



## Customs Flash Belgium

### New customs legislation (UCC) implemented from 1 May 2016

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#### Impact on VAT and business in general

Codified customs legislation<sup>1</sup> across the European Union has an extensive history and dates back to 1994. Several reasons, such as the fact that the existing customs legislation was never integrated and harmonised due to different national practices and the rapid expansion of global trade, led to the need for a more unified customs legislation.

The new European customs legislation with the Union Customs Code ("UCC") and its implementing regulations will, as planned, be executed as from 1 May 2016. The text of the UCC is final but the Supplementing Acts are currently still work in progress and are expected to be final by the end of this year at the latest.

In the drafts, there are quite some changes from a customs perspective, of which some will have significant impact on businesses. Apart from customs, some changes also have consequences for other taxes such as VAT. Examples include the following, among others:

- Royalties and license fees will generally be considered to be paid as a condition of sale of the goods regardless of the relationship between the buyer/seller and should therefore be included in the customs value;
- Existing customs procedures have been aligned and grouped together. For instance, Inward Processing Relief (IPR) and Processing Under Customs Control (PCC) have been combined to form a single procedure;
- The definition of 'Exporter of Record' has altered in the sense that, in principle, only companies established within the customs territory of the Union will be able to act as exporter of record.

National customs legislation (e.g. General Law on Customs and Excises in Belgium) will need to be adapted to be coherent with the UCC. To date, little initiatives have already been undertaken by national authorities with regard to the national implementation, issuance of guidelines and changes to instructions or similar.

Nevertheless, all companies which are involved in international trade must act now to consider and assess how the changes of the UCC will impact their business and their supply chain.

From a VAT point of view (being a transactional tax closely linked to customs), VAT managers of companies operating in an international trade environment should already liaise with their customs departments to understand how the changes will affect their company and assess the potential impact for VAT. For example, changes to existing customs procedures could give rise to changes in VAT liabilities. In case of changes, a proper analysis needs to be made of the impact on systems, processes, VAT cash flow, etc.

Pending any possible transitional measures, time is pressing as the UCC will become applicable as from 1 May 2016.

<sup>1</sup>Council Regulation (EEC) No. 2913/92 of October 12, 1992 establishing the Community Customs Code, O.J. L 309, 19 October 1992 and Commission Regulation (EEC) No. 2454/93 of July 2, 1993 laying down provisions for the implementation of Council Regulation (EEC) No. 2913/92 establishing the Community Customs Code, O.J. L 253, 11 October 1993.

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