia continues its ascent as a regional logistics and trade hub, the need for predictable, modern and facilitative regulatory frameworks becomes increasingly essential. The VD controls directly support this objective by empowering businesses to address errors before they escalate into disputes or enforcement actions.

The VD framework derives its authority from the GCC Unified Customs Law, particularly Article 141, which outlines administrative customs violations associated with incorrect or incomplete information in customs declarations. The VD framework applies to customs declaration related violations or any other related declarations that fall under Article 141, including inaccuracies in the following:

- Commodity classification
- Customs valuation
- Country of origin
- Data elements provided in import/export declarations

A transformational shift in Saudi Arabia's customs compliance landscape

Historically, customs systems around the world have relied heavily on enforcement-driven models, often identifying errors through audits, investigations or post-clearance reviews. While effective, these traditional models can create inefficiencies, backlogs and complicated interactions between authorities and traders.

The ZATCA's introduction of a formal VD mechanism signals a deliberate move away from reactive compliance models. Instead, the ZATCA seeks to cultivate a culture where businesses are encouraged, and even incentivized, to voluntarily report issues in good faith.

This shift supports three strategic objectives:

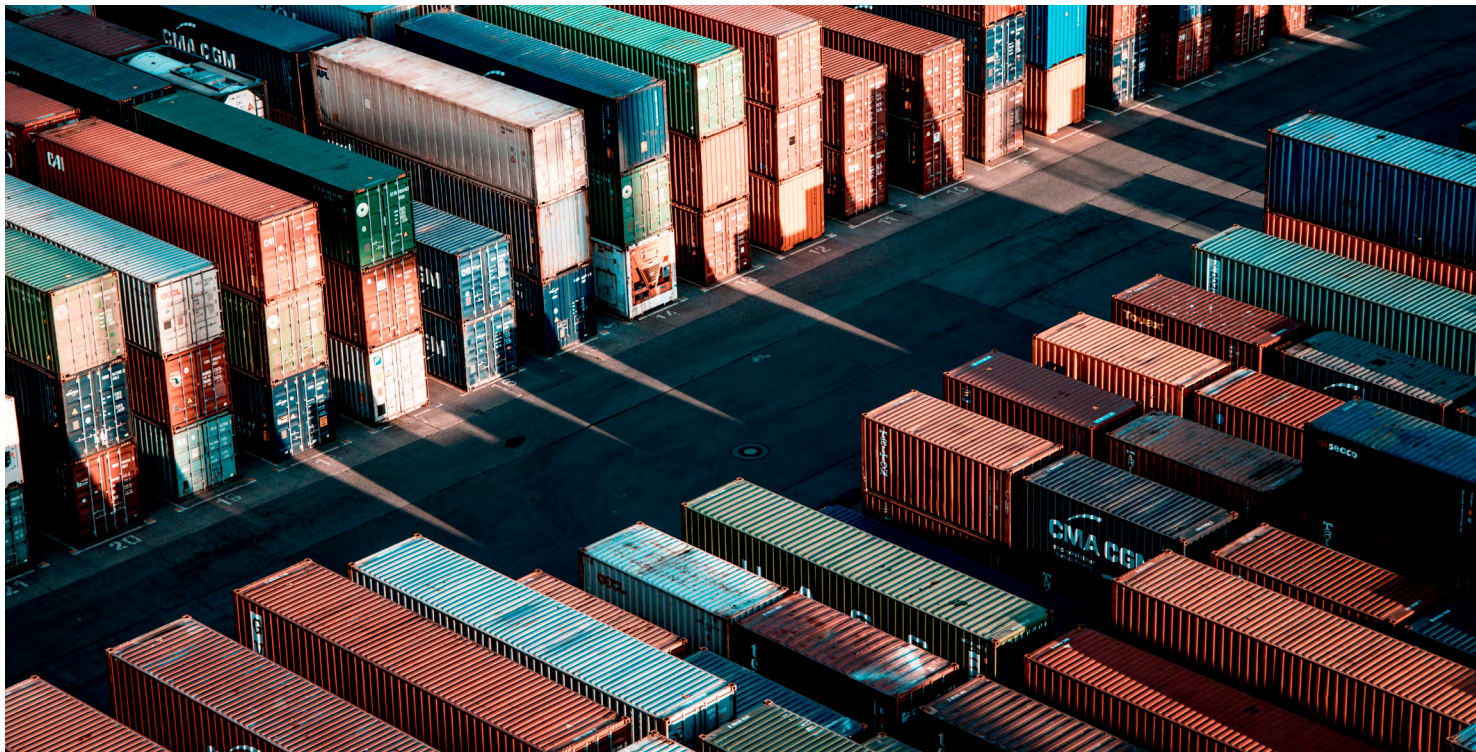
- Enhancing transparency: Businesses gain clarity around how errors can be resolved, reducing uncertainty and the risk of prolonged disputes. The VD controls clearly outline eligibility, documentation requirements, decision timelines and the implications of submission.
- Strengthening trust between authorities and the private sector: A system that rewards voluntary compliance fosters stronger cooperation and supports the broader sustainability of the customs ecosystem.
- Aligning with international best practices: As global customs administrations adopt more risk-based and trader-centric models, voluntary disclosure regimes have become standard practice in mature economies. Saudi Arabia's introduction of these VD mechanism reflects developments that can also be observed in other jurisdictions where risk-based and trader-centric customs supervision models are being introduced.

Regulatory foundation built on the GCC Unified Customs Law

The VD framework derives its authority from the GCC Unified Customs Law, particularly Article 141, which outlines administrative customs violations associated with incorrect or incomplete information in customs declarations. The VD framework applies to customs declaration related violations or any other related declarations that fall under Article 141, including inaccuracies in the following:

- Incorrect determination of country of origin
- Misclassification of goods under the Harmonized System (HS) code
- Inaccurate customs valuation
- Missing, incomplete or incorrect data elements in import or export declarations

These categories represent some of the most common and impactful customs compliance risks faced by businesses. Errors in any of these areas can lead to financial exposure, shipment delays and downstream regulatory monitoring. The opportunity to self-correct them while obtaining a full waiver of violations offers significant relief to businesses.



Eligibility requirements

To qualify for a full waiver of customs violations, businesses must meet the clearly defined conditions. These requirements focus on ensuring the integrity of the disclosure and enabling the ZATCA to make informed assessments.

- **Proactive submission:** The error must be disclosed before the ZATCA identifies it through audits, inspections, system queries or any other enforcement activity.
- **Full and accurate documentation:** A VD submission must be comprehensive and transparent.
- **Timely payment of duty differences:** Any additional customs duties identified must be settled within 30 days of receiving the demand notice.
- **Decision timeline:** Following submission of the VD, the ZATCA will issue its decision within 30 days.

A streamlined, digital-first application process

Taxpayers should submit the VD requests through ZATCA's electronic platform using the approved disclosure form and attaching all required supporting documentation. Businesses or taxpayers can file directly or through an authorized representative.

Alignment with international best practices in customs administration

Countries with advanced customs systems increasingly rely on voluntary disclosure regimes to manage compliance risks. Saudi Arabia's new VD controls align with these global standards and support Saudi Arabia's goal of becoming a regional logistics hub.

Implications for businesses: a new compliance imperative

Businesses looking to potentially benefit from the new VD controls should proactively assess their customs declaration practices to identify and rectify any historical errors, thus reducing the chance of financial liability and legal risk. Companies should also ensure that their internal processes are updated to facilitate effective participation in the VD program to strengthen compliance and align with international practices that promote transparency and adherence to customs regulations.

Key recommended actions for businesses:

- Conduct internal customs audits
- Review key compliance processes
- Strengthen documentation and record-keeping
- Train compliance and operations teams
- Engage stakeholders proactively

Conclusion

The introduction of VD controls represents a major advancement in Saudi Arabia's customs ecosystem, reinforcing transparency, collaboration and proactive engagement.

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The EU's overhaul of customs supervision in the era of explosive e-commerce growth and digitalization

Introductory

The EU is about to comprehensively reform the EU Customs Union. Once enacted, the new rules provide for nothing less than the most significant reform since the European Customs Union was founded in 1968. The objective is to have a more future-proof, data-driven, risk-based and uniform customs supervision across the Single Market – one that better reflects the sharp rise in e-commerce imports, complex supply chains and security requirements.

The objectives are laid down in the proposals initiated by the European Commission two years ago and will affect both businesses and local customs authorities. The trialogues are now being finalized and, at the time of writing, the final texts are expected soon. This article highlights the most important changes being pursued in that respect.

EU Customs Authority

At present, there is no EU-wide body that coordinates, performs central tasks or simply serves as a point of contact. Many companies suffer from inconsistent application of customs rules across the EU, while many also take advantage of this patchwork. A new European Customs Agency (EUCA) is now being established and will be based in Lille, France. Among other actions, the EUCA will be responsible for risk management, coordinating joint controls, developing common standards and ensuring uniform application of customs procedures. The new agency is also expected to take on key tasks in the area of digitalization. National authorities will, however, remain responsible for the operational enforcement of customs law and will be supported by the EUCA merely as a central point of contact. The staff of the agency are to be EU customs officers.

EU Customs Data Hub

Using modern data analytics and artificial intelligence, the EU Customs Data Hub is intended to replace national IT systems and interfaces. The aim is a uniform level of digitalization and a level playing field. A shift in emphasis is planned – from border clearance to upstream, data-based checks (even before the goods arrive in the EU) and supply chain transparency.

The simplification is intended to enable businesses to lodge all customs declarations for operations anywhere in the EU in a single place (one-stop shop). While there are already options to make use of centralized clearance, the implementation often depends on the cooperation of national customs authorities and, since national customs systems are still not sufficiently integrated across the EU, the implementation often relies on pragmatic interim solutions.

It is also envisaged to use data already available within the company. This primarily concerns the option of self-assessment (self-control). In the longer term, the European Commission's vision is for tax and customs authorities to be granted permanent direct access to productive systems (e.g., ERP/ inventory management, financial accounting, logistics systems) —also in the context of the Trust & Check Trader authorization (see below). Whether customs clearance will then be organized by companies via self-assessment or whether customs authorities will extract the relevant data and assess duties purely on a data basis is yet unknown. Based on initial tests, the European Commission has found that data extraction and AI-based assessment is more difficult than initially expected due to the diversity of systems and data types. Nevertheless, this perspective has far-reaching consequences for companies and their IT and data landscape, particularly with regard to data and master data quality, the implementation of interfaces, automation, access rights and much more.

Certified Trusted Economic Operator (Trust & Check Trader)

Brussels is planning a premium trusted trade scheme above the currently available customs authorization as an Authorized Economic Operator (Authorized Economic Operator, commonly abbreviated as "AEO"). The Trust & Check Trader/ economic operator will have to meet even higher requirements regarding internal control systems, data quality, detailed transparency and governance. The new status promises far-reaching privileges for companies. These include significant simplifications such as automated release of goods to the customs procedure, centralized customs clearance, self-assessment and periodic settlement, and fewer physical checks.

At one point, even the future of the AEO was under consideration. The European Commission had planned for the status to be discontinued in the future. Many customs simplifications would then have required Trust & Check Trader status. It was foreseeable, however, that many — especially small and mid-sized — companies would not yet have been able to meet these requirements by the date to be determined. As a consequence, the loss of existing simplifications would have been threatened. Lobby activities of business associations have apparently been successful as, according to the latest information, the Trust & Check Trader status is intended to build on the existing AEO concept and strengthen it.

E-commerce and platform responsibility

Based on the VAT e-commerce rules and certain market-conformity provisions, electronic platforms or online marketplaces in e-commerce are, in the future, to be classified as "deemed importers". From a customs perspective, they will then be responsible in their own name for the proper handling of import transactions by third-party sellers on their platform.

In addition, a simplified system with four groups of product categories for low-value consignments is to be introduced. This is intended to significantly reduce the effort required for customs tariff classification and, in conjunction with abolishing the current duty exemption for goods valued at up to EUR 150, prevent fraud. What may be overlooked, however, is that many excise and environmental taxes, product conformity rules, and prohibitions and restrictions identify affected goods by customs tariff codes. Correct tariff classification will therefore still be necessary and could call the added value of the measure into question.

Further changes

The revision would also entail many detailed changes in the customs operation. This includes shortening the time limit for the temporary storage of goods from 90 to three days (or six days for authorized consignees), which in practice amounts to its abolition. In many cases, this would force companies to apply instead for authorization to operate a customs warehouse. EU operators may take that potential change into consideration for their strategic planning of import structuring and authorizations for local entities.

In addition to the already known Binding Tariff Information and Binding Origin Information, Binding Customs Valuation Information is finally also to become possible, which represents a great opportunity for importers to manage customs valuation risks better.

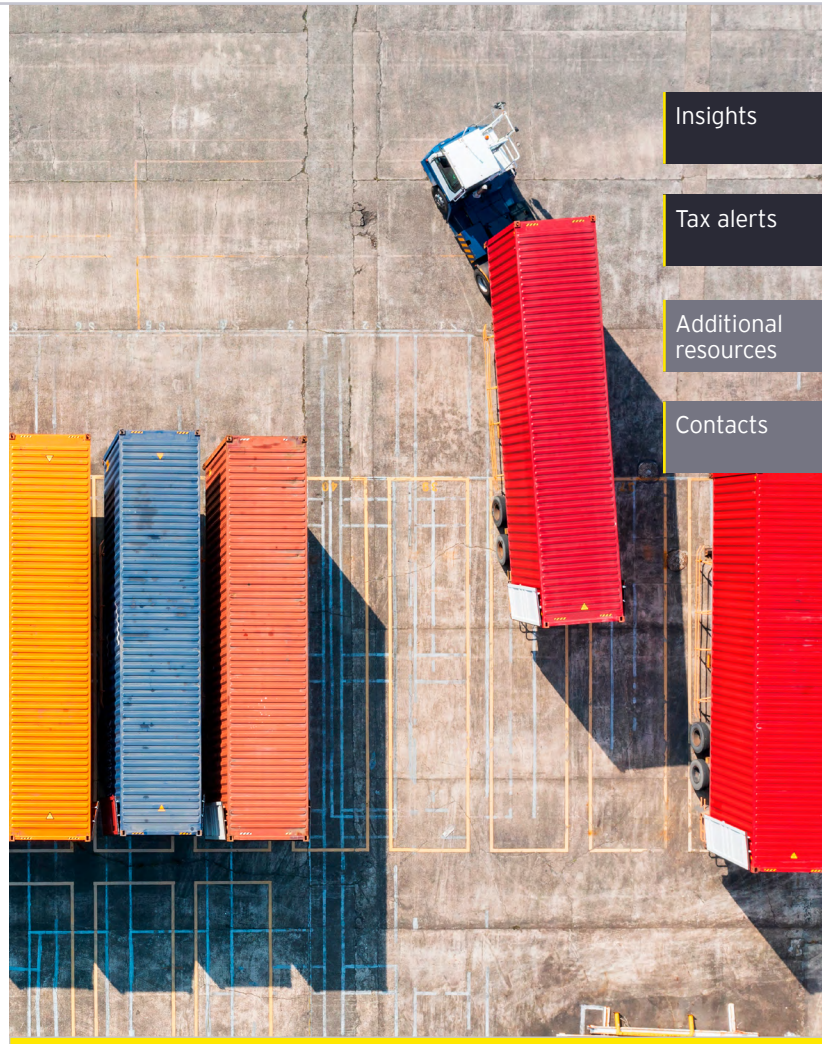
A uniform risk management system based on EU-wide coordinated criteria is intended not only to improve monitoring of compliance with customs rules but also to enable close cooperation with other market surveillance and law enforcement authorities, such as the European Anti-Fraud Office (OLAF), the European Union Agency for Law Enforcement Cooperation (Europol) and the European Border and Coast Guard Agency (Frontex). This will mean, and it is already happening, that more and more investigations and cases arise that are initiated by authorities outside the country where the measures are taken (with the support of local authorities).

The handling of sanctions and infringements – together with a defined minimum level for non-criminal sanctions – was also to be harmonized in order to prevent distortions of competition, loopholes and "customs tourism". In the past, however, several attempts have failed or not been pursued further, citing Member State competency. The EU is now making a new attempt, but it indicates that the EU Council is again taking a reserved position to that change.

This presentation of the changes resulting from the reform proposal does not claim to be exhaustive. Further redesigns concern, among other topics, the transfer of liability, comprehensive guarantees or the training of national customs authorities.

Conclusion

The reform of EU customs law offers opportunities for businesses, but also requires investment in data availability and quality as well as in systems, processes and leadership. Significant acceleration and cost advantages are within reach. Clear roles, clean master data and robust interfaces are crucial, particularly in e-commerce, in order to remain operational and competitive in the new customs environment. The new rules will force marketplace operators to set a high bar for sellers active on their platforms, as marketplace operators will in the future be responsible, in their own name, for the correctness of customs processing. ■



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Pan-Euro Mediterranean convention on rules of origin

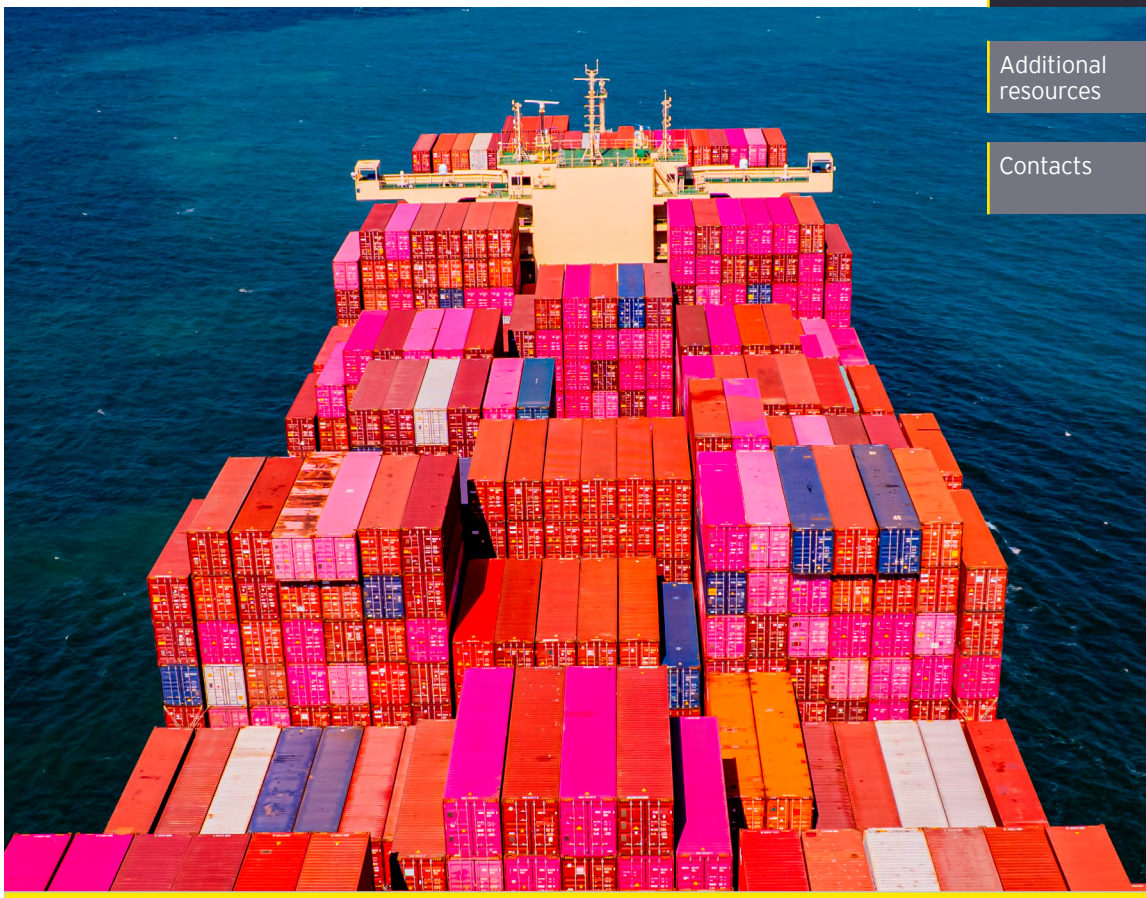
Rules of origin determine the economic nationality of goods and whether they qualify for preferential tariff treatment under trade agreements. While essential to global trade, differing rules of origin can create complexity and administrative burdens for businesses operating across international supply chains.

The Pan Euro Mediterranean Convention on Rules of Origin (PEM) is a multilateral framework that harmonizes rules of origin across 25 contracting parties in Europe, North Africa and parts of the Middle East. PEM is neither a customs union nor a free trade agreement (FTA); rather, it provides a common set of rules that apply where contracting parties already have reciprocal FTAs. A key feature is diagonal cumulation, which allows inputs from one PEM country to be treated as originating when incorporated into goods exported to another PEM partner.

In its June 2025 Trade Strategy, the United Kingdom (UK) government highlighted that joining PEM could help harmonize rules of origin and increase flexibility for UK exporters. A short consultation with UK businesses followed in November 2025, with conclusions expected ahead of the UK European Union (EU) Leaders' Summit in summer 2026.

UK accession to PEM could simplify trade by improving supply chain resilience through near shoring and expanded cumulation opportunities. In many cases, PEM offers more liberal product specific rules of origin than those in existing UK FTAs, including the EU UK Trade and Cooperation Agreement (TCA). However, as PEM is not an FTA, it is unlikely that its rules of origin could operate in parallel with those in existing FTAs without amendment. Changes to UK FTAs may therefore be required to incorporate or reference PEM rules.

While increased regional integration could benefit sectors such as automotive, chemicals and pharmaceuticals, PEM rules can be stricter than those in the TCA. Businesses may, therefore, need to reassess sourcing strategies and origin management processes to manage risks and maximize potential benefits should the UK accede to PEM. ■



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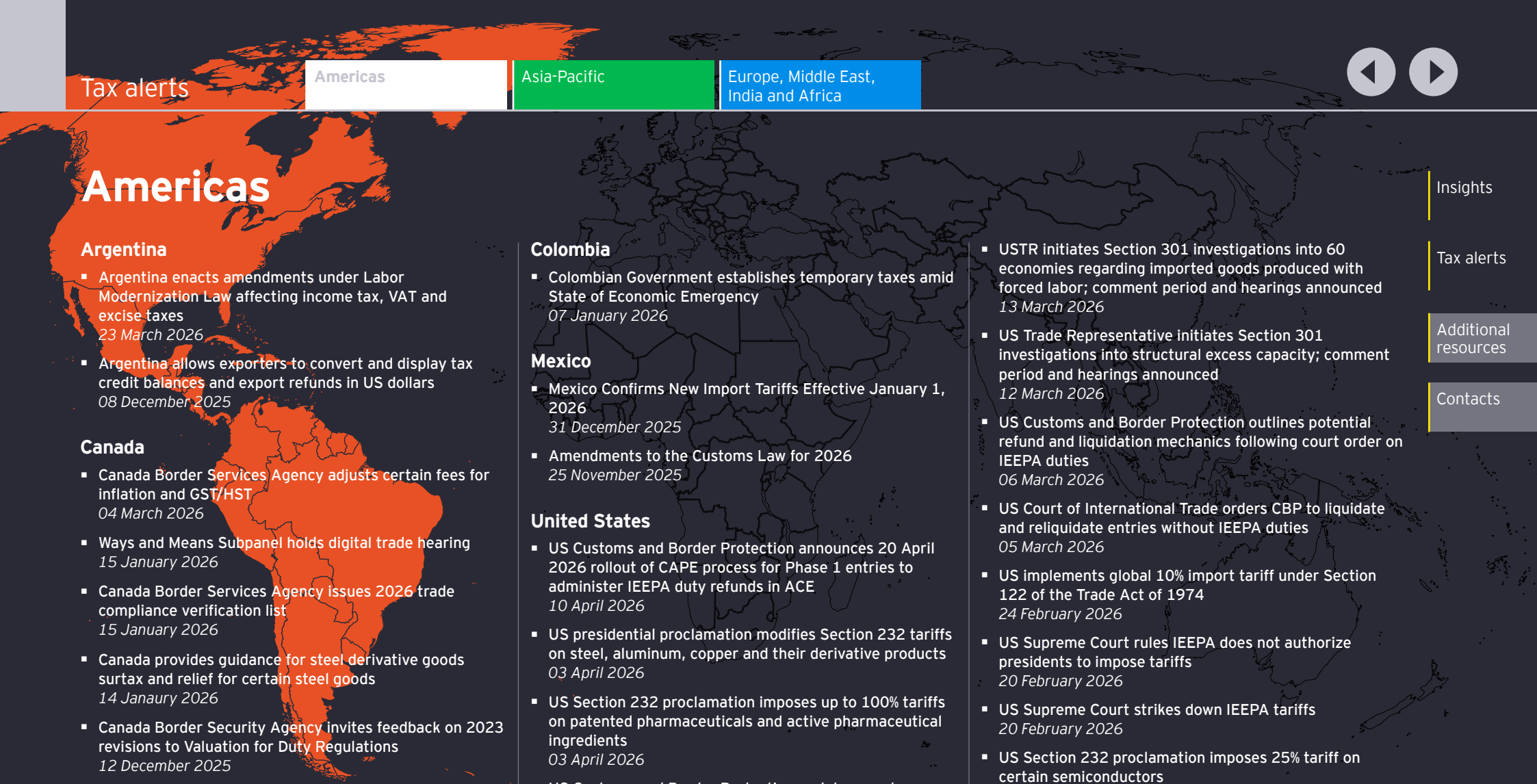

Americas

Argentina

- Argentina enacts amendments under Labor Modernization Law affecting income tax, VAT and excise taxes
  23 March 2026
- Argentina allows exporters to convert and display tax credit balances and export refunds in US dollars
  08 December 2025

Canada

- Canada Border Services Agency adjusts certain fees for inflation and GST/HST
  04 March 2026
- Ways and Means Subpanel holds digital trade hearing
  15 January 2026
- Canada Border Services Agency issues 2026 trade compliance verification list
  15 January 2026
- Canada provides guidance for steel derivative goods surtax and relief for certain steel goods
  14 Janaury 2026
- Canada Border Security Agency invites feedback on 2023 revisions to Valuation for Duty Regulations
  12 December 2025
- Canada announces new trade measures for steel imports
  09 December 2025

Chile

- Chile issues new ruling confirming no withholding tax on software distribution under Chile-US tax treaty, highlighting applicability for regional hubs
  16 March 2026

Colombia

- Colombian Government establishes temporary taxes amid State of Economic Emergency
  07 January 2026

Mexico

- Mexico Confirms New Import Tariffs Effective January 1, 2026
  31 December 2025
- Amendments to the Customs Law for 2026
  25 November 2025

United States

- US Customs and Border Protection announces 20 April 2026 rollout of CAPE process for Phase 1 entries to administer IEEPA duty refunds in ACE
  10 April 2026
- US presidential proclamation modifies Section 232 tariffs on steel, aluminum, copper and their derivative products
  03 April 2026
- US Section 232 proclamation imposes up to 100% tariffs on patented pharmaceuticals and active pharmaceutical ingredients
  03 April 2026
- US Customs and Border Protection updates court on process to refund IEEPA duties; Phase 1 scope refined and progress milestones reported
  02 April 2026
- US Customs and Border Protection details new CAPE process in ACE to administer IEEPA duty refunds; phased rollout planned
  13 March 2026
- USTR initiates Section 301 investigations into 60 economies regarding imported goods produced with forced labor; comment period and hearings announced
  13 March 2026
- US Trade Representative initiates Section 301 investigations into structural excess capacity; comment period and hearings announced
  12 March 2026
- US Customs and Border Protection outlines potential refund and liquidation mechanics following court order on IEEPA duties
  06 March 2026
- US Court of International Trade orders CBP to liquidate and reliquidate entries without IEEPA duties
  05 March 2026
- US implements global 10% import tariff under Section 122 of the Trade Act of 1974
  24 February 2026
- US Supreme Court rules IEEPA does not authorize presidents to impose tariffs
  20 February 2026
- US Supreme Court strikes down IEEPA tariffs
  20 February 2026
- US Section 232 proclamation imposes 25% tariff on certain semiconductors
  15 January 2026
- US Court of International Trade clarifies refund pathway for IEEPA tariffs, denies preliminary injunction in IEEPA-related refund case
  16 December 2025
- US announces new trade frameworks and expanded agricultural tariff exclusions
  17 November 2025

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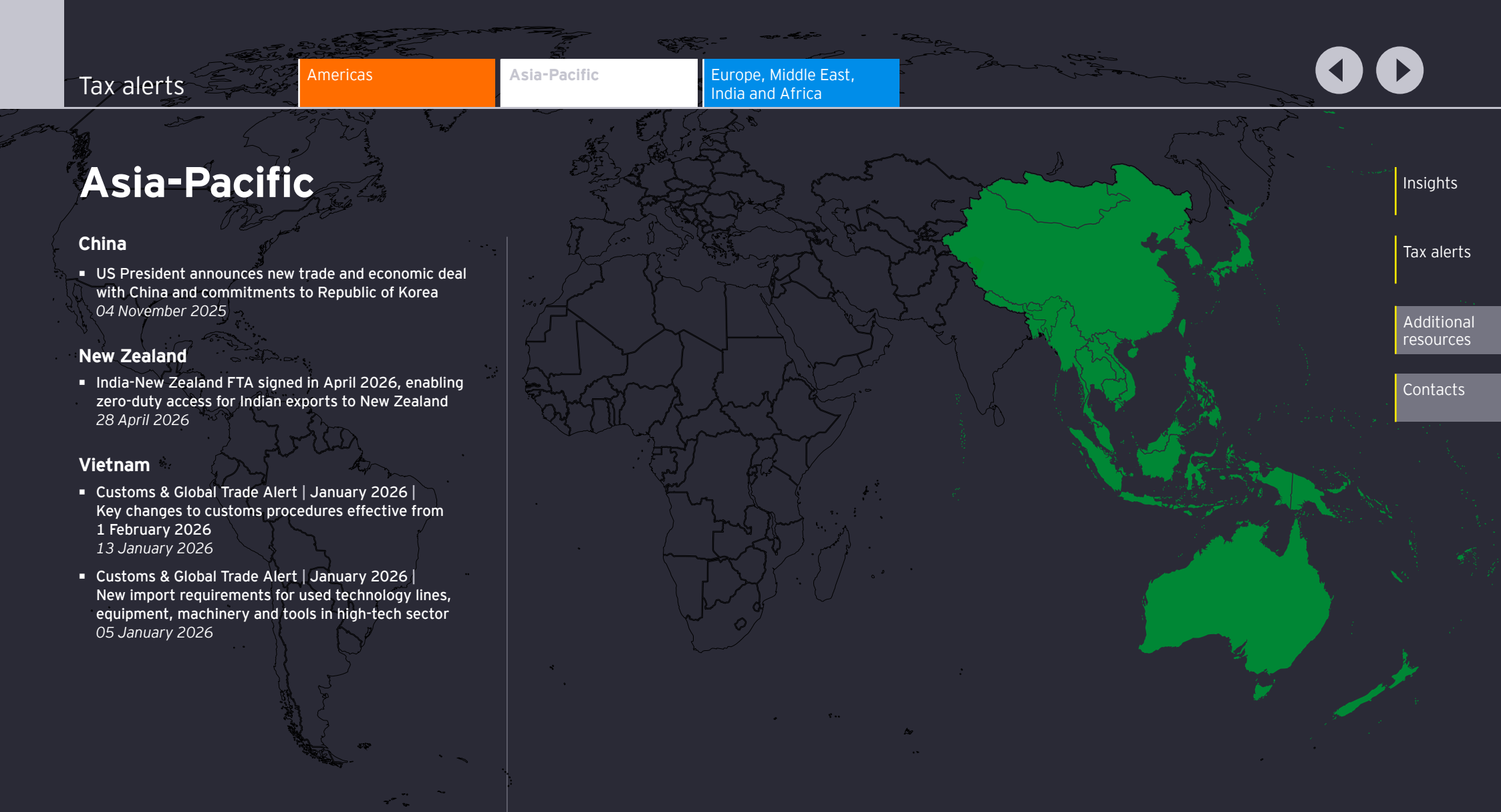

China

- US President announces new trade and economic deal with China and commitments to Republic of Korea
  04 November 2025

New Zealand

- India-New Zealand FTA signed in April 2026, enabling zero-duty access for Indian exports to New Zealand
  28 April 2026

Vietnam

- Customs & Global Trade Alert | January 2026 | Key changes to customs procedures effective from 1 February 2026
  13 January 2026
- Customs & Global Trade Alert | January 2026 | New import requirements for used technology lines, equipment, machinery and tools in high-tech sector
  05 January 2026

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Belgium

- Latest edition of EY Belgium's customs and excise update
  04 Noveber 2025

Ghana

- Ghana Court of Appeal decides on procedures for claiming VAT and corporate tax refunds
  17 March 2026
- Ghana's Parliament enacts several indirect tax-related laws, effective 1 January 2026
  12 January 2026

Gibraltar

- Gibraltar announces details of Transaction Tax on goods and changes to duty
  13 February 2026

India

- Reserve Bank of India (RBI) issues the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026 (EXIM Guidelines)
  24 March 2026
- Reciprocal tariffs announced by US government in April 2025, struck down by US Supreme Court
  24 February 2026
- RBI issues Export and Import Regulations, 2026
  21 January 2026

Italy

- Italy makes indirect tax changes through 2026 Italian Budget Law and publishes consolidated VAT code
  09 January 2026
- Italy | VAT audit focus on year-end transfer pricing adjustments
  15 December 2025

Liechtenstein

- USTR issues notice implementing new trade framework between the United States, Switzerland and Liechtenstein
  18 December 2025

Netherlands

- Netherlands announces changes to non-EU VAT refund scheme as of 1 April 2026
  24 March 2026
- Dutch Parliament receives government-solicited, EY-prepared report on VAT in the Digital Age (ViDA) e-invoicing and digital reporting
  12 March 2026
- Sustainability and green taxes
  19 January 2026

Turkiye

- Turkiye introduces new tax certification requirements for nondeductible VAT on certain import transactions
  12 February 2026
- Turkiye removes simplified entries for B2C e-commerce imports
  09 January 2026
- Turkiye revises Digital Service Tax rate for 2026 and 2027
  06 January 2026

Saudi Arabia

- Saudi Arabia amends its integrated customs tariff schedule
  10 December 2025
- Saudi Arabia to implement new excise tax method for sweetened beverages
  03 December 2026

UAE

- UAE Ministry of Finance releases e-invoicing guidelines
  25 February 2026

Additional resources

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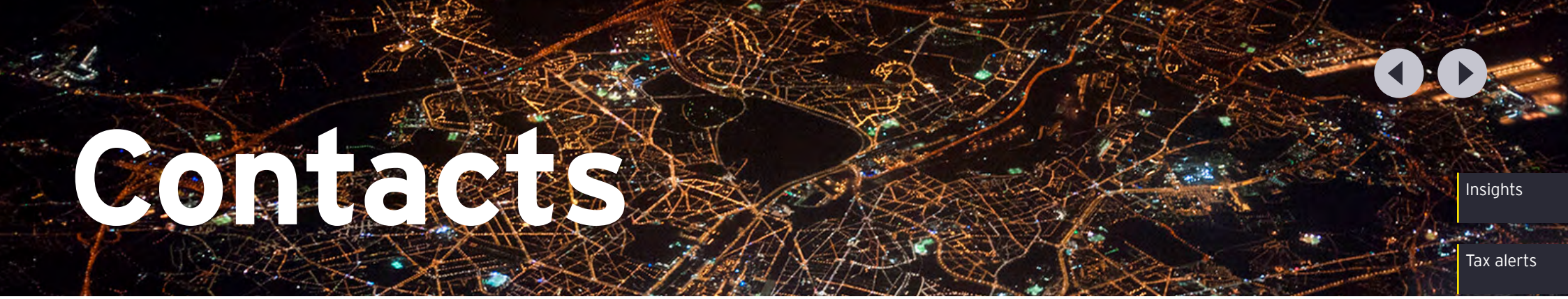

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