

# CUSTOMS MONTHLY DIGEST

FP TECHNOLOGY  
OF PROGRESS

#7

OCTOBER  
2024

## Key Updates of the Month



**The European Union's main executive body, European Commission (EC), has acknowledged Ukraine's significant progress toward joining the Customs Union.**

The EC's 2024 enlargement report, which evaluates the progress of EU candidates and potential candidate countries, highlighted this ongoing progress. The report details Ukraine's reforms and transformation across negotiation areas and provides next-year recommendations in the above-mentioned sector.



**Ukraine's State Customs Service (SCS) continues to enhance its cooperation with customs administrations worldwide, particularly on the preliminary exchange of information on goods.**

In Chisinau, a trilateral meeting was held between top customs officials from Ukraine, Moldova, and Romania, together with the EU High-Level Advisers Mission (EUHLAM). Key topics such as, the adoption of EU customs legislation, professional capacity building, joint transit procedures, the Authorized Economic Operator (AEO) program, integrity enhancement, and joint anti-fraud operations were covered.

In October, the SCS also engaged with Lithuanian and Latvian customs administrations. An ensuing Memorandum of Understanding was signed with Lithuania's Customs Department under the Finance Ministry. This agreement focuses on implementing automated customs information exchange through the EU4Digital initiative to streamline customs procedures, improve risk analysis, and combat smuggling.

## European Integration of Ukrainian Customs

### Adoption of Legislation that Aligns Ukraine's Customs Code with EU Standards

In October, the president signed into law amendments to Ukraine's Customs Code (Law № 3926-IX) that the Verkhovna Rada passed on Aug. 22, 2024. This bill was drafted after the European Commission's recommendations and incorporates key provisions of the EU Customs Code.

Key provisions of the law:



**Introduction of the concept of customs representation**



**regulation of post-customs control procedure**



**replacement of permitting procedures with authorization (brokerage, warehouse operations)**



**The European approach to the generalization of provisions on customs regimes**

### The European Commission positively assesses Ukraine's progress toward joining the Customs Union.

On Oct. 30, the European Commission published its [assessment report](#) on the progress of EU candidate countries that includes Ukraine. It highlighted Ukraine's significant advancements and readiness for integration into the EU Customs Union.

The European Commission has positively assessed:

Recommendations for the next year:

- ✓ alignment of the Customs Code of Ukraine with EU customs legislation
- ✓ transition to the next version of the NCTS electronic transit system (phase 5)
- ✓ criminalization of smuggling

- ⌚ adopt a new Customs Code harmonized with the EU Customs Code
- ⌚ make progress in implementing the Strategic Plan for Digitalisation of the State Customs Service for 2024-2026
- ⌚ transition to the next version of the NCTS electronic transit system (phase 6)

## Fostering trade

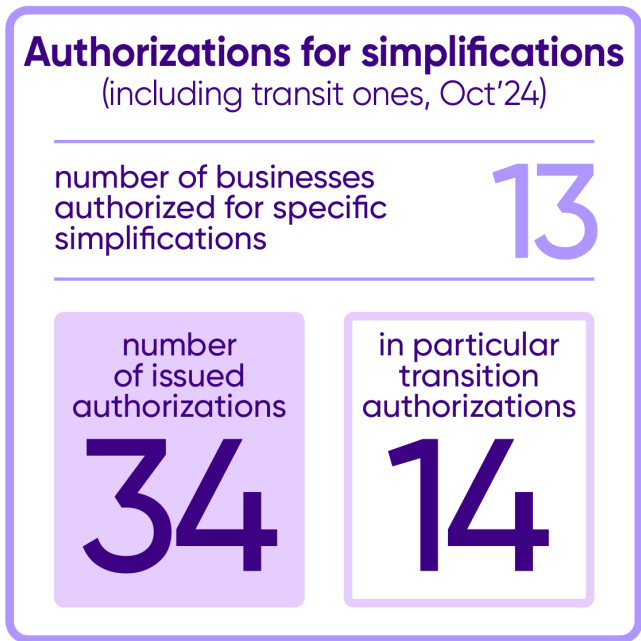


**In October, six new businesses in Ukraine obtained AEO status**, granting them access to simplified customs procedures and other benefits. This brings the total number of AEOs to 65 over the span of the program's four years of existence.

The EU Commission's 2024 Enlargement Package Report praised Ukraine's progress in expanding customs simplifications and increasing AEO numbers. However, it noted that a limited number of AEO-B (safety and reliability) authorizations delay prospects for mutual recognition with the EU.

Quick Facts About AEOs:

- **AEO-C:** Authorizations for simplified customs procedures.
- **AEO-B:** Certification of a company's safety and reliability in the supply chain.



Among the simplifications received in October, the leadership continues to be held by 'Procedure of issue by location' (7). On the second place this month is 'General guarantee' (4). The transit simplifications include 'Status of authorized Status of an authorized consignee' (5) and 'Status of authorized consignor' (4).

The number of companies receiving individual simplifications 'individually' continues to prevail over the number of companies applying for full-fledged AEO status. At the same time, the stable popularity of certain types of simplifications, such as 'authorized shipper' and 'authorized consignee,' indicates that Ukrainian companies are most interested in the opportunity to avoid the time and money costs associated with staying in commercial terminals defined as customs control (delivery) zones. Control (delivery) zones.



**Oct. 1, 2024 marked the second anniversary of Ukraine's international application of the Convention on a Common Transit Procedure.** According to the State Customs Service, almost 120,000 declarations have been issued in the NCTS over two years. Furthermore, the number of issued declarations increased by a factor of 3.7 over the same period last year.

Statistics for October 2024 indicate a positive trend in the number of outbound movements increasing. Compared to August 2024, such movements increased by more than 14 percent. However, there has been a decrease in import movements of about 8 percent. Nevertheless, the overall trend remains positive on a yearly basis.

Concurrently, the share of the standard transit procedure remains relatively insignificant, as the total number of customs declarations issued during the 10 months of 2024 exceeds 3 million in total for import and export. Given that the EU's share of trade in goods with Ukraine is more than 50 percent of the total, and the



vast majority of logistics routes also go through EU countries, this ratio of the number of transit declarations to the total volume of customs clearances looks strange. However, even more paradoxical is that there are many times fewer transit declarations regarding import than export, which means that EU shippers are in no hurry to take advantage of the standard transit procedure.

## Customs reform

Reforming how the leadership of the Customs Service gets selected and personnel are certified was formalized under [Law № 3977-IX](#), which introduced amendments to the Customs Code. Most provisions of this law took effect on Oct. 31, 2024.

Key Components of the Reform:



**a transparent competition for the head of the Customs with representatives of international organizations in the selection committee**



**external independent audit of the Customs activities**



**re-certification of employees**



**Implement measures to prevent corruption (staff rotation, lifestyle monitoring, polygraph checks, etc.)**



**ensuring the minimum wage level in the law**

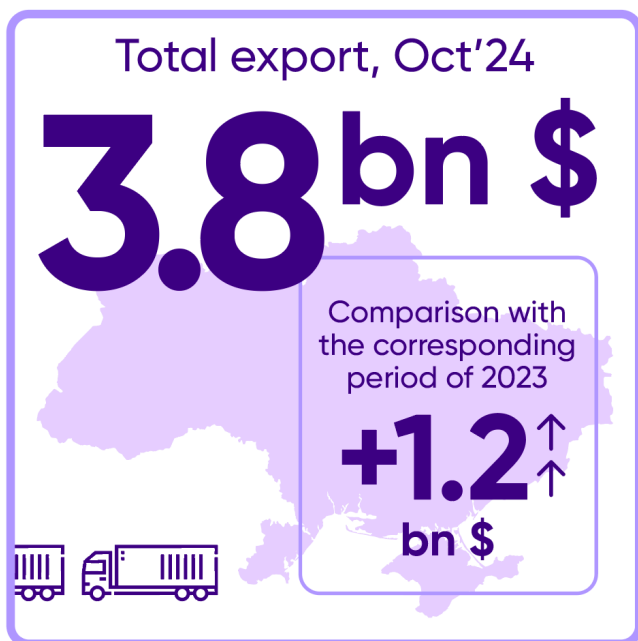
Law No. 3977-IX doesn't set any deadlines for the competitive selection for the head of the State Customs Service. However,, it should be noted that the implementation of Law No. 3977-IX is a structural beacon of the updated IMF memorandum on the results of the fifth review of the Extended Fund Facility (EFF) program, according to which Ukraine is to appoint the head of the State Customs Service and permanent heads of all regional customs offices by the end of June 2025.

Given that the competitive selection procedure envisaged by the aforementioned law is similar to the competitive selection procedures for the positions of the NABU Director, the NAPC, and the ARMA head, the customs chief would be conducted in approximately the same timeframe. For example, when the latest head of the NACP was selected, it took four-and-a-half months from the moment the government formed

a selection panel to the moment the winner was selected. The head of ARMA and the director of NABU took longer than six months to be selected.

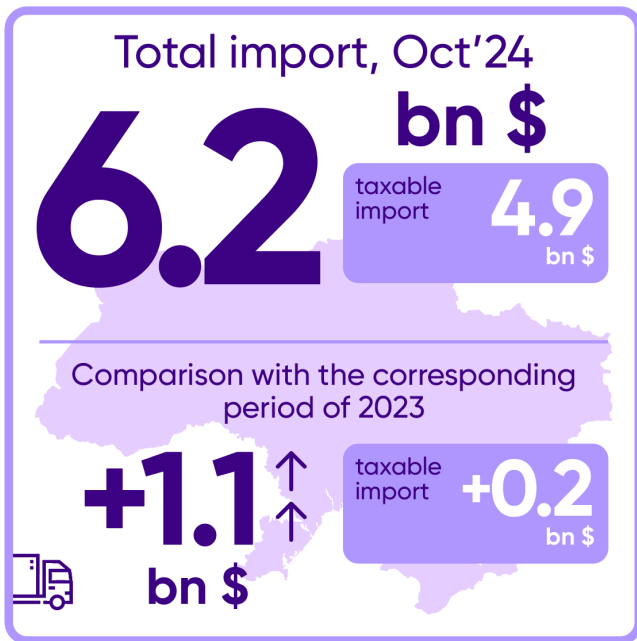
Given the government's Jan. 1, 2024 deadline to form the competition commission to select the head of the State Customs Service, there is enough time to conduct a competitive selection and appoint the state customs chief by the end of June 2025. At the same time, it may be problematic to implement the structural beacon of the updated IMF memorandum in terms of appointing permanent heads of regional customs offices. First, competitions for vacant civil service positions are currently suspended. A civil servant can be appointed to a permanent position only by transferring to an equivalent position or by concluding a contract without competing during martial law. Secondly, such appointments should be made by the newly appointed head of the State Customs Service, but he may not be able to do so by the end of June 2025.

## Statistics on foreign trade turnover



According to the Economy Ministry, in October, Ukraine's exports were the highest in October for this year in monetary terms. Ukraine on a monthly basis exported more than \$3.8 billion worth of goods and services, which is 18.7 percent more than in September.

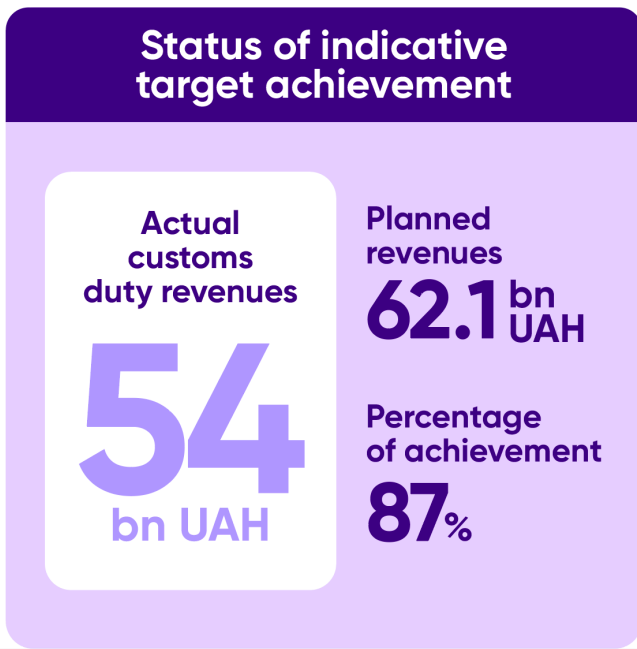
Both the volume of goods imports to Ukraine and exports of goods from Ukraine are recorded. At the same time, the increase in the volume of exports of goods compared to the previous year is due, among other things, to the possibility of exporting agricultural products through Ukrainian maritime shipping lanes. Thus, according to the operational data of SOE USPA for January-October 2024, Ukrainian seaports handled 82.1 million tons of cargo, which is almost twice as much as in 2023 (46.1 million tons). Of these, 50.7 million tons are agricultural products.



Notably, the largest volumes of imports to Ukraine came from the following countries: China (\$11.6 billion), Poland (\$5.6 billion), and Germany (\$4.4 billion).

At the same time, the largest exports of goods from Ukraine were to Poland (\$4 billion), Germany (\$2.4 billion), and Spain (\$2.4 billion).

## Meeting targets



During the second half of this year, the indicative budget targets for customs payments were not met in a single month. In October, planned revenues were not fulfilled by UAH 8.1 billion (13%), while at the same time, compared to October 2023, the state budget received UAH 6 billion more, though in October 2023, the planned figure was UAH 48.1 billion, while UAH 48.3 billion was actually transferred to the state budget).

### Status of indicative tax revenues achievement (million UAH)

Import duty	<b>4 182</b>	<b>88,6</b> % of the plan
VAT on imported goods	<b>41 909</b>	<b>85,3</b> % of the plan
Excise tax on imported goods	<b>7 803</b>	<b>95,5</b> % of the plan
Export duty	<b>30</b>	<b>42</b> % of the plan

In the reporting month, the targets for all customs duties were not met (the largest shortfall was in VAT on imported goods, UAH 7.2 billion, or 14.7 percent of the planned target).

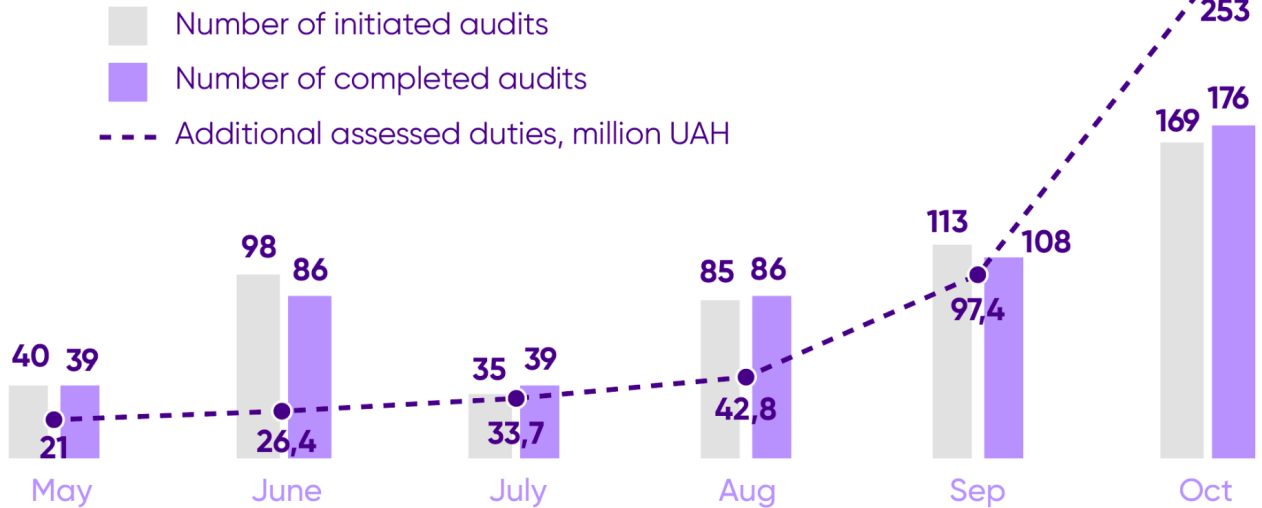
### Customs exemptions (million UAH):

 Import duty	<b>4 844</b>
 VAT on imported goods	<b>10 702</b>
 Excise tax on imported goods	<b>5 862</b>
 Export duty	<b>241</b>

Presumably, one of the factors that influenced customs payments is the granting of exemptions from customs duties when importing goods into the customs territory of Ukraine. In particular, in July of this year, the Verkhovna Rada of Ukraine adopted Laws of Ukraine No. 3853-IX and 3854-IX, which introduced customs duty exemptions for goods imported for energy renewal. These Laws came into force on July 27, 2024. When the respective provisions were still in force, almost UAH 5 billion worth of goods for energy renewal were imported into Ukraine with customs duty exemptions. Concurrently, in October, the import of goods were granted import duty and VAT exemptions worth UAH 2.03 billion (this amount is the largest since the start of the respective exemption). Naturally, defense goods top the list of imported goods receiving tax benefits.

## Customs performance indicators

### Documentary audits (post-audit, May–Oct 2024)



In May 2024, Ukraine resumed documentary inspections on customs matters in accordance with the Law of Ukraine No. 3613-IX (such inspections were suspended from April 2022). Statistical data shows that there is a gradual increase in the number of audits initiated and completed within a month, as well as the amount of additional customs duties charged. It is noteworthy that in October, based on the results of post-clearance control, an additional UAH 253 million was charged, which is more than for the entire period of inspections after their resumption.

### Number of decisions on customs value adjustments

Year-to-date

**12 277 (+1264)**

Amount, million UAH

**2 235 (+262)**

### Number of decisions on goods classification

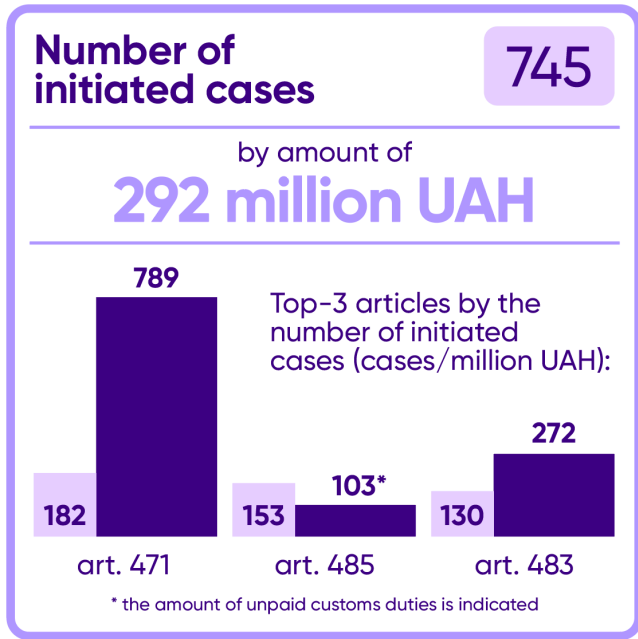
Year-to-date

**1363 (+148)**

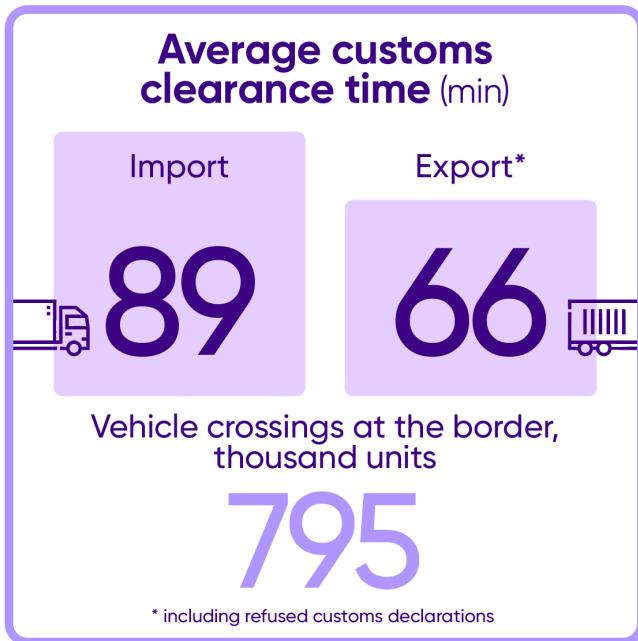
Amount, million UAH

**343 (+50)**

In October, the number of classification decisions was higher than in October last year (131), while the amount of additional charges under such decisions is twice as high than in the previous period. Regarding decisions on customs value adjustment, there is also a tendency to increase the amount of additional charges, despite a decrease in the number of decisions made compared to the same period last year.



Since January 2024, there were 2,361 cases of fines imposed by customs authorities for violating rules, , including those initiated in previous periods, amounting to UAH 75 million, of which UAH 66 million was allocated to the state budget. Since the beginning of the year, customs offices have referred 4,559 cases of customs rules violations to courts for consideration, amounting to almost UAH 17 billion. As a result of court proceedings, including those initiated in previous periods, customs officials imposed penalties (confiscation of goods and fines) in the amount of UAH 3.1 billion.



Evidently, this indicator fluctuates very little from month to month and is within the time limit for customs clearance set by the Customs Code of Ukraine (four hours)



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