

# TradeWatch

A full-page background image showing a man in a red hard hat, yellow ear protection, and a red safety vest over a blue denim shirt and jeans. He is holding a tablet and looking upwards. He is standing in a yard filled with stacked shipping containers in shades of blue and orange.

## EY Global Trade

Issue 2 2023

**EY**

Building a better  
working world

# Contents



# Insights

Insights

## Global

---

Welcome to Issue 2 2023 of *TradeWatch*

1

Tribute to Franky de Pril

3

Refocusing on the global trade functional organization – a global trade perspective

4

'Future-proofing' the customs and trade function

5

Insights from EY.com

10

Our Global Trade webcasts and podcasts

11

## Americas

---

Canada: Border Services Agency (CBSA) Assessment and Revenue Management (CARM) Release 2 update

12

Latin America: Maximizing the benefits of nearshoring – a practical guide to Latin America's FTAs

15

US: Section 301 update

18

## Asia-Pacific

---

Australia and New Zealand: Landmark free trade agreements with the UK enter into force

20

## Europe, Middle East, India and Africa

---

EU: Customs legislation reform

24

Kingdom of Saudi Arabia: Growing network of special economic zones

26

South Africa: Between importers and clearing agents, who is responsible for customs compliance?

29

UK: EY report on TradeTech and the digitalization of trade

31

## Sustainability

---

EU: Fight against global deforestation

33

EU: Final regulations published for new CBAM and ETS revisions

36

UK: CBAM developments

41

EY's Green Tax Tracker

44



# Welcome to Issue 2 2023 of *TradeWatch*



**Jeroen Scholten**  
*Global Leader of  
EY Global Trade practice*



**Martijn Schippers**  
*Chief Editor of  
TradeWatch Magazine*

Welcome to Issue 2, 2023 of *TradeWatch*, the EY organization's global trade magazine.

## Transforming the global trade function

In past editions of *TradeWatch*, we have outlined how disruptive forces, such as COVID-19, the war in Ukraine, the rapid rise of the digital economy and a new focus on sustainability are transforming global supply chains and governments' trade policies.

Trade disruption continues, becoming effectively the "new normal." But how should businesses respond? For example, should the trade function also transform to deal with these challenges and the new realities of doing business globally? This topic featured in several of our recent Global Indirect Tax Symposium sessions and is explored in depth in our latest report [Refocusing on the global trade functional organization – a global trade perspective](#). We encourage you to read this insightful report, which is based on in-depth conversations and benchmarking studies with trade leaders in global companies.

In this edition of *TradeWatch*, we continue the conversation by looking at steps companies can take for [Future-proofing the customs and trade function](#). We set out why businesses should care about this topic now and why having an effective, future-proof trade function should be high on every trading company's agenda.

In addition, our [How three global trends are shaping Indirect Tax](#) series identifies how business leaders should respond to three global megatrends – transformation, sustainability and global trade – to help their organizations thrive in turbulent times.

## Trade technology

Technology is also rapidly transforming how and where businesses operate. A new EY report, [TradeTech: a pathway for businesses to seize trade opportunities](#), explores how technology could play a fundamental part in moving international trade away from its existing dependence on paper-based forms, thus allowing businesses to digitalize trade operations. Businesses often struggle with understanding what technologies are available to them and how they can integrate them into their existing operations. This report sets out six important steps for integrating TradeTech into a business's thinking and leveraging the opportunities it can deliver.

## Sustainability and ESG

The impact of sustainability and environmental, social and governance (ESG) policies on trade is another key trend that we continue to explore. In this edition, two articles focus on carbon border adjustment mechanisms (CBAMs) in [EU: Final regulations published for new CBAM and ETS revisions](#) and [UK: CBAM developments](#). We also consider the implications of an EU regulation aimed at minimizing deforestation risks associated with products that are placed on or exported from the EU market, [EU: Fight against global deforestation](#).

## Trade facilitation

The effective use of free trade agreements (FTAs), special economic zones (SEZs) and trade facilitation measures is an essential part of managing trade operations as supply chains continue to transform. We outline the provisions of the UK's new FTAs with Australia and New Zealand in [Australia and New Zealand's landmark free trade agreements with the UK enter into force](#). Both FTAs represent a milestone for the UK, as they are among the first agreements it has negotiated "from scratch" following its exit from the EU. They also break new ground for both Australia and New Zealand, containing advanced provisions on environment, gender and indigenous trade matters, which go further than their previous agreements, reflecting the changing nature of bilateral trade.

In [Latin America: Maximizing the benefits of nearshoring – a practical guide to Latin America's FTAs](#) we set out how companies can access markets, reduce costs, optimize operations and enhance competitiveness by leveraging the power of the extensive network of FTAs in the region.

In [Saudi Arabia: Growing network of special economic zones](#), we detail the launch of five SEZs located in logistically strategic sites across the country, created in line with the country's increased focus on boosting a diversified national economy, the formation of an investment-friendly environment and the development of forward-looking industries.

## Controversy

Managing controversy is a crucial activity for an effective trade function. It is not always possible to avoid controversy, but identifying potential areas of disagreement and addressing customs control weaknesses proactively can help to reduce the time and expense associated with customs disputes.

In this edition of *TradeWatch*, we consider the outcomes in a recent court case involving a customs dispute that indicates the need for clear processes and careful data management. In [South Africa: Between importers and clearing agents, who is responsible for customs compliance?](#) we consider how importing goods involves the collaboration of multiple stakeholders for a smooth and legally compliant transaction and how the involvement of multiple parties may raise questions regarding the responsibilities of each party, especially when things go wrong.

## Customs reform

Customs reform will have a far-reaching impact on businesses that trade with Canada and the EU.

In [Canada Border Services Agency \(CBSA\) Assessment and Revenue Management \(CARM\) Release 2 update](#), we expand on the information we outlined in an article in *TradeWatch* Issue 3 2022. CARM Release 2 will have vast implications for the way importers and their representatives interact with the CBSA. In this article, we focus on the procedural implications and potential regulatory developments that will transform the customs accounting process for goods imported into Canada.

In [EU: Customs legislation reform](#), we discuss proposals by the European Commission (Commission) for an ambitious and comprehensive reform of the EU Customs Union. The Commission's proposals aim to come to a new partnership with businesses, take a smarter approach to customs checks and enact a more modern approach to e-commerce. The proposals also include changes to IT systems, simplifications to the current customs legislation, more uniform application of customs controls and new responsibilities for online platforms. These changes will have a far-reaching impact on businesses that trade in and with the EU, and we will continue to monitor and report on them in future editions.

## Keep up to date with developments in trade

We hope you enjoy this edition of *TradeWatch*. We aim to reflect the key trends affecting international businesses and provide news and insights you can use to inform your trade strategy and improve your trade operations.

You can also keep up to date with developments in global trade by subscribing to EY Tax Alerts and to future editions of our *TradeWatch* and *TradeFlash* publications by visiting [ey.com/global trade](https://www.ey.com/global-trade).

If you would like more information on any of the topics covered in this issue or how they may impact your business, please reach out to the authors listed with the articles or any of the EY Global Trade professionals listed in the [Contacts](#) section of the magazine. We also welcome your feedback and suggestions for future editions. ■



## Tribute to Franky de Pril

It is with great sadness that we announce that our dear friend and colleague, **Franky de Pril**, passed away unexpectedly on 20 April 2023.

Franky, who was EY Europe West and Belgium Global Trade Leader, had been with the EY organization for 16 years and was highly regarded for his expertise, dedication, and professionalism. He was an inspirational and charismatic character who had indirect tax and global trade at the heart of all he did.

As a leader, Franky will be remembered for the way that he prioritized investing in people and empowered teams. We know how proud Franky was of our Global Trade network, his life's work, his team and of all the people achieving success under his guidance and mentorship. Franky had developed long-standing relationships with many of our clients and colleagues, and he will be greatly missed.

We want to celebrate his life and legacy, and the extremely positive impact he had on everyone who knew him.

Our thoughts and deepest sympathies remain with Franky's family and friends, and with our Belgian Indirect Tax team at this difficult time.

**Jeroen Scholten**  
**Kevin MacAuley**  
**Maria Hevia Alvarez**

# Refocusing on the global trade functional organization – a global trade perspective

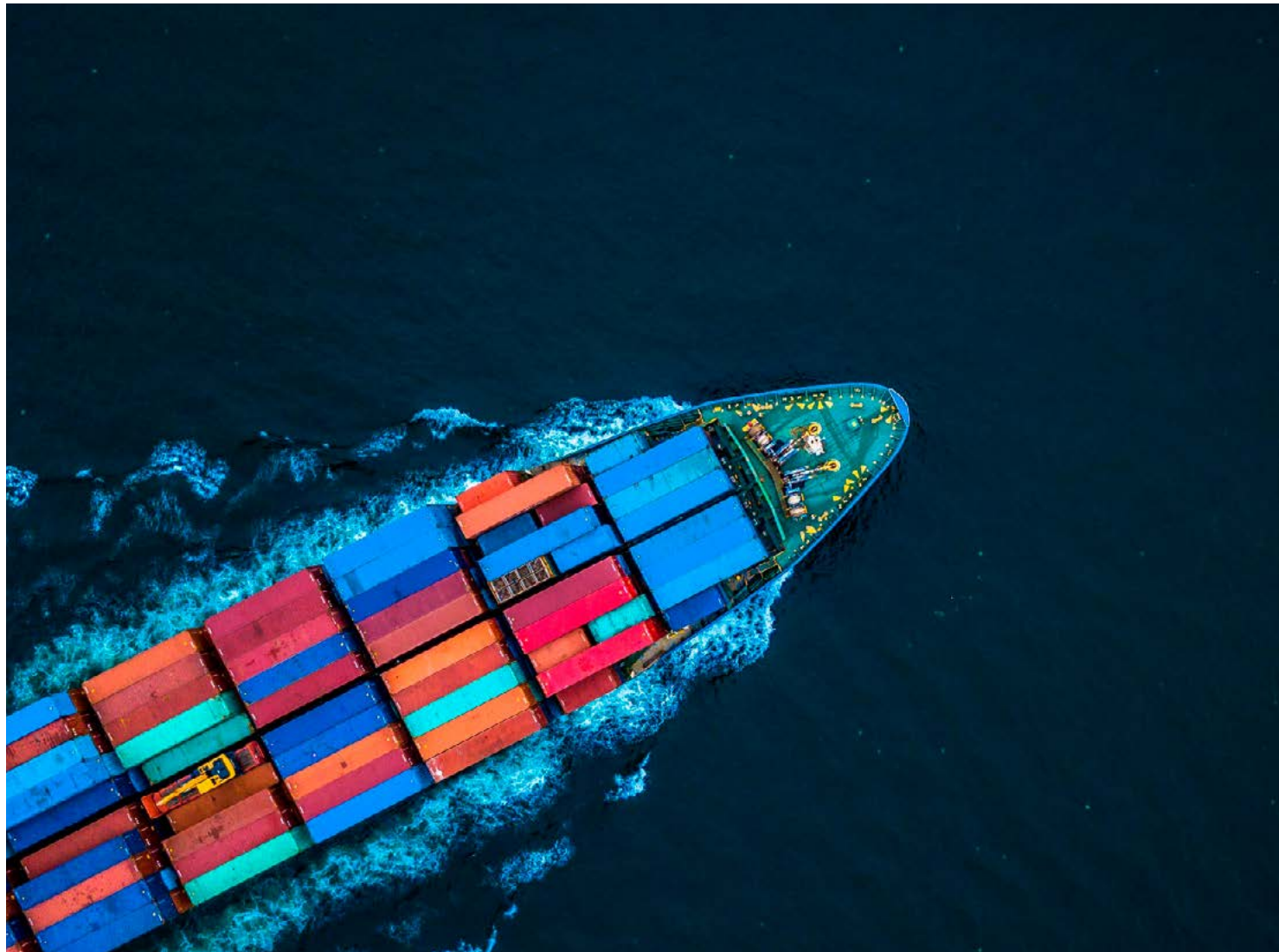


The EY organization dedicated its 2022 EY Global Trade Focus Day to global benchmarking.

For more than two decades EY has assembled key global trade

executives from wide-ranging industries to examine leading practices and evolving strategies of global trade functions. Each participant company is an established global trader with import and export operations in multiple jurisdictions and recognized as an industry leader. In a discussion facilitated by EY professionals, executives described how they coped and adapted amid the rapid changes and how they are now focusing on the future of trade. Our *Refocusing on the global trade functional organization – a global trade perspective* report summarizes these discussions and findings.

Read the report on [ey.com](https://www.ey.com) ■



# 'Future-proofing' the customs and trade function

## Why now is a critical time for businesses to care about their trade function

Heightened supply chain complexity, increased maturity of regulations and intensified scrutiny from government authorities around the world are testing the trade functions of businesses that move goods internationally. Leaders are asking:

- ▶ Is my trade function still fit for purpose?
- ▶ What can and should my trade function do to facilitate future business growth?
- ▶ How can a trade function do more with the same resources – or even fewer?

In many parts of the world, transformation of trade functions is being seen. If they haven't transformed already, change is likely right around the corner.

Triggers for companies' initiatives to (re-)evaluate and transform their trade functions may be a combination of internal and external factors. For example:

- ▶ Geopolitical events have led to fast-evolving regulations, such as export control and sanctions, which can cause transport stoppage and brand damage if businesses can't respond timely and with precision.
- ▶ Pressure from cost has always been a challenge, but this has been aggravated by the inflation seen around the world.
- ▶ Changing trade blocs, such as major regional free trade agreements (FTAs), while bringing down the cost of trade at face value, is elevating compliance cost and heightening the dependency of niche customs technical capability.
- ▶ As companies choose to be leaner and focused on specific sectors or product lines, businesses face the challenge to scale up their customs capabilities following separations and other deals.
- ▶ Wider business-level transformations, such as SAP S/4HANA and finance and supply chain transformations, require trade functions to consider their roles in these transformations and what might be possible.





Those are only a few examples of why having a trade function that is fit for purpose and fit for the future should be high on companies' agendas. These are C-suite implications that are worthy of senior stakeholders' attention.

### What kind of trade function should a business have?

We can jump straight to the answer: There isn't a universal model – or such thing as a perfect trade function. Any design of functions needs to be aligned with what people want the function to achieve, and it won't be effective if the function's objectives are misaligned with the ethos of the wider organization. This is why replicating other companies' trade function designs may not be a good idea.

### The priorities and potential of a trade function

Broadly speaking, trade functions can cover one or more of these responsibilities: operational compliance, tactical planning and strategic business partnering.

The objectives and capabilities of a trade function are not static. For many businesses, it's a constant balancing act between the focus areas and responsibilities, and some may decide that they don't even need to focus on strategic partnerships. For those businesses that are considering future states, they may want to map out the ambition in a staged plan.



With operational compliance, businesses work to get the basics right. This is perhaps most commonly seen in organizations when the trade function is involved in the transactional and operational details, interacting with paperwork and customs agents, and acts as the first line of defense when a shipment has an issue at the customs border. KPIs for these functions are usually closely linked with operational KPIs, such as shipment lead time, frequency of delays and customs brokerage cost. Functions that purely focus on operational compliance typically have limited influence over other functions' processes. As a result, it is not uncommon to see such functions in reactive or "firefighting" mode.

Trade functions that have tactical planning in scope design frameworks and provide enabling tools. They tend to have more independence from and greater

influence over other functions' processes. For example, a tactical trade function in a multinational corporation can involve a centralized team that designs global customs policies and standards that are followed by individual legal entities in their own course of operational compliance. Customs planning, including enhancing the use of available customs reliefs and FTAs, is done at an above-market level. Functions like these usually have targets, such as annual global duty savings and effective duty rates.

For many businesses, tactical planning is a good enough achievement for the trade function. Nevertheless, the world of changes has presented both opportunities and areas for the trade function to do more. Trade functions moving beyond tactical planning have started to think big and act as strategic partners to the rest of the business.

By being a strategic partner to the rest of the business, a trade function may have influence over other functions' processes or even behaviors. For example, some trade functions partner with sourcing and procurement teams, influencing purchasing decisions by providing full pictures to landed cost. Similarly, these trade functions can deploy customs rules and data to support scenario modeling, such as produce vs. buy decisions in supply chain designs. Trade functions can also play a critical part in environmental, social and governance (ESG), sometimes even managing the potential impact on business continuity. This isn't an exhaustive list of what trade functions can do – it's ever-growing.

While it is possible for a trade function to focus on all three areas above, if the basics have yet to be mastered, it will be challenging to get to the strategic state.

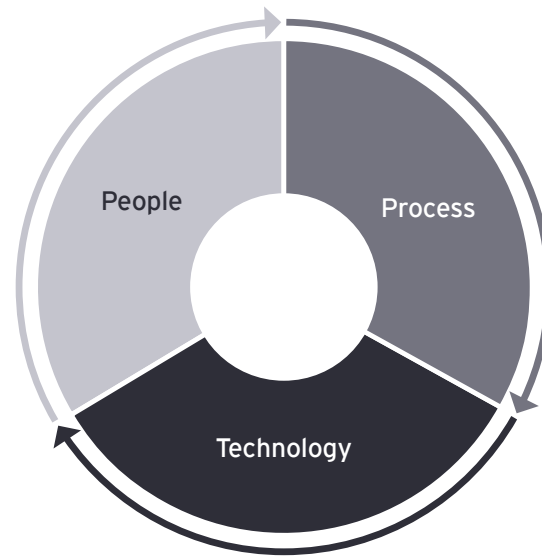
## How to approach building or transforming trade function

Without commitment at the right level in the organization, it is impossible to achieve fundamental changes and growth of the trade function. To get started, find the appropriate sponsors in the organization. Unfortunately, identifying those individuals is not always straightforward.

Getting senior stakeholders to understand the importance of a fit-for-purpose trade function requires the ability to measure the value of the function in a manner that's relevant to them. This includes both the current value (i.e., value delivered, protected and maintained by the current function) as well as the potential value a future function can achieve through transformation.

In practice, there are nuances among different industries. For example, trade functions of heavily regulated industries or those with significant social implications (e.g., life sciences) are likely to be subject to different measurements than those where there is less regulation (such as the fast-moving consumer goods sector).

After securing the senior stakeholders' buy-in, the design of the framework or transformation can look different, depending on the type of trade function. Nevertheless, there are some standard areas that should be examined during a design phase – it's about having the right people, right process and right technology.



### People

The biggest debate around trade function design has always been where the function should sit.<sup>1</sup> It most commonly resides under tax (finance), supply chain (logistics), or legal (compliance). The dynamics of global changes have offered even more options outside these departments. There is no right or wrong answer; the choice should be fit for the organization's objective.

Companies whose products or trade flows are subject to heavy legal regulations or that operate in jurisdictions where noncompliance with trade activities has legal (not just customs or tax) consequences tend for their trade function to sit in legal or compliance. As a result of the war in Ukraine and the sanctions imposed on Russia, we saw companies whose export control or sanctions sit under the legal department receive senior

stakeholder support, including legal counsel advice, from the organization in a timely fashion; consequently, those organizations were able to respond to the overnight introduction of sanctions.

Tax (including finance) tends to be a common choice for where the trade function resides when either the duty profile of the business is high or the business operates in jurisdictions where there's a strong interplay between customs regimes and other tax regimes, such as value-added tax (VAT) and transfer pricing. Customs authorities tend to be part of the same authorities (i.e., tax). In addition, companies or industries whose goods movements are subject to KPI pressure (e.g., speed to clear the goods) can benefit from the trade function sitting in tax or finance, which can inject independence as a fail-safe to ensure decisions are not made to clear goods faster at the expense of compliance and tax efficiency.

Supply chain (including logistics) is another area the trade function can reside. This location is widely observed where the trade function is heavily involved in operational compliance. Sitting in supply chain allows the trade function to have its finger on the pulse of goods movement. Another benefit of sitting in supply chain is the ability to stay close to supply chain-related decisions that are not customs-specific (e.g., procurement and sourcing), allowing the trade function a seat at the table via organic design. Having said that, this is not a prerequisite. Trade functions sitting elsewhere (e.g., legal or tax) can also achieve effective cross-functional collaboration, as long as they are consciously investing in this objective.

<sup>1</sup> 'Refocusing on the global trade functional organization – a global trade perspective', EY website. [Find it here](#)

If there's no perfect spot, what about segregating the tasks and functions? For example, in some companies operational trade compliance is done by the logistics team, and tactical customs activities, such as FTA determination, is done by the tax team. Bifurcating the activities can have many benefits, although the downside is also obvious; the tactical team may not have visibility of what's being done at a transaction level, therefore failing to provide accurate management reporting on the effectiveness of the policies. Equally, the operational team may struggle to understand rationales behind the tactical team's decisions, creating inefficiencies and missed opportunities. In our experience, bifurcation is most effective – and perhaps only effective – if a mature ecosystem that promotes communication can be built within the organization.



### Process

The first question businesses should ask themselves is: What processes should be in scope of the trade function, and more importantly, what shouldn't be?

We have seen trade functions that desire to be lean and focused on strategic activities deliberately shy away from being involved in business processes (as opposed to customs and trade processes). For these functions, they tend to prioritize the awareness-raising and upskilling of the other business functions, such as embedding standards and working with business partners. The goal is to make operational activities self-sufficient so that the trade function doesn't have to be involved in the details.

Even within the world of trade processes, there are some processes of a different nature or different consequences that can be managed outside the trade function. For example, some organizations have decided to have sanctions and restricted party screening processes managed and owned by individual countries' operational teams, separate from the trade functions' processes, which are focused solely on customs.

It is important for function leaders to avoid being perceived as "empire building" by growing their functions and responsibilities disproportionate to the needs of the business. With the increase of inflation and toughened competitiveness in the market, cost pressure means it is not always possible for personnel to manage every step of all processes. Meanwhile, many organizations are going through wider transformations, such as S/4 HANA, finance and/or supply chain transformation. These business

changes are often accompanied by the challenge of how to do more with the same or fewer resources. Outsourcing is a solution that has been tested with many business functions (e.g., tax) for years; it is only natural for the trade function to consider outsourcing as well.

When it comes to outsourcing, many trade functions are nervous, and that anxiety is justified. After all, customs and trade are highly specific technical areas that do not have limitless talent pools. However, if deployed appropriately, outsourcing can give organizations a boost of compliance and efficiency, and free up individuals to focus on other tasks. Considerations include:

- ▶ When is the right time to consider outsourcing in light of a trade function's level of maturity?
- ▶ Which processes and which part of the processes can or should be outsourced?
- ▶ Does the business leverage or build a shared service center internally, or are there options for external outsourcing?
- ▶ How is visibility and effective control ensured?

This is a complex area, and we will try to explore outsourcing the trade function in more detail in future editions of this publication .

### Technology

Technology is another integral aspect of the trade function that affects, and is affected by, people and process. The top reasons we've seen for deploying trade-related technology are enhanced compliance and cost optimization achieved through efficiency.

By simplifying or even automating trade processes that would otherwise be done manually, companies can reduce the need for considerable headcounts. For example, rather than managing FTA communication with all suppliers manually, some trade management solutions allow users to request long-term supplier declarations via automated processes. This is particularly helpful for organizations claiming significant FTA benefit that are also relying on many suppliers to provide evidence.

Enhanced compliance speaks for itself, but it also contributes to the goal of managing cost by reducing the likelihood of human errors that could be costly to the business. One of the top technologies most frequently deployed by trade functions is restricted party screening, where the trade content of the software can provide up-to-date information that allows the trade function to process large volumes of transactions in a shorter time frame.

Despite the many benefits, it is important to bear in mind that trade technology is not the solution to all problems, and certainly not just any trade technology. Companies can go wrong if they deploy the wrong technology or assume that the right people and right process can be replaced by technology.

Regardless of how mature the technology or software is, humans still need to make certain decisions. There is always a need for trade professionals who understand their organization to make determinations and filter out the false positives. In addition, we've seen many trade functions develop or purchase technology solutions

that are disproportionately costly to the benefit, or even ended up being disruptive to the business. Where we have seen the best return on investment is to deploy technology with surgery-level precision – understand the root cause of inefficiency or risks to determine exactly where the problems should be fixed (e.g., in the business process or in the trade process), then choose the technology solution that's underpinned by the most solid business case.

### Summary

Historically, trade functions have been regarded as a cost center. This is still somewhat true in many organizations. However, trade functions now face a new normal, where the only certainty is uncertainty. Businesses therefore need to act fast to evaluate whether they have a fit-for-purpose trade function to create strategic value for the business while facing internal and external challenges.

Building a trade function from the ground up can be a very different task than transforming an existing trade function and transforming existing trade functions can be even harder, as it requires changes in legacy processes and even legacy mindsets.

Another consideration for many trade leaders, especially those in the tax function, is what role they should play in the ESG space, given many ESG reporting processes rely on data points that are organically owned by the trade function, and the introduction of green taxes that have a close relationship with cross-border movement.

Businesses have a lot to consider. Different aspects of trade functions will be discussed in more detail in future editions of this publication. ■



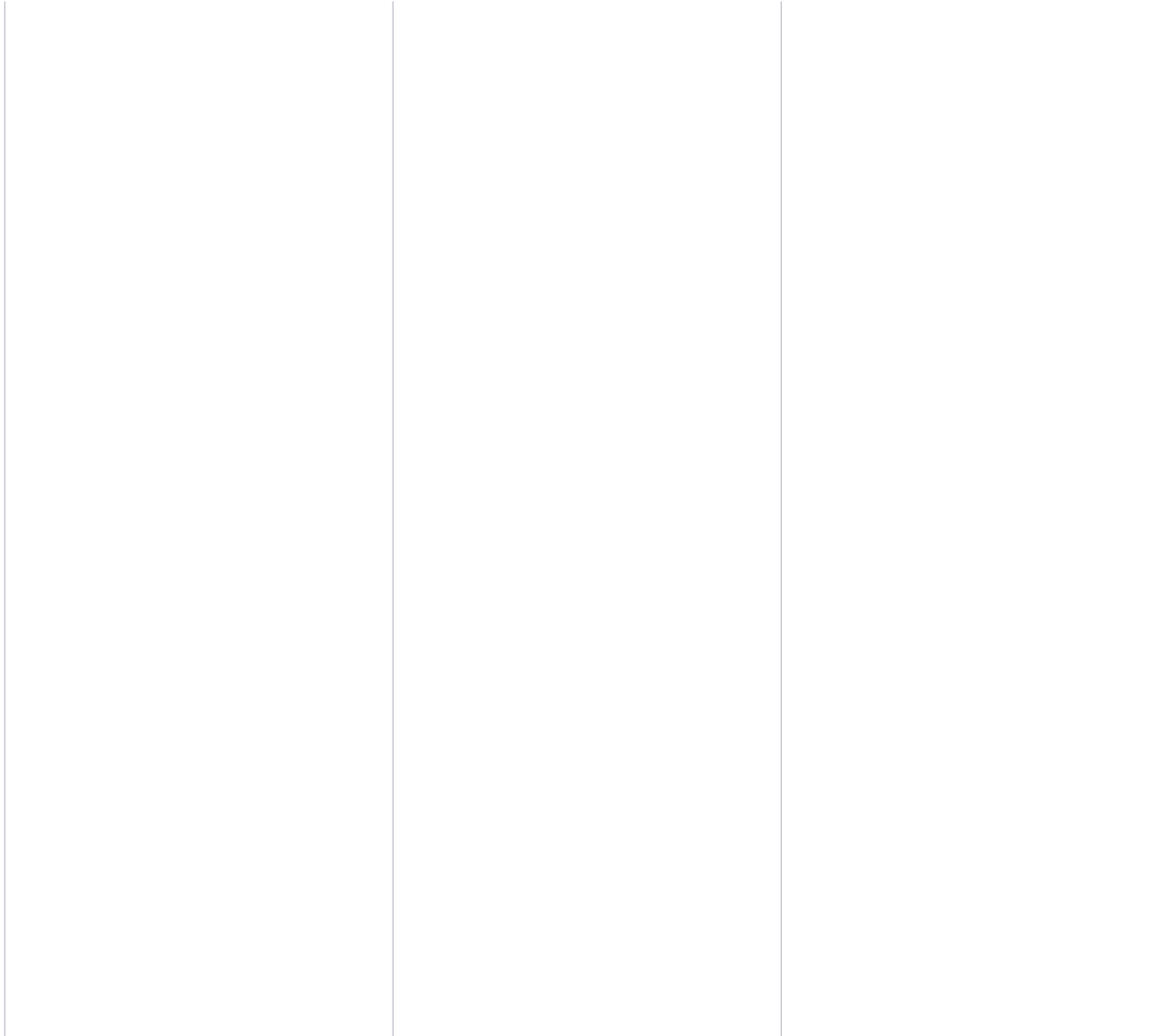
**For additional information please contact:**

**Shenshen Lin**  
+ 44 782 725 4521 | [slin1@uk.ey.com](mailto:slin1@uk.ey.com)

# Insights from EY.com

**Articles and features on a range of trade issues published on EY.com**

*For a better viewing experience, please ensure your browser setting is customized to 'open in a new tab'.*



# Our Global Trade webcasts and podcasts



## Reform of the EU Customs Union

13 September 2023

Register [here](#) for the webcast:  
9:00 a.m. CEST  
4:00 p.m. CEST



## Switzerland: EY Sustainability Tax webcast on CBAM

5 September 2023

Register [here](#) for the webcast



## Sustainability and the Tax impact on business: Africa focus

12 July 2023

Register [here](#) for the recording



## How to prioritize governance in your organization's ESG strategy

29 July 2023

Register [here](#) for the recording



## The accelerated tax agenda of the European Union – EU Tax Policy Matters webcast

28 June 2023

Register [here](#) for the recording



## Europe: Plastic packaging taxes and regulations – planning for what's next

27 June 2023

Register [here](#) for the recording



## Tax and Law Sustainability Update: How to navigate the changing landscape

13 June 2023

Register [here](#) for the recording



## Ireland: Preparing your business for Carbon Border Mechanism

4 May 2023

Find the recording [here](#)



## How you can accelerate your decarbonization journey

20 April 2023

Find the recording [here](#)



## What to know about the 2023 EY Tax risk and controversy survey results – Asia-Pacific

12 April 2023

Find the recording [here](#)



## What to know about the 2023 EY Tax risk and controversy survey results – Americas and Europe

5 April 2023

Find the recording [here](#)



## Global Trade Live! Trends in customs valuation

1 January 2023

Register [here](#) for the recording

# Canada: Border Services Agency (CBSA) Assessment and Revenue Management (CARM) Release 2 update

As discussed in [TradeWatch Issue 3 2022](#), the CBSA's CARM project is still expected to be fully implemented in October 2023 (Release 2 or CARM R2). Release 2 is expected to have vast implications for the way importers and their representatives interact with the CBSA, and it may significantly change the way accounting obligations under the Customs Act are effectively carried out in day-to-day operations. In this article, we focus on the procedural implications and potential regulatory developments that will transform the customs accounting process for goods imported into Canada.

Important impacts of the agency's new, digitized revenue management platform include enhancement of CBSA's compliance enforcement capabilities; significant changes to how importers confirm and pay duties and import taxes in accordance with the Customs Act; and new, more frequent and more direct communications between the CBSA and importers. Careful management of this transitional period prior to Release 2 is critical to safeguarding business continuity and reducing disruptions to the overall business.

## What is CARM?

The CBSA is the second-largest revenue collector in the Government of Canada. However, as the volume and value of commercial imports into Canada has been increasing over time, Canada's relative world ranking in trade facilitation and border management has declined, leaving a need for a new approach to revenue collection.<sup>1</sup>



In 2009, the Office of the Auditor General (OAG) appeared before the Standing Committee on Public Accounts (PACP). The OAG noted that CBSA had difficulty in reconciling information in various reports taken from its tax program systems, which led to unexplained differences at year-end. The Committee was told that this was due to information technology systems not being able to share data, and it would take several years to rectify. As a result, PACP recommended that the CBSA provide the Committee with a detailed plan specifying the steps it would take to improve its tax revenue accounting systems. From this recommendation, the CBSA CARM project was created.<sup>2</sup>

At its core, CARM is a CBSA business transformation initiative. CARM changes business processes and expands the digital solutions available to the trade community. It incorporates business process transformation initiatives – such as new billing cycles, streamlined post-entry and recourse procedures, and opportunities for importers to interface directly with customs – and deploys new digital solutions. The Commercial Client Portal (CCP), introduced in Release 1 of CARM, and in many ways the central feature of the CARM platform, is the tool that will enable significantly improved customs accounting processes.

<sup>1</sup> "Targeted control audit of CARM business readiness: Introduction, key findings and management response," *Government of Canada website*. [Find it here](#).

<sup>2</sup> *Ibid.*

### Implications for customs accounting – current state vs. future state

Historically, importers rely heavily on appointed customs brokers to account for import duties and taxes, and in many cases, to remit corresponding payments to the Receiver General for Canada.

Currently, Form B3 Customs Accounting Document submissions made via the Customs Automated Data Exchange (CADEX) or via Customs Declaration (CUSDEC) are tied to the shipment's cargo control number. Customs accounting systems also provide functionality for the transmission of single-record post-accounting adjustments.

The multitude of interconnected electronic data interchange (EDI) solutions that CBSA currently operates and maintains provide the current means for staggered, single-version, serial transmissions that reflect the regulatory milestones of the Customs Act and represent a generation of software and systems that date as far back as the early 2000s.

Formal adjustments (according to sections 32.2 and 74 of the Customs Act) can still be filed in paper form, which, when coupled with a blanket adjustment process that is in essence an outside-the-system workaround to address current systems limitations, often results in import transaction record inconsistencies, highlighting the inability of the CBSA's current state systems to handle versioning of import transaction records.

CARM, through the functionalities provided by the CCP, is expected to address these limitations and reduce or eliminate outright import transaction record inconsistencies. The CCP will provide real-time continuous transmission capabilities and new versioning capabilities for the commercial accounting declaration (CAD) submissions made via the CCP, which will replace EDI B3 transmissions. CCP real-time transmission and CAD versioning make possible a new set of accounting milestones<sup>3</sup>:

- ▶ **CAD:** This feature will replace the current B3 Declaration and B2 Adjustment documents that are submitted to CBSA via EDI B3 or in paper form. Corrections or adjustments made to a CAD via CCP will be recorded as a new version of the original declaration.
- ▶ **Corrections:** If payment does not become due (and unless the CAD was selected by the CBSA for review), importers should have unlimited opportunities to overwrite the initial CAD with new corrected versions, penalty-free. Akin to the initial CAD submission, corrections are understood to remain a unilateral self-assessment, as no CBSA involvement would be required to confirm the changes.
- ▶ **Adjustments and mass adjustments:** Adjustments can be filed via the CCP to meet section 32.2 obligations with respect to corrections due when the importer has a "reason to believe" that the final CAD version on which payment became due was incorrect. Unlike corrections, the number of adjustments will continue to be limited by the privative clauses under subsection 58(3) or 59(6), and section 62 of the Customs Act, and the process is expected to remain essentially the same with a single redetermination and a single request for further redetermination under each of the three compliance programs: origin, valuation and tariff classification.

The pre-adjustment correction mechanism introduces uncertainty around the interpretation of the expression "interim accounting" under paragraph 32(2) (a) of the Customs Act alongside further pertinent prescriptions made in the Accounting for Imported Goods and Payment of Duties Regulations.<sup>4</sup> Currently, a single interim accounting is required to allow goods to be released (i.e., Release on Minimum Documentation) before final accounting of duties and taxes owed is specifically or actively acknowledged by filing a final accounting on a B3 Type AB. Under CARM, as the final accounting only truly occurs once payment becomes due on a CAD, it is unclear whether the CAD and all its versions could each be interpreted to be an interim accounting to CBSA.

<sup>3</sup> For more information on the expected functionalities of Release 2 of CARM, see "Canada: Assessment and Revenue Management – Release 2 expected in October 2023" from *TradeWatch* Issue 3 2022, page 21. [Find it here.](#)

<sup>4</sup> SOR/86-1062.



### Safeguarding business continuity

The expected efficiencies gained through CARM and the CCP should ideally mean that the operational costs of trade compliance and, consequently, the cost of importing into Canada are reduced. However, CARM will also provide the CBSA with greater visibility and data collection capabilities that will allow the agency to better enforce customs laws and maximize revenue collection.

Therefore, while CARM should ultimately lead to a more efficient importing process, CARM is fundamentally a CBSA tool for improving revenue collection and, by extension, trade compliance. This means importers will need to adapt to operational realities that will require a significant amount of change management to deploy and maintain a technically strong, agile and well-equipped trade compliance function to both capitalize on the efficiencies provided by CARM and keep pace with improved data-driven CBSA compliance enforcement activities in a post-Release 2 environment.

As Release 2 is rapidly approaching, importers may begin deploying measures to reduce potential disruption to the business and to position themselves to take advantage of operational efficiencies provided by CARM:

- ▶ **Adapt to new billing cycles:** Payment due dates under CARM will be harmonized; therefore, importers will need to update their accounts payable procedures to ensure they are up-to-date with CARM-mandated due dates.
- ▶ **Capitalize on new monitoring and reporting opportunities:** CARM will enable importers to view import data and pull reports in near-real time, no longer having to rely on Facilities Information and Resources Management System (FIRM) report requests or broker-generated B3 reports. This will also provide importers with trade data analytics opportunities executed in-house or by third-party service providers.
- ▶ **Manage the transition to CAD:** Importers will need to quickly familiarize themselves with the CAD and the procedure for submitting corrections and adjustments through the CCP. In addition, any applicable EDI and IT programs will need to be configured to ensure data stored and transmitted for customs declaration purposes is compatible with CAD requirements.

- ▶ **Post and manage security:** In particular, importers with several import/export program accounts will need to closely monitor their posted security amounts with CBSA to ensure Release Prior to Payment privileges remain in good standing.
- ▶ **Manage customs broker and third-party service provider relationships:** CARM effectively further shifts compliance responsibility to the importer compared to the current state. Prior to Release 2, it is imperative that importers clearly define roles and responsibilities of appointed customs brokers and third-party service providers. Decisions related to outsourcing roles and responsibilities need to match with delegated CCP access rights to ensure that customs brokers, third-party services providers and in-house personnel have the necessary visibility over operations and data to carry out their roles effectively. ■



#### For additional information please contact:

Denis Chrissikos | + 1 514 879 8153 | [denis.chrissikos@ca.ey.com](mailto:denis.chrissikos@ca.ey.com)

Joanna Liang | + 1 416 943 5512 | [joanna.liang1@ca.ey.com](mailto:joanna.liang1@ca.ey.com)

Sandra Alarab | + 1 613 598 6949 | [sandra.alarab@ca.ey.com](mailto:sandra.alarab@ca.ey.com)

# Latin America: Maximizing the benefits of nearshoring – a practical guide to Latin America’s FTAs

In today’s global economy, businesses continually seek strategies to enhance efficiency, reduce costs and maintain a competitive edge. One such strategy growing in relevance is nearshoring, the transfer of business operations to nearby countries. The World Bank has identified nearshoring as a key driver contributing to increased demand for goods and services from Latin America and the Caribbean.<sup>1</sup>

Furthermore, the rise of green industry has emerged as another essential catalyst for boosting economic growth in the region, presenting an opportunity for companies to align their nearshoring strategies with environmental sustainability efforts.

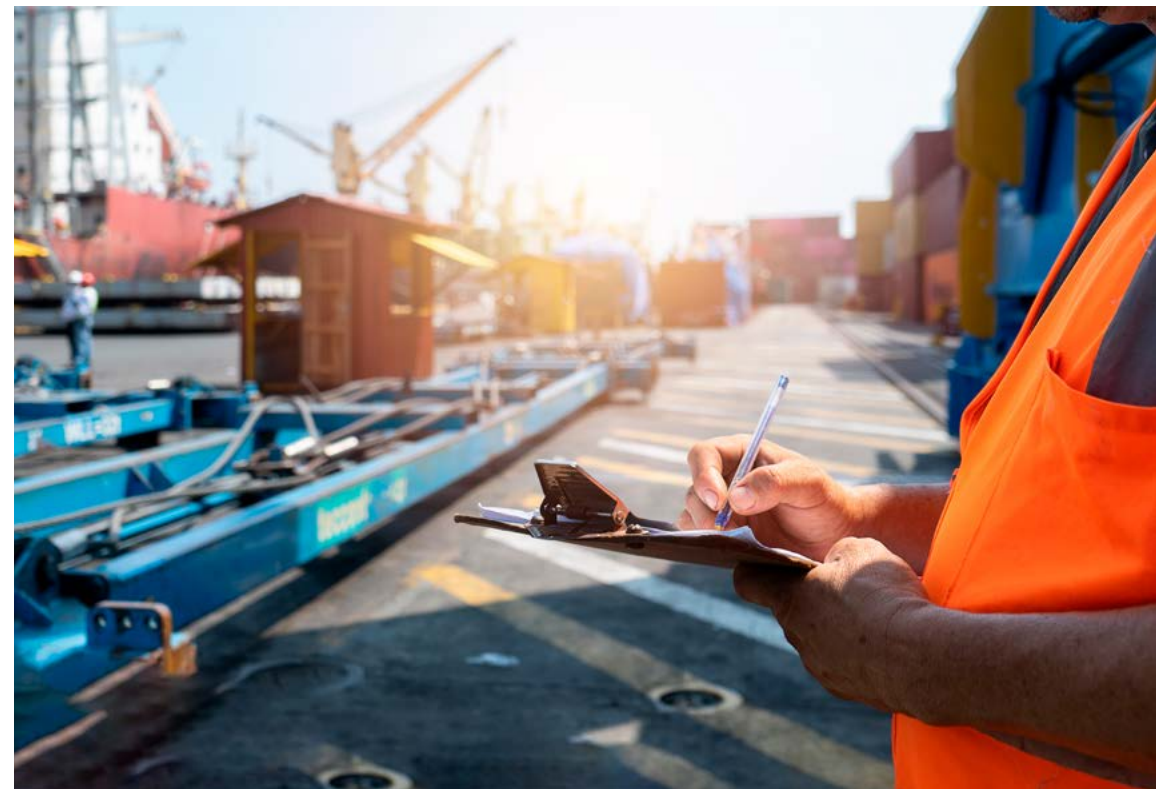
With its robust economic landscape, strategic geographical location and diverse FTAs network, Latin America presents a compelling nearshoring destination for companies worldwide. This article explores the opportunities and strategies for maximizing the benefits of nearshoring in Latin America through the effective use of FTAs.

## Unfolding the nearshoring landscape in Latin America

Latin America offers a compelling case for nearshoring, driven by several key factors. Firstly, the region boasts a large, dynamic and educated workforce with an increasing number of university graduates. In addition, Mexico, Brazil, Argentina and Colombia are known for their engineering and technical graduates, providing a skilled yet cost-effective labor force.

Moreover, Latin America shares multiple values and customs with North American businesses, fostering cultural and linguistic alignment that facilitates seamless business interactions and communication.

The similar time zones between Latin America and North America enhance productivity by enabling real-time communication and collaboration. Geographical proximity further supports nearshoring, resulting in lower transportation costs, faster delivery times and more resilient supply chains.



<sup>1</sup> “Global Economy Trends in Nearshoring and Green Industry Can Help Boost Growth in Latin America and the Caribbean,” *The World Bank website*, 4 April 2023. [Find it here.](#)

### The rising star: nearshoring in Mexico

Mexico has recently emerged as one of the top countries for nearshoring, thanks to its strategic position, skilled workforce and participation in significant FTAs. With its proximity to North America, Mexico provides logistical advantages that reduce shipping times and costs, making it an ideal location for businesses aiming to streamline their supply chains.

Mexico's participation in the United States-Mexico-Canada Agreement (USMCA)<sup>2</sup> and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)<sup>3</sup> provides businesses access to large, prosperous markets on preferential terms.

Moreover, Mexico has made significant strides in education, particularly in fields like engineering and technology, producing a substantial number of graduates ready to enter the workforce each year. This abundant skilled labor and relatively low operational costs make Mexico an attractive destination for businesses seeking to nearshore their operations.

### The power of FTAs

FTAs serve as the foundation of international trade by minimizing barriers and facilitating the unrestricted flow of goods and services. Understanding the FTAs in place is essential for businesses considering nearshoring to Latin America.

- ▶ **USMCA:** The USMCA replaced the North American FTA (NAFTA)<sup>4</sup> and maintained tariff-free trade while introducing updated provisions. It acknowledges the rise of the digital economy, enabling free data transfer and eliminating duties on electronic transmissions. The agreement offers attractive opportunities, particularly in the automotive sector, where rules have been revised to increase regional content requirements.

- ▶ **CPTPP:** The CPTPP is a broad trade agreement encompassing multiple sectors. Mexico's participation grants preferential access to significant economies in the Asia-Pacific region, such as Japan, Australia and Canada. The agreement eliminates tariffs on most goods and services; reduces trade costs; and enforces high standards for intellectual property protection, labor rights and environmental practices.
- ▶ **Pacific Alliance<sup>5</sup>:** The Pacific Alliance is a dynamic trade bloc focused on eliminating tariffs, removing visa requirements and integrating stock markets. This seamless trading environment and expanded consumer market present significant advantages for businesses.
- ▶ **MERCOSUR (Southern Common Market)<sup>6</sup>:** MERCOSUR promotes the free transit of goods, services and production factors among its member countries. By establishing production in one member country, businesses can cater to the entire MERCOSUR market without facing internal tariffs.

The four FTAs highlighted above are some of the most impactful in the Latin American region, but they represent only a portion of the region's comprehensive network of trade agreements.

As of 2023, Latin American countries are involved in over 100 FTAs, each providing access to various global markets. These range from bilateral agreements between individual countries to more comprehensive multilateral agreements involving multiple nations.

### Harnessing the benefits: practical strategies for success

- ▶ **Use data analytics to identify opportunities:** Embrace advanced data analytics to gain a competitive edge in the market. Harness the power of predictive analytics to generate deep insights into the FTA landscape. Analyzing historical data, market trends and tariff codes allows you to identify lucrative opportunities within the FTA framework and make data-driven strategic decisions.

2 "United States-Mexico-Canada Agreement," *International Trade Administration website*, accessed 7 June 2023. [Find it here.](#)

3 "Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)," *Australia government website*, accessed 7 June 2023. [Find it here.](#)

4 "North American Free Trade Agreement (NAFTA)," *International Trade Administration website*, accessed 7 June 2023. [Find it here.](#)

5 *Pacific Alliance website*, accessed 7 June 2023. [Find it here.](#)

6 *MERCOSUR official website*, accessed 7 June 2023. [Find it here.](#)

- ▶ **Explore supplier development in FTA-partnered countries:** Take an active approach to developing relationships with suppliers in FTA-partnered countries. Leverage the FTAs to negotiate better terms, ensure the quality of products and secure preferential tariff rates. Furthermore, consider diversifying your supplier base across multiple FTA-partnered countries to manage risks and enhance supply chain resilience.
- ▶ **Conduct a comprehensive review of origin qualification:** Implement a rigorous review process to ensure the qualification of products for preferential origin under FTAs. This involves closely scrutinizing the components, raw materials and manufacturing processes to verify conformity to FTA origin criteria. Regularly update this process in response to changes in FTA rules or business operations.
- ▶ **Review the use of Harmonized Tariff Schedule (HTS) codes:** A thorough and regular review of HTS codes can identify potential errors or opportunities for tariff savings. Engage trade experts or use trade management software to ensure the accurate classification of goods, which is crucial for benefiting from FTA tariff reductions and avoiding penalties.
- ▶ **Strengthen internal compliance and documentation processes:** Prioritize establishing robust internal compliance procedures and documentation protocols. Train your team to maintain accurate records of product origins, supplier declarations and necessary certifications. This helps to prevent disruptions to FTA benefits due to noncompliance and readies your company for potential audits.
- ▶ **Foster cross-functional collaboration:** Promote an inclusive FTA strategy that involves cross-functional collaboration within your company. Engage teams from sourcing, logistics, compliance and finance departments in regular dialogues and brainstorming sessions. This will allow for the sharing of expertise, identification of potential opportunities and efficient implementation of FTA strategies.



- ▶ **Stay informed and continuously adapt:** Keep a close eye on changes in FTA developments, new agreements, and tax and customs regulation modifications. To stay informed, consider subscribing to trade newsletters, joining industry associations and consulting with trade experts. A proactive approach to staying updated ensures your business is always ready to leverage new opportunities and adapt its strategies to the dynamic nearshoring environment.

Enhancing the benefits of nearshoring in Latin America involves a comprehensive understanding of FTAs, strategic decision-making and effective implementation of practical strategies.

By leveraging the power of FTAs, companies can access markets, reduce costs, improve operations and enhance competitiveness. The dynamic economic landscape, geographical proximity and extensive network of FTAs make Latin America an attractive nearshoring destination. ■

**For additional information please contact:**

Roberto Chapa | + 1 212 773 6790 | [roberto.chapa@ey.com](mailto:roberto.chapa@ey.com)

## US: Section 301 update

The United States Court of International Trade (CIT) has issued several significant decisions recently, including a decision addressing the Section 301 tariffs.<sup>1</sup>

The legal clash over the Section 301 tariffs resulted in a win for the US government on 17 March 2023. A three-judge panel ruled that the Office of the United States Trade Representative (USTR) adequately complied with the law governing the process by which federal agencies develop and issue regulations when it imposed tariffs on List 3 and List 4A goods from China.<sup>2</sup> This decision means that the tariffs will remain in place for now. However, litigation to challenge the punitive duties and

potentially recover refunds continues. The case is currently undergoing the appeal process before the US Court of Appeals for the Federal Circuit.<sup>3</sup>

As discussed in TradeWatch Issue 3 2020 in the article “Trade actions continue to be in the spotlight,”<sup>4</sup> a lawsuit filed on 10 September 2020 in the CIT challenged the legitimacy of the List 3 and List 4A tariffs. The plaintiffs alleged that the USTR exceeded its statutory authority and violated the Administrative Procedure Act (APA) when it promulgated the List 3 and List 4A tariffs.

In 2022, the Court held that the USTR had proper statutory authority to impose the tariffs under the Trade Act of 1974 and remanded the case for the USTR to comply with the APA requirement to respond to public comments. In response, the USTR filed a remand redetermination, providing an additional explanation for removing or retaining certain tariff subheadings from List 3 and List 4A and answering previously unaddressed public comments.

Again, the plaintiffs challenged the remand determination. They asserted that the government engaged in impermissible after-the-fact reasoning<sup>5</sup>



1 Trade Act of 1974, 19 U.S.C. §§ 2411-2420.

2 Slip Op. 23-35, In Re Section 301 cases, US Court of International Trade, 17 March 2023. [Find it here.](#)

3 Plaintiff's Notice of Appeal, In Re Section 301 Cases, US Court of International Trade, 12 May 2023. [Find it here.](#)

4 “Trade actions continue to be in the spotlight,” *TradeWatch* Issue 3 2020, page 19, *EY website*. [Find it here.](#)

5 *Department of Homeland Security v. Regents of the University of California*, 140 S. Ct. 1891 (2020).



and failed to respond to the comments adequately. The plaintiffs argued that the USTR undertook a new review and analysis of the comments on remand, while precedent limits the agency to elaborating on a prior response to the comments. Separately, the plaintiffs argued that the USTR's reliance on presidential direction to explain its rationale was legally insufficient.

In its opinion, the Court held that the USTR's response to the comments did not constitute after-the-fact reasoning and did satisfy the statutory APA requirement. The CIT found that the remand determination provided an "amplified articulation" of the USTR's rationale and did not constitute new agency notice and comment rulemaking. The CIT also concluded that the USTR only needed to address significant issues raised in the comments and need not discuss every alternative course of action.

Importers affected by the 301 tariffs should continue to monitor the legal proceedings and understand the impact to their business. ■

**For additional information, please contact:**

Lynlee Brown  
+ 1 858 535 7357 | [lynlee.brown@ey.com](mailto:lynlee.brown@ey.com)

# Australia and New Zealand: landmark free trade agreements with the UK enter into force

Following the launch of negotiations at the height of the COVID-19 pandemic and the conclusion of extensive domestic ratification processes, both the Australia-United Kingdom Free Trade Agreement (AUKFTA) and New Zealand-United Kingdom Free Trade Agreement (NZ-UKFTA) have now entered into force.

## General overview

The AUKFTA and NZ-UKFTA were signed on 16 December 2021 and 28 February 2022, respectively. Negotiated largely in parallel, both agreements are noticeably similar in scope and ambition, and represent somewhat of a historic milestone for the UK, as they are among the first agreements the UK has negotiated “from scratch” following its exit from the EU. They also break new ground for both Australia and New Zealand, containing advanced provisions on environment, gender and indigenous trade matters, which go further than their previous agreements, reflecting the changing nature of bilateral trade.

Both agreements are notable for the opportunities and gains for digital and services trade, highlighting the importance of innovation and technology for each country. They also reflect the growing importance of services trade as a source of future economic growth and increased two-way trade with the UK.

Other noteworthy areas include tariff reductions, customs process facilitation, expanded market access to government procurement and investment opportunities. Finally, both FTAs make a number of provisions for small to medium-sized enterprises (SMEs) to make trade more accessible, recognizing their importance for economic growth.



## Trade in goods, customs and rules of origin

### Tariffs

Over 99% of Australian and over 97% of New Zealand goods exports to the UK will benefit from immediate tariff elimination (meaning 0% tariffs at entry into force (EIF)).

Included in the immediate tariff elimination for Australian exports are agricultural products, such as wine, short- and medium-grain rice, honey, nuts and olives, and food supplements tariff lines. Industrial goods with immediate tariff elimination include auto parts, electrical equipment and fashion goods. For New Zealand, products with immediately eliminated tariffs include wine, honey, kiwi fruit and onions. A small number of key Australian and New Zealand agricultural products will be liberalized over up to 15 years post-EIF, with immediate tariff-free access offered under quota arrangements in all cases.

British exports to Australia, which already benefit from low tariffs, will have 98% of tariff reductions at EIF and 100% by year six from EIF. Tariffs on some exports of UK cheese and steel will be eliminated over five years. New Zealand, for its part, will eliminate customs duties on all tariff lines for UK imports at EIF, which will include products such as gin, chocolate, and buses and campervans, which are currently subject to tariffs ranging between 5% and 10%.

### **Tariff-rate quotas for Australian and New Zealand exports into the UK**

As set out above, not all Australian and New Zealand exports will be subject to immediate tariff reduction, and several key agricultural lines will be managed through staggered reductions in the form of tariff-rate quotas (TRQs). These duty-free transitional quotas are a key point of difference between the AUKFTA and NZ-UKFTA.

For Australia, these quotas impact:

- ▶ Beef and sheep meat (duty-free transitional quotas, with all tariffs eliminated after 10 years from EIF)
- ▶ Sugar (duty-free transitional quotas, with all tariffs eliminated after eight years from EIF)
- ▶ Dairy products (immediate access to duty-free quotas within the transition period and all tariffs eliminated after five years from EIF)
- ▶ Wheat, barley and other cereals (immediate access of duty-free quota amounts, with all tariffs eliminated after four years from EIF).

For New Zealand, these quotas impact:

- ▶ Apples (duty-free transitional quotas for exports between August and December, with all tariffs eliminated after three years from EIF)
- ▶ Butter and cheese (duty-free transitional quotas, with all tariffs eliminated after five years from EIF)
- ▶ Beef (duty-free transitional quotas, with all tariffs eliminated after 10 years from EIF)
- ▶ Sheep meat (duty-free transitional quotas, with all tariffs eliminated after 15 years from EIF)

Product-specific safeguards apply to Australian exports of beef and sheep meat and New Zealand exports of beef to manage the volume outside of the TRQ amount during the transition periods. These are managed by the respective Committee on Trade in Goods, newly established under the agreements.

### **Trade remedies**

Both agreements include a bilateral safeguard, which allows temporary measures to limit the trade of any good that has increased significantly in quantity due to tariff reduction (or elimination) under the AUKFTA and NZ-UKFTA. The change in tariff and volume of imports must have the potential to cause injury to a sector. This safeguard allows countries to apply measures to any tariff line during the transition period.





### **Rules of origin**

Both agreements build on their tariff reductions by offering flexible rules of origin (ROO). In practice, this means ingredients and parts of non-British origin can qualify for low or zero tariffs under the agreement. The converse applies for non-Australian and/or non-New Zealand parts used in final products exported to the UK. The agreements also simplify and reduce costs associated with proving the originating status of goods to qualify for this preferential access.

### **Customs processes**

Provisions for digital systems and document exchange, which will reduce the amount of paperwork and information supplied for border processes in all jurisdictions, are included in the AUKFTA and NZ-UKFTA, which also set a requirement for goods to be released within 48 hours (with fast-track parcels and perishable goods released within six hours) if all import requirements are met.

### **Services, investment and digital trade**

#### **Services trade**

Services trade is key to both agreements. There are provisions in place to facilitate services trade, including mutual recognition commitments for professional services and qualifications, which are intended to remove bureaucracy and cost to the movement of people. Combined with improved market access and national treatment for non-domestic services providers, it facilitates growth in trade particularly for professional services, financial services and telecommunication sectors.

#### **Mobility, including mutual recognition of qualifications**

To further support services trade, there are reciprocal arrangements for the temporary movement of skilled persons. These provisions are important for knowledge and skill transfers, and will support growth in Australian and New Zealand sectors, including legal, accounting, engineering, architecture, surveying and urban planning, and research and development services.

#### **Digital trade**

Both agreements include provisions to remove digital trade barriers and, combined with provisions for data protection for both countries' businesses and consumers, will help businesses access more opportunities. These provisions also provide clarity on what information can be processed, stored and used without data localization requirements. This is important particularly to support businesses that rely on the free flow of data. Similarly, it could support businesses involved in digital innovation because of strong investment in digital infrastructure.

### Sustainability and gender empowerment

#### Environment

Both agreements support sustainability through various provisions, making trade in green technology and goods more attractive and accessible. This includes innovation commitments on low-emission technology, tariff reduction for green goods (electric vehicles, components needed for renewable technology) and creation of regulatory commitments for sustainable economic development. The NZ-UKFTA goes further in terms of binding commitments in the areas of climate and the environment.



#### Gender empowerment

The AUKFTA includes a commitment to support women through trade and investment by encouraging access for businesses led by women and putting in mechanisms to monitor trade and gender equality. This exceeds any previous commitments Australia has made in trade agreements.

#### Implications for business

There are many opportunities for businesses involved in goods or services trade to explore under the AUKFTA and NZ-UKFTA. The nature of agreements means that business can adjust their supply chains, the geographical reach of their portfolio and their workforce to include Australian, New Zealand or British involvement and be supported by provisions in their agreement.

Many provisions in both the AUKFTA and NZ-UKFTA align with those in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). As Australia, New Zealand and the UK are now members of CPTPP, once CPTPP is implemented in the UK, certain benefits, such as rules of origin, can be multiplied. CPTPP allows for intermediate goods to be considered local across member countries, meaning Australian, New Zealand and UK components present in a final product exported to another CPTPP member that meet product-specific rules can qualify for preferential access. ■

#### For additional information please contact:

Sally Jones | + 44 20 7951 7728 | [sally.jones@uk.ey.com](mailto:sally.jones@uk.ey.com)

Paul Smith | + 64 274 899 866 | [paul.smith@nz.ey.com](mailto:paul.smith@nz.ey.com)

Luke Branson | + 61 3 9288 8369 | [luke.branson@au.ey.com](mailto:luke.branson@au.ey.com)

George Riddell | + 44 20 7951 9741 | [george.riddell@uk.ey.com](mailto:george.riddell@uk.ey.com)

Peira Shannon | + 61 3 8650 7233 | [peira.shannon@au.ey.com](mailto:peira.shannon@au.ey.com)

Kylie Norman | + 61 2 9248 4765 | [kylie.norman@au.ey.com](mailto:kylie.norman@au.ey.com)

Jessica Xiao | + 44 20 7980 9700 | [jessica.xiao@uk.ey.com](mailto:jessica.xiao@uk.ey.com)

# EU: Customs legislation reform

On 17 May 2023, the European Commission (Commission) proposed<sup>1</sup> what it says is the most ambitious and comprehensive reform of the EU Customs Union since its establishment in 1968. The proposals aim to come to a new partnership with businesses, take a smarter approach to customs checks and enact a more modern approach to e-commerce.

Since the substantive provisions of the Union Customs Code (UCC)<sup>2</sup> became applicable in May 2016, the Commission has recognized that an increasing number of customs provisions are no longer fit for purpose, due to a huge increase in trade volumes, especially in e-commerce; a fast-growing number of EU standards that must be checked at the border; and shifting geopolitical realities and crises.

The Commission's proposals intend to address these challenges. They include changes to existing IT systems and introducing new IT systems, simplifications to the current customs legislation and a more uniform application of customs controls, and a full-fledged analysis and coordination capacity at EU level.

The proposals build upon three pillars:

1. A new partnership with business
2. A smarter approach to customs checks
3. A more modern approach to e-commerce

## **Pillar 1 – a new partnership with business**

The Commission proposes a fundamental change to submitting and storing customs data and interaction between customs authorities and businesses. Under the reformed UCC, businesses can import their goods into the EU and log all the information on their products and supply chains into a single online environment, the so-called “new EU Customs Data

Hub.” This automated system provides customs authorities with a 360 overview of supply chains and the movement of goods.

The establishment of a single window aims to reduce the administrative burden for businesses when interacting with the EU customs authorities. With the new EU Customs Data Hub, businesses will only have to submit data once for multiple consignments.

Furthermore, the current Authorised Economic Operators (AEO) program will be extended by adding a “Trust & Check” category for the most trusted traders operating in the EU market. Trust & Check traders will benefit from further reductions in the physical and document-based controls. Imports by Trust & Check traders can be cleared at the customs authorities in the Member State of establishment of the trader, rather than the customs authorities of the Member State of importation. Thus, these traders will have all their customs dealings in the EU with

<sup>1</sup> ‘EU Customs Reform’. *European Commission website*, 17 May 2023. [Find it here](#).

<sup>2</sup> Regulation (EU) No. 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code (recast). OJ L 269, 10.10.2013, p. 1-101.



one customs authority. They can also self-assess their customs duties payable and receive goods without interference of the customs authorities.

### Pillar 2 – a smarter approach to customs checks

The aim of the new system is to provide customs authorities with a better understanding of the goods entering the EU by using real-time data and artificial intelligence to predict potential problems and risks before the goods are shipped from third countries. The new system is expected to enable EU customs authorities to operate more effectively, freeing time and resources to safeguard the EU market from illegal or unsafe goods. Additionally, it will facilitate authorities' proper collection of duties and taxes.

### Pillar 3 – a more modern approach to e-commerce

The Commission intends to make online platforms the key actors for ensuring that goods sold on the EU market comply with all customs obligations. Online platforms will be deemed to be the importer of record to ensure that customs duties and VAT are paid at the time a customer makes a purchase on a platform.

The Commission reform also intends to remove the exemption of customs duties for goods valued at less than EUR150. Furthermore, a simplification will be made in the way customs duties are calculated for most common low-value goods. These goods will be classified in five categories, down from thousands of possible customs duties categories.

### Timeline

The Commission intends to open the EU Customs Data Hub for e-commerce consignments in 2028, then on a voluntary basis for all other importers in 2032. The centralized clearance for imports of Trust & Check traders will also be implemented in 2028. A review in 2035 will assess whether this can be extended to all traders when the EU Customs Data Hub becomes mandatory in 2038. The EU Customs Data Hub will be managed by a new organization: the EU Customs Authority. The key function of this authority will be to pool expertise and competence that are currently scattered across the EU to steer, coordinate and support national customs authorities in the EU. This will enable strengthened supply chain supervision with customs authorities at the EU and national level.

### Other changes in the UCC

Besides the proposed changes already discussed, the Commission proposes legislative changes in the UCC concerning, among other issues:

- ▶ Introduction of legal definition of “importer” while abolishing the notion of “declarant”
- ▶ Common provisions on customs infringements and noncriminal sanctions for those infringements
- ▶ Enhanced international cooperation between national customs authorities

These proposed changes will be discussed in detail in future editions of *TradeWatch*.

### Actions for businesses

In light of these proposals, businesses should:

- ▶ Assess whether their current record-keeping systems are suited for the new way of exchanging data with the customs authorities.
- ▶ Evaluate whether removing the exemption for customs duties and the new customs duties categories impact their importations.
- ▶ Determine whether the new Trust & Check category could benefit their business. ■

#### Reform of the EU Customs Union webcasts

In this webcast, the panelists will share insights on the proposals put forward by the European Commission and what the proposed changes could mean for businesses.

**13 September 2023**

Register for the webcast at the time that suits you best – **09:00 a.m. CEST** or **16:00 p.m. CEST**

#### For additional information please contact:

**Jeroen Scholten**  
+ 31 88 407 1009 | [jeroen.scholten@nl.ey.com](mailto:jeroen.scholten@nl.ey.com)

**Walter de Wit**  
+ 31 88 407 1390 | [walter.de.wit@nl.ey.com](mailto:walter.de.wit@nl.ey.com)

**Martijn Schippers**  
+ 31 88 407 9160 | [martijn.schippers@nl.ey.com](mailto:martijn.schippers@nl.ey.com)

# Kingdom of Saudi Arabia: Growing network of special economic zones

The Kingdom of Saudi Arabia (KSA) announced in mid-April 2023<sup>1</sup> the launch of four special economic zones (SEZs) located in logistically strategic sites across the country. The institutionalization of SEZs is in line with the increased focus on developing a diversified national economy, formation of an investment-friendly environment and development of forward-looking industries.

The establishment of the SEZs fosters Saudi Vision 2030, which aims to make KSA a global investment hub while achieving economic development goals. The SEZ institutionalization is part of a much broader strategy targeting the economy of KSA as a whole.

## Regulatory background

The recent announcement on the launch of the four SEZs brought in a unified regulatory umbrella, i.e., the Economic Cities and Special Zones Authority (ECZA), to govern and manage the SEZs in KSA.

KSA's endeavors to develop an integrated SEZ regulation, harmonize commercial rules that apply to SEZs and create a unified digital government service platform (one-stop shop) for foreign investors are intended to streamline the administration of the existing SEZs, and avoid legislation disunity and duplication.

## Role of the ECZA

The ECZA was established in 2010 to govern the development of SEZs and Economic Cities (ECs). In 2019, the ECZA's responsibilities and powers were expanded to oversee the operational performance of SEZs, creation of the SEZs' regulatory framework, and implementation of incentives and exemptions. The ECZA is also empowered to evaluate requests for new SEZ establishment.

The ECZA strives to establish an ECs and SEZs ecosystem that will provide an investment-friendly regulatory environment and offer highly efficient integrated government services.<sup>2</sup>

<sup>1</sup> <https://www.spa.gov.sa/en/1c4b9e13bax>

<sup>2</sup> "About ECZA," ECZA website. Find it here



### KSA SEZ incentives and beneficiary sectors

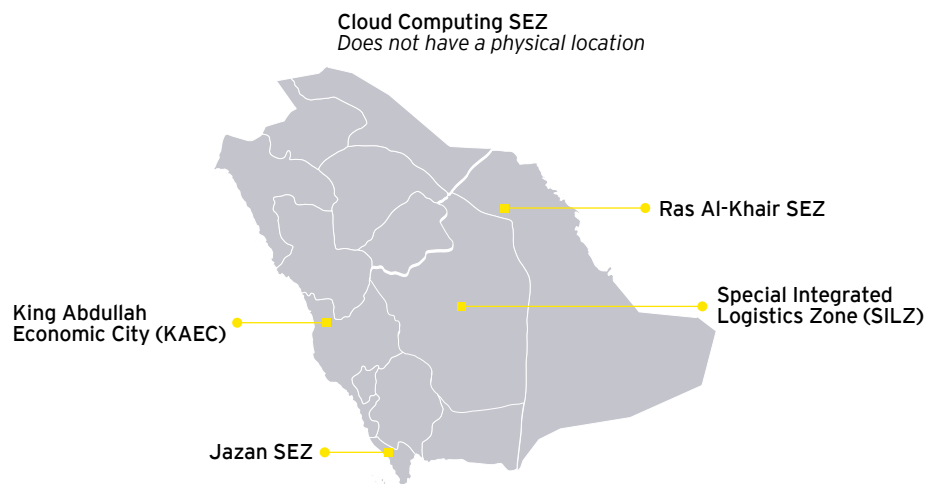
In April 2023, the ECZA announced an extensive list of tax and regulatory benefits for companies registered in the SEZs. In particular, the ECZA declared the following initiatives across the SEZ network:<sup>3</sup>

- ▶ Corporate income tax reductions for up to 20 years
- ▶ Flexible regulations around foreign talent
- ▶ Variety of withholding tax exemptions
- ▶ Deferred customs duties on goods in the SEZ
- ▶ Exemption from operational fees for employees and their families within the SEZ
- ▶ VAT exemptions based on sector and/or activity criteria

The established SEZs including the Special Integrated Logistics Zone (SILZ), aim to support a wide range of industry sectors and business activities, including information and communications technology (ICT), medical technology and the aerospace industry. The table<sup>3</sup> opposite details the targeted industries per SEZ:

<b>King Abdullah Economic City SEZ</b>	<p><b>Province:</b> Makkah</p> <p><b>Size of the zone:</b> 60km<sup>2</sup></p> <p>Located at the heart of the Red Sea and close to Africa markets</p>	<ul style="list-style-type: none"> <li>▶ Automobile supply chain and assembly</li> <li>▶ Consumer goods</li> <li>▶ ICT</li> <li>▶ Electronic light manufacturing)</li> <li>▶ Pharmaceuticals</li> <li>▶ Medical technology</li> <li>▶ Logistics</li> </ul>
<b>Ras Al-Khair SEZ</b>	<p><b>Province:</b> Eastern Province</p> <p><b>Size of the zone:</b> 20km<sup>2</sup></p> <p>Located in Ras Al-Khair Industrial city, giving access to global markets</p>	<ul style="list-style-type: none"> <li>▶ Shipbuilding and maintenance, repair and operation (MRO)</li> <li>▶ Rig platforms and MRO</li> </ul>
<b>Jazan SEZ</b>	<p><b>Province:</b> Jazan</p> <p><b>Size of the zone:</b> 24.6km<sup>2</sup></p> <p>Ideal Red Sea location near key mines and industrial assets</p>	<ul style="list-style-type: none"> <li>▶ Food Processing</li> <li>▶ Metal conversion</li> <li>▶ Logistics</li> </ul>
<b>Special Integrated Logistics Zone (SILZ)</b>	<p><b>Province:</b> Riyadh</p> <p>Adjacent to the King Khalid International Airport</p>	<ul style="list-style-type: none"> <li>▶ Consumer products</li> <li>▶ Computer parts</li> <li>▶ Pharmaceuticals</li> <li>▶ Nutritional and medical supplies</li> <li>▶ Aerospace spare parts</li> <li>▶ Luxury goods, jewelry and precious metals</li> </ul>
<b>Cloud Computing SEZ</b>	<p>Headquarters in Riyadh</p> <p>Free zone without a central physical location</p>	<ul style="list-style-type: none"> <li>▶ Cloud computing services</li> </ul>

<sup>3</sup> "Investing in Saudi Arabia's Special Economic Zones," ECZA website. [Find it here](#)



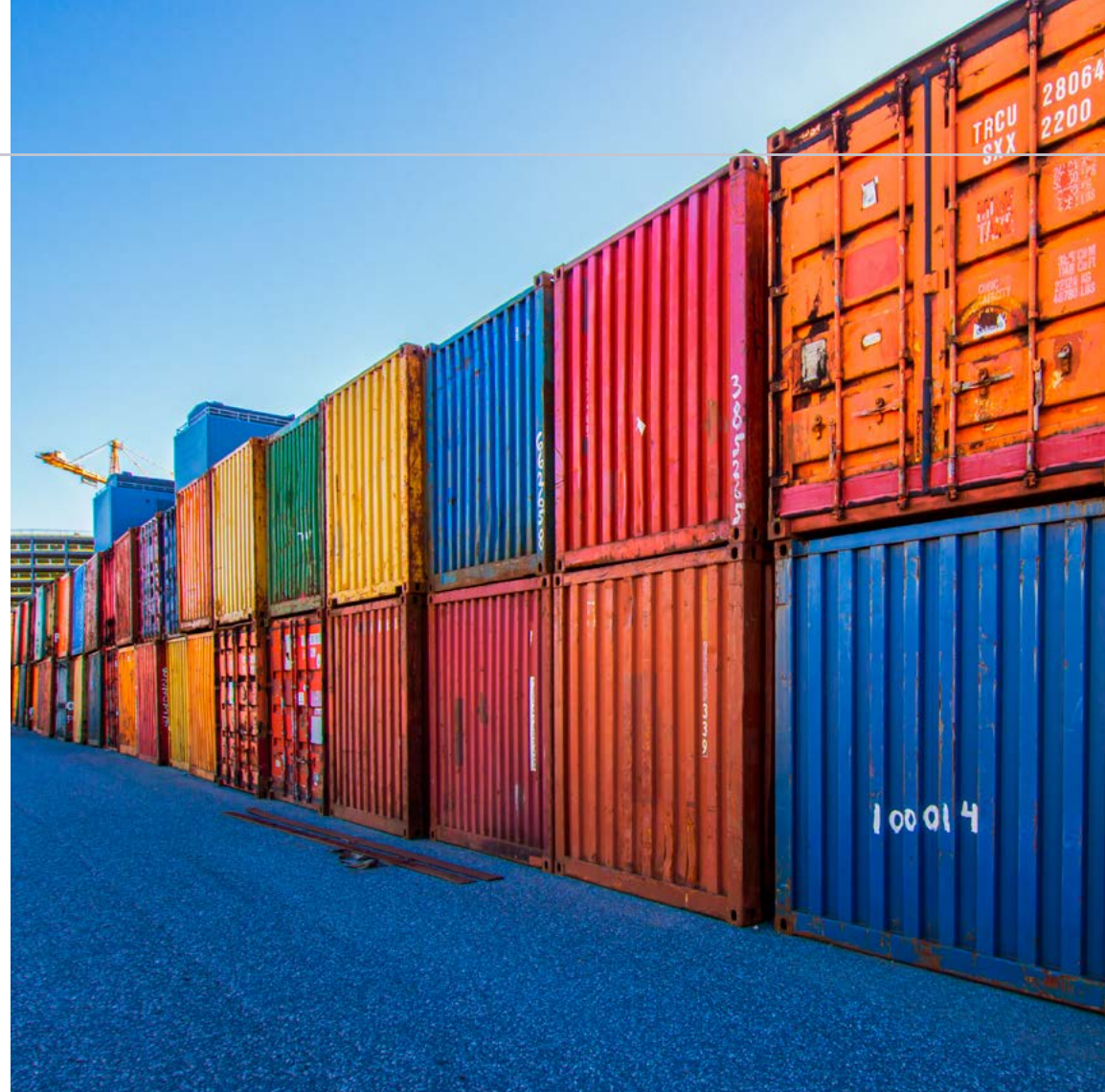
The existing SEZs provide access to advanced logistic and industrial infrastructure, such as renewable energy resources, cheap and efficient water and energy supply, and a wide portfolio of telecommunications services with a state-of-the-art fiber network.

### Customs status of goods entering the SEZs

Goods entering the SEZs are not subject to customs duties, since companies established in SEZs operate under a duty suspension regime. As such, these goods cannot circulate freely in the rest of the KSA territory or in the Gulf Cooperation Council (GCC) countries without prior customs clearance.<sup>4</sup>

Moving the imported goods from the SEZ to mainland KSA is subject to the completion of customs entry requirements, and payment of customs duties and other taxes. Goods remaining in the SEZs will be under a duty suspension regime and will benefit from customs duties exemption. ■

<sup>4</sup> The GCC countries which constitute the GCC Customs Union are the UAE, Bahrain, Oman, Kuwait, Qatar and KSA



### For additional information, please contact:

Ramy Rass | + 971 56 409 4584 | [ramy.rass@ae.ey.com](mailto:ramy.rass@ae.ey.com)

Mishal Alfaraidy | + 966 50 057 6945 | [mishal.alfaraidy@sa.ey.com](mailto:mishal.alfaraidy@sa.ey.com)

Rita Dagher El Deek | + 974 4457 4327 | [rita.dagher@qa.ey.com](mailto:rita.dagher@qa.ey.com)

Ekaterina Krasozova | + 971 47 010 984 | [ekaterina.krasozova@ae.ey.com](mailto:ekaterina.krasozova@ae.ey.com)

# South Africa: Between importers and clearing agents, who is responsible for customs compliance?

Importing goods into South Africa involves a declaration process that requires the collaboration of multiple stakeholders to ensure a smooth and legally compliant transaction. Among these key players are the importer, clearing agent and the South African Revenue Service (SARS). This involvement of multiple parties often raises questions regarding the responsibilities of each, especially when things go wrong.

This article will consider the interaction between and the responsibilities of the parties involved in the recent *South African Breweries (Pty) Ltd v. Commissioner for the SARS and Another*<sup>1</sup> case (SAB case).

An importer is any person or entity that brings or causes goods to be brought into South Africa from a foreign country. Importers are required to comply with various customs laws, regulations and procedures, including the declaration and payment of customs duties and other taxes.

A clearing agent is an individual or juristic person appointed by an importer or exporter to lodge customs clearance declarations on its behalf. A clearing agent, also known as a customs clearing agent or customs broker, is authorized by SARS to act on behalf of importers and exporters in the customs clearance process. While importers may lodge their own declarations, clearing agents are often used in practice to ensure compliance with customs provisions.

## SAB case

The SAB case dealt with the question of liability between an importer and a clearing agent in an import transaction. In this matter, the Pretoria High Court heard a dispute between South African Breweries (Pty) Ltd (SAB), SARS and the SDL Group CC (SDL). The clearing agent in question was Ocean Light Shipping CC (Ocean Light), which forms part of the SDL.

SAB imported Corona Light beer from Mexico. It used Ocean Light's services to clear the goods for import into South Africa. However, SAB subsequently discovered that Ocean Light fraudulently<sup>2</sup> cleared the goods as traditional African beer instead of regular malt beer. The improper clearance resulted in an underpayment of duties and VAT.

As a result of the import transactions, duties and VAT in the amount of ZAR139 million were not paid to SARS. SARS recovered a significant amount from the importer (SAB) through various means, including the set-off of VAT refunds. However, SAB did not make further payments toward the amount allegedly due to SARS, and as a result, SARS issued a letter of demand to SAB.

<sup>1</sup> Case No. 01740/21; 3889/21 and 7772/21, 2022, ZAGPPHC 695 (13 September 2022) heard in the High Court of South Africa, Pretoria Division. [Find it here](#)

<sup>2</sup> Paragraph 2 of the judgment states that "The goods were cleared in the Port of Durban, South Africa in 139 import transactions. Later on, the applicant discovered that the goods were fraudulently cleared by Ocean Light as Traditional African Beer."





SAB argued that SARS should recover the duties and VAT from SDL or Ocean Light. According to SAB, Ocean Light is a clearing agent licensed by SARS in terms of Section 64B of the Customs and Excise Act<sup>3</sup> (the Act), and the decision to clear and release goods for import was made by SARS. SAB further denied that a principal-agent relationship existed between it and Ocean Light. SAB argued that SARS accredited Ocean Light and that it selected Ocean Light from the pool of approved agents.

SAB claimed that the Act created an “agent-principal” relationship between Ocean Light and SARS. Furthermore, SAB said Ocean Light is the importer in terms of the definitions included in the Act. In light hereof, SAB argued that SARS should hold Ocean Light liable for the relevant taxes because it had already paid all the money due to SARS to Ocean Light.

It was not contested that the incorrect classification of the goods resulted from fraud or that Ocean Light acted as SAB's clearing agent.<sup>4</sup>

The court considered the prevailing rules of interpretation, the general rule of principal-agent contract, and Sections 38 and 39 of the Act, which deal with the importation of goods and the duties imposed on the person entering the imported goods.

In this case, it was common cause that Ocean Light attended to the requirements set out in the Act on behalf of SAB. The court recognized that the only role SARS had in carrying out these requirements was to prescribe the method of importation and obligations.

<sup>3</sup> Act 91 of 1964

<sup>4</sup> Paragraph 9 of the judgment states that “It is not in dispute that the clearance and release of goods as African Traditional Beer instead of the correct classification of the product was influenced by fraud committed by the agent of the applicant.”

The completion of the relevant documents and the correctness of such information falls under the responsibility of the clearing agent (i.e., Ocean Light).

The court held that the law did not prohibit SAB from clearing its own consignments and that the act of using the services of Ocean Light for reward created a principal-agent relationship and contract. In addition, the payment terms between SAB and Ocean Light clearly showed a business relationship that extended beyond the general regulation between SARS and Ocean Light.

In applying the law, the court held that SAB did not argue against the actual authority it had over Ocean Light. The parties' conduct supported the principle of authority, whether ostensible or otherwise. SAB was in a position to be the first to discover the fraud committed by Ocean Light because, among other reasons, SAB was in possession of the documents and was privy to certain information. According to the court, this proves SAB's control over Ocean Light (arising from a principal-agent relationship between them).

The court found that Ocean Light was SAB's agent, and accordingly, SAB was liable to pay SARS and not Ocean Light. Accordingly, the court dismissed SAB's arguments in this matter, and the appeal was dismissed with costs.

### Implications

The outcome of this case ousts any misconceptions in the industry relating to liability in the context of import transactions while setting a noteworthy precedent. The Act clearly defines the role of an

importer and clearing agent, and it also sets out the duties and responsibilities of each party in an import transaction. Therefore, in such circumstances, SARS will look to hold the importer liable for the applicable duties and taxes even when a clearing agent acted fraudulently.

The case confirms that the importer bears the ultimate legal and financial responsibility for complying with all customs regulations, including paying applicable duties and taxes. While a clearing agent plays a crucial role in facilitating the customs clearance process on behalf of the importer, the clearing agent acts as an intermediary and agent of the importer rather than assuming direct liability.

### Actions for business

It is important for businesses to choose a reputable and reliable clearing agent to handle their import transactions because, ultimately, the importer retains the primary liability in import transactions. Therefore, the importer should clearly understand their legal obligations, actively participate in the import process and conduct regular independent customs compliance review. ■

#### For additional information, please contact:

**Johnathan B. Fillis**  
+ 27 11 772 5040 | [johnathan.b.fillis@za.ey.com](mailto:johnathan.b.fillis@za.ey.com)

**Dreyer Swart**  
+ 27 11 772 4422 | [dreyer.swart@za.ey.com](mailto:dreyer.swart@za.ey.com)

**Sharmila D. Naidoo**  
+ 27 11 772 3794 | [sharmila.d.naidoo@za.ey.com](mailto:sharmila.d.naidoo@za.ey.com)

# UK: EY report on TradeTech and the digitalization of trade

EY and the Institute of Export and International Trade (IOE&IT) have produced a new report on trade technology (TradeTech), exploring the potential benefits for businesses of greater digitalization of trade.

**TradeTech: a pathway for businesses to seize trade opportunities** explores how technology could be a fundamental part of ensuring international trade moves away from its existing dependence on paper-based forms, thus allowing businesses to digitalize trade operations. However, from our research, businesses often struggle with understanding what technologies are available to them and how they can integrate them into their existing operations.

## What is TradeTech?

The World Economic Forum (WEF) defines TradeTech as “a set of technologies and innovations that enable global trade to be more efficient, inclusive and equitable.” Practically, this could mean something as simple as digitalizing a commercial invoice or as complex as using blockchain to exchange smart contracts.

EY latest thinking looks into the different technologies and their benefits, and explores practical steps for businesses and governments to realize the full benefits of TradeTech. The report



finds varying levels of maturity and complexities (and consequently investment levels) when it came to technologies and how they could be implemented operationally. This should not deter any players (including governments or small businesses) from thinking about how TradeTech will impact them.

Considering current trends, which were accelerated by the COVID-19 pandemic, the UK government's Ecosystem of Trust, which is designed to facilitate smoother and efficient border processes, and the Electronic Trade Document Bill – it is an opportune time for businesses to consider their TradeTech strategy.

### The benefits of TradeTech

While there are real opportunities for businesses to use TradeTech to grow, increase productivity and improve efficiency (faster, more accurate and secure methods of completing and transferring trade data, and increased visibility of supply chain information), TradeTech will offer significant opportunities for SMEs, and it won't be through the implementation of large-scale investments in high-tech solutions.

One of the major hurdles to SMEs' growth is difficulty with accessing trade finance (instruments used to help bridge financial payments to facilitate trade and protect the exporting and importing businesses) for international trade transactions. TradeTech has the capacity to provide faster, validated and real-time information for parties involved in a trade finance transaction, making it more accessible for SMEs (and less risky for lenders).

At the launch of the report in March 2023, participants highlighted the importance of ensuring that SMEs are not "left behind" as better-capitalized businesses take advantage of TradeTech's benefits.

TradeTech will also contribute to businesses' net zero and sustainability goals. Digitization of documents reduces the number of hard copies required and the delivery of those to corresponding recipients. Integrated certification will help to adhere to environmental standards, such as the enforcement of sustainability standards relating to due diligence and deforestation, for example.

### Considerations for businesses

Our report sets out six important steps for integrating TradeTech into your business's thinking and leveraging the opportunities it can deliver.

#### 1. **Monitoring the ever-evolving landscape:**

Businesses should understand the constantly changing TradeTech space, including technological innovation, proposed legislation and regulatory changes, and industry trends.

#### 2. **Integrating TradeTech into digital technology strategy:**

Develop a forward-looking, long-term strategy with a focus on opportunities for TradeTech in your business. Key areas of consideration include assessments of areas that can be digitalized and the types of available technologies.

#### 3. **Future-proofing new systems and processes:**

Consider current and future opportunities for TradeTech integration in your system and business process design. Not only is this a cost-saving measure, but it also reduces complexity from switching further down the line. This includes making sure there are appropriate supporting policies or regulation, such as privacy and data retention policies that will help with the integration of TradeTech.

#### 4. **Investing in and building capacity:**

Consider capacity in both infrastructure and staffing, based on your assessment in step 3. This may involve upskilling based on skills gaps, such as making your team digitally literate.

#### 5. **Engaging with upstream and downstream partners:**

Involve business partners along the length of your supply chain to maximize TradeTech's full maximum potential. Encourage them to consider TradeTech in their operations and identify synergies with yours.

#### 6. **Engaging with government:**

The private sector drives TradeTech, but high costs and national and international policy environments can inhibit uptake. While government is aware of the opportunities, consistent engagement with government on TradeTech from both national (domestic regulatory matters and government investment) and international (cross-border regulation, governance and standards) perspectives are important to ensure the ideal operating environment and uptake businesses. ■

#### For additional information, please contact:

Sally Jones

+ 44 20 7951 7728 | [sally.jones@uk.ey.com](mailto:sally.jones@uk.ey.com)

George Riddell

+ 44 20 7951 7728 | [george.riddell@uk.ey.com](mailto:george.riddell@uk.ey.com)



# EU: Fight against global deforestation

Sustainability

## EU adopts regulation imposing additional due diligence obligations to prevent deforestation

On 16 May 2023, the Council of the EU gave the final go-ahead to a regulation<sup>1</sup> that aims to minimize the risk of deforestation and forest degradation associated with products that are placed on or exported from the EU market. The regulation sets mandatory due diligence rules for all operators and traders who place, make available or export the following commodities from the EU market: palm oil, cattle, wood, coffee, cocoa, rubber and soy. The rules also apply to some derived products, such as chocolate, furniture, printed paper and selected palm oil-based derivatives (e.g., used as components in personal care products). The regulation sets 31 December 2020 as a cutoff date for the new rules, meaning that only products produced on land that has not been subject to deforestation or forest degradation after 31 December 2020 will be allowed on the EU market or to be exported from the EU. The regulation was published in the Official Journal of the European Union on 9 June 2023 and will enter into force on 29 June 2023, although the main prohibitions and obligations will not apply until 30 December 2024.

### What is the aim of the Deforestation Regulation?

The Deforestation Regulation aims to prevent further expansion of agricultural land at the expense of natural forest stands. Therefore, certain raw materials and products may only be offered on or exported from the EU market if:

1. They are produced without deforestation or forest degradation.
2. They were produced in accordance with the laws of the country of origin.

<sup>1</sup> "Council adopts new rules to cut deforestation worldwide", *Council of the EU website*, 16 June 2023. [Find it here](#)

3. A confirmation has been submitted to a yet-to-be-established registry that a due diligence review has revealed no or a negligible risk with respect to the first two points mentioned above.

At a later stage, the regulation could be extended to cover goods from peatlands and other wetlands, savannahs, etc. The laws to be observed in the countries of origin cover a wide range of areas, including land use rights; environmental protection and forestry regulations (including biodiversity) to labor and human rights; indigenous peoples' rights; and tax, anti-corruption, trade and customs regulations.

### What are the requirements?

#### Due diligence declaration to the central register

By submitting a so-called due diligence declaration to a central register, the respective EU market operator will assume responsibility for ensuring that its raw materials, semifinished products or finished products comply with the requirements of the Deforestation Regulation. This requires a location of all land from which the products originate. In other words, the geographical location of a plot of land must be determined based on latitude and longitude coordinates to at least six decimals. Furthermore, the date or period of the respective production must be documented. The evidence must be kept for five years.

#### Risk assessment for all cultivated areas

The importer or exporter must carry out a risk assessment for all relevant cultivated areas. A variety of issues must be considered, such as whether there are country-, region- or area-specific risks of deforestation and forest degradation; whether indigenous peoples live in the area; whether the area is known for corruption, armed conflicts, human rights violations or lack of legal enforceability; or whether relevant UN sanctions have been imposed. Based on the documentation, it should be possible to understand how the information collected was reviewed against the criteria and how the level of risk was determined. If relevant risks cannot be excluded from the outset or be classified as negligible, the importer or exporter must take adequate risk mitigation measures to achieve a lower classification. This includes, for example, independent surveys, audits or the support of small suppliers to be able to implement the provisions of the Deforestation Regulation.

### Compliance measures

Companies must implement appropriate strategies, controls and procedures to ensure the compliance of raw materials and products with the Deforestation Regulation. This includes, above all, an internal control and compliance management system, the appointment of a compliance officer at management level, and a review by the internal audit department. The risk management system in place must be reported to the public (including on the internet) on an annual basis.

### Which businesses are subject to the Deforestation Regulation?

The regulation sets mandatory due diligence rules for all operators and traders who place, make available or export the following commodities from the EU market: palm oil, cattle, wood, coffee, cocoa, rubber and soy. The rules also apply to some derived products, such as chocolate, furniture, printed paper and selected palm oil-based derivatives (e.g., used as components in personal care products). An exception applies to SMEs within the meaning of Directive 2013/34/EU. These may rely on audits already carried out by their suppliers. Micro-enterprises may also commission a company downstream in the supply chain to submit the due diligence declaration.



### Due diligence depends on country of origin

The EU Commission will carry out a deforestation or forest degradation assessment for all countries worldwide and assign them a low, normal or high risk. Reduced due diligence risks apply to raw materials and products from low-risk countries of origin. However, companies with complex supply chains must also inspect products from these countries and document whether certain risks (especially the risk of actual origin concealment) exist.

### Retroactive consequences

The due diligence obligations under the Deforestation Regulation will only take effect for companies from 1 January 2025. But there are retroactive consequences to consider. This is because raw materials and products are only considered to be free of deforestation and forest degradation within the meaning of the regulation if they have been produced on a plot of land where such degradation has already ceased by 31 December 2020. To ensure the marketability of relevant products, location should be considered at an early stage.

### Sanctions

In the event of violations of the Deforestation Regulation, businesses are subject to:

- ▶ Penalties up to 4% of their EU-wide annual sales
- ▶ Seizure of the goods concerned
- ▶ Confiscation of related revenues
- ▶ Temporary ban on placing or making available on the EU market or export of the raw materials and products concerned
- ▶ Exclusion from public contracts
- ▶ Exclusion from public funding
- ▶ Exclusion of reduced due diligence provisions
- ▶ In addition, further sanction risks could arise under other areas of law.

### Actions for businesses

Businesses are recommended to assess whether:

- ▶ Their imported products are covered by the regulation.
- ▶ There is sufficient transparency in the relevant supply chains, particularly where the goods are sourced from and whether the product resulted in deforestation.
- ▶ Changes to the supply chains are required, in case currently sourced products are prohibited after the regulation becomes applicable.
- ▶ They have appropriate business processes to manage the due diligence requirements. ■



### For additional information please contact:

Walter de Wit | + 31 88 40 71390 | [walter.de.wit@nl.ey.com](mailto:walter.de.wit@nl.ey.com)

Richard Albert | + 49 160 939 17756 | [richard.j.albert@de.ey.com](mailto:richard.j.albert@de.ey.com)

Martijn Schippers | + 31 88 40 79160 | [martijn.schippers@nl.ey.com](mailto:martijn.schippers@nl.ey.com)

# EU: Final regulations published for new CBAM and ETS revisions

On 16 May 2023, a significant milestone was passed as legal regulations for the EU Emission Trading System (EU ETS) reform and the new EU Carbon Border Adjustment Mechanism (CBAM) were published in the Official Journal of the EU.

The EU's "Fit for 55" legislative package, which was initially announced in July 2021 and includes the new CBAM and ETS reform, is viewed as a key enabler for helping Europe reduce emissions at least 55% (from 1990 levels) by 2030. These targets are set out in the European Climate Law and are part of the wider European Green Deal strategy to achieve climate neutrality by 2050.

A transitional CBAM period will begin 1 October 2023 and extend through 2025, during which time quarterly emissions reporting will be required. Affected businesses need to prepare now for the new compliance and reporting requirements starting later this year and begin to assess the medium- to long-term process and cost implications.

## Key principles of CBAM

The EU CBAM is a climate measure that aims to address the risk of carbon leakage by ensuring equivalent carbon pricing for imports and domestic (EU) production that is subject to carbon costs under the EU ETS. While the EU ETS applies to installations based in the EU and certain production processes and activities (and will be extended further, as detailed below), CBAM will apply to certain goods imported into the EU.



### Scope of goods covered

CBAM will cover the following product categories:

- ▶ Cement, iron and steel, aluminium, fertilisers, electricity and hydrogen

The products covered under these product categories have been increased significantly compared to the initial draft versions of the regulation. For example, downstream products are now also included, instead of only raw and semi-finished materials. CBAM will therefore apply to more businesses.

Political discussions seem to favor extending CBAM further by 2030 to cover all product categories that are subject to the EU ETS if these products were manufactured in the EU. This would include polymers, diverse chemicals, mineral oil products, paper and pulp, among other categories.

### Transitional period: 1 October 2023 to 31 December 2025

Between 1 October 2023 and 31 December 2025, transitional provisions will apply. Importers (i.e., customs declarants, indirect representatives) will be required to quarterly report emissions (detailed below) embedded in the goods imported during that quarter, detailing the direct and indirect emissions as well as any carbon price effectively paid in a third country.

Notably, from 1 January 2026, importers should have applied for the “authorized CBAM declarant” status to be allowed to import goods covered by the CBAM regulation.

### How it will work

Under new CBAM rules, importers are required to report total verified greenhouse gas (GHG) emissions embedded in goods imported in a given calendar year. Following the transitional period (ending 31 December 2025), the financial impact of CBAM will gradually increase, with a progressive phase-in of CBAM costs until 2034. Carbon cost paid at origin can be deducted from the payable CBAM charges (provided that evidence of the cost can be made available).

Payment of CBAM charges will be facilitated through the purchase and surrender of CBAM certificates, which will be priced at the weekly averages of the auctions of EU ETS allowances.

During the calendar year, the importer must ensure that the number of CBAM certificates in its CBAM registry account at the end of each quarter corresponds to at least 80% of the embedded emissions in imported products since the beginning of the calendar year. The importer must surrender the exact number of CBAM certificates corresponding to emissions embedded in goods imported in the calendar year, in addition to submitting an annual CBAM declaration.

### Definition of embedded emissions

CBAM charges correspond to embedded emissions in the named product categories, and include indirect emissions. The declaration of emissions can be made based on actual emissions, which need to be determined based on detailed rules provided by the EU regulators, although the details are not yet finalized. Implementing legal acts containing additional details are likely to be published in summer 2023.

If actual emissions are declared, they must be independently verified. If no actual emissions are available, standard default values will be used that reflect average emissions for a certain product manufactured in a specific country or region. If no reliable data to determine these standard values is available, the EU Commission will determine default values based on the worst-performing EU installations. Further guidance is expected in the implementing acts to be published in the summer of 2023.

### Exemptions and extended circumvention practices

CBAM will not apply to goods of nonpreferential origin in Switzerland, Liechtenstein, Iceland and Norway. There are a few exemptions, including for low-value consignments up to EUR150 and certain military imports.





Circumvention practices have been slightly extended in what is now an open catalogue of practices that may consist of, but are not limited to:

- ▶ Slight modification of goods to change Combined Nomenclature classification.
- ▶ Artificial split of shipments to benefit from CBAM exceptions described above.

**Key changes to the EU ETS**

One significant change to the current system is the phase-out of free allowances. Effectively, from 2026 to 2034, the free allowances granted to EU manufacturers will fade on a progressive curve, consequently increasing the cost of manufacturing for businesses if processes remain the same.

Year	2026	2027	2028	2029	2030	2031	2032	2033
Rate	2.5%	5%	10%	22.5%	48.5%	61%	73.5%	86%

Furthermore, revisions of EU ETS will:

- ▶ Increase the overall goal for emissions reductions: 62% reduction by 2030 (compared to 2005 levels)
- ▶ Increase the speed of the annual reduction rate of the cap: 4.3% per year from 2024 to 2027, and 4.4% from 2028 to 2030.
- ▶ Reduce the EU-wide quantity of allowances to 90 Mt CO2 equivalents in 2024 and 27 Mt in 2026.
- ▶ Reinforce the mechanism on excessive price fluctuations, including providing for an automatic release of allowances from the Market Stability Reserve (MSR) to the market; 24% of all EU ETS allowances will be placed in the MSR to address possible imbalances between the supply of and demand for allowances in the market.
- ▶ Reinforce conditionality requirements for installations benefiting from free allowances, notably energy audits and, in some cases, climate neutrality plans.
- ▶ Remove derogation for installations for electricity generation, to instead be used for the Modernization Fund to support decarbonization of the energy sector.

- ▶ Extend application of the EU ETS in the aviation sector:
  - ▶ EU ETS will apply for intra-European flights (including departing flights to the United Kingdom and Switzerland), while CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) will apply to extra-European flights to and from third countries participating in CORSIA from 2022 to 2027.
  - ▶ When global aviation emissions under CORSIA reach levels above 85% of 2019 levels, European airlines will have to offset their proportionate share with corresponding carbon credits, invested in emissions reductions in countries participating in CORSIA offsetting.
  - ▶ Free allocations of allowances to the aviation sector will be phased out by 2026; the gradual mechanism plans a decrease of 25% in free allocations for 2024 and 50% for 2025.
  - ▶ Reserve, from 1 January 2024 through 31 December 2030, 20 million allowances to be allocated to cover part of the remaining price differential between fossil kerosene and the eligible aviation fuels for individual aircraft operators
  - ▶ Extend the scope of the EU ETS to maritime transport from 2024:
    - ▶ Gradual phase-in: 40% of verified emissions from 2024, extending to 70% for 2025 and 100% for 2026.
- ▶ Most large vessels will be included from the start in EU ETS, with other vessels included in “MRV regulation” (monitoring, reporting and verification of CO2 emissions) and included at a later stage in EU ETS.
- ▶ Agreement considers geographic specificities
- ▶ Non-CO2 emissions (methane and nitrous oxide) will be included in the MRV regulation from 2024 and EU ETS from 2026
- ▶ Analyze, by 2026, the feasibility of including municipal waste incineration installations in the EU ETS from 2028
- ▶ Implement a carbon market (EU ETS II) to cover buildings and road transport by 2027 (or 2028, depending on market conditions):
  - ▶ Applies to distributors supplying fuels to heat buildings, conducting road transport and certain other sectors
  - ▶ Gradual increasing of linear reduction rate: 5.10% from 2024 and 5.38% from 2028
  - ▶ Some “frontloading” anticipated in the first year
  - ▶ Possibility for delay by one year in the case of carbon prices per ton exceeding EUR90
  - ▶ Anticipated prices will be capped at EUR45 per ton until at least 2030
  - ▶ Temporary exemption possible if suppliers are subject to a carbon tax at a national level equal to or higher than auction price for allowances
  - ▶ Simplified requirements for smaller suppliers

There will be no export rebates or refunds of carbon payments. All revenues generated by the carbon market will be spent on climate and energy-related projects.

In addition, a new EU Social Climate Fund will be set up in 2026:

- ▶ Designed to support vulnerable households, micro-enterprises and transport users who are particularly affected by energy and transport poverty, to ensure a fair and socially inclusive climate transition
- ▶ Funded from auctioning ETS II allowances up to EUR65 billion, with an additional 25% covered by national resources
- ▶ Estimated total of EUR86.7 billion

### Implications for businesses

CBAM and the EU ETS reform will affect businesses both in the EU and around the world, from an operational perspective and in terms of strategic decision-making. Impacts may be direct or indirect. A holistic approach across the value chain and supply chain is recommended.

EU-based operators subject to EU ETS must plan for increasing carbon costs if usage of conventional fuels is continued. Consequently, increased costs may affect competition on the EU and global market for emission-heavy businesses. With the new EU ETS II, the price of conventional fuels will further increase and may catalyze the need for transformation in this sector. It is worth noting the EU and the EU Member States nationally provide large, diverse programs

of grants and incentives to support businesses in the transition. Additional revenues from the carbon market will bring further funding opportunities as part of the EU Innovation Fund, especially for businesses investing in innovative low-carbon technologies.

### Immediate steps to take

With the transition phase for CBAM beginning on 1 October 2023, preparing for the new quarterly reporting obligations will require immediate action. Importantly, EU operators and non-EU manufacturers and traders alike will need to consider CBAM requirements.

### Steps include:

- ▶ Assigning internal responsibility for management of the regime, as a cross-functional response is essential.
- ▶ Identifying CBAM-covered EU imports.
- ▶ Preparing for transitional-period reporting requirements (e.g., conducting a data gap assessment in terms of data required on embedded emissions and carbon price at the manufacturing location).

From a strategic point of view, businesses should assess the potential financial impact of CBAM and EU ETS based on the current supply chain and take appropriate mitigation actions where possible. Other anticipated changes in the energy and electricity tax areas (e.g., revisions to the Energy Taxation Directive) should also be considered.

Activities could involve rethinking supply chain structures, sourcing strategies, merger and acquisition activity, production planning, and investment planning to achieve technical improvements to reduce embedded emissions in imported products.

Businesses should monitor developments, especially as the implementing acts are expected in summer 2023. ■

### For additional information please contact:

Richard Albert  
+ 49 160 939 17756 | [richard.j.albert@de.ey.com](mailto:richard.j.albert@de.ey.com)



# UK: CBAM developments

Between 30 March and 22 June 2023, the UK government held a consultation on “addressing carbon leakage risk to support decarbonization.”<sup>1</sup> The consultation was wide-ranging, covering several interrelated policies, including a carbon border adjustment mechanism (CBAM), mandatory product standards (MPS) on embodied emissions, other policy measures designed to boost demand for low-carbon products, and emissions reporting. The government’s response to the consultation is expected in late 2023 and is being led by HM Treasury and the Department for Energy Security and Net Zero.

## Background

Addressing “carbon leakage” in the UK has been an issue raised in numerous government reviews and advisory bodies, including MP Chris Skidmore’s Net Zero Review, the UK Climate Change Committee and the Parliamentary Environmental Audit Committee.

Carbon leakage occurs when carbon-intensive production moves to countries where less stringent climate policies are in place than in the UK, or when UK products get replaced by more carbon-intensive imports.

The UK government solicited views and evidence to consider a range of potential policy measures designed to reduce carbon leakage and support the decarbonization of UK industry. The consultation was set out in two parts, with Part 1 setting out options related to possible:

- ▶ CBAM
- ▶ MPS
- ▶ Product labeling and voluntary standards
- ▶ Public procurement and green private procurement

Part 2 of the consultation set out proposals on emissions reporting, including design and delivery features. The aim of setting up a system of emissions reporting would be to support the measures contained in Part 1 of the consultation.

## Sectoral coverage

The UK government began the consultation with the following sectors:

- ▶ Cement
- ▶ Chemicals
- ▶ Glass
- ▶ Iron and steel
- ▶ Non-ferrous metals
- ▶ Non-metallic minerals
- ▶ Paper and pulp
- ▶ Refining
- ▶ Fertilizer
- ▶ Power generation

<sup>1</sup> Addressing carbon leakage risk to support decarbonisation,” UK government website, 2 June 2023. [Find it here](#)

The government noted that the risk of carbon leakage will change over time, including the sectoral coverage of the measures discussed in the consultation. For example, it identifies that the issue could extend to non-industrial sectors, such as agriculture or timber.

### Carbon border adjustment mechanism

One of the most important components of the consultation was on a potential UK CBAM to address carbon leakage and support UK net zero ambitions. A CBAM is designed to be a mechanism to put a price on the carbon emitted during the production of carbon-intensive goods that enter the UK.

The EU is introducing its version of a CBAM in October 2023, the UK response is timely. The issues raised in the consultation relating to a potential UK CBAM included:

- ▶ Potential scope, including products covered by the UK's Emissions Trading Scheme (ETS); a possible option proposed would be to initially implement the UK CBAM for a limited number of sectors and subsequently expand coverage of the regime in phases
- ▶ Application of UK CBAM to Scope 2 and Scope 3 emissions
- ▶ Use of emissions data and use of independently verified emissions data vs. default values where independently verified data is not available
- ▶ Which carbon price would be used when calculating the cost of a UK CBAM

- ▶ The difference between the UK effective carbon price and the effective carbon price in the country of origin
- ▶ Payment schedules and customs arrangements for a UK CBAM

### Mandatory product standards

Following earlier UK government calls for evidence, the government intends to pilot MPS on embodied emissions with a small number of sectors to determine the viability of the policy on a larger basis. An MPS is designed to set an upper limit on the embodied emissions for individual products placed on the UK market or produced in the UK. It would prohibit products that are more emissions intensive than a defined limit.

The working assumption put forward by the government is that MPS would apply to imports.

The initial question in this section of the consultation asked whether the MPS pilot should consider:

- ▶ Targeting the steel sector only
- ▶ Targeting the steel, cement and concrete sectors
- ▶ Targeting steel, cement, concrete and chemicals sectors

Other considerations raised as part of the consultation include which emissions should be in scope of the measure; at which stage in the manufacturing supply chain it should be applied; and whether to apply the measure at the point of sale when the good is placed on the market or at the point of production.

### Timelines for implementation

Depending on the outcome of the consultation, the government intends to introduce embodied emissions reporting in 2025. This would be followed by a phased implementation of the CBAM in 2026 in conjunction with reforms to the UK ETS allocation of free allowances. Any MPS would be introduced following successful pilots in the late 2020s.

### Addressing trade concerns

In the consultation, the government committed to implement the CBAM and other measures "in a manner that is consistent with the Government's commitment to free and open trade, upholding the World Trade Organization (WTO) rules as well as respecting international climate change obligations taking into consideration countries' differing levels of development."

Achieving this in practice may be a challenge. The Government gathered input on how to address the following trade concerns:

- ▶ Treatment of developing country exports, as exempting high-carbon-intensity products from developing countries could undermine net zero objectives, but not doing so could undermine development objectives.
- ▶ International alignment on methodology, default values and verification of emissions reporting; in the case of MPS, regulatory alignment of standards.
- ▶ Addressing circumvention of carbon leakage policy measures.

- ▶ Supporting UK exports, which may be at a commercial disadvantage due to higher costs of inputs.
- ▶ Potential use of voluntary carbon markets in the future toward CBAM and/or MPS obligations.

### Boosting demand for low carbon products

The consultation also looked at initiatives to grow the market for low carbon products. The government consulted on three ways this could be done:

1. Product labeling and voluntary standards: For example, through the development of product labels for carbon and voluntary standards while pointing to other environmental labelling schemes as points of comparison.
2. Public procurement: Using the UK-India Industrial Deep Decarbonization Initiative (IDDI)<sup>2</sup> as the starting point, the Government is assessing the appropriate level of public procurement pledges for the UK to commit to.
3. Private procurement: The government is seeking input into how to encourage more companies to participate in buyers' alliances, such as the First Movers Coalition.<sup>3</sup>

### Emissions reporting framework

The consultation included a possible emissions reporting framework and set out options for the design of the framework and potential use of default values. The government noted the possible burden

on businesses and that any UK system should seek to align, to the extent possible, with reporting standards used by other countries or regional blocs.

### Next steps

The introduction of a CBAM and other carbon leakage management policies will have direct and indirect impacts on businesses both in the UK and elsewhere. A holistic approach across value chains is required to effectively map and manage the impacts of the regime.

Businesses should not view the end of the current consultation as the only mechanism for engaging with this developing policy area given the long timelines associated with the carbon leakage measures under discussion.

In the meantime, businesses should consider:

- ▶ Assigning internal responsibility for future management of the regime.
- ▶ Determining the customs commodity codes and country of origin of goods imported into or exported to the UK to determine whether they may fall under the scope of a UK CBAM, to identify potential exposure.
- ▶ Considering the mid- and long-term impacts on operational costs and product or service competitiveness driven by evolving carbon pricing regimes (e.g., UK and EU CBAMs) and associated regulation.
- ▶ Developing a strategy for engaging with the UK government given policy development will extend beyond the end of the current consultation. ■



**For additional information please contact:**

**George Riddell**  
+ 44 20 7951 7728 | [george.riddell@uk.ey.com](mailto:george.riddell@uk.ey.com)

**Alwyn Hopkins**  
+44 20 7951 1788 | [alwyn.hopkins@uk.ey.com](mailto:alwyn.hopkins@uk.ey.com)

<sup>2</sup> "Industrial Deep Carbonisation, An initiative of the clean energy ministerial", *United Nations Industrial Development Organization website*, 19 Jun 2023. [Find it here](#)

<sup>3</sup> First Movers Coalition, *World Economic Forum website*, 19 June 2023. [Find it here](#)

# EY's Green Tax Tracker

Keep pace with sustainability incentives, carbon regimes and environmental taxes – [The EY Green Tax Tracker](#) helps you monitor evolving sustainability tax policies across the globe. ■



# Tax alerts



Tax alerts



# Americas

## Argentina

- ▶ Argentine tax authorities suspend the validity of exemption certificates for income tax and VAT withholdings on imports of goods (10 April 2023)

## Brazil

- ▶ Brazil Senate approves Provisional Measure addressing new transfer pricing rule, enforceable from 1 January 2024 (12 May 2023)

## Canada

- ▶ Canada enacts 2023 Budget implementation bill no. 1 (28 June 2023)
- ▶ Canada's proposed regulations amend valuation for duty rules for imported goods (19 June 2023)
- ▶ Federal budget 2023/24: A made-in-Canada plan (04 April 2023)
- ▶ Québec issues budget 2023/24 (03 April 2023)

## Costa Rica

- ▶ Executive Branch publishes Regulations to the General Customs Law (19 June 2023)
- ▶ Free Trade Commission eliminates customs duties for certain products from China (15 May 2023)
- ▶ Costa Rica establishes new inspection procedures for goods at Nicaragua border (09 May 2023)
- ▶ Costa Rican Executive Branch publishes regulations to law aimed at attracting film investment to Costa Rica (18 April 2023)

## Dominican Republic

- ▶ Dominican Republic Executive Branch enacts law implementing mandatory electronic invoicing (01 June 2023)

## El Salvador

- ▶ El Salvador's Bill for the Promotion of Innovation and Technological Manufacturing encourages investment in tech companies, includes tax benefits (18 April 2023)

## Global

- ▶ Geostrategic Analysis: July 2023 (10 July 2023)

## Nicaragua

- ▶ Nicaragua National Assembly approves creation of Foreign Trade Platform (18 April 2023)

## Uruguay

- ▶ Uruguay temporarily reduces VAT and IMESI rate for mineral and sparkling waters (26 June 2023)

# Asia-Pacific

## Australia

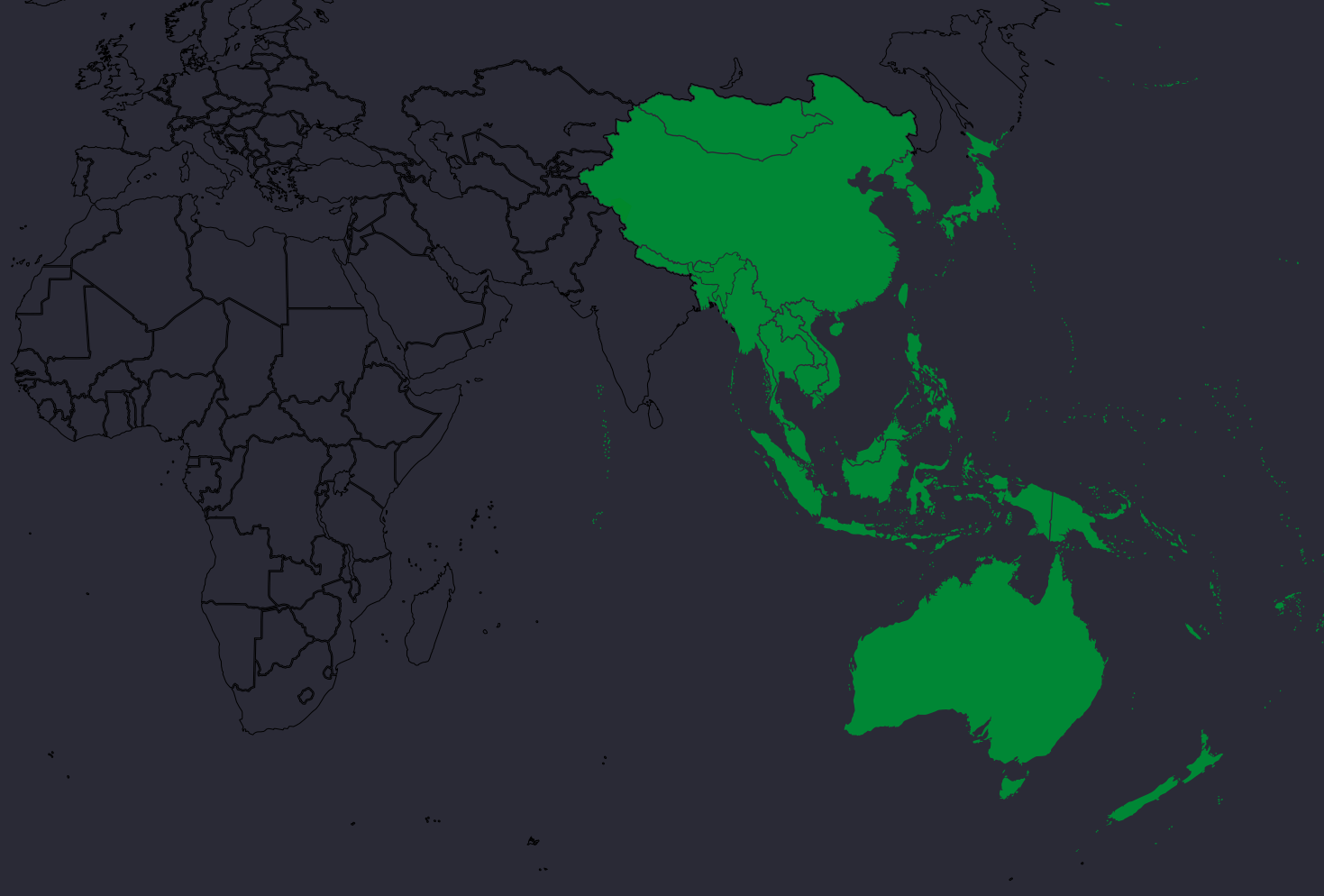
- ▶ UK/Australia and New Zealand Free Trade Agreements enter into force (31 May 2023)
- ▶ Australia delivers 2023/24 Federal Budget (10 May 2023)

## Global

- ▶ Geostrategic Analysis: July 2023 (10 July 2023)

## New Zealand

- ▶ UK/Australia and New Zealand Free Trade Agreements enter into force (31 May 2023)



# Europe, Middle East, India and Africa

## Belgium

- ▶ Customs and Excise update (21 June 2023)

## Dominican Republic

- ▶ Dominican Republic Executive Branch enacts law implementing mandatory electronic invoicing (01 June 2023)

## Estonia

- ▶ Significant tax changes in 2024 and 2025 (17 July 2023)

## Ethiopia

- ▶ Ethiopia issues Excise Tax (Amendment) Proclamation, 2023 (14 June 2023)

## European Union

- ▶ European Commission proposes reforms of EU customs legislation (08 June 2023)
- ▶ EU customs reform proposal embraces modern approach to e-commerce (18 May 2023)

- ▶ European Parliament approves EU Emission Trading System reform and new EU Carbon Border Adjustment Mechanism (20 April 2023)

## Germany

- ▶ German Federal Administrative Court confirms legality of local packaging tax in city of Tübingen (02 June 2023)
- ▶ Germany to implement Single-Use Plastics levy from 2024, extending scope to certain fireworks from 2027 (02 June 2023)

## Ghana

- ▶ Ghana's new laws introduce new taxes affecting individuals and businesses (26 April 2023)

## Global

- ▶ Geostrategic Analysis: July 2023 (10 July 2023)

## Kenya

- ▶ Kenya proposes tax changes under the Finance Bill, 2023 (15 May 2023)

## Poland

- ▶ Poland's implementation of the Single-Use-Plastics Directive getting closer (08 May 2023)

## Rwanda

- ▶ Rwanda presents the national budget for financial year 2023/24 (30 June 2023)

## Nigeria

- ▶ Highlights of Finance Act 2023 (14 June 2023)
- ▶ Nigeria – Highlights of the Business Facilitation (Miscellaneous Provisions) Act (25 May 2023)

## Saudi Arabia

- ▶ Saudi Arabia announces fourth wave of Phase 2 e-invoicing integration (02 May 2023)

## Spain

- ▶ Obligation to submit the plastic packaging tax ledgers by the end of July 2023; Spanish Tax Authority clarifies interpretative issues (13 July 2023)

## Tanzania

- ▶ Tanzanian Finance Act, 2023 analysis (13 July 2023)

## Uganda

- ▶ Uganda issues Tax Amendment Bills for 2023 (02 May 2023)

## United Arab Emirates

- ▶ Dubai Customs amends the grace period for Customs declaration submission (01 May 2023)

## United Kingdom

- ▶ UK Government announces new 'Developing Countries Trading Scheme' (22 June 2023)
- ▶ UK/Australia and New Zealand Free Trade Agreements enter into force (31 May 2023)
- ▶ UK concludes negotiations to join Comprehensive and Progressive Agreement for Trans-Pacific Partnership (06 April 2023)

# Additional resources



## Global trade on ey.com

While indirect tax is a part of everyday life in most countries, the rise of new technologies and expanding global trade adds additional layers of complexity. Learn what EY can do for you, connect with us or read our latest thinking.

## Find out more



## Worldwide VAT, GST and Sales Tax Guide 2023

Outlining value-added tax (VAT) systems in 149 jurisdictions, the 2023 edition of our annual reference book, *Worldwide VAT, GST and Sales Tax Guide*, is now available in an interactive map format (as well as to download as a pdf).

## Find out more



## Brexit: read our latest analysis

As Brexit uncertainty continues, read our latest analysis and probabilities and consider how to manage the impact and prepare your business.

## Find out more



## EY Green Tax Tracker

Keep pace with sustainability incentives, carbon regimes and environmental taxes.

## Find out more



## Global Tax News Update

With the global EY organization's Tax News Update: Global Edition (GTNU) subscription service, you'll enjoy access to the same updates that are distributed each day within the EY Tax practice. Choose the topical updates you want to receive across all areas of tax (corporate, indirect, and personal), the jurisdictions you are interested in, and on a schedule that's right for you.

## Find out more



## TradeFlash

Our *TradeFlash* newsletter provides a roundup of the latest developments in global trade around the world.

## Find out more

Subscribe to receive future editions of *TradeWatch*

[Click here](#)

Additional resources

# Contacts

## Global

## Editorial Board



**Jeroen Scholten**  
Global Leader of  
EY Global Trade  
practice



**Richard Albert**  
EY Germany  
Global Trade  
Leader



**Lynlee Brown**  
EY Americas  
Global Trade  
Partner



**Ian Craig**  
EY Latin America  
South Global  
Trade Leader



**Walter de Wit**  
EY Netherlands  
Global Trade  
Partner



**Jef d'Hollander**  
EY Belgium  
Global Trade



**Sally Jones**  
EY UK Trade  
Strategy and  
Brexit Leader



**Michael  
Leightman**  
EY Americas  
Global Trade  
Partner



**Rocio Mejia**  
EY Latin America  
North Global  
Trade Leader



**William  
Methenitis**  
*TradeWatch*  
Editor



**Yoichi Ohira**  
EY Japan Indirect  
Tax Leader



**Carolina Palma**  
EY Costa Rica  
Global Trade  
Leader



**Martijn  
Schippers**  
EY Netherlands,  
Indirect Taxation  
and Global Trade



**Paul Smith**  
EY Oceania  
Global Trade  
Leader



Contacts

# Contacts

## Global Trade contacts by country

Americas		Asia-Pacific	
<b>Argentina</b>	<b>Peru</b>	<b>Australia</b>	<b>Korea (South)</b>
Sergio Stepanenko ▶ + 54 11 4318 1648	Giancarlo Riva ▶ + 51 1411 4448	Luke Branson ▶ + 61 3 9288 8369	Dongo Park ▶ + 82 23 787 4337
<b>Brazil</b>	<b>United States</b>	<b>China Mainland</b>	<b>Malaysia</b>
Ian Craig ▶ + 55 21 32637362	Doug Bell ▶ + 1 202 327 7455	Kylie Norman ▶ + 61 2 9248 4765	Jalbir Singh Riar ▶ + 60 3749 58329
Fernando Fagiani ▶ + 55 11 2573 6913	Jay Bezek ▶ + 1 704 331 1975	Lynette Dong ▶ + 86 21 2228 4107	<b>New Zealand</b>
Cesar Finotti ▶ + 55 11 2573 6465	Lynlee Brown ▶ + 1 858 535 7357	Yao Lu ▶ + 86 139 1015 1448	Paul Smith ▶ + 64 9 348 8409
<b>Canada</b>	<b>Sergio Fontenelle ▶</b>	<b>Shubhendu Misra ▶</b>	<b>Phillipines</b>
Sylvain Golsse ▶ + 1 4169 325165	+ 1 212 466 9780	+ 852 9664 0842	Lucil Vicerra ▶ + 63 288 948 115
<b>The Caribbean</b>	<b>Nathan Gollaher ▶</b>	<b>Bryan Tang ▶</b>	<b>Singapore</b>
Rose Boevé ▶ + 599 0 430 5076	+ 1 312 879 2055	+ 86 21 2228 2294	Donald Thomson ▶ + 65 6309 8636
<b>Colombia</b>	<b>Michael Heldebrand ▶</b>	<b>Hong Li Wang ▶</b>	<b>Taiwan</b>
Gustavo Lorenzo ▶ + 57 14847225	+ 1 408 947 6820	+ 86 10 5815 2307	Vivian Wu ▶ + 886 2 2728 8833
<b>Costa Rica</b>	<b>Michael Leightman ▶</b>	<b>Tina GY Zhang ▶</b>	<b>Thailand</b>
Carolina Palma ▶ + 506 2459 9727	+ 1 713 750 1335	+ 86 10 58152197	William Chea ▶ + 662 264 9090
<b>Mexico</b>	<b>Sharon Martin ▶</b>	<b>Japan</b>	<b>Vietnam</b>
Karla Cardenas ▶ + 52 664 681 7844	+ 1 312 879 4837	Yumi Haraoka ▶ + 81 3 3506 2110	Anh Tuan Thach ▶ + 84 28 3629 7366
Roberto Chapa ▶ + 52 818 152 1853	<b>Bill Methenitis ▶</b>	<b>Yoichi Ohira ▶</b>	
Rocio Mejia ▶ + 52 555 283 8672	+ 1 214 969 8585	+ 81 3 3506 2110	
Jorge Nasif ▶ + 52 551 101 7327	<b>Bryan Schillinger ▶</b>		
	+ 1 713 750 5209		
	<b>Prentice Wells ▶</b>		
	+ 1 408 947 5438		
	<b>Shane Williams ▶</b>		
	+ 1 713 751 5715		

Global and Editorial  
contacts

Europe, Middle East,  
India and Africa contacts

# Contacts

Global Trade contacts by country continued

Europe, Middle East, India and Africa				
<b>Albania, Bulgaria, Kosovo and North Macedonia</b>	<b>France</b>	<b>India</b>	<b>Netherlands</b>	<b>Sweden</b>
<a href="#">Milen Raikov ▶</a> + 359 2 8177 155	<a href="#">Nadine Grenouilleau ▶</a> + 33 1 46 93 84 28	<a href="#">Sourabh Jain ▶</a> + 91 98 1800 9094	<a href="#">Walter de Wit ▶</a> + 31 88 407 1390	<a href="#">Zoran Dimoski ▶</a> + 46 8 52059260
<b>Austria</b>	<a href="#">Marguerite Trzaska ▶</a> + 33 1 46 93 84 32	<a href="#">Krishna Kanth Kotagiri ▶</a> + 91 99 6388 4466	<a href="#">Caspar Jansen ▶</a> + 31 88 407 1441	<b>Switzerland</b>
<a href="#">Theresa Arlt ▶</a> + 43 1 211 70 1102	<b>Germany</b>	<a href="#">Suresh Nair ▶</a> + 91 22 6192 2004	<a href="#">Bastiaan Kats ▶</a> + 31 88 40 73806	<a href="#">Ashish Sinha ▶</a> + 41 58 286 5906
<b>Belgium</b>	<a href="#">Rafik Ahmad ▶</a> + 49 6196 996 22586	<a href="#">Agneshwar Sen ▶</a> + 91 98 11167838	<a href="#">Martijn Schippers ▶</a> + 31 88 407 9160	<b>Turkey</b>
<a href="#">Antoine De Donder ▶</a> + 32 2 749 36 90	<a href="#">Richard J Albert ▶</a> + 49 211 9352 17756	<b>Ireland</b>	<a href="#">Jeroen Scholten ▶</a> + 31 88 407 1009	<a href="#">Sercan Bahadir ▶</a> + 90 212 408 53 41
<a href="#">Erwin De Vos ▶</a> + 32 2 774 93 75	<a href="#">Robert Boehm ▶</a> + 49 211 9352 10529	<a href="#">Ciarán Behan ▶</a> + 353 1 2211445	<b>Norway</b>	<a href="#">Yakup Gunes ▶</a> + 90 212 408 58 38
<a href="#">Jef d'Hollander ▶</a> + 32 4 851 58 852	<a href="#">Nadin Nottekämper ▶</a> + 49 211 9352 26138	<a href="#">Neil Byrne ▶</a> + 353 1 2212370	<a href="#">Øystein Arff Gulseth ▶</a> + 47 982 06 387	<a href="#">Sedat Tasdemir ▶</a> + 90 212 408 52 57
<a href="#">Christina Horckmans ▶</a> + 32 2 774 93 22	<a href="#">Frank-Peter Ziegler ▶</a> + 49 6196 996 14649	<a href="#">Colin Doolin ▶</a> + 353 1 2212949	<a href="#">Narve Løvø ▶</a> + 47 982 06 238	<b>United Kingdom</b>
<a href="#">Philippe Lesage ▶</a> + 32 2 774 92 69	<b>Greece</b>	<b>Italy</b>	<b>Poland</b>	<a href="#">Onelia Angelosanto ▶</a> + 44 161 234 0508
<a href="#">Kristof Verbist ▶</a> + 32 2 774 90 86	<a href="#">Nicoleta Merkouri ▶</a> + 30 697 3773203	<a href="#">Alessandra Di Salvo ▶</a> + 39 335 7361484	<a href="#">Slawomir Czajka ▶</a> + 48 71 711 88 93	<a href="#">Marc Bunch ▶</a> + 44 20 7980 0298
<a href="#">Keshia Wagner ▶</a> + 33 6 61 08 49 83	<b>Hungary</b>	<b>Kenya/rest of Africa</b>	<b>Spain</b>	<a href="#">Penelope Isbecque ▶</a> + 44 113 298 2447
<b>Denmark</b>	<a href="#">Aron Nagy ▶</a> + 36 1 451 8636	<a href="#">Hadijah Nannyomo ▶</a> + 254 20 2886000	<a href="#">Pedro Gonzalez-Gaggero ▶</a> + 34 954 665 246	<a href="#">Sally Jones ▶</a> + 44 20 7951 7728
<a href="#">Anne-Mette Høiriis ▶</a> + 45 51582559		<b>Middle East and North Africa</b>	<b>South Africa/rest of Africa</b>	<a href="#">George Riddell ▶</a> + 44 20 7951 9741
		<a href="#">Pascal Cange ▶</a> + 971 4 3129330	<a href="#">Johnathan B Fillis ▶</a> + 27 11 772 5040	
		<a href="#">Ramy Rass ▶</a> + 971 4 7010900		
				Global and Editorial contacts
				Americas and Asia-Pacific contacts

## EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](https://ey.com/privacy). EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit [ey.com](https://ey.com).

### About EY Global Trade practices

EY teams bring you a global perspective on Global Trade. The Global Trade EY professionals can help you develop strategies to manage your costs, speed your supply chain and reduce the risks of global trade. They can help to increase trade compliance, improve import and export operations, reduce customs and excise duties and enhance supply chain security. They help you to address the challenges of doing business in today's global environment to help your business achieve its potential. It's how EY teams makes a difference.

*TradeWatch* is a regular newsletter prepared by EY Global Trade groups. For additional information, please contact your local Global Trade professional.

The views of third parties set out in this publication are not necessarily the views of the global EY organization or its member firms. Moreover, they should be seen in the context of the time they were made.

© 2023 EYGM Limited.  
All Rights Reserved.

EYG no. 007113-23Gbl  
ED None

UKC-028788.indd 07/23.  
Artwork by [Creative UK](#).

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

[ey.com](https://ey.com)

