Changes in the customs legislation 2016-2017

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EEU MAP
For 2016
Eurasian Economic Union consists of 5 countries:
Belarus
Kazakhstan
Russia
Armenia
Kyrgyzstan

Population: 183.3 million
over 20 million sq.m
14% of world’s mainland
### RUSSIA IN DOING BUSINESS RATING

<table>
<thead>
<tr>
<th>Country</th>
<th>2015</th>
<th>2016</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belarus</td>
<td>57</td>
<td>44</td>
<td>+13</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>41</td>
<td>41</td>
<td>0</td>
</tr>
<tr>
<td>Russia</td>
<td>62</td>
<td>51</td>
<td>+11</td>
</tr>
<tr>
<td>Armenia</td>
<td>45</td>
<td>24</td>
<td>+21</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>102</td>
<td>67</td>
<td>+35</td>
</tr>
</tbody>
</table>

Out of all countries in EEU Armenia has the best position in the rating as the most favorable country for doing business, being 24th in the world's rating. Kazakhstan is 41st, Belarus is 44th. Kyrgyzstan is located on 67th.

The progress of Russia for the past year is 11 positions – moving to 51st out of 189.

### WHAT IS A CURRENT SITUATION IN CUSTOMS REGULATION SYSTEMS OF EEU AND RUSSIA?

Which steps have already influenced (and will influence in future) the process of simplifying customs administration?
MAIN DIRECTIONS OF CUSTOMS ADMINISTRATION DEVELOPMENT IN EEU

01 Customs code and its parts, aimed to have positive influence on business
02 Developing institution of authorized economic operator (AEO)
03 Single window concept realization

New customs code – status update

• Presidents of Russia, Kazakhstan, Kyrgyzstan and Armenia signed the agreement on New Customs Code on 30 December 2016.

• President of Belarus signed it on 11 April 2017.
At a glance

TIMEFRAMES

• The new customs code will enter into force not earlier than 1 July 2017 or later when all 5 member states complete all required ratification procedures.
• The most likely date of entry into force is the 1th January 2018

VOLUME

- 1,000 pages
- 9 Sections
- 61 Chapters
- 465 Articles

Sphere of regulation of EEU

Now the Commission EEU is responsible for 114 issues in the sphere of customs regulation. New Customs Code increase this issues up to 297

For entry into force normally the Customs Code of the EAEU should published of 25 Commission’s decision (this decisions posted on the Commission website)
Before the end of 2017 needs to be developed and approval by Commission another 18 decisions.
What next

Reference rules will need to be covered by:
- Legal acts on a supranational level (Eurasian Economic Commission)
- National legislation

National legislation will be brought into compliance with the new customs code.
Before that national legislation will apply ‘unless its provisions contradict the new customs code’

Customs Code Novelties

- Priority for the electronic declaration process
- Preliminary Declaration
- Preliminary informing
- Auto registration of customs declaration
- A decision on the release of goods can be taken by a computer (based on an risk analysis)
- A customs broker will be allowed to act as a guarantor for its client
- Preliminary decisions (customs value, appliance of exemptions, etc)
- No need to submit supporting documents together with a declaration, although the declarant must have them in any case at the moment of filing
- The principle of “one window” (the term in TC is not used)
- To regulate filling of DT (except for graphs 31) as the basis for automation procedures
- The timing of the release (4 hours), possibility of extension up to 10 days
- Customs release based on RMS (risk management system)
- Informing and consulting by Customs in electronic form
Importers/exporters can only obtain customs clearance in the country of residence
- Customs duties and taxes must be paid before the goods are released
- Terms of release (two days by default plus the possibility of an extension up to 10 days)
- Customs brokers, bonded warehouse operators can only operate in the country of registration (not in any other member states)
- No prior disclosure concept (Article 86)
- Customs broker still have no right to declare goods on its own behalf
- Paper documents remain, except electronic declarations

The possibilities to file a customs declaration without supporting documents

Old Customs Code – declaration sends with all commercial and transport documents

New Customs Code – declaration can be sent without confirming documents
Automatic registration of declaration, Automatic check and release of goods

Old Customs Code– customs declarations checks by customs inspector

New Customs Code– customs declarations checks automatically by information system

Time of release of customs goods

Old Customs Code: ALL WORKING DAYS
New Customs Code: 4 HOURS
AEO status will be available to:
- Importers/exporters
- Customs brokers
- Bonded warehouses
- Freight forwarders and carriers

Simplification + harmonization + security = integrated control
- Goods can be released before submission of a customs declaration
- A customs declaration can be submitted once a month

The amount of security deposit / bank guaranty will depend on the financial stability of the applicant

Mutual recognition by all 5 member states

**Authorized Economic Operator - Customs confidant**

**TYPE 1**
- First priority in customs operations
- Free transit with no security assurance
- Release of goods before submitting a customs declaration
- Self sealing
- Freedom of choice for the route of transportation
- Priority in pilot projects

**TYPE 2**
- Temporary storage of goods
- Customs clearance in the other customs authority
- First priority of customs control
- Release of goods before submitting a customs declaration
- Deferral of customs payments with no security deposit or bank guarantee

**TYPE 3 – BOTH OF THE ABOVE**
THOSE WHO CAN BE AEO

- The declarant
- The declarant (exporters, importers)
- Carrier
- Customs agent (broker)
- The freight forwarders
- Temporary storage warehouse owner

TYPES SERTIFICATES AEO

Old Customs Code

1 type certificates AEO
4 simplifications

New Customs Code

3 type certificates AEO
1 type – 9 simplifications
II type – 10 simplifications
III type – 17 simplifications
Old Customs Code
7 conditions

New Customs Code
10 conditions

New:
Financial stability
Requirements for warehouses, conditions for vehicles, employees and premises

TOTAL THE CONDITIONS OF ASSIGNING THE STATUS OF EAO

<table>
<thead>
<tr>
<th>Conditions</th>
<th>I type</th>
<th>II type</th>
<th>III type</th>
</tr>
</thead>
<tbody>
<tr>
<td>International trade activity was at least three years</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Securing performance of AEO liabilities</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absence of debts for payment of customs taxes and duties</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Absence of debts for payment of taxes and duties</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>There were no offenses within 1 year prior to the application</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>The accounting is available for the customs authorities (including remote access)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Financial stability</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Buildings, premises and open areas in the property (lease)</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Special requirement for structures and premises</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Activities in the AEO registry of type 1 or type 2 for at least 2 years</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>
3.5.2017

DURATION INTERNATIONAL TRADE AS CONDITION FOR AEO STATUE

1. Minimum International Trades Durations – 3 years
2. Minimum International Trades Durations (type certificate) – 2 years

Increase 3 times
Increase 2 times
Didn’t changed
Didn’t changed
Increase 3 times

SECURITY ASSURANCE OF CUSTOMS DUTIES AND TAXES

Customs code of the Customs Union

Customers code of the Eurasian economic Union

1 million euro
• During 2 years without suspension

700 thousand euro
• From 3-th year

500 thousand euro
• From 5-th year

150 thousand euro
• From 7-th year

300 thousand euro
• From 6-th year
**SPECIAL ADVANTAGES**

### New Customs Code

- Customs operations are carried out as a matter of priority
- No financial security is required for customs transit, additional customs value verification and expert examination
- No need to establish a route of transportation by customs
- Cargo operations without customs clearance
- Release of goods before sending declaration
- Priority participation in experiments and pilot projects
- Remote release of goods
- Temporary storage in AEO warehouse
- Customs operations in AEO warehouses
- Another advantages

### CUSTOMS OPERATIONS IN SUCCESSION

**EAO**

- Officials for the operations
- Separate lanes for AEO in border road crossings
- customs Declaration and release of goods as a matter of priority
CUSTOMS CONTROL FOR THE AEO

AEO refers to a low risk level

Customs inspections and examination carry out the first stage

Customs inspections and examination for AEO 2 and 3 types carry out on their warehouses

AEO MORE ADVANTAGES

The status of AEO is recognized throughout the Union

The possibility of mutual recognition of the AEO status by third countries
Single window concept realization

Single window is a powerful tool for simplifying trade processes

Single window is connected with gathering and transferring information not only for the border, but is also used for internal federal control after releasing goods to free circulation.

At the same time in terms of Single window functioning trade operators and governmental controlling organs can have informational interaction being physically away.

EEU Customs Regulation

Exporters/ Importers

B2B

Carriers
Freight Forwarders
Terminals
Temporary Storage Warehouses
Ports
Statedores

B2G

Agents
Chamber of Commerce and Industry
Insurance Companies
Banks
Sellers

G2G

State Authorities

B2B

Ministry of Health care
Ministry of Transportation
Ministry of Internal Affairs
Ministry of Industry
Ministry of Agriculture
Ministry of Culture
Ministry of Economics
Tax Inspectorate

EEU Customs Regulation
3.5.2017

Single window concept realization

Single window concept is approved.

It contains EEU countries right for having national systems of Single window, based on their own principles, approaches and standards.

RUSSIA IN DOING BUSINESS RATING

Separated factors for doing business in Russia were evaluated as the following:

<table>
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<th>Factor</th>
<th>2015</th>
<th>2016</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>New business launch</td>
<td>34</td>
<td>41</td>
<td>-7</td>
</tr>
<tr>
<td>Construction works processing</td>
<td>117</td>
<td>119</td>
<td>-2</td>
</tr>
<tr>
<td>Power supply connection</td>
<td>53</td>
<td>29</td>
<td>+24</td>
</tr>
<tr>
<td>Proprietorship registration</td>
<td>8</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Loans accessibility</td>
<td>61</td>
<td>42</td>
<td>+19</td>
</tr>
<tr>
<td>Minority investors’ advocacy</td>
<td>64</td>
<td>66</td>
<td>-2</td>
</tr>
<tr>
<td>Taxation</td>
<td>50</td>
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<td>+1</td>
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<tr>
<td>Contracts’ following</td>
<td>5</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Insolvency settlement / bankruptcy</td>
<td>44</td>
<td>51</td>
<td>-7</td>
</tr>
</tbody>
</table>
RUSSIA IN DOING BUSINESS RATING, INDEX LPI-2016

01 Customs efficiency
02 Infrastructure quality
03 Simplicity of international cargo organizing
04 Logistics competence
05 Cargo tracking availability
06 Supply deadlines following

RUSSIA 99

RUSSIA IN DOING BUSINESS RATING, INDEX LPI-2016

<table>
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<th>Country</th>
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<th>2016</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belarus</td>
<td>99</td>
<td>120</td>
<td>-21</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>88</td>
<td>77</td>
<td>+11</td>
</tr>
<tr>
<td>Russia</td>
<td>90</td>
<td>99</td>
<td>-9</td>
</tr>
<tr>
<td>Armenia</td>
<td>92</td>
<td>141</td>
<td>-49</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>149</td>
<td>146</td>
<td>+3</td>
</tr>
</tbody>
</table>

In the list of 160 counties in total Russia has lost positions in all factors, but most significantly in sub-indexes:

- Infrastructure quality – from 77th to 94th
- Cargo tracking availability – from 79th to 90th
- Simplicity of international cargo organizing – from 102nd to 115th
RUSSIA IN DOING BUSINESS RATING, INDEX LPI-2016

Taking into consideration everything mentioned above in terms of rapid logistics development in EU countries the efficiency of logistics system of EEU countries has decreased according to the index of the World bank.

The World bank experts say that evaluation based on LPI index is given through the vision of world private sector onto connection of countries by trade operations. That is why there are no changes made on the level of one country.

MAIN POLICY FOR CUSTOMS ADMINISTRATION DEVELOPMENT IN RUSSIA

- Changes in subordination of federal customs service
- System of transparent control for incoming goods
- Change of the Risk Management System (RMS)
- Restarting TIR convention
MAIN POLICY FOR CUSTOMS ADMINISTRATION DEVELOPMENT IN RUSSIA

- Canceling regulations that limit points of customs declarations processing for goods
- Single window mechanism realization
- Changing situation in seaports
- Automatization of registration/checking/release processes for declarations

Changes in subordination of federal customs

According to the order of President Putin issued on January 15, 2016 customs service now subordinates to the Ministry of Finance, including issuing legal acts, which will seriously affect the market.

In other words Ministry of Finance will now have all the main sources of profits for federal budget.
System of transparent control for incoming goods

Unifying databases of customs and taxing apparatus will have a significant influence onto control of goods movement on the territory of the country of final destination.

Changes to Russian legislation: providing any person with a right to access information from databases of customs service regarding goods transported with a declaration.

Change of the Risk Management System (RMS)

• Simplification of processing stage. Transferring customs control to post-release control, to customs audit.

• Realizing subject-oriented approach in terms of this program.

Unconscientious participant of international trade

Conscientious participant of international trade
Change of the Risk Management System (RMS)

Summary

• Traders categorization introduction had a positive impact on the major participants of foreign trade activities

• Simplification for small and medium businesses did not happen

• The main objective of RMS is fiscal

• Different risk profiles implementation rules in the regions

Restarting TIR convention

Since 2013 TIR convention wasn’t functioning in the Russian Federation.

The act issued in February of 2016 has about 40 incoming points on the borderline. Now these can fully accept TIR.

It is undoubtedly a positive signal for the business.
Canceling regulations that limit points of customs declarations processing for goods

August 2016: regulations that limited points of goods declaration started to be canceled.

Customs processing limitation act for flowers was already canceled. According to recent information few other acts will be canceled for chemical goods and some other categories. This is also a positive signal.

Seaports situation change

For example, seaport in Saint-Petersburg.

It is planned to decrease volumes of inspections, as well as the amount of documents to provide upon arrival and unloading. We assume it will positively affect timings of cargo release.
Automatization of registration/checking/release processes for declarations

Currently there is an experiment for automatic registration/checking/release for declarations.

The experiment has a positive finish in terms of export and starts in import.

These experiments are valid only for goods out of risks profiles.

The dialog between business and FCS is in progress.

The dialog is organized on the basis of customs service council, agency of strategic initiatives for road map perfecting of customs administration. Now this dialogue with businesses goes on mainly with Russian unions: Russian union of Industrialists and Entrepreneurs, Chamber of commerce and industry, “Delovaya Rossiya”, “Opora Rossiyi”.

We hope this dialogue will solve all the rest tasks of customs administration for the year of 2017, which will help to create a good business climate and will make better progress for the ratings.
Offer of business for Federal Customs Service

1. Placement of customs authorities in state temporary storage warehouse (except for physical inspection)
2. Auto-release without a customs officer, only using a computer
3. Release of goods without temporary storage warehouses
4. Independent audit reports can be used by customs to categorized importers and exporters
5. Simplification for production companies
6. Adequate and proportionate sanctions for violations of customs regulations

THIS PROPOSALS ARE UNDER DISCUSSION, SOME OF THEM ARE SUPPORTED BY THE MINISTRY OF FINANCE

Automation of customs authorities in 2017. Goals set by the Financial Ministry to Federal Customs Service

- 100% paperless declaration technology
- 100% automatic declaration registration for export and transit
- Centralization of payment of customs payments. Unified customs account of the company
- Remote declaration (submission of a declaration to any customs office) for a low risk importer
- Transparent and clear system of categorization of trade participants
- The concentration of declaring in the centers of electronic declaration (CED)
- The same levels of risk for customs control in customs valuation for all customs offices
- Unification of customs and tax audit, automation of audit objects selection
- Automated information exchange between the Federal Tax Service and the Federal Customs Service
Priority objectives of the FTS in 2017

1. Collection of customs payments to the federal budget
2. Improvement of customs administration
3. The creation of a single mechanism for customs and tax payments

Goal 1. Collection of customs payments to the federal budget

- Timely collection of Customs payments to the budget
- Fighting illegal schemes of withdrawing money abroad

Instruments

- Centralization of unified Customs personal accounts of trade participants
- System of remote electronic payment of customs payment and guarantees
- Electronic technologies for cancellation of Debt of customs payments

- Categorization of trade participants in the field of currency control
- Information exchange with banks and Central Bank
- Fight against violations in the field of currency control
Goal 2. Improvement of customs administration

Priority tasks

Reduction of time for customs clearance and simplification of customs procedures

Improvement of customs control before and after the release of goods

Instruments

- Interagency electronic interaction system
- Development of automated technologies
- International trade facilitation projects
- Customs risk management system
- Automatic categorization of traders (3 levels)
- System of interagency checks of traders
- Customs audit after the release of goods

Goal 3. The creation of a single mechanism for customs and tax payments

Expected result:
A single information resource of tax and customs authorities. Available for declarant

Outcome indicators

KPI indicator in 2017

Share of trade participants with a positive assessment of the activities of the Customs authorities 83%

The share of declarations in electronic form without paper documents, if the goods are not considered risky 98%
Goal 3. The creation of a single mechanism for customs and tax payments

Priority tasks

Integration of Tax and Customs information System

Improvement of interagency information interaction

- Comparison of tax and customs administration systems
- Modernization of information agencies systems
- The development of a single information resource “Electronic Dossier”

- New technologies in Customs
- Modernization of software products and IT systems
- New technological maps of interagency cooperation

Thank you for your attention!