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**REPORT FROM THE COMMISSION TO THE COUNCIL**

**on the application of the (EU) Regulation No 479/2013 of 13 May 2013 on the waiver  
from the requirement to submit entry and exit summary declarations for Union goods  
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#### **1. Introduction**

Council Regulation (EU) N 479/2013 of 13 May 2013 (the Neum Regulation) was adopted on the basis of Article 43 of the Act of Accession of the Republic of Croatia to the EU. It lays down a special regime regarding the obligation to lodge entry/exit summary declarations for consignments crossing the Neum corridor by way of derogation from certain provisions of Council Regulation (EEC) No 2913/92 establishing the Community Customs Code<sup>1</sup> (CC) and of Council Regulation (EEC) No 2454/93 laying down provisions for the implementation of the Community Customs Code (CCIP).<sup>2</sup>

Pursuant to Article 6 of the Neum Regulation the Republic of Croatia committed to monitor rigorously its application and to inform the European Commission by March 2014 of any irregularities found and of the measures subsequently taken to remedy them. Under Article 7, within two years of the Regulation's entry into force the Commission was to submit a report to the Council of the EU providing an assessment of its application.

This report provides that assessment. It gives an overview of the economic and geographical context and sets out the legal framework. It then provides a general assessment of implementation, an assessment of whether specific provisions have been enforced, and an assessment of the suitability of the resources and capabilities required and made available.

This report is based on the data periodically provided by the Croatian customs administration, on a special monitoring visit performed on 28<sup>th</sup> November 2014 and on subsequent dialogue with the Croatian customs administration upon the finalisation of the mission report.

#### **2. Geographical and economic context**

##### **2.1. Geographical context**

The Neum corridor is a part of the territory of Bosnia and Herzegovina which extends to the Adriatic Sea, splitting the Croatian mainland into two parts. It is approximately 9 km long. The road that passes through the Neum corridor has two border-crossing points (BCPs) : Klek (Neum I) on the northern side and Zaton Doli (Neum II) on the southern side. Due to the particular situation of this area, special arrangements for the passage of consignments of products of animal origin through the Neum corridor allow such goods to pass if the vehicle is sealed.

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<sup>1</sup> OJ L 302, 19.10.1992, p. 1

<sup>2</sup> OJ L 253, 11.10.1993, p. 1

Considering its geographical situation and the short stretch of the road on the Neum corridor, full application of EU law requiring entry/exit summary declarations to be lodged for consignments crossing this corridor would not only have been technically difficult to implement but would in all likelihood have resulted in serious disruption to commercial and passenger traffic in the area.

## **2.2. Economic context**

The one major road crossing the Neum corridor is the only possible road transport connection and has a limited capacity. The domestic goods transported through the corridor are mainly supplies to the region of Dubrovnik. They meet the everyday needs of the local population and of the local economy, in which tourism plays a major role. Although large companies provide such supplies, goods transported by medium and small economic operators, such as craftsmen, fishermen and farmers account for a substantial part of the traffic through the corridor.

Applying the general requirement to lodge entry and exit summary declarations would lead to delays, make the delivery of goods considerably harder, increase transport costs and ultimately result in the increase of prices/costs of these goods on the domestic market. The Croatian customs authorities have provided the Commission with a detailed analysis and explanation of this particular situation. These conditions were considered by the Commission and discussed in the Council prior to the adoption of the Neum Regulation.<sup>3</sup>

## **3. Legal conditions under the Neum Regulation**

The Neum Regulation entered into force on 1 July 2013. Article 36a(1) of the Community Customs Code<sup>4</sup> (CC) requires goods brought into the customs territory of the Union to be covered by an entry summary declaration (ENS), subject to certain exemptions or derogations as laid down in Article 181c of its implementing provisions<sup>5</sup> (CCIP).

Under Article 182a (1) CC, subject to the relevant exemptions or derogations as applicable under the third and fourth paragraphs of Article 842a CCIP, goods leaving the customs territory of the Union shall be covered by an exit summary declaration (EXS) unless a customs declaration is required, as is the case for goods that temporarily leave the customs territory of the EU without being exported, re-exported or placed under a transit procedure.

Articles 36b(2) and 182d(2) CC require the use of electronic data-processing techniques for lodging those summary declarations in order to allow the electronic exchange of data between customs authorities, with a view of basing customs controls on risk-analysis using automated systems, as required by Article 13 CC.

Under these provisions, the relevant requirements were waived for EU goods moved across the Neum corridor, taking into account the nature of the local economy and of the goods.

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<sup>3</sup> COM(2013) 1 final, Common Position of Working Party on Enlargement and Countries Negotiating Accession to the EU 24 June 2011

<sup>4</sup> Council Regulation (EEC) No 2913/92 of 12 October 1992

<sup>5</sup> Commission Regulation (EEC) No 2454/93 of 2 July 1993

Tourism is the main economic activity in the area surrounding the city of Dubrovnik. It relies mostly on small and medium sized enterprises dependent on supplies of goods from the main territory of the Republic of Croatia whose value is usually below EUR 10 000.

As confirmed by the latest statistics provided by the Croatian customs administration, 89% of the goods transported through the Neum corridor are goods that have the status of Union goods. They pass through the corridor accompanied by commercial documents proving the community status as referred to under Article 317 CCIP.

Croatia made a commitment to ensure that appropriate procedures and controls are in place by the date of its accession to the EU at both border crossing points in order to efficiently manage the special regime established under the Neum Regulation. Both border crossing points had to be appropriately equipped and staffed in order to enforce the relevant requirements.

In accordance with Article 4 of the Neum Regulation, the waiver from the requirement to submit ENS and EXS applies if the following conditions are met:

- The goods are accompanied by commercial (invoice or transport) documents, which should contain at least the set of data required in Article 317(2) CCIP as well as the total value of the goods,
- The total value of the goods in question shall not exceed EUR 10 000,
- The accompanying documents in question are endorsed by the Croatia customs authorities with official markings (signature, stamps) on exit,
- When deemed necessary, the customs authorities seal the consignments or means of transport on exit,
- Upon re-entry, the customs authorities check the documents, the time spent for crossing the corridor, the seals (if any) and the goods where appropriate.

Moreover, the application of these waivers shall not affect the carrying out of risk analysis associated with the customs controls applied on Union goods moved across the Neum Corridor, as required by Article 5 of the Neum Regulation.

#### **4. Evaluation**

The data provided by the Croatian customs administration confirmed that the traffic in goods of a value not exceeding EUR 10 000 significantly exceeds that in goods over this limit throughout the year. That has significant repercussions in the period June –August when the traffic flow through the corridor increases considerably.

The monitoring team identified a number of good practices.

The border crossing points have adequate information technology (IT) and other necessary equipment. Infrastructure has substantially been developed to secure timely, efficient and compliant controls and checks reflecting good practices established in the EU. The number of customs officers is sufficient and properly organised. There is a good coordination and direct link between the central administration and Neum offices.

Logistically, there are special allotments on the roads for vehicle inspection with proper technical facilities to allow for effective customs controls while causing as little traffic disruption as possible. In addition, the border crossing points are organised in such a way that police and customs can cooperate w closely ith a window connecting the two offices. That allows proper and speedy comparison of data and coordination of inspections and checks.

Where goods are leaving the customs territory temporarily, Croatian customs authorities ensure the implementation of the following procedure:

- The customs office at exit receives the commercial or transport documents accompanying the goods and enters into the IT system data about the person transporting the goods, the owner of the goods (where available), and the consignor of the goods, together with a goods description, the value, the number/quantity of packages, and the gross mass,
- A proportionate risk analysis is done and customs controls are performed if necessary,
- When satisfied that the conditions are fulfilled, customs stamp the relevant documents that accompany the goods, note the information on the customs seals attached (if any), and insert the exact time when the goods are leaving from the customs territory (hour and minute). The average time allocated to cross the corridor is about 20 minutes. This is reasonable given that vehicles pass through four border control posts at Neum – including the ones established by the authorities of Bosnia and Herzegovina

At the place of re-entry:

- Goods and stamped documents accompanying them are submitted to the customs officer who verifies the documents and compares the information in these documents with the one entered by the office of exit into the IT system. The customs seals (if any) are checked. The time spent for moving through the Neum corridor is verified.
- If any irregularities (for instance, damaged customs seals, exceeding the time needed for the crossing of the corridor) are found, a detailed examination of the vehicle, the goods and the accompanying documents is performed. Depending on the results of these special measures, the relevant actions are initiated and effective and targeted measures are taken.

The monitoring mission established that the physical and documentary inspections are correctly performed and random checks are reasonable. Documents are duly stamped upon exit and the time for moving across the corridor is correctly checked at re-entry.

During the monitoring mission the Commission found that the operational staff were well prepared and had a very good understanding of the relevant EU customs law and procedures, and customs officials received adequate, continuous and targeted training which reflected both the generally applicable rules but also the special local circumstances. Training is provided to trade at regional level which provided opportunities to ask questions and adapt more effectively to the specific situation.

The organization of the documentary checks and physical controls at the border crossing points was found to be smooth and efficient, and the transport infrastructure was appropriate, with special lanes that prevent unnecessary traffic disruption.

There is adequate IT equipment linked to the central administration as well as close cooperation between customs and police authorities.

## **5. Resources and capabilities**

The Croatian customs administration also makes special efforts to be transparent and to facilitate further the movement through the corridor by informing the public on the special regime applicable at the Neum corridor by targeted information that is publicly available.

Resource allocation at the border crossing is adequate. Each border crossing has 2 to 3 officials. The number of officials per border inspection post is respectively 26 and 28. The workload is reasonable in comparison with the average rate across the EU. Each customs officer processes approximately 24 summary declarations per day where the number of declarations processed ranges from a minimum of 17.5 / day to 31.5 / day. There is a very good coordination among the border crossing point, the Split regional office and the central administration. There is reasonable distribution of the work load. The organisation is efficient and allows for efficient customs controls and checks without undue delays.

The monitoring team is satisfied with the organisation of the implementation of the Neum Regulation by the Croatian customs administration and finds the resource allocation appropriate and sufficient.

## **6. Training and logistics**

### **6.1. Training**

Customs officials receive both general training on customs law and procedures and targeted training on issues related to the implementation of the Neum Regulation, e.g.:

- use of the import control system (ICS), export control system (ECS), New Computerised Transit System (NCTS),
- nature, use and verification of validity of T2L<sup>6</sup> and other means of proof of Union status,
- risk management

Training for businesses is also provided regularly at all Croatian regional customs offices.

### **6.2. Logistics**

Immediately before its accession to the EU, in line with its obligations, partly stated in the Neum Regulation, Croatia built and equipped completely new border crossings at the Klek Border Crossing and the Zaton Doli Border Crossing. The new logistical infrastructure

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<sup>6</sup> T2L is a customs document used in the European Union as a proof of the Inter-European community character of the export / import. The exporter, importer and the country the shipment is loaded from and delivered to have to belong to the EU member countries in order for the document to be issued. The T2L document is certified by the customs authorities of the country the products are loaded from and the importer needs to receive it in order to start the import procedure.

provides the space needed for border officers, places for detailed vehicle inspection, crossings equipped with road scales up to maximum weight of 50 tones and space for the work of carriers.

### **6.3. IT Infrastructure**

The logistical arrangements for allowing expedient checks of vehicles can be considered best practice. IT infrastructure is adequate and could benefit from regular updates in line with the developments at central level.

All work posts are equipped with standard IT equipment linked to the customs network. Access is available IT applications and to the website of the customs administration. There is an IT connection between the border offices at Klek and Zaton Doli.

Training is organised by the Human Resources department which is part of the General Directorate of Customs. It is carried out by experts from the departments in the General Directorate of Customs and usually takes place in the General Directorate of Customs but in order to avoid unnecessary travelling by staff there are also some training locations elsewhere in the country.

General customs training is given at regional offices by experts from the central administration. This encourages uniform application of the customs rules while taking into account the local circumstances. Specific training on the implementation of the Neum Regulation was also organised. The Commission recommended certain improvements, in particular targeted instructions on the use, requirements and verification of the authenticity of T2L documents. The level of training remains nevertheless sufficient to prepare officials for the efficient and effective application of the Neum Regulation. The Commission supports and encourages the organisation of trainings at regional departments by experts from the central administration and the targeted training on the implementation of the regulation.

It would help businesses if suitable training on the implementation of the Neum Regulation was also included in the training programme.

## **7. Compliance with the conditions under the Regulation**

### **7.1. Legislation**

The Croatian Customs Administration adopted Instruction No. 25/2013 on the Implementation of Customs Control Measures for Goods Moving across the Neum corridor. Specialised training of customs officials continued throughout 2014.

### **7.2. Irregularities**

Irregularities are rarely found. Only a very small number of irregular documents have been found and the irregularities are basically due to lack of knowledge of the procedure.

### **7.3. Article 4 of the Neum Regulation**

If it is found that the deadline for moving through the corridor has been exceeded, the consignment is subject to additional checks on:

- the authenticity of the T2L document or its content, based on a review of electronic records at the place where goods leave the EU,
- whether customs seals are untouched (if affixed),
- other features of the vehicle's construction, to check whether it was possible to access the goods without damaging customs seals, as well as whether the goods are identical and their quantity corresponds to the one declared on exit.

### **7.4. Article 5 of the Neum Regulation**

Customs controls are risk-based and done on a case-by-case basis. The Croatia customs administration's Instruction No 25/2013 describes how checks are to be carried out at local level. It also provides instructions for manual safety and security risk analysis. There is a specific requirement for the type and level of checks that should enable customs officers to make a final decision either to allow or to deny entry or exit .

Customs officers at the border crossings of Klek and the Zaton Doli have permanent access to back-up from risk analysis officers. The Central Office, Control Sector (responsible for risk analysis), has provided guidance for safety and security. There are regular shifts at the Split Regional Customs Office within the Control Service, Investigation and Risk Management Department.

Only after the prescribed activities are performed may the customs office of exit allow the goods to leave.

### **7.5. Penalties**

If the value of the goods exceeds EUR 10 000 the carrier must lodge a full ENS/EXS. Penalties are also applied in case of irregularities.

The Commission concludes that these conditions are correctly applied. Documents were correctly verified, checks performed regularly and the central administration has put in place procedures for the uniform application of the Union law.

## **8. Conclusion**

On the basis of the evaluation provided in this report the Commission concludes that the level of application of the Neum Regulation is satisfactory and there is no reason to suspend or repeal the regulation.