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European Commission

Strategic Plan 2016-2020*

DG TAXUD

*The current Commission's term of office runs until 31 October 2019. New political orientations provided by the incoming Commission for the subsequent period will be appropriately reflected in the strategic planning process.

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PART 1. Strategic vision for 2016-2020

A. Mission statement

The Directorate General Taxation and Customs Union's (TAXUD) mission is **twofold**: to develop and implement tax policy across the EU and to develop and manage the Customs Union.

TAXUD's priority is to work towards a coherent **tax** strategy and a sufficiently uniform implementation of EU law to limit the distortions which can arise from the interaction of 28 tax systems of the Member States. Presently, TAXUD's (and Member States') main focus concerns the fight against tax fraud and tax evasion, harmful tax practices and aggressive tax planning. In this context and in full coherence with G20/OECD work, TAXUD develops activities to create **fair and efficient tax systems** and to promote greater cooperation between tax administrations. An equally important mission for TAXUD is the work related to **modernising and simplifying tax rules**, thereby reducing potential distortions of competition within the internal market and facilitating voluntary compliance by taxpayers.

In the framework of the European Semester, TAXUD has responsibility for the economic analysis of national tax policies and preparing the country-specific recommendations in the field of tax policy.

In the **customs** area, TAXUD ensures that the Customs Union, which is an important European Union building block, **works effectively and efficiently** to support the trading interests of the Union, the internal market, the protection of citizens and the safeguarding of revenue interests. This requires a legal framework that is adapted to the needs of the European Union. It also requires co-operation between Member States, and with the Commission, to ensure that the implementation of customs policy measures is carried out consistently and effectively across the Union. TAXUD seeks to ensure **coherence of customs policy** with other EU policies most notably in the areas of security, safety and health and in areas where customs can actively contribute to the pursuit of other Union policy objectives. It also seeks to facilitate and accelerate legitimate trade by promoting good EU practice worldwide, and by implementing international customs and trade agreements and arrangements.

B. Operating context

DG TAXUD reports to Pierre Moscovici, Commissioner for Economic and Financial Affairs, Taxation and Customs and to Valdis Dombrovskis, Vice President for the Euro and Social Dialogue.

EU Taxation Policy

Taxation is at the core of national sovereignty. The power to introduce or remove taxes, of increasing and reducing them but also of making sure taxes are actually collected and paid to the state budget is in the hands of Member States. **National governments** are broadly free to **design their tax laws**, provided they respect certain fundamental principles, such as non-discrimination and respect for free movement in the internal market. The **co-existence of 28 national** tax systems may result in double taxation, but also double non-taxation and distortions of competition. **Differences** in Member States' **administrative capacities** may pose the risk of having common rules implemented differently in various parts of the Union.

The construction of a **deeper and fairer internal market** requires more and not less Europe, also in taxation. The EU has a **complementary role** when it comes to taxation establishing a **common legal framework making taxes fairer**, helping Member States in **tackling cross-border tax fraud**, tax evasion and avoidance. There is added value in having **EU-wide intervention reforming tax systems** to make them better fit to the internal market and to minimize the risk of tax-induced relocation of economic activities and be more supportive of the EU-wide objectives of growth, jobs and investment. In addition, often an EU-wide approach is the only way to avoid a series of individual national approaches which rather than closing loopholes open up new ones because of their uncoordinated nature. It is by adopting an EU-wide perspective that we can design tax reforms beneficial for the whole Union exploiting mutual learning and the adoption of best practices.

The European Commission presents **proposals for tax legislation** where it considers EU-wide action is needed for the internal market to work better. It can also make **recommendations** and issue **policy guidance** in specific areas. Any European Union tax legislation **must be unanimously agreed** by all EU countries before entering into force, a factor conditioning the pace of progress. **Infringement policy** aims to enforce a proper application of European tax legislation in all Member States as well as to remove illegal distortions with negative impact on EU citizens and business and to support efforts to eliminate tax obstacles to the proper functioning of the internal market. Compliance actions in the area of taxation are primarily driven by complaints, and the Commission also performs own-initiative investigations. These are either based on scrutiny of national legislation, information from third-parties or on EU-wide compliance studies.

Tax fraud and tax evasion illegally deprive public budgets of money and limit the capacity of EU countries to implement their economic and social policies. Unlike tax evasion, which is illegal, **tax avoidance** normally falls within the limits of the law and frequently benefits from differences in tax rules across Member States. However, many forms of tax avoidance go against the spirit of the law, stretching the interpretation of what is 'legal' as far as possible.

Over the next four years, the **economy will become more global, digital, and mobile**. As our population ages putting more strain on public budgets, Member States have to make sure tax fraud, evasion and avoidance are kept to a minimum. Media, civil society and citizens' pressure to make tax systems fairer will continue**. Tax burden sharing** will give an answer to the call for more **fairness, transparency** and information **voiced by citizens**.

Tax fraud and tax evasion occurs not only **within a country** but equally **across countries** both **within the EU and globally**. That is why a single country cannot solve the problem on its own. The EU and Member States need to **work together** and internationally to combat the problem at home and abroad. We will push third countries which currently do not do so to embrace tax good governance criteria. In turn, this will help developing countries to get a fairer share of global tax.

The tax fraud and avoidance problem is huge. **Estimates** put the **loss** at up to **3,4 % of GDP**[1] **a year**. In 2013, the total amount of **VAT lost** across the EU was estimated at **€ 168 billion**, according to the VAT gap study. This is due to fraud and evasion, tax avoidance, bankruptcies, financial insolvencies and miscalculation in the Member States and equates to 15.2% of the theoretically collectible VAT. The estimated VAT gaps vary largely between Member States and range between 4 and 41 percent.

The administrative burden arising from different **VAT** regimes represents a real obstacle for companies trying to trade cross-border both on and offline. An EU business wishing to make **cross-border sales** faces under existing rules a **VAT compliance cost** of at least **€8 000 annually** for **each targeted Member State**. Businesses – especially small businesses – refer to this administrative burden as one of the major obstacles to buy and sell in other EU countries. The Commission is working to minimise these burdens and to **simplify** the system. For years, discussions with Member States have been ongoing regarding the features of the definitive VAT regime for intra-EU trade.

The great variation in **excise duty levels** between Member States continues to provide a strong incentive for tax evasion. Europol recently estimated losses due to **excise duty fraud** to be of the order of **€10 billion per year**. The variation in duty levels and other weaknesses in the design of these taxes necessitate the use of extremely burdensome administrative procedures, which restrict the participation of small and medium enterprises in intra-EU trade in excise goods

To achieve our objectives TAXUD works closely together with several stakeholders, especially other services of the European Commission (FISMA, DEVCO, ECFIN, GROW etc.), the ECOFIN Council and increasingly more with the European Parliament. We engage regularly with external partners working on shared objectives and policies, such as the OECD and the IMF. We interact regularly with businesses and civil society representatives through various Expert Groups such as the VAT Expert Group, the VAT Forum, the Joint Transfer Pricing Forum and the Platform for Good Tax Governance.

[1] http://www.cesifo-group.de/ifoHome/publications/working-papers/CESifoWP/CESifoWPdetails?wp_id=19176394

EU Customs Policy

The TFEU provides that the Customs Union is an **exclusive competence** of the European Union built on the principles of free movement of goods within the Union and a common external tariff towards third countries. The treaty also emphasises the importance of the promotion of trade in this context.

These elements of Treaty law have given rise to the establishment of detailed rules in **secondary legislation** in the form of directly applicable Council and Parliament Regulations adopted under the ordinary legislative procedure under co-decision by qualified majority vote. The current legislative framework is to be found in the Community Customs Code and its implementing regulations. This framework is being replaced by a new text, the **Union Customs Code** which was adopted in 2013 and which will be applicable from **1 May 2016**, although a number of provisions are subject to transitional rules in line with the content of delegated and implementing acts which the Commission has adopted in 2015.

DG TAXUD represents EU customs policy **internationally** and negotiates and implements customs-specific **agreements** and arrangements with **trading partners**. DG TAXUD is also responsible for negotiating the customs related aspects (e.g. rules of origin, customs and trade facilitation matters) in trade or other agreements with a customs component.

As customs policy is implemented by customs administrations in the 28 Member States, implementing the Customs Union relies on **a close partnership with Member States**. In many cases the **Commission** acts as an active participant supporting Member States for instance managing on a day by day basis most of the EU import quotas and **updating** all the tariff related information needed by customs officials working at the external border. The Commission also ensures that the Customs Union is equipped with modern automated **electronic tools** and customs administrations are **interconnected**. The application of the EU's common rules on customs in a situation where goods may enter the Union in one Member State and then travel on to others, or indeed leave the Union, also requires a high degree of **co-operation between national customs administrations**. The reinforcement and continuous adaption of this co-operation to the changing environment represent significant challenges where the Commission plays a facilitating role.

In a period of slow economic recovery and rebuilding of government finances customs needs to ensure **protection of revenue sources**. This applies to **EU own resources**, notably customs duties but also to the role customs plays in protecting national tax interests. Nevertheless the customs rules and their application must also take account of the need to support legitimate **EU business** so that it can be **competitive** on the world markets. For the EU as a whole, external demand is a major source of growth, bound to further increase as in the next decade 90% of economic growth is expected to be generated outside Europe. In this context, the Customs Union is also instrumental to protect EU businesses from unfair external competition while ensuring that legitimate trade can cross borders as quickly and efficiently as possible. Based on risk analysis, customs is therefore selecting for controls those consignments that represent a higher risk of non-compliance. The Commission is supportive in this area by developing an EU framework for customs risk management.

The OECD has estimated that comprehensive trade facilitation reform could cut trade costs by up to 10% for OECD countries. On the global level, reducing trade costs by even 1% would increase worldwide income by € 30 billion. This represents a massive potential to tap into and explains why **increasing the efficiency of customs** is pivotal. Modernising customs and strengthening international customs cooperation are the main drivers. There is also considerable resource pressure on Member States customs administrations which all face major challenges in carrying out their tasks.

Current concerns focussing on **security and migration** also need to be addressed in particular to support wider policy **action against the terrorist threat** as well as to support action at borders to ensure coherent policy action in relation to the **movement of people**. Because of their presence at the EU external border, customs are also called upon to **implement** more than **60 pieces of non-customs EU legislation** related for example to dual use, fire arms, intellectual property, public health, consumer protection, the environment and agriculture.

Over and above the institutional partners of the Commission TAXUD's key stakeholders are the customs administrations of the Member States and trade interests. Other operational policy services within the Commission with which TAXUD co-operates closely are BUDG, TRADE, HOME, JUST, SANTE, AGRI, MOVE, MARE, OLAF or ENV), with the EEAS, Europol, Eurojust, and the European network of judicial authorities that underpins European cooperation on criminal justice cases. Given the role of customs in relation to the control of goods entering and leaving the EU close co-operation to exploit synergies between different policy areas is vital.

Fiscalis 2020 and Customs 2020 Programmes

DG TAXUD implements in direct management mode 2 financing EU programmes: Fiscalis 2020 and Customs 2020. The programmes' intervention logic illustrates the links between the programme inputs towards achieving the programme policy objectives (Annex 3).

The programmes are implemented through Annual Work Programmes which are adopted by the Commission after the positive opinion expressed under examination procedure by the Fiscalis 2020 and Customs 2020 Committees. They consist of projects which reply to a specific problem statement and list envisaged actions and expected results. The programmes are implemented financially on the basis of grant agreements with the participating countries (Joint Actions), and procurements (mostly for European Information Systems and common training activities). The performance measurement of the programmes and the identified key indicators listed in the document below are used to inform and steer the planning and organisation of programme activities.

C. Strategy

The current Commission's term of office runs until 31 October 2019. New political orientations provided by the incoming Commission for the subsequent period will be appropriately reflected in the strategic planning process.

Both the **Customs Union and tax policy** are **cornerstones of the EU and the internal market.** The activities of DG TAXUD in the area of taxation contribute foremost to the general objective on 'a deeper and fairer internal market' (Commission general objective 4), while customs activities also contribute to 'boosting jobs growth and investment' (Commission general objective 1), 'an area of justice and fundamental rights' (Commission general objective 7), and 'a stronger global actor' (Commission general objective 9).

1. A fairer and deeper internal market

EU tax policy can play a crucial role in delivering on the general objective related to creating a **deeper and fairer internal market**. The **added value of EU action** is clear: direct taxes should be paid where economic activity takes place while indirect taxes should be paid where consumption takes place – wherever that may be within Europe and globally. We will continue to make sure tax policy supports structural reforms for jobs, growth and investment also in the context of the European Semester.

Maintaining and ensuring the functioning of the substantial acquis covering the **Customs Union** is an ongoing objective supporting many policy areas in the Union and particularly the internal market. A central element regards the implementation and management of the new legal framework established by the Union Customs Code. Customs policy aims to bring modern customs principles inscribed in the Union Customs Code into reality through detailed legislation and the creation of a number of highly performing electronic customs systems.

1.1 Fight against tax fraud and aggressive tax planning

Over the next years, TAXUD will **work to reduce tax fraud, evasion and avoidance**. Our work will have an impact on the Member States, on businesses and taxpayers but will also affect civil society in a larger sense. Member States will have to turn EU initiatives into national rules and make sure they are respected. By doing so, Member States will be able to reassert control over their tax base. Businesses which currently abuse loopholes in the system will need to readapt their tax policy strategies to make them sustainable and fit to the new context where aggressive planning is no longer tolerated. Tax advisors will play a crucial enabling role in supporting all businesses during the transition. Effective taxation will ensure businesses, irrespective of size and location, will compete fairly against each other.

Following the **blueprint** set in the Action Plan for Fair and Efficient Corporate Taxation, we will use all the tools at our disposal to make change happen. We will continue to play a crucial role in making sure national tax authorities coordinate and exchange information with each other. The Directive on Administrative Cooperation (DAC) is a key tool in this respect providing a solid legislative framework within the EU for the **automatic exchange** of a wide range of financial **information** for tax purposes between **Member States**, in line with the new OECD/G20 global standard. Similar arrangements with **non-EU countries** (Andorra, Liechtenstein, Monaco, San Marino and Switzerland) will provide for equivalent exchange of information for tax purposes. A new set of rules for the exchange of information on **cross-border tax rulings** between Member States will be applied as from 2017 further improving transparency and tax coordination.

Over the next years, we will strive to ensure that **the Code of Conduct** focuses on how to ensure effective taxation. Together with Member States and businesses, we will make the EU transfer pricing framework more effective, turning global guidelines into EU rules respectful of the internal market. We will use the opportunities offered by the **European Semester** to promote more growth friendly and fairer tax systems, focussing on concrete steps Member States can take to reduce tax fraud, evasion and avoidance.

We will continue to **promote transparency** in global taxation, developing an EU approach to **third countries** that currently do not apply tax good governance; to engage **business** and civil society representatives through the Platform on Good Tax Governance; to use all tools at our disposal to promote greater **cooperation between Member States** in tax inspections and audits, encouraging the exchange of best practices between tax authorities.

With regard to **VAT fraud**, beyond the proposal on the definitive VAT regime, the Commission Action Plan will propose new measures to strengthen the VAT system on three fronts: enhancing cooperation between Member States and with third countries, improving voluntary compliance and collectively improving the performance of European tax administrations.

To reduce the compliance burden and improve the internal market for **excise goods**, excise **procedures** should be more uniform and transparent by 2020. TAXUD intends to propose the improvement of existing systems for the registration and authorisation of excise traders and the monitoring of cross border movements of excise goods. This should extend the single market in excise goods to small and medium enterprises and to distance selling and improve the coordination of excise and customs procedures, thereby facilitating international trade in excise goods. This will be coupled with further efforts to harmonise and simplify the classification and taxation of excise goods. In parallel TAXUD will propose changes to excise procedures which would allow for the better detection and prevention of fraud. This will include improvements in the operation of EMCS and better collection and analysis of information for the prevention and detection of **fraud**. Consideration will also be given to the root enabler of excise fraud, which is the wide variation of tax rates between Member States for the same product.

To achieve our objectives, we need **action at various levels**: global, national and EU. Tax fraud, evasion and avoidance do not stop at countries' borders. It is clear these problems cannot be solved unilaterally. Given the scale of tax avoidance, the remaining gaps in terms of transparency and cooperation, the complexity of tax systems and the sophistication of aggressive tax planning practices, no Member State can on its own successfully achieve these objectives. **Single, national, uncoordinated unilateral actions would not be effective**. It could also prove counterproductive: if each and every Member State decided to act on its own to tackle tax fraud, evasion and avoidance, there would be a major risk of jeopardising the internal market with new tax obstacles and barriers, double taxation situations and more uncertainty.

1.2 An EU tax framework that is fit for purpose

During the next years, TAXUD will work to ensure that the EU tax framework is **fit for purpose, growth-friendly and as simple as possible** for businesses to ensure that tax does not prevent the internal market from delivering its full value. Starting from the assumption that the large majority of taxpayers is honest, we will act to **make tax rules easier to comply with and harder to get wrong**. As we know that not all taxes affect taxpayers' incentives in the same way, we will continue to reflect upon and propose tax reforms supporting growth, jobs and investment. For instance, these include reforms aiming at shifting the tax burden away from labour to tax bases less detrimental to growth, to address debt biases in taxation as well as measures to broaden tax bases and remove ill-targeted exemptions.

We will use a **wide range of tools** to make the EU tax framework simpler and more growth-friendly. In 2016, we will table a new, step-by-step proposal to improve the environment for businesses in the EU, the Common Consolidated Corporate Tax Base (CCCTB). The CCCTB will not only make corporate tax rules **simpler and more effective**, but it will also contribute to reducing avoidance, closing loopholes and ensuring that all companies pay their fair share of tax. We will propose how to make the current mechanisms to resolve double taxation disputes in the EU simpler, faster to deal with and more coordinated across the Union. In 2017 mainly, in the framework of the Capital Markets Union action plan, we will work on **promoting best practices on tax incentives for business funding**, especially for start-ups and innovative companies and on making tax rules for cross-border investment easier to comply with and more effective. Up until 2020, we will continue to use analysis and recommendations done in the context of the European Semester to push for **smart tax reforms enabling growth, jobs and investment**. In parallel, we will keep monitoring how EU tax rules are actually implemented by Member States to solve issues of double taxation and remove tax obstacles in the internal market.

The **Action Plan for a Single EU VAT Area**, taking stock of progress since the Communication of 2011, will set out the directions to achieve a simpler and more robust definitive VAT system tailored for the internal market. It will propose priority areas for further work on various topics, notably the options to implement the destination principle (taxation versus reverse charge), the removal of VAT obstacles for digital supplies and SME's development in the internal market, the VAT rates policy, the treatment of the public sector and measures to fight fraud and improve voluntary compliance. Its initiative on VAT for electronic commerce will contribute to the achievement of the Digital Single Market Strategy, the second of the Commission's ten priorities. The Action Plan will also address VAT fraud. It should launch a political debate with the Council, the European Parliament and European Economic and Social Committee which should provide political guidance.

With regard to **energy taxation**, DG TAXUD will aim at both clarifying and simplifying the existing legal framework and make it contribute better to economic policy objectives. For

alcoholic beverages and manufactured tobacco products the focus will be on ensuring the proper functioning of the internal market and to reducing the administrative burden for both Member States and economic operators.

Our actions will impact Member States and their tax authorities as well as businesses and taxpayers more generally. Differences in **Member States' administrative capacities** pose the risk of having common rules implemented differently in various parts of the Union. Member States will be asked to do the necessary reforms in their tax systems to **simplify them and make them more growth-friendly**. Tax authorities will need to become more customer-centric, more cooperative, easier to get in contact with, more helpful and able to assist taxpayers from the start rather than reacting when things go wrong. Continuous digital advances will make it easier for Member States' tax administrations to provided integrated services that simplify tax compliance for **businesses**. These will spend less time and money to comply with tax rules, and benefit from a tax environment which will need to stimulate more effectively productive investment and job creation. On the other hand, the incoherence between the contemporary way of doing business and outdated national tax rules will grow larger. This will increase pressure for change at the EU level.

1.3 A well-functioning and modern Customs Union

The proper implementation of the **Union Customs Code** (UCC) will be a key task for TAXUD in the coming years. The UCC legal package is intended as an enabler for harmonised rules in the Customs Union, without which no level playing field for European trade is possible. These rules are applied through a wide ranging set of procedures applying to all goods entering or leaving the Union.

The UCC and electronic customs imply the development of **an ambitious set of electronic customs systems** by 2020, whose dates of deployment are referred to in the UCC Work Programme. In view of the critical nature of the electronic systems to be deployed in the years 2019 and 2020, the dates of deployment referred to in the Work Programme shall be reviewed in 2017. Customs administrations from the Member States, being in charge of customs operations, are an essential partner in the implementation of the UCC Work Programme. TAXUD plays a key role coordinating and ensuring the overall vision through the Multi Annual Strategic Plan (MASP). This is a major project and the timeline is extremely challenging.

Depending on the nature of the system, **different approaches** are followed for developing the new system. For some projects the Commission is building the systems to be used by Member States (mainly support systems), whilst for other systems (mainly declaration processing systems) the Commission is drafting common specifications which will allow the national customs systems to speak to one another (information exchange). In some cases a 'hybrid' approach will be followed, which is a mixture of the previous 2 types of systems. In any case the elaboration of specifications and systems development is based on a close cooperation between Commission and Member States' experts.

The simplification of procedures and enhanced **EU IT environment** will lead to cost reduction for traders and more efficient administration by customs. In addition TAXUD will continue to manage and run the existing IT systems on which Member states depend, in particular the CCN network connecting all Member States customs authorities and the NCTS IT system on which transit operations depend.

The **day to day operations** of **the Customs Union require close co-operation** between customs administrations themselves and also with the Commission to implement the EU legal customs framework. TAXUD will continue to fulfil its central role in these activities. All measures that are related to the **Common Customs Tariff** (CCT) are integrated in a single IT system, the Integrated Tariff of the European Union (TARIC). This system is critical for the uniform application of tariff measures by Member States and provides economic operators with a comprehensive view of all measures applicable when importing or exporting goods into/from the EU. TAXUD will continue to ensure that TARIC is regularly updated, for instance with the daily allocation of tariff quotas. On an annual basis this requires ca. **110.000 measures** and descriptions to be either added or updated in the system. Besides TARIC, there are several other IT tools that ensure the uniform application of the tariff such as European Binding Tariff Information (EBTI), Quota, Surveillance and European Customs Inventory of Chemical Substances (ECICS). In the coming years there are several important developments foreseen in order to ensure more coherence and alignment between these systems.

1.4 The EU programmes supporting EU tax and customs policy

The Fiscalis 2020 and Customs 2020 programmes support the achievement of tax and customs policy objectives of the EU, as they provide the budgetary, methodological, organisational and operational framework for materialising them with and amongst the national customs and tax administrations.

Until 2020, DG TAXUD will implement a wide scale of programme actions to meet the identified and emerging policy needs. DG TAXUD will focus in the coming years in particular on:

- Ensuring business continuity of existing European IT systems and development of new ones. New forms of IT collaboration will be put in place, increasing the number of shared IT activities and reusable components among Member States. This approach should reduce the costs for deploying EU wide customs and tax IT systems, both at EU and national level while responding more agile to European Union tax and customs policy expectations.
- Enhancing the traditional collaboration between tax/customs officials to ensure high standards of administrative capacity. TAXUD will strengthen the operational cooperation through the use of expert teams, which will be pooling expertise to perform tasks in specific domains, in particular for the European Information systems.
- Reinforcing the capacity of tax and customs administrations and development new skills of their officials by steering the roll-out of a competency framework for tax

administrations and the further implementation of such a framework in the customs area.

The Fiscalis 2020 programme will generate its added-value through initiatives supporting Member States in their fight against tax fraud, tax evasion and aggressive tax planning, notably by supporting the exchange of information via electronic means. The programme will be the framework to set-up initiatives which support the enhanced implementation of tax Union law and legislation and enhanced administrative capacity of the programme's participating countries.

Customs 2020 activities ensure added-value by setting-up a paper-less customs environment which contributes to trade facilitation and effective enforcement of rules and protection of EU financial, safety and security interests. The Customs 2020 programme will in particular support the development of the European IT systems required by the Union Customs Code (UCC).

The European Information Systems and the closed and secure Common Communication Network/Common Systems Interface (CCN/CSI) supported by Customs and Fiscalis 2020 play a vital role in interconnecting tax authorities and thus facilitating the coexistence of 28 taxation systems in the Union and cooperation between 28 national customs administrations. They allow information to be exchanged rapidly and in a common format that can be recognized by all national tax and customs administrations.

2. A New Boost for Jobs, Growth and Investment

2.1 Ensuring efficient customs fostering EU competitiveness

The Union Customs Code (UCC) introduces specific **simplifications of existing procedures** that have the potential to considerably facilitate trade and reduce company costs. Of particular relevance to business will be the advantages to be gained from the EU wide validity of customs decisions and authorisations as well as guarantees. Two crucial simplifications will concern the possibility for authorised traders to replace standard customs declarations by entry in their accounts and centralised clearance to allow customs obligations to be dealt with centrally. The overall aim will be to make a real difference to the costs of customs procedures over the period and implementation will require close co-operation between all stakeholders.

As external demand is the EU's most important source of growth, **legitimate trade** should **cross borders** as **quickly and efficiently** as possible. Therefore TAXUD will further promote effectiveness and efficiency of **customs cooperation with other authorities** including market surveillance authorities. TAXUD will also develop an **EU single window** environment for traders in a gradual and pragmatic way to take account of the complexity of the EU structures and of initiatives of Member States. It will implement the **Authorised Economic Operator (AEO) programme** to facilitate the movement of legitimate trade and allowing compliant and trustworthy traders to benefit from maximum simplifications. This includes seeking synergies between the AEO programme and other compliance programmes in non-customs policy areas.

Customs are increasingly called upon to ensure that goods harmful for health, safety and the environment do not cross the EU external borders. In the coming period DG TAXUD will focus on strengthening coordination and uniform **implementation** by customs of **non-customs legislation** and supporting interagency cooperation. This will be achieved through systematic guidance in the drafting and implementation of EU legislation to ensure that legislation can be properly enforced by customs (i.e. procedures, requirements and controls are aligned with those laid down in EU customs legislation).

Customs are also responsible for tackling, through border enforcement, the increasing volume of trade in goods infringing **Intellectual Property Rights** (IPR) that threatens jobs, growth, innovation and competitiveness. This is of key importance as an estimated 39% of the total economic activity and 26% of all employment in the EU is directly generated by IPR intensive industries. In the coming years, TAXUD will ensure effective implementation of the 2013 Regulation on customs enforcement of IPR. This action will be guided by the strategic objectives in the EU Customs Action Plan to combat IPR infringements for the years 2013-2017.

The **autonomous tariff suspensions and quotas** are measures designed to improve the competitiveness of the Union business community. Such measures provide EU manufacturing businesses with an opportunity to import raw materials, semi-finished goods or components that are not available within the EU at zero or reduced duty rates. The lists of suspended products are announced twice a year by DG TAXUD.

TAXUD will also rethink the way the **governance** of the Customs Union is organised to bring efficiency gains. Governance reform should focus on strengthening existing processes, **seeking consistency in legislation, and promoting uniformity in implementation**. A blueprint on governance reform is under development and will be presented in 2016.

Improving the effectiveness and efficiency of customs risk management (as presented in section 3.1) is also essential for the facilitation of legitimate trade.

3. A Secure European Union

3.1 Strengthening security and contributing to tackling terrorism and serious crime

As gatekeeper of EU borders for the flow of goods, EU customs play a crucial role in protecting the EU and its residents as well as international supply chains from criminal activities and attacks.

By implementing the EU Strategy and Action Plan for customs risk management, TAXUD contributes to the implementation of the 2015 European Agenda on Security, a central component of the general objective to create an area of justice and fundamental rights.

The recent surge of terrorism acts is a stark reminder of the very real security threats facing our societies and of the responsibility of authorities, including customs, to address risks in an effective way. Therefore TAXUD will accelerate the implementation of the EU Strategy and Action Plan for customs risk management, including by improving the data quality and filing arrangements of the Import Control System, ensuring availability of supply chain data to the authorities concerned, and allowing sharing of risk information between Member States. It will also work towards enhancing customs cooperation with border guards and financial intelligence units (FIU), including synchronisation of checks, exchange of information, joint operations, and promoting TAXUD cooperation with EU agencies, including EUROPOL, FRONTEX, and relevant international organisations.

TAXUD will also ensure the legal framework to fight terrorism, money laundering and other serious crime is strengthened and its implementation by customs is supported. This will include amongst others enlarging the scope of the existing Cash Control Regulation on cash entering or leaving the EU, reviewing the existing instruments to curb illicit trade in cultural goods – a source of terrorism financing – and closely monitoring the implementation of the legislation on trade in drug precursors.

4. EU as a strong global actor

4.1 Developing international customs cooperation

By promoting good EU customs practice worldwide, and by preparing and implementing international customs and trade agreements and arrangements to facilitate legitimate trade and secure the international supply chain, DG TAXUD contributes to the general objective of EU as a strong global actor.

In the coming period TAXUD's focus will be on implementing and, where appropriate, upgrading existing bilateral customs agreements (Customs Cooperation and Mutual Administrative Assistance Agreements (CCMAAA)) to strengthen trade facilitation and to improve supply chain security. This includes extending mutual recognition of Authorised Economic Operator (AEO) programmes with trading partners, where appropriate covering non-security related compliance programmes.

TAXUD will also **monitor** the implementation of **rules of origin** in the EU preferential trade arrangements, in line with the 2014 Action Plan and as underlined by the European Court of Auditors (ECA) in its Special Report 2/2014. Compliance with rules of origin, including rules on administrative cooperation, is essential for **safeguarding the EU own resources** and for credibility of the Union in the negotiation of Free Trade Agreements.

TAXUD will negotiate **new bilateral customs agreements** or customs related provisions in trade agreements. This includes seeking ambitious commitments on rules, requirements, formalities and procedures related to import, export and transit at the level or beyond the commitments taken in the context of the WTO Trade Facilitation Agreement (TFA) as well as determination of rules of origin that offer legal certainty to traders and customs, facilitate trade, and contribute to achieving other objectives of EU trade policy.

Finally, TAXUD will work on the **international standard-setting**, in particular in the framework of the World Customs Organization (WCO) and the WTO. A focus will be in the proper implementation of the WTO TFA and the relevant work carried out in the WCO. This may entail the development of rules for international exchange of customs information.

External factors play an important role in reaching success in international customs cooperation. Progress within international organisations such as the WCO and WTO may be slow and the implementation of customs agreements and customs aspects in trade agreements may be delayed or blocked due to factors outside DG TAXUD control, such as changes in the political or economic situation in the partner country, conflicting interests, and the capacity and/or willingness of the counterpart to cooperate.

D. Key performance indicators (KPIs)

- KPI-1: Tax action plans Implementation Indicator – *see objective 1.1*

- KPI-2: Customs Modernisation Indicator – *see objective 1.3*

- KPI-3: Availability of European Information Systems and of the Common Communication Network – *see objective 1.4*

- KPI-4: Collaboration Robustness Indicator – *see objective 1.4*

- KPI-5: Residual Error Rate – *see Part 2.B, objective 1*

PART 2. Organisational management

A. Human Resource Management

Objective: The DG deploys effectively its resources in support of the delivery of the Commission's priorities and core business, has a competent and engaged workforce, which is driven by an effective and gender-balanced management and which can deploy its full potential within supportive and healthy working conditions.

TAXUD has constantly followed the requests launched over the past years to reduce overheads which led to a substantial reduction of the local support and coordination ratio, which is significantly below the DG Family average. This also brought the net operational average figure for TAXUD well above the DG family average. Moreover TAXUD conducted intensive internal redeployment exercises based on prioritisation including the phasing out of negative priorities. Additionally TAXUD has the highest budget against outsourcing ratio in IT of the whole Commission. Finally the vacancy ratio is very low (3.9% in comparison to 5.3% in the DG family) and the DG does not use any "surcharges" for the moment (0% in comparison to 0.7% in the DG family).

TAXUD is well aware that an effective human resources management hinges on a competent and engaged workforce, including an effective and gender-balanced management and on supportive and healthy working conditions as promoted under the fit@work programme launched by VP Georgieva. In this respect TAXUD has started an in-depth analysis of the 2014 staff survey results which were – as on average for the whole Commission – declining. A detailed analysis, notably of the comments given by TAXUD colleagues, will be used to identify a number of priorities which will be addressed during the coming years.

To respond to the request of Vice President Georgieva to reinforce mobility/talent management and the subsequent discussions on this subject held in the working group of Resource Directors (GDR), TAXUD is also preparing the setup of a mobility and talent management strategy accompanied by a strong focus on training and communication.

In addition greater emphasis will be placed on internal communication both horizontally and vertically with particular reference to the Commission priorities and how this links with work done at the individual level.

B. Financial Management: Internal control and Risk management

Objective: The Authorising Officer by Delegation should have reasonable assurance that resources have been used in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions including prevention, detection, correction and follow-up of fraud and irregularities.

1) LEGALITY AND REGULARITY OF TRANSACTIONS

To provide the Authorising Officer by Delegation of a reasonable assurance as regards legality and regularity of transactions, the control system encompasses the following dimensions:

- review and follow-up of exceptions and non-compliance instances;
- review and follow-up of the compliance to the internal control standards;
- follow-up of the implementation of audit recommendations;
- implementation of the TAXUD Anti-fraud strategy with focus on fraud and ethics awareness raising amongst staff;
- an effective control system for procurement and grants transactions based on extensive ex-ante verifications with little or no error at the moment of payment.

For procurement, all errors and irregularities (if any) are corrected before the actual payment. The error rate is therefore close to 0.

DG TAXUD's grants have the particularity of having beneficiaries directly defined in the Customs 2020/Fiscalis 2020 legal act (the beneficiaries are in fact the Member States' Customs and Tax administration). There are no calls for proposals.

The control strategy for grants was reviewed in 2014 and now includes the following steps:

- Upon receipt of the National Administration's financial report, basic and high level checks are performed.
- The report is provisionally closed and settled (either via a payment or a recovery order)
- Detailed desk review is performed after this administrative closure of the report. This verification may lead to additional (usual) recovery from MS or and additional payment to MS

The above control strategy for procurement as well as for grants allows keeping the error rates and amount at risk at low level (cf. below indicators).

2) ANTI-FRAUD

DG TAXUD is a policy DG with a relatively small budget (<€ 100 million) managed and implemented in a centralised approach. The fraud risk environment in this particular context shows a relatively low budget spending, however with high IT expenses, a relatively high proportion of external staff (intra-muros IT experts and Seconded National Experts) and dealing with highly political sensitive files/issues.

Bearing this fraud context in mind, DG TAXUD's anti-fraud strategy[2] focusses on developing a strong anti-fraud culture within the DG through awareness raising activities on potential fraud risks and ethical behaviour among TAXUD staff. The strategy furthermore addresses an active cooperation with OLAF and the integration of fraud aspects into the SPP cycle of the DG.

C. Better Regulation

Objective: Prepare new policy initiatives and manage the EU's acquis in line with better regulation practices to ensure that EU policy objectives are achieved effectively and efficiently.

The principles of better regulation are in line with the culture to produce evidence-based policies that TAXUD is already committed to. In the framework of REFIT, TAXUD is look for opportunities to make EU tax and customs law simpler and to reduce regulatory costs while also working systematically with retrospective evaluations and prospective impact assessments.

To implement the better regulation agenda TAXUD will continue to focus on both operational and organisational capacity building. Therefore TAXUD will ensure to raise awareness of individual staff regarding the principles of better regulation, while reinforcing our evaluation and better regulation culture. Both will be pursued through a series of activities like targeted training, information sessions and awareness-raising activities.

Throughout it will be underlined that for this approach to succeed, the commitment of the entire TAXUD, as an organisation and everyone individually, is necessary. All staff will have some role to play, be it through participation in steering groups, data collection or implementation of recommendations from evaluations. All the roles and their respective objectives must converge into a common goal of evidence-based policy-making respecting the better regulation principles.

2 Ares(2013)3655698 dated 06/12/2013

D. Information management aspects

Objective: Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable

DG TAXUD has constantly ensured that appropriate processes and procedures are in place to ensure that the DG's document management is secure, efficient (in particular as regards retrieving appropriate information) and complies with the e-Domec principles. An effective document management system is in place to enable any document connected with the Commission's official functions to be managed, kept and found securely at all times, whatever form it is in (paper or electronic) or whatever management system is governing it.

Monitoring of the e-Domec principles is ensured through regular follow up and control actions by the DMO, including:

- Regular reports on open tasks
- Regular reports on non-filed documents (registered & saved)
- Regular reports on empty files
- Regular reports of files without CRL category
- Identification of files to be closed
- Identification of files to be transferred to Historical Archives (electronic & paper files)
- Managing file properties and user profiles in Nomcom & Ares

The DMO also runs an active network of DMO correspondents in the DG

E. External communication activities

Objective: Citizens perceive that the EU is working to improve their lives and engage with the EU. They feel that their concerns are taken into consideration in European decision making and they know about their rights in the EU

In line with the priority to reduce tax fraud, evasion and avoidance emphasis will be placed on external communication activities to raise awareness of the actions taken at EU level since our policy work will impact not only Member States, business and tax payers but the broader civil society. Although tax primarily remains under national sovereignty a key element will be to raise awareness of the work at EU level and its added value when it comes to making taxes fairer for all.

In the area of customs communication actions are already being developed for the introduction of the Union Customs Code (UCC) in May 2016 and further actions will be considered as the electronic customs is further introduced. Activities will also continue in respect of raising awareness of how the Customs Union contributes to the safety and security of citizens and its contribution to the internal market.

Annexes to the Strategic Plan

Annex 1. Policy performance tables

GENERAL OBJECTIVE 1: A DEEPER AND FAIRER INTERNAL MARKET WITH A STRENGTHENED INDUSTRIAL BASE (COMMISSION GENERAL OBJECTIVE 4)	
Impact indicator: Intra-EU trade in goods and services (% of GDP) **Description**: The taxation and customs policy will ultimately contribute to a better functioning internal market with taxation related actions influencing in particular the inside dimension of the internal market whereas customs policy impacts in particular conditions at the external border of the internal market. Both tax and customs policy are working towards creating a smoother environment for taxpayers and traders to operate with the intra-EU trade in goods and services as exponents of these improved conditions. **Source of the data**: Eurostat	
2014 Baseline	**2020 Target**
- Intra-EU trade in goods: 20,8% - Intra-EU trade in Services: 6,3%	- Increase - Increase
Planned evaluations: • Evaluation of structures of excise duties on alcohol (AP/034), Q3 2016, taxation policy • Evaluation of the Euromarker Directive (95/60/EC), Q1 2017, taxation policy • Evaluation of the functioning of the Horizontal Excise Directive, Q2 2016, taxation policy • Evaluation of the European Customs Inventory of Chemical Substances (ECICS), Q1 2016, customs policy	

Specific objective 1.1: To reduce tax fraud, tax evasion, harmful tax practise and aggressive tax planning within the EU.			Related to spending programme: **Fiscalis 2020**

Result indicator 1: Tax action plans Implementation Indicator (KPI-1)

Description: This indicator monitors the policy work carried out by the DG, measuring if and when DG TAXUD delivers on key actions, giving a percentage of the actions implemented over time. Information on DG TAXUD actions are gathered from policy documents such as communications and action plans.

For proposals (directive, regulations, decisions and recommendations), the indicator of effective implementation is adoption by the Commission; for studies, acceptance by the Commission of the final report; for the remaining actions, delivery of reports on results achieved.

Limitation: Progress of this indicator may be influenced by unexpected events, like sudden crises, non-delivery by external partners, and delays in political negotiations in Council.

Source of data: TAXUD

Baseline 2014	Interim Milestone		Target 2018 *(laid down in the respective action plans)*
	2016	2017	
Annex 1 provides the overview of actions still to be delivered, including delivery date.	2016 milestones achieved	2017 milestones achieved	80% of actions are effectively implemented.

Specific objective 1.2: To realise an EU tax framework that is fit for purpose focusing in particular on simplification for business.	Related to spending programme: **Fiscalis and Customs 2020**

Result indicator 2: Member States' compliance with EU Tax and Customs Law

Description: Measurement of the work carried out in relation to the compliance of EU tax and customs law in the Member States

Limitation: The number of cases cannot be foreseen and fluctuates following external factors.

Source of data: TAXUD

Baseline 2016	Interim Milestone	Target 2020
• Number of infringement cases closed in NIF • Number of EU PILOT cases closed • Number of newly opened cases (in both EU PILOT and NIF)	Progress shall be measured each year in December	• Attaining compliance with EU law by Member States in NIF • Attaining compliance with EU law by Member States at the stage of the EU PILOT • Keep the number of pending non-communication cases to a minimum.

Specific objective 1.3: Managing a well-functioning and modern Customs Union.	Related to spending programme: **Customs 2020**

Result indicator 3: Modernisation and simplification of the Union Customs legislation (KPI-2)

Description: Traders and Customs Administrations in all the Member States must apply the Union Customs Code (UCC) and its supplementing and implementing rules (Delegated Act, Implementing Act and Transitional Delegated Act) from 1 May 2016. The UCC completes the shift to a paperless and fully electronic customs environment; guarantees interoperability of national customs IT systems; simplifies, modernises and streamlines legislation and procedures; creates greater legal certainty, predictability and uniformity for business; increases clarity for customs throughout EU, enhances uniform interpretation/implementation and level playing field; reinforces AEO status/benefits; enhances cooperation between customs authorities and with other governmental agencies and the business community.

For the correct and uniform application these new rules, clear guidelines and a system to monitor Member States national legislation and IT systems are necessary. The developments of the IT applications must also be properly followed-up in order to be able react quickly if the adopted rules need to be amended. All of this must be done in close contact with both Member States and the business community.

A work programme has been adopted and is reviewed at set intervals. The monitoring of the Commission's performance will happen on the basis of this work programme. An overview of the main milestones is available in annex 1.3.

Source of data: TAXUD

Baseline	Interim Milestone	2020 Target
UCC Work programme, tasks attributed to the Commission	*See tasks list in annex 1.3*	UCC work programme implemented

Result indicator 4: Efficient management of the Common Customs Tariff (CCT)

Description: The CCT applies to the import of goods across the external borders of the EU and is common to all EU Member States. It is an obligation under the WTO rules that the CCT is implemented uniformly.

The CCT rates depend on the economic importance of products and are set through international trade negotiations. It is DG TAXUD's role to ensure that the CCT is applied in a uniform manner across the EU adopting the Combined Nomenclature every year and to ensure that this is used by all EU Member States in a uniform manner. The Commission together with Member States have undertaken to streamline existing processes in order to prevent and eliminate as soon as possible existing inconsistencies with regard to the uniform application of the CCT.

All CCT measures are encoded in the TARIC database – the integrated Tariff of the European Union – an essential tool for the uniform application by all Member States. This database provides at the same time all economic operators a clear view of all measures to be undertaken when importing into the EU or exporting goods from the EU.

The indicator measures, if all tasks related to the efficient management the CCT are performed. It is expressed as legal measures adopted, success in streamlining existing processes, systematic release of daily updates of TARIC and tariff quota allocations. This is combined with the uninterrupted availability of the TARIC and Quota databases and their use by Member States (connectivity), as well as monitoring of the application of tariff and tariff measures by various means. The list is available in annex 1.2

Limitation: It is impossible to forecast the number of cases requiring legal measures, TARIC measures and descriptions, quota drawing requests, Surveillance and EBTI3 data records. Moreover, the Commission cannot control to limit or increase these figures and therefore these figures they can only be used as an illustration or context indicator.

Source of data: TAXUD

Baseline	Interim Milestone	Target
Annual tasks that are to be performed to ensure efficient management of the CCT	Annual tasks	100% of the tasks fulfilled

Specific objective 1.4: Efficient implementation of the Fiscalis 2020 and Customs 2020 programme to support the achievement of the tax and customs policy objectives	Related to spending programme: **Fiscalis 2020** **Customs 2020**

Result indicator 5: Programme performance Indicator
It consists of three components:

- ✓ Availability of European Information Systems and of the Common Communication Network (KPI-3)
- ✓ Collaboration Robustness Indicator (KPI-4)
- ✓ F&C2020 Learning Index

Source of data: TAXUD

Baseline **Jan – Oct 2013**	**Target** 2020 *Based on the Service Level Agreement with the contractor*
Availability of European Information Systems and of the Common Communication Network (KPI-3)	
Availability of **CCN/CSI** overall: 99,94% of time	- 99,9% of time
Availability of (specific) **Union components** of EIS during business hours:	
VIES on the web: – 99.96%+ of time 08:00-20:00 – 85%+ otherwise	– 95% of time during 08:00-20:00 – 85% otherwise
EMCS: 98.6%	97% of time[3]
Centralised IT customs applications (including EORI/AEO, tariff systems): – 99.11% of time business hours – 95%+ of time otherwise	– 99% of time business hours – 99% of time otherwise
NCTS, ECS, and ICS: – 98%+ of time during business hours – 98%+ otherwise	– 99% of time business hours – 97% otherwise
SPEED: – 99.5+% of time working hours	– 99,5% of time working hours

The above availability indicators define in average the percentage of time within a given period when the systems were available and providing the required services to the users.

Collaboration Robustness Indicator (KPI-4)

2013 Baseline	2018 Milestone	Target 2020
F2020 Collaboration robustness 1. Awareness rate: 75% *Extent to which the target audience is aware of the programme* 2. Networking opportunity: 95% *(2014)Generated by the*	*F2020 Collaboration robustness* 1. Awareness rate: 75 % 2. Networking opportunity: 80 % 3. Lasting networking effect: 90 %	*F2020 Collaboration robustness* 1. Awareness rate: 75% 2. Networking opportunity: 80% 3. Lasting networking effect: 90%

[3] Includes systems from the Member States

programme activities 3. Lasting networking effect: 68% *(2014) At least one contact after the end of the programme activity* 4. Number of face-to-face meetings: 295 5. Number of online groups: 30	4. Face-to-face meetings: stable or grow 5. Online groups: grow	4. Face-to-face meetings: stable or grow 5. Online groups: grow
C2020 Collaboration robustness 1. Awareness rate: 75% 2. Networking opportunity: 97% *(2014)* 3. Lasting networking effect: 72% *(2014)* 4. Face-to-face meetings: 380 5. Online groups: 40	***C2020 Collaboration robustness*** 1. Awareness rate: 75 % 2. Networking opportunity: 80 % 3. Lasting networking effect: 90 % 4. Face-to-face meetings: stable or grow 5. Online groups: grow	***C2020 Collaboration robustness*** 1. Awareness rate: 75% 2. Networking opportunity: 80% 3. Lasting networking effect: 90% 4. Face-to-face meetings: stable or grow 5. Online groups: grow
Learning Index		
2014 Baseline	**2018 Milestone**	**Target 2020**
F2020 Learning Index - Combined number of eLearning modules used in each participating country: 60 - Average training quality score by tax officials: 73% - Number of tax officials trained by using EU common training material: 4.171	***F2020 Learning Index*** - Grow - Grow - Grow	***F2020 Learning Index*** – Stable or grow
C2020 Learning Index - Combined number of eLearning modules used in each participating country: 174 - Average training quality score by customs officials: 73% - Number of customs officials trained by using EU common training material: 4.776	***C2020 Learning Index*** - Grow - Grow - Grow	***C2020 Learning Index*** – Stable or grow

GENERAL OBJECTIVE 2: A NEW BOOST FOR JOBS, GROWTH AND INVESTMENT (COMMISSION GENERAL OBJECTIVE 1)
The activities developed under this general objective in general aim to create better conditions for traders to operate. These improvements allow traders to be more competitive worldwide which contributes to growth and creating jobs within the EU. These activities therefore contribute indirectly to realisation of the impact indicators for this general objective. The direct impact of customs on the trading position is measured through the Logistics Performance Indicator, customs subsection (Source: Worldbank).

Specific objective 2.1: Ensuring efficient customs fostering EU competitiveness		Related to spending programme: **Customs 2020**
Result indicator 6: Level of alignment of non-Customs legislation with the principles, procedures and requirements laid down in Union customs legislation **Description:** EU non-customs legislation for the protection of the health and safety of residents or the environment may assign control tasks to customs. It is essential to ensure that such controls are consistent with the principles, procedures and requirements laid down in the Union customs legislation. A lack of consistency and alignment prevents customs from fully enforcing such legislation. The target is that all new Commission proposals for legislation assigning control tasks to customs for the protection of the health and safety of residents or the environment contain control procedures that are consistent with the principles, procedures and requirements laid down in the Union customs legislation and are thus enforceable by customs. **Source of data:** TAXUD		
Baseline 2016	**Interim Milestone**	**Target 2020**
New Commission proposals for legislation that assign control functions to customs are screened for consistency with the principles, procedures and requirements laid down in the Union customs legislation.	All new Commission proposals screened.	All new Commission proposals for legislation (from 2016 onwards) assigning control tasks to customs are consistent with the principles, procedures and requirements laid down in the Union customs legislation and are thus enforceable by customs.

Result indicator 7: Level of implementation of the EU Customs Action Plan to combat IPR infringements **Description:** The Action Plan [4]identifies 21 sets of actions for the period 2013-2017 under its four strategic objectives, i.e. effectively implementing and monitoring the new EU legislation on customs enforcement of IPR; tackling major trends in trade of IPR infringing goods; tackling trade of IPR infringing goods throughout the international supply chain; and strengthening cooperation with the European Observatory and law enforcement authorities on infringements of IPR. The Commission is listed as a responsible actor for 20 of the 21 sets of action. The target is to complete by end 2017 the actions contained in the Action Plan that are under Commission responsibility. **Source of data:** TAXUD	
2013 Baseline	**2017 Target**
2013: The list of actions identified by the EU Customs Action Plan to combat IPR infringements	2017 – Completion of the 20 sets of actions identified by the Action Plan for which the

[4] Council Resolution 2013/80/01 of 19 March 2013, page 4-7

	Commission is responsible or shares responsibility for implementation.

Result indicator 8: Level of implementation of non-security-related actions/deliverables of the 2014 EU Strategy and Action Plan for customs risk management

Description: The 2014 EU Strategy and Action Plan[5] for customs risk management identify 22 sets of action under seven objectives to improve customs risk management in the EU. The Action Plan provides an indicative timing for the implementation of the various actions, ranging from 2014 to 2020.

This result indicator aims at measuring the level of completion/implementation of the non-security related measures/actions in the Action Plan. The target is to complete actions contained in the Action Plan, in accordance with the indicative timing provided in this Action Plan.

Limitation: Budgetary limitations on both EU and Member State level may impact the timely implementation of the sets of action.

Source of data: TAXUD

2014 Baseline	2020 Target
The list of non-security-related sets of action for the period 2014-2020 identified by the EU Strategy and Action Plan for customs risk management	Completion of the (non-security related) sets of actions identified by the EU Strategy and Action Plan for customs risk management.

Result indicator 9: Efficient management of the autonomous tariff suspension and quota scheme

Description: The autonomous suspensions scheme is a service provided to the business community. It provides EU manufacturing businesses with an opportunity to import raw materials, semi-finished goods or components that are not available within the EU at zero or reduced duty rates. The cost savings from this are expected to stimulate economic activity within the EU, to improve the competitive capacity of these businesses and, in particular, to enable them to maintain or create employment, modernise their structures, etc.

The scheme is managed on the basis of Communication from the Commission (2011/C 363/02) which sets out the guiding principles and administrative arrangements. As the scheme enables domestic producers to compete fairly and equally on the internal market with manufacturers exporting from third countries, it is of major importance that an administrative response to the EU industry's requests for suspensions/quotas is ensured.

Moreover, as there is a risk that domestic producers suffer injury if suspensions are opened unwarranted, the scheme should be administered on the basis of close and extensive cooperation between the Member States and the Commission so that the latter can ensure that all Union interests are taken into consideration.

Limitation: The volume of applications can fluctuate depending on a number of events at EU level, such as changes in the Generalised Scheme for Preferences (GSP), new FTAs, international agreements (ITA, Green Goods, etc). Also, since the legal acts are Council Regulations, the regulatory work can be delayed in case of change requests tabled in the Council. Regarding the cost savings for the EU industry, they may fluctuate in analogy with the economic cycle.

Source of data: TAXUD

Baseline	Annual Target
Ensure uninterrupted response to the request of EU industry.	Target foreseen in Communication (2011/C 363/02)

[5] Annex to the Communication, COM(2014)527 of 21 August 2014

GENERAL OBJECTIVE 3: AN AREA OF JUSTICE AND FUNDAMENTAL RIGHTS BASED ON MUTUAL TRUST (Commission general objective 7)
The activities developed by TAXUD under this general objective contribute to safeguarding of internal security within the European Union by strengthening the external border. These activities contribute indirectly to realisation of the impact indicators for this general objective by focusing on the creation of part of the necessary conditions for ensuring internal security.

Specific objective 3.1 Strengthening security and contributing to tackling terrorism and serious crime	Related to spending programme: **Customs 2020**
Result indicator 10: Level of implementation of security-related actions/deliverables of the 2014 EU Strategy and Action Plan for customs risk management **Description**: The 2014 EU Strategy and Action Plan for customs risk management identify 22 sets of action under seven objectives to improve customs risk management in the EU. The Action Plan provides an indicative timing for the implementation of the various actions, ranging from 2014 to 2020. This result indicator measures the level of completion/implementation of the security related measures/actions in the Action Plan. The target is to complete actions contained in the Action Plan, in accordance with the indicative timing provided in this Action Plan. **Limitation:** Budgetary limitations on both EU and Member State level may impact the timely implementation of the sets of action. **Source of data:** TAXUD	
2014 Baseline	**2020 Target**
The list of security-related sets of actions for the period 2014-2020 identified by the EU Strategy and Action Plan for customs risk management.	Completion of the (security related) sets of action identified by the EU Strategy and Action Plan for customs risk management.

GENERAL OBJECTIVE 4: A STRONGER GLOBAL ACTOR (Commission general objective 9)	
The activities developed by TAXUD under this general objective contribute to positioning the European Union as a stronger actor on the global scene. These activities contribute indirectly to realisation of the impact indicators for this general objective by focusing on the creation of part of the necessary conditions for acting stronger internationally.	
Specific objective 4.1 Developing international customs cooperation	Related to spending programme: **Customs 2020**

Result indicator 11: Degree of (i) progress in negotiations and implementation of international agreements and arrangements; (ii) reflection of EU policy/positions in international bodies; and (iii) alignment of partner countries' legislation and practices with the EU acquis.

Description: The Commission promotes good EU practice worldwide through the negotiation and proper implementation of bilateral agreements/arrangements, and by influencing the standard-setting and rule-making work of international bodies, in particular the WCO and WTO. With neighbouring countries (Eastern Partnership, Western Balkans) the Commission seeks to align legislation and practices with the EU customs acquis.

The degree of implementation of agreements/arrangements and alignment of legislation is measured, e.g. through the reporting of the joint customs committees set up by the bilateral agreements, through the Commission's monitoring of the implementation of preferential arrangements, through the peer review performed within WTO (the WTO Trade Policy Review Mechanism), through the 'screening' process of candidate countries. The future review of international instruments, e.g. the WCO SAFE Framework of Standards in 2018, provides an opportunity to measure the EU's ability to influence the work in international bodies, through the level of uptake of EU positions in the setting of international standards.

Limitation: External factors play an important role in reaching success in international customs cooperation, such as the willingness of partner countries to engage in negotiations or cooperation, the progress made by other Commission services in negotiating other (non-customs related) parts of trade agreements, etc.

Source of data: TAXUD

2015 Baseline	2020 Target
Inventory of : - agreements and arrangements in place; - applicable international standards; - 2014 Action Plan for monitoring the functioning of preferential trade arrangements, including the annual monitoring reports and plans; - Screening reports of candidate countries.	**Progress in:** (i) negotiations and the degree of implementation of agreements/arrangements; (ii) the degree of reflection of EU policy/positions in international bodies; and (iii) the degree of alignment of partner countries' legislation and practices with the EU acquis.

Annex 1.1:
Tax action plans Implementation indicator – list of actions

Effective taxation:

- Issue assessment on how **Transfer Pricing** in the EU has evolved (2016).
- Facilitate the work of the Code of Conduct Group through participation in meeting and providing advice assessments (Continuous).
- Publish scoreboard to launch the process for **first common EU list** of third countries for tax purposes (mid-2016).
- Amend the online map with the consolidated information on **Member States' lists** of third countries for tax purposes (end 2016).
- Define **short-list of third countries** for tax purposes together with Code of Conduct (2017)
- Issue assessment on state of play on cooperation between Member States in **tax audits** (2017).
- Renew the membership of the **Platform on Tax Good Governance** (2016).
- Facilitate the reform of the Code of Conduct Group, in close consultation with Member States and Dutch/Slovak Presidency (2016).

Tax transparency:

- Implement automatic exchange of information on **tax rulings** (IT System) (2017)
- Work with Member States to explore how more comparable and reliable data on the scale and **economic impact of tax evasion and avoidance** could be compiled. (Fiscalis project group) (2016)

Better business environment:

- College adopts proposal on improved **Dispute Resolution Mechanism** (Q2 2016).
- Study how national **tax incentives for venture capital and business angels** can foster investment into SMEs and start-ups and promote best practice across Member States (2017).
- College adopts a new legislative proposal on **CCCTB** (2016)

Annex 1.2:
Efficient Common Customs Tariff Implementation indicator – list of actions

- Annual update and publication of the Combined Nomenclature including all tariff related international agreements and the Harmonised System revisions (31 Oct 201x)
- Streamlining existing CCT implementation processes (annually measured against the success criteria)
- Annual adoption of all legally required measures and explanatory notes
- TARIC availability (99%)
- Uninterrupted update of TARIC records
- Monitoring application of tariff (measures) via surveillance database records
    - Number of statistical reports
    - Number of inconsistencies detected/resolved
    - EU pilot cases launched

Annex 1.3:
UCC Work programme implementation indicator – list of actions

- *The list will be completed after adoption of the UCC work programme, planned for 23/03/2016.*

Annex 2. Organisational management performance tables

A. Human Resource Management

<table>
<tr><th colspan="2">Objective: The DG deploys effectively its resources in support of the delivery of the Commission's priorities and core business, has a competent and engaged workforce, which is driven by an effective and gender-balanced management and which can deploy its full potential within supportive and healthy working conditions.</th></tr>
<tr><td colspan="2">Indicator 1: Percentage of female representation in middle management
Source of data: Sysper 12/2015</td></tr>
<tr><td>Baseline: 28.57% on 31/12/2015</td><td>Target: 40% in 2020 (Target for DG TAXUD adopted by the Commission on 15 July 2015 – SEC(2015)336). To reach/surpass this target DG TAXUD would need to recruit 3 additional female middle managers. In principle a sufficient number of middle management posts would become vacant between now and 2020 through (compulsory) inter DG mobility and retirements. A broader talent management strategy fostering equal opportunities and identifying managerial potential will be set up in the framework of a mobility policy (document April 2016 / implementation in 2016-2017).Strong priority will be given to women when replacing managerial posts to reach Commission targets. The setting-up of quotas for women at Commission level as was done for the new Member States would certainly help reaching the goals.</td></tr>
<tr><td colspan="2">Indicator 2: Percentage of staff who feel that the Commission cares about their well-being
Source of data: Commission staff survey</td></tr>
<tr><td>Baseline: 58% in the 2014 staff survey</td><td>Target: 70% in 2020
The target is to surpass the Commission average and to regain the level reached in 2013 before the reform of the Staff Regulations. In this respect DG TAXUD is analysing in detail the fit@work related comments in the staff survey and. proposes follow-up actions to recreate trust and respect among colleagues. A fit@work policy is being developed (document June 2016) and will be deployed in the coming years. Results to be verified in the future staff surveys.</td></tr>
<tr><td colspan="2">Indicator 3: Staff engagement index
Source of data: Commission staff survey</td></tr>
<tr><td>Baseline: 70% in the 2014 staff survey</td><td>Target: 75% in 2020
Although still above the 2014 Commission average (65%) DG TAXUD aims at regaining the level reached in 2013. Guidance in training and development was evaluated particularly low in the Staff engagement index 41%; To counter this DG TAXUD is setting up in 2016 (document March 2016) a Learning & Development strategy which will focus exactly on the role of the manager in the learning and development process.</td></tr>
</table>

B. Financial Management: Internal control and Risk Management

Objective 1: Effective and reliable internal control system giving the necessary guarantees concerning <u>the legality and the regularity</u> of the underlying transactions		
Indicator 1: Estimated residual error rate[6] **Source of data:** ABAC and internal financial data		
Baseline	Target	
2014: 0 % for procurement 2014: 0.58% for grants	*< 1% of payments made for procurement* *< 1% of payments made for grants*	
Indicator 2: Estimated overall amount at risk for the year for the entire budget under the DGs responsibility. **Source of data:** ABAC and internal financial data		
Baseline	Target	
2014: 497 466 €		
Indicator 3: Estimated future corrections **Source of data:** ABAC and internal financial data		
Baseline	Target	
0,548M€ (2014)		
Objective 2: Effective and reliable internal control system in line with <u>sound financial management.</u>		
Indicator 1: conclusion reached on cost effectiveness of controls **Source of data:** ABAC internal financial data		
Baseline	Target	
2014: Yes	Yes	
Indicator 2: cost of controls over expenditure **Source of data:** ABAC and internal financial data		
Baseline	Target	
2014: 2.84% in total of payments made (procurement and grants)	< 3% of payments made	
Objective 3: Minimisation of the risk of fraud through application of effective anti-fraud measures, integrated in all activities of the DG, based on the DG's anti-fraud strategy (AFS) aimed at the prevention, detection and reparation of fraud.		
<u>Indicator 1:</u> Updated anti-fraud strategy of DG TAXUD elaborated on the basis of the methodology provided by OLAF[7] **Source of data:** DG TAXUD's anti-fraud strategy and the Methodology and Guidance for DGs' anti-fraud strategies **(OLAF)**		
Baseline	Interim Milestone	Target
Date of the last update AFS was adopted in 2013.	First update: December 2015	Update every 2 years, as set out in the AFS
<u>Indicator 2:</u> Fraud awareness is increased for target population(s) as identified in the DG's AFS **Source of data:** DG TAXUD AFS: Objectives 1, 2, 3.		
Baseline	Interim Milestone	Target
By creating relevant trainings, the present strategy addresses the anti-fraud measures on awareness raising activities of potential	In total over 400 staff trained in 2015 through following courses: -Ethics	-100% target population(s) reached by 2020 with relevant trainings in the scope of AFS. -Up-to-date anti-fraud intranet site

6 For the definition, see the first annex to the AAR instructions 2014 "Key definitions for determining amounts at risk" at https://myintracomm.ec.europa.eu/budgweb/EN/rep/aar/Documents/aar-standing-instructions.pdf.

7 The methodology can be found on the FPDNet website: https://myintracomm.ec.europa.eu/serv/en/fraud-prevention/ToolBox/Documents/Methodology%20and%20guidance%20for%20DGs%20anti-fraud%20strategies.pdf. In particular paragraph 3 of the methodology is relevant.

fraud risks and ethical behaviour among TAXUD staff on data, information and document security, potential conflict of interest and dealing with external stakeholders.	-IT, data and document security -Fraud awareness -Dealing with lobbyists	
Indicator 3 (optional): Regular monitoring of the implementation of the anti-fraud strategy and reporting on its result to management **Source of data:** DG TAXUD's AFS		
Baseline	Interim Milestone	Target
Anti-fraud strategy in place as from 2013. Action Plan defined; reporting on state of play initiated in December 2015	-	Yearly reporting on the level of implementation

C. Better Regulation Management

Objective: Prepare new policy initiatives and manage the EU's acquis in line with better regulation practices to ensure that EU policy objectives are achieved effectively and efficiently.		
Indicator 1: Percentage of Impact Assessments submitted by DG TAXUD to the Regulatory Scrutiny Board that received a favourable opinion on first submission. Source of data: Evaluation and Impact Assessment Support function in DG TAXUD (TAXUD.D.4.003)		
Baseline 2015	Interim Milestone 2016	Target 2020
Commission average in 2014: 68% TAXUD Moving Average over the last 10 years (2006 – 2015): 16 positive opinions on 20 first submissions = 80% TAXUD Moving Average over the last 5 years (2011 – 2015): 10 positive opinions on 13 first submissions = 77% TAXUD average in 2015: 0 positive opinions on 0 first submissions = n/a %	*Positive trend compared to the baseline 2015.*	*Positive trend compared to baseline 2015.*
Indicator 2: Percentage of the DG's regulatory acquis covered by ex-post evaluations and Fitness Checks not older than five years. ***Relevance of Indicator 2****: The application of better regulation practices would progressively lead to the stock of legislative acquis covered by regular evaluations to increase.* Source of data: Evaluation and Impact Assessment Support function in DG TAXUD (TAXUD.D.4.003)		
Baseline 2015	Interim Milestone 2016	Target 2020
Percentage of the DG's regulatory acquis covered by ex-post evaluations and Fitness Checks not older than five years: W.r.t. acquis in the area of Customs: 12% W.r.t. acquis in the area of Taxation: 15% W.r.t total acquis of DG TAXUD: 13%	*Positive trend compared to the baseline 2015*	*Positive trend compared to the baseline 2015*

D. Information Management Aspects

Objective: Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable	
Indicator 1: Percentage of registered documents that are not filed[8] (ratio) **Source of data:** *Hermes-Ares-Nomcom (HAN)[9] statistics*	
Baseline 2014	Target
1,10%	0%
Indicator 2: Percentage of HAN files readable/accessible by all units in the DG **Source of data:** *HAN statistics*	
Baseline	Target
90,99%	90% (to be determined by each DG)
Indicator 3: Percentage of HAN files shared with other DGs **Source of data:** *HAN statistics*	
Baseline	Target
0,07%	<1% (to be determined by each DG)

E. External communication activities

Objective : Citizens perceive that the EU is working to improve their lives and engage with the EU. They feel that their concerns are taken into consideration in European decision making and they know about their rights in the EU.	
Indicator 1: Percentage of EU citizens having a positive image of the EU *Definition*: Eurobarometer measures the state of public opinion in the EU Member States. This global indicator is influenced by many factors, including the work of other EU institutions and national governments, as well as political and economic factors, not just the communication actions of the Commission. It is relevant as a proxy for the overall perception of the EU citizens. Positive visibility for the EU is the desirable corporate outcome of Commission communication, even if individual DGs' actions may only make a small contribution. **Source of data:** Standard Eurobarometer (DG COMM budget) [*monitored by DG COMM here*].	
Baseline: November 2014	Target: 2020
Total "Positive": 39% Neutral: 37 % Total "Negative": 22%	Positive image of the EU ≥ 50%

8 Each registered document must be filed in at least one official file of the *Chef de file*, as required by the e-Domec policy rules (and by ICS 11 requirements). The indicator is to be measured via reporting tools available in Ares.

9 Suite of tools designed to implement the e-Domec policy rules.

Annex 3. Fiscalis 2020 and Customs 2020 Programmes: Intervention Logic

Fiscalis 2020 Programme

Problems / needs

1. Diverging application and implementation of EU tax law
2. Inadequate response to tax fraud, avoidance and evasion
3. Pressure on national tax administrations to exchange increasing quantities of data and information securely and rapidly
4. High administrative burden for tax payers and tax administrations
5. Slow technical progress in the public sector

Overall objective

Improve the proper functioning of the taxation systems in the internal market by enhancing cooperation between participating countries, their tax authorities and their officials

Theory of change
(incl. EU added value)
F2020 finances supporting measures to ensure that the EU tax policy is applied in an effective, efficient, convergent and harmonised way, in particular by:

- Boosting the effectiveness of the work of participating countries' national taxation administrations *(inter alia by facilitating exchange of information)*.
- Enhancing networks between tax officials across Member States through which information can be shared.

Inputs

EUR 234 million to provide support in the form of:

- grants;
- public procurement contracts;
- reimbursement of costs incurred by external experts

Human resources (EC and national tax authorities)

Activities
(grouped into projects)

Joint actions:

Seminars & workshops; project groups; working visits; bi/multilateral controls; expert teams; public administration capacity building and supporting actions; studies and communication projects.

Development, maintenance, operation and quality control of **IT systems**

Common **training** actions

Outputs

<u>Joint actions</u>:

- Recommendations / guidelines (including action plans / roadmaps)
- Best practices
- Analysis
- Networking & cooperation

<u>IT systems</u>:

- New (components of) IT systems at users' disposal
- Continued operation of existing IT systems

<u>Training</u>:

- Common training content developed

Results

Collaboration between MS, their administrations and officials in the field of taxation is enhanced.

The correct application of and compliance with Union law in the field of taxation is supported.

The European Information Systems for taxation effectively facilitate information management by being available.

Administrative procedures and good practices identified, developed and shared.

Skills and competences of tax officials reinforced.

Effective administrative cooperation.

Impacts

The functioning of the taxation systems in the internal market is improved.

Curbed tax fraud, tax evasion and aggressive tax planning.

Effective implemention of Union law in the field of taxation (by supporting administrative cooperation & exchange of information)

Reduced administrative burden on tax administrations and compliance costs for tax payers

Customs 2020 Programme

Problems / needs
Need for a modern customs union that responds and adapts to the changing policy context and operational environment, in particular due to:

1. Pressure on customs authorities to process growing volumes of trade, and difficulty to apply measures to balance facilitation and control
2. Gap in skills, competencies, resources as well as experience and best working practices
3. Incoherent and inefficient application of EU policies in the context of safety and security
4. Shortcomings in the uniform implementation of EU law by the EU customs authorities
5. Difficulties in uniform implementation of interconnected IT systems
6. Heavy and increasingly unsustainable burden for some EU customs authorities to implement policies in the interest of the union

General objective

Support the functioning and modernisation of the Customs Union in order to strengthen the internal market by means of cooperation between participating countries, their customs authorities and their officials

Impacts

Well-functioning and modern Customs Union.

Financial and economic interests of the EU and MS protected (incl. fight against fraud and protection of IPR).

Increased safety and security, protected citizens and environment.

Improved administrative capacity.

Strengthened competitiveness of European businesses.

Theory of change
(incl. EU added value)
C2020 finances supporting measures to ensure that the EU customs policy is applied in an effective, efficient, convergent and harmonised way, in particular by:

- Boosting the effectiveness of the work of participating countries' national customs administrations *(inter alia by facilitating exchange of information)*.
- Creating networks, synergies, pooling of resources and platforms for collaboration.

Inputs

EUR 523 million to provide support in the form of:

- grants;
- public procurement contracts;
- reimbursement of costs incurred by external experts

Human resources (EC and national customs)

Activities
(grouped into projects as per the AWPs)

Joint actions: seminars & workshops; project groups; working visits; monitoring activities; expert teams; capacity building and supporting actions; studies; communication actions.

Development, maintenance, operation and quality control of **IT systems**

Human competency building

Outputs

Joint actions:

- Recommendations / guidelines (including Draft legislation / action plans / roadmaps)
- Best practices
- Analysis
- Networking & cooperation

IT systems:

- New (components of) IT systems at users' disposal
- Continued operation of existing IT systems

Training:

- Common training content developed

Results

Collaboration between MS, their administrations and officials in the field of customs is enhanced.

The preparation, application and implementation of EU customs law and policy is supported.

The European Information Systems for customs effectively facilitate information management by being available.

Best working practices and administrative procedures identified, developed and shared.

Skills and competences of customs officials reinforced.

Cooperation between customs authorities and IOs, third countries, other governmental authorities, economic operators is supported.