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## Fighting customs fraud and protecting EU own resources

### European Parliament resolution of 4 October 2018 on fighting customs fraud and protecting EU own resources (2018/2747(RSP))

(2020/C 11/10)

*The European Parliament,*

- having regard to the seventeenth report of the European Anti-Fraud Office on the year 2016,
- having regard to Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law <sup>(1)</sup>,
- having regard to Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office <sup>(2)</sup> and to Commission Decisions (EU) 2018/1094 of 1 August 2018 confirming the participation of the Netherlands in the enhanced cooperation on the establishment of the European Public Prosecutor's Office <sup>(3)</sup> and (EU) 2018/1103 of 7 August 2018 confirming the participation of Malta in the enhanced cooperation on the establishment of the European Public Prosecutor's Office <sup>(4)</sup>,
- having regard to Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code <sup>(5)</sup> and to the related delegated and implementing acts,
- having regard to the Commission communication of 7 April 2016 on an action plan on VAT (COM(2016)0148),
- having regard to the European Court of Auditors'special report No 24/2015 of 3 March 2016 entitled 'Tackling intra-Community VAT fraud: More action needed',
- having regard to customs procedure 42, which provides for VAT exemption on goods imported into one Member State when they will subsequently be shipped to another Member State,
- having regard to Council Decision 2014/335/EU, Euratom of 26 May 2014 on the system of own resources of the European Union <sup>(6)</sup>,
- having regard to the European Court of Auditors'special report No 19/2017 of 5 December 2017 entitled 'Import procedures: shortcomings in the legal framework and an ineffective implementation impact the financial interests of the EU',
- having regard to the motion for a resolution of the Committee on Budgetary Control,
- having regard to Rule 123(2) of its Rules of Procedure,

<sup>(1)</sup> OJ L 198, 28.7.2017, p. 29.

<sup>(2)</sup> OJ L 283, 31.10.2017, p. 1.

<sup>(3)</sup> OJ L 196, 2.8.2018, p. 1.

<sup>(4)</sup> OJ L 201, 8.8.2018, p. 2.

<sup>(5)</sup> OJ L 269, 10.10.2013, p. 1.

<sup>(6)</sup> OJ L 168, 7.6.2014, p. 105.

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- A. whereas traditional own resources, comprised mainly of duties on imports from outside the EU and sugar levies, account for around 12,8 % of EU own resources;
- B. whereas in early 2017 the European Anti-Fraud Office (OLAF) concluded an investigation into a case of customs fraud in the UK, the main conclusions of which appear in the 2017 OLAF activity report;
- C. whereas OLAF calculated a loss for EU budget own resources of EUR 1.987 billion in terms of lost customs duties due on textiles and shoes imported from China through the UK in the period 2013-2016;
- D. whereas, as a means of comparison, in 2016 OLAF recommended the financial recovery of a total amount of EUR 631,1 million as a result of 272 investigations it carried out;
- E. whereas the fraud in question involves undervaluation, whereby importers can derive profit from evading customs duties and related taxes, paying much less than what is legally due;
- F. whereas the investigation also revealed substantial VAT evasion in connection with imports through the UK through abuse of the suspension of the payment of VAT, the so-called customs procedure 42; whereas these losses are cumulatively estimated to be in the range of EUR 3,2 billion for the period 2013-2016, which also represents a loss for the EU budget;
- G. whereas OLAF has issued a financial recommendation to the Commission's Directorate-General for Budget, an administrative recommendation to the Commission's Directorate-General for Taxation and Customs Union and a judicial recommendation to the UK Crown Prosecution Service to initiate judicial proceedings against those involved in fraudulently evading customs duties and against those knowingly involved in laundering the proceeds of this offence;
- H. whereas OLAF is currently investigating a new customs undervaluation case involving the port of Piraeus in Greece, which represents a serious loss for EU resources and is estimated to have cost Italy tens of millions of euros in unpaid VAT, though the total could be far higher as the investigation is still ongoing;
- I. whereas the UK and Greek cases are far from being isolated and should act as a trigger to take action;
- J. whereas the European Court of Auditors has pointed out that there is no harmonised and standardised application of customs controls by Member States and that this may incentivise fraudsters to choose the weakest link in the chain to perform their fraudulent imports;
1. Welcomes the infringement procedure initiated by the Commission on 8 March 2018 as a follow-up to the UK customs fraud case;
  2. Calls on the Commission to take all necessary measures to recover uncollected EU own resources to provide revenue for the EU budget;
  3. Calls on the Directorate-General for Taxation and Customs Union to take action in order to prevent future abuse of customs procedure 42;
  4. Requests that the Commission follow up on the OLAF recommendations and report back accordingly, and regrets the fact that it can take up to 10 years to recover funds;

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5. Urges the Commission to ensure that Member States fully comply with the provisions of the Union Customs Code, which entered into force on 1 May 2016, and to clarify any provisions that may lead to confusion; calls on the Commission and the Member States to make sure that the application of the common rules by customs authorities is organised in such a manner that fraud, including carousel fraud, is effectively prevented and controls are reinforced at ports, airports and land borders and on the internet;
6. Calls on the Commission to contribute to the completion and financial sustainability of the EU customs information systems;
7. Calls on the Commission to develop a suitable methodology and produce periodic estimates of the customs gap as from 2019, and to report back to Parliament every six months in this regard;
8. Calls on the Council to reach a swift agreement with Parliament on a Union legal framework for customs infringements and sanctions, in order to allow harmonised administrative sanctions and the application of the same criteria in consideration of violations; recalls that Parliament adopted its position back in October 2016; calls on the Commission to facilitate this agreement;
9. Regrets the fact that not all EU Member States have agreed to be part of the European Public Prosecutor's Office;
10. Urges the Commission and the Member States to conclude as soon as possible their discussions on efforts towards implementing a definitive VAT system, which aims to harmonise the way VAT is collected and paid across the EU in order, among other things, to avoid fraud;
11. Calls on the Commission to develop an action plan to ensure the full and timely implementation of the VAT regulations in all Member States with a view to securing this source of EU own resources;
12. Calls on the Commission to consider transferring the responsibilities of customs authorities from national to EU level as regards ensuring harmonised treatment at all EU points of entry, monitoring the performance and activities of customs administrations, and collecting and processing customs data;
13. Endorses the objectives of the Customs 2020 Regulation (EU) No 1294/2013 <sup>(7)</sup> to support customs authorities in protecting the financial and economic interests of the Union and of the Member States, including the fight against fraud; emphasises that the Commission must take appropriate measures ensuring that the financial interests of the Union are protected by the application of preventive measures against fraud;
14. Instructs its President to forward this resolution to the Commission.

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(7) OJ L 347, 20.12.2013, p. 209.