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Customs & International Trade

Essential Building Blocks of Modern Fiscal Strategy

IFA Seminar – 24/03/2026

Agenda

01 Introduction

02 The three pillars

03 Customs Valuation in the spotlight

04 FTA's as instrument of EU growth?

05 Today's geopolitical realities

With you today...



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01. Introduction

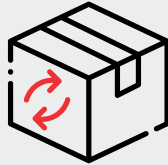
The uppercut to your perfect tax plan

...

Customs & International Trade



Why do customs matter?



Every minute in the EU

- 7.821 Tons of Goods are being imported and approximately the same volume is being exported
- EUR 21 million in terms of IM & EX value
- 898 Customs declarations



Aside of Supply-Chain, Tax & Legal issues, Customs and Trade has a direct impact on:

- Strategy
- Asset Management
- Risk management strategy

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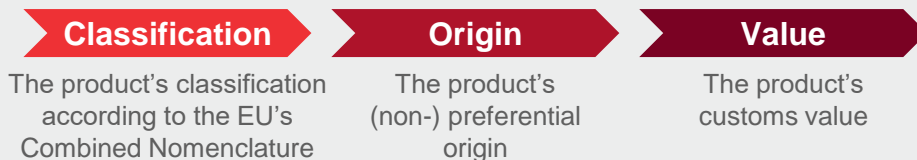


02. The three pillars of the Customs Legislation

EU Customs Law 101

The basics – the link between Customs & Tax

Products entering/leaving the EU's customs territory are subject to controls driven by data analytics relying on **three key data elements** regulated by the Union customs legislation.

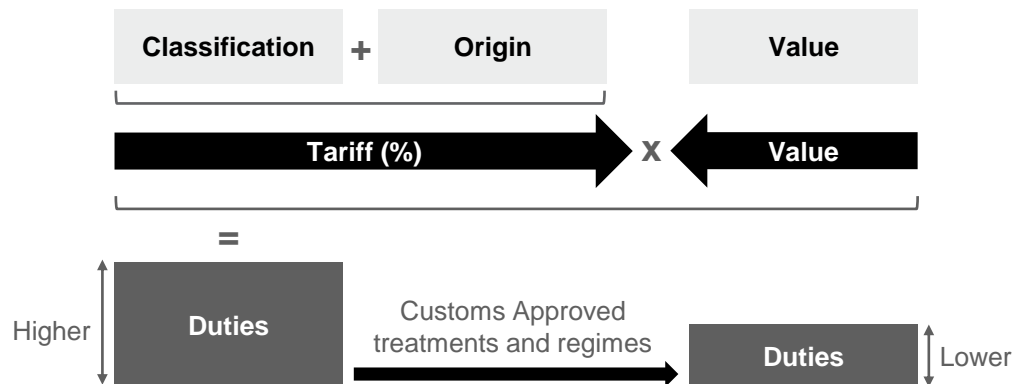


Based on these elements, national customs authorities apply measures relating to EU customs tariff and commercial legislation, **including**:

Tariff measures (e.g., (non-) preferential tariff treatment, autonomous tariff suspensions)

Trade defence measures (e.g., antidumping duties, countervailing duties, safeguard measures)

Prohibitions/restrictions to import and export (e.g., sanctions, dual-use trade controls measures).



The three pillars of customs



Goals: (a) setting up business for success; and (b) cost optimisation

Customs duties – three key pillars:

Tariff Classification

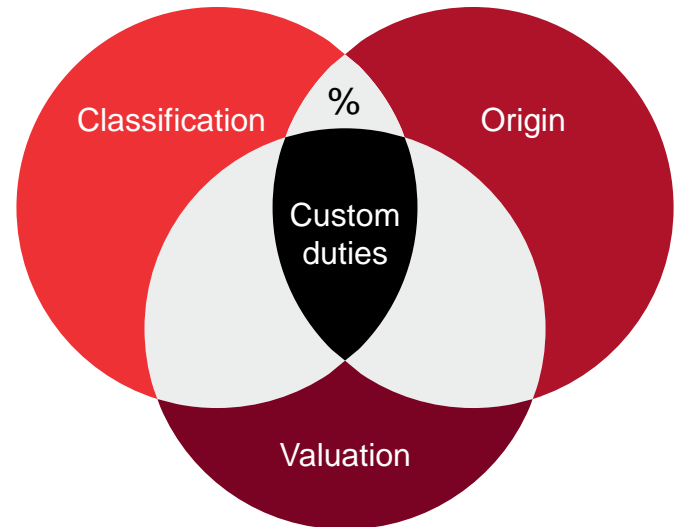
- 'What kind of goods?'

Origin determination

- 'What is the 'nationality' of the goods?'

Customs valuation

- 'What is the value of the goods?'



Tariff Classification

Overview



- All goods have a specific tariff code
 - Code determines measures applying to the goods, including duty rates
- The WCOs Harmonized System sets up a global structure for tariff codes
 - **Tariff Headings**
 - **General Rules of Interpretation**
 - **Explanatory Notes**
- Classification → duty rate
- But still important if duty rate is zero!
 - Non-tariff measures
 - Import/export statistics
 - VAT rate
- Jurisdictions supplement the HS with further tariff subdivisions and explanatory notes (e.g., EU Combined Nomenclature in the EU and HTSUS in the United States)

Tariff Classification

Harmonized system



21 Sections, divided into 97 Chapters

- Each Chapter is divided into a number of Headings
- Each Heading is divided into subheadings

HS (all countries):

First 6 digits

**National (e.g., UK/EU/US/Canada)
implementation:**

8 – 10 digits

Chapter	Heading	Subheading	Subheading (For Duties, etc.)	Subheading (Stat Stuff)
— 00 —	— 00 —	— 00 —	— 00 —	— 00 —

Harmonized System

EU Combined Nomenclature

EU TARIC

Product Origin

Origin determination

- Determining the economic nationality of the product based on the applicable Rules of Origin (ROO)
- International trade rules distinguish between the country where products are shipped from and where they originate from

Customs law distinguishes between:

Preferential origin

Non-preferential origin



Preferential origin:

- If eligible, this results in reduced or zero customs import duty rates, provided specific criteria are met
- Rules to determine eligibility originate in trade agreements between countries



Non-preferential origin:

Countries apply their own rules (for the most part) to determine:

- Most-favoured-nation (MFN) principle on import (where FTA not available or products not eligible)
- Whether trade policy measure apply (e.g., anti-dumping duties, quotas or trade embargoes)
- Labelling/marketing requirements

Customs Valuation

Method 1: Transaction value method



Basic rule: “The customs value of imported goods shall be the **transaction value**, that is the **price actually paid or payable** for the goods when **sold for export** to the country of importation, adjusted in accordance with the provisions of Article 8” (Article 1)

First sale (sale between the manufacturer and the middleman) versus **last sale** (sale that takes place immediately before the goods are brought into a customs territory)

Key documents: Commercial invoice, sales contract, transfer pricing policy etc.

Method 1

Related party transactions

Two main approaches to see whether the relationship between parties did not affect the sales price:

- Examination of the **circumstances surrounding the sale**:
 - Consistent with the normal pricing practices of the industry in question?
 - Consistent with the way the seller settles prices for sales to buyers who are not related to the seller?
 - Adequate price to ensure recovery of all costs plus a profit which is representative of the firm's overall profit realized over a representative period of time in sales of goods of the same class or kind?
- Importer demonstrates that value is close to a '**test value**' (less used), meaning:
 - The transaction value in sales to unrelated buyers of identical or similar goods;
 - The customs value of identical or similar goods

Note: Transfer pricing documentation can be used

Alternative Valuation: Methods 2 - 6

2/3

Transaction value of identical / similar goods

- Identical goods:** the same in all respects including physical characteristics, quality and reputation. They are produced in the same country by the same producer.
- Similar goods:** closely resemble the goods being valued in terms of component materials and characteristics. They have been produced in the same country of the imported goods. They must be commercially interchangeable.

These goods should be imported at or about the same time.

4

Deductive value

Unit price

*of imported goods sold in the country of importation to an unrelated buyer in the greatest aggregate quantity

—

Deductions

*mainly related to costs incurred in the country of importation

=

Customs value

5

Computed value

Value of materials

+

Production costs

+

Profits and general expenses

+

Costs of transport, loading, handling and insurance up to the border

Customs value

6

Fall back

Transaction Value Method

Transaction Value of Identical Merchandise

Transaction Value of Similar Merchandise

Deductive Value

Computed Value

Flexibility and reasonable means

- Consistent with customs valuation principles
- On the basis of available data

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03 Customs Valuation in the Spotlight

TP



Customs

Similar but different

Arm's Length Pricing

- Overall profit margin
- Benchmarked to a set of comparables (functions, assets, risks)

Arm's Length Pricing

- Value of individual imports
- Benchmarked against value of “sale to an unrelated third party”



Collaboration is Vital

The Interplay between Transfer Pricing and Customs Valuation



Tax Authorities

- Entity or transactional view: functions, assets and risks
- Ensure the transfer price does not include **inappropriate** elements and is not overstated

Focus



Higher transfer price
=
reduced taxable profit

Purpose



Customs Authorities

- Transactional and products view
- Ensure all **appropriate** elements are included in the Customs value and that it is not understated





Lower Customs value
=
reduced duty liability

Customs and TP: similarities and differences

	Customs	Transfer pricing
Scope - Transactions concerned	<ul style="list-style-type: none"> Transaction for goods only BUT services, royalties may be relevant for customs valuation of the goods That are cross-border Betw een associated enterprises OR third parties 	<ul style="list-style-type: none"> Any type of transaction: goods, services, royalties, interests That are cross-border Between associated enterprises
Standard	<ul style="list-style-type: none"> Arm's length principle 	<ul style="list-style-type: none"> Arm's length principle
Legal framework	<ul style="list-style-type: none"> Domestic legislation WTO/ WCO including WCO Guide on Customs Valuation and Transfer Pricing 	<ul style="list-style-type: none"> Domestic legislation Tax treaties OECD transfer pricing guidelines United Nations Practical Manual
Testing	<ul style="list-style-type: none"> Examination of the "circumstances of sale" of the imported goods to check the relationship did not influence the invoice price 	<ul style="list-style-type: none"> Often use of a range Depending on the TP method used, compliance w ith the arm's length principle can be tested on an aggregated basis / annual indicators
Authority	<ul style="list-style-type: none"> Customs administrations which are generally part of Tax administrations 	<ul style="list-style-type: none"> Tax administrations
Timing of control	<ul style="list-style-type: none"> An import or as part of a tax audit, generally a few years after the transaction 	<ul style="list-style-type: none"> As part of a tax audit, generally a few years after the transaction
Documentation requirements	<ul style="list-style-type: none"> Intercompany agreements Transfer pricing documentations (incl. benchmarks), depending on the jurisdiction 	<ul style="list-style-type: none"> Intercompany agreements Transfer pricing documentations (incl. benchmarks), depending on the jurisdiction
Advance securitization	<ul style="list-style-type: none"> Advance rulings for customs valuation (not available in all jurisdictions) 	<ul style="list-style-type: none"> Advance pricing arrangements
Dispute resolution mechanisms	<ul style="list-style-type: none"> Domestic recourses 	<ul style="list-style-type: none"> Domestic recourses MAP / BAPA involving competent authorities of the concerned jurisdictions

Comparison of Methods

Transfer Pricing Methods 	Customs Valuation Methods 
➤ Comparable Uncontrolled Price method (CUP)	➤ Transaction value
➤ Resale Price method (RPM)	➤ Value of identical goods
➤ Cost Plus method	➤ Value of similar goods
➤ Transactional Net Margin method (TNMM)	➤ Equivalent selling price in EU
➤ Profit Split method	➤ Cost of production of goods
	➤ Fall-back method

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04. Free Trade Agreements as instrument of EU growth

EU FTA-map of 2025



What does 2026 have to bring ...?

Three major FTA's currently in the pipeline.



EU-Mercosur

- Eliminates 91% of duties on European exports to Mercosur.
- Ratified by all Mercosur countries, awaiting Opinion of CJEU in EU.
- Provisional application of trade aspects as of 1 May 2026 according to EU Commission



EU-India

- Largest FTA by population (2 billion people)
- Eliminates 96,6% of duties for EU exports to India
- Expected entry into force in 2027



EU-Indonesia

- Strong focus on sustainability and critical raw materials
- Eliminates most of the customs duties (98.5%)
- Expected to take effect later 2026/ early 2027.

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05. Today's Geopolitical Realities

The nUCC Reform

Pillars of the reform:



1. New partnership between customs and business

- Trust & Check Trader
- EU Customs Data Hub



2. Updated surveillance and risk assessment model

- EU Customs Authority



3. Modern framework for e-commerce

- Abolishment of the customs duty exemption for low value consignments (< 150 EUR)
- Simplified Tariff Treatment
- Deemed importer concept
- The customs handling fee

TIMELINE

2028
E-commerce companies
get access to the EU
Customs Data Hub

2038
Use of the Hub becomes
obligatory for all businesses
importing to the EU

2032
All businesses begin using
the Hub on a voluntary
basis



Geopolitical realities directly impact trade



Trade wars

- U.S. Supreme Court SCOTUS ruling
- IEEPA Tariffs refunds?
- Additional tariff actions awaited?
 - Section 301 investigation (all countries)
 - Other investigations also in the works

Rise of bilateralism

- Idea of multilateralism such as conceived by WTO is becoming a myth.
- WTO appellate body is paralysed (absence of designation of US pannelist)
- Countries follow the bilateral route (see FTA's above)

Disruption of supply chains

- Current conflicts in the ME have implications for supply chains, but also compliance:
 - Sanctions
 - Export controls

Questions

The image features a white speech bubble shape on a red background. The background is filled with a dense, wavy pattern of thin, parallel lines that create a textured, ripple-like effect. The speech bubble is positioned in the upper left and center, with its tail pointing towards the bottom left. The word "Questions" is written in a bold, black, sans-serif font inside the white area of the speech bubble.

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