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GROUP ON THE FUTURE OF VAT

GFV N° 070

VAT e-commerce package of 5 December 2017

Monthly listing of imports in a Member State under the Import One-Stop Shop (IOSS) – Possible use of SURV-RECAPP

1 PURPOSE OF THE DOCUMENT

The purpose of this working document is to provide an explanation on how the SURV-RECAPP (Surveillance Reception Application) works in order to assist Member States in assessing its possible use in the context of the VAT e-commerce Project, in particular if it can be used to compile the monthly listing of the imports of goods exempted under Article 143(1), point (ca) of the VAT Directive and for which a valid IOSS VAT identification number was included in the customs declaration at import.

At the 20th GFV meeting, some Member States were in favour, whilst one Member State expressed doubts on using SURV RECAPP for this purpose.

The functionality concerning the reception and management of Customs Declarations (in the form of SDR – Surveillance Data Records) has been migrated on the 1st of October 2017 to a new IT system, SURV-RECAPP, which will support all 40 data elements foreseen by the Union Customs Code (UCC). In parallel, the Surveillance3 data warehousing system will be created, in order to have effective reporting of big amounts of data through an SAS¹-based data analysis platform.

The 'Administrative arrangement on the surveillance of the release for free circulation or the export of goods' in **Annex 2** describes how SURV-RECAPP is currently used.

2 SUBMISSION OF CUSTOMS DECLARATIONS

The Member States Administrations (MSA) have multiple possibilities to submit their SDRs (an SDR contains data of a single customs declaration) to the Commission:

- (1) The most common way to deliver SDRs is asynchronously and in bulk. The MSA will send a set of SDRs in an asynchronous message.
- (2) Another way is by uploading a set of SDR via a web interface. The MSA connects to the SURV-RECAPP synchronous interface to submit a file containing a set of SDRs (in the same format as the messages exchanged in the asynchronous interface). The synchronous interface acknowledges the reception of the file which is processed asynchronously in a further step. This second interface is foreseen as a backup interface when a MSA cannot connect to the asynchronous interface or as a temporary solution when a MSA implemented the automatic production of SDRs file and is not yet able to automatically submit the file to the central system.
- (3) A third and last interface is the synchronous interface where a MSA user uses the SURV-RECAPP synchronous interface to insert, modify or delete one SDR at the time. This interface is obviously not foreseen for daily transmission of numerous SDRs. It will be used to insert or amend SDR data when such operation is not allowed or possible in the national system.

¹ Statistical Analysis System

3 SDR MANAGEMENT

All the received SDRs are collected in a centralized, specialized system.

SURV-RECAPP allows the Member States to send SDR data in any of the three identified SDR formats.

Each SDR must be associated with a unique identifier meaning that one SDR can produce only one information record to be sent to SURV-RECAPP.

Member States will have the ability to insert, update or delete declarations accepted 4 years in the past.

SDRs rejected because of errors will be monitored. There are two types of erroneous SDRs, those consisting of technical validation errors and those consisting of business validation errors. These erroneous declarations will be recorded in the system, in order to allow DG TAXUD to control and notify the Member States about corrective actions to be taken.

SURV-RECAPP is only in charge of managing SDRs, other functionalities are not included in the scope of the SURV-RECAPP project.

Advanced query and reporting functionalities are not in the scope of SURV-RECAPP, but are done in the SURV3 Data Warehouse application.

MSAs will be only able to see and edit SDRs coming from them. Other MSA's SDRs can only be consulted at an aggregated level from the SURV3 Data Warehouse application. The flexibility of Data Warehousing allows reports to be created using different variables for breaking the data down.

4 DATA FORMAT

For reason of flexibility due to the transition to the new format of the UCC SDRs, SURV-RECAPP supports three formats of SDRs:

- The first format is called SURV2 SDR and it is compliant to the CCIP legislation, its declaration contains 14 data elements and it is expected to be sent by the Member States during a transition period toward UCC implementation. This is the declaration used in the old SURV2 application.
- The second format is called UCC SDR and it is compliant to the UCC legislation. This declaration is the expected format adopted by the Member States, it contains 40 data elements defined by UCC.
- The third format of declaration contains the 14 data elements of the UCC declaration that correspond to the 14 data elements of the CCIP declaration. This third format has been defined to allow the Member States to gradually adopt the UCC declaration, it can be seen as a bridge between the two previous formats for cases where the Member States want to be compliant with the UCC format but they do not have all the Data Elements available in their system.

5 USAGE OF SURV-RECAPP IN THE CONTEXT OF VAT-E-COMMERCE

5.1 Data elements

The data elements of both data formats (14 or 40 data elements) are listed in Annex 1, point 2.

In the context of the VAT e-commerce project, an additional field, containing the IOSS VAT identification number, has to be added to the customs declaration. This will allow the National Administrator to produce, through a report in SURV3, the required monthly listing of the total value of imports per IOSS number.

In addition, it should be possible to aggregate the value of the goods imported during a given month per IOSS VAT identification number, using the Surveillance 3 application. The only value included in the data to be reported in the SDRs (see list of data elements in point 2 of Annex 1) is the **statistical value**. This value is defined as the amount which would be paid in the event of sale or purchase at the time and place the goods cross the national border of the reporting Member State. It is a CIF type value (cost, insurance, freight) for imports/arrivals including only incidental expenses incurred on the part of the journey located outside the territory of the importing Member State. It does not include customs duties and taxes on import, such as excise duties or VAT. The statistical value may slightly differ from the taxable amount, which includes all costs incurred up to the first place of destination in the Member State of importation or in the EU.

Points of attention:

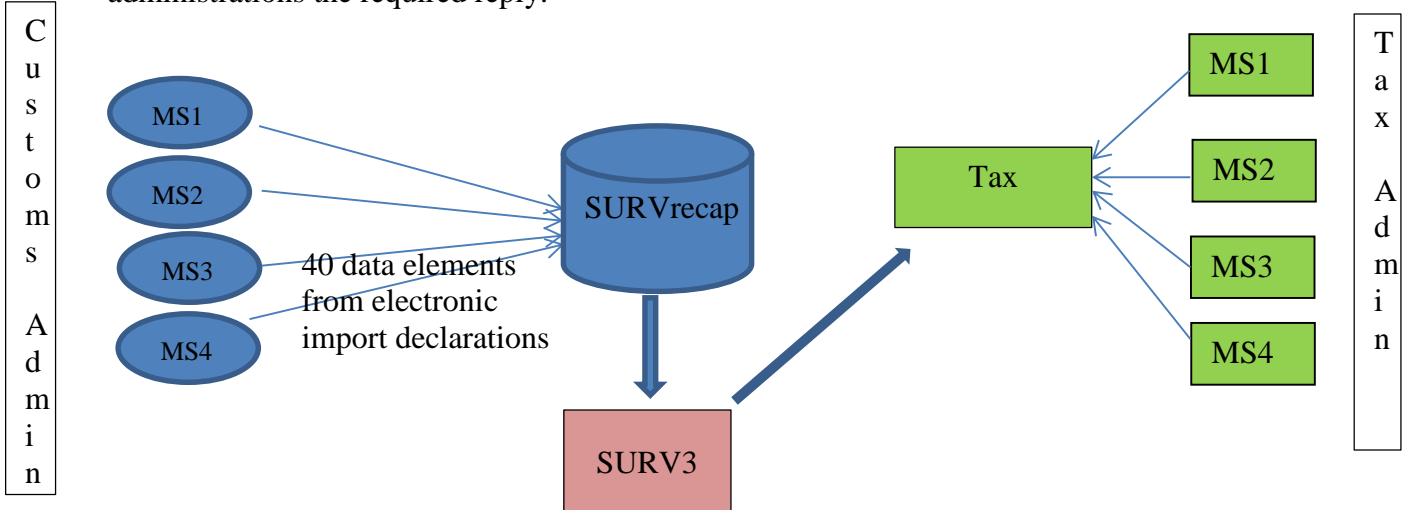
- Sizing and capacity of the system. SURV-RECAPP has been sent into production in March 2017, and the initial sizing was for more fields than the current 40. However, due to the increase in the number of declarations (as of 2021, an **import declaration** will have to be made for **all parcels**, with the inclusion of those managed by postal operators, which currently are not sent electronically), impacts on the CCN network have to be assessed. Also, in case a new type of simplified declaration is created, it will be necessary to estimate the impact on the development (see more detailed information on sizing and capacity in Point 1 of Annex 1).
- High availability and reliability of the database of IOSS VAT identification numbers is also necessary. Verification of the validity of the IOSS VAT identification number should take place at the time of the declaration (no checks foreseen at the time of the upload).
- IOSS number format. The format of the IOSS VAT identification number has to be agreed by Member States (to be laid down in Commission Implementing Regulation 815/2012. The format proposed by the Commission is the following: IM+ 3-letter ISO code of the Member State + 6 digits).

5.2. Possible functioning

The tax administration wishing to control a specific trader identified in the OSS Import scheme will just make one request on a centralised space where all data would be stored

by all Customs administrations and processed to provide immediate replies to the tax administrations.

SURV-RECAPP collects from all customs administrations a specified set of data elements for each import declaration according to the provisions foreseen in Commission Delegated Regulation (EU) 2015/2446. These data are then fed to SURV3 for further processing and preparation of reports. In this case a new parallel system to SURV3 would be created, to receive only the extracts needed for TAX purposes and provide to the national tax administrations the required reply.



Pros and cons of this solution:

Pros	Cons
<p>One existing system to extend and to maintain => Very low impact for National customs administrations and Commission as the system is already in place or planned. Minor changes needed.</p>	<p>The definition of the dataset collected by SURV-RECAPP has been the result of long negotiations. An extension of the data collected by SURV3 will require a legal amendment of Annex B (customs declaration D/E) and of Annex 21-02 (surveillance D/E) which will probably trigger resistance from Member States. There is a legal empowerment to collect such data, however, it should be carefully checked whether the legal empowerment also covers the use of SURV3 for that purpose.</p>
<p>In the context of the recast of Regulation 904/2010 for CP42 and CP63, the use of SURV-RECAPP will also be needed².</p>	<p>Privacy issues to handle</p>

² Recast of Regulation 904/2010 for a better fight against fraud in the Customs procedures 42-63

1 SYSTEM CAPACITY

The reception of asynchronous messages must be available 24/7, an asynchronous message is received by the DG TAXUD system when it is acknowledged at the DG TAXUD CCN gateway. The SLA (Service Level Agreement) for the reception of message is the SLA of CCN (97%). The target availability of the processing of the asynchronous messages is 99,3%, with a maximum downtime of 2 hours .

The other interfaces (batch synchronous submission and synchronous interface) must be available during working days and hours (6 days on 7, between 08:00 and 19:00 CET). The SLA of 99,3% must be sustained during the availability period for the latter interfaces.

It is important to distinguish the SLA in terms of performance for the two types of interfaces.

The application must respond to synchronous calls (web interface) with an acceptable delay depending on the request. The magnitude order of 1 second is acceptable for simple requests such as operations on single SDR. The performance of more resource intensive requests (e.g. in terms of network bandwidth) such as uploading a file can only be limited if the payload of the request (e.g. the uploaded file size) is limited.

The application must accept and acknowledge asynchronous calls in a short delay but has more flexibility in the delay to process such asynchronous requests. Multiple factors can influence the delay required to process an asynchronous call:

- the available resources,
- the size of the asynchronous request.

The processing of an asynchronous request must not last more than 4 hours. Given that MSA can use the asynchronous interface to either submit a large number of small messages or to submit a limited number of large messages, a solution that ensures the processing of small messages while processing one (or a limited number of) large message(s) is recommended in order to provide a correct perception of performance to the issuers of small messages.

Capacity is one of the main drivers of the SURV-RECAP architecture. **The number of SDRs received every day is considerable** (850 000 SDRs per day on average with peaks of 5 000 000 SDRs per day). **The size of an individual SDR is expected to soar with the entry into force of UCC legislation.** An SDR is currently composed of 14 data elements. A typical SDR is contained in a 500 bytes XML file of which 100 bytes contains data. Since 1 March 2017, following UCC legislation, the Member States will collect and submit SDRs containing 40 data elements (some of which are optional, repeated and/or of variable length).

This will increase the size of an SDR by a factor estimated at 20 (2Kb per SDR). The changes from 14 data elements to 40 data elements will be spread on a relatively large period as **the MS will not adapt their national system all at once**. The date at which all MSA must submit 40 data elements is not known at the time of the writing.

In addition with this increase in the size at the level of an SDR, the MSA requested to have the possibility to submit larger asynchronous messages. It is decided to allow for up to 1 Gb asynchronous messages.

2 SDR DETAILED FORMAT

2.1 CCIP Format

The table below shows the SDR data elements according to the CCIP legislation (as per Commission Regulation (EEC) No 2454/93 of 2 July 1993 laying down provisions for the implementation of Council Regulation (EEC) No 2913/92 establishing the Community Customs Code).

Data elements

Acceptance date	an10	
Procedure code	n2	

Declarations can be submitted or updated up to 4 years after their date of acceptance. Declarations being sent with an acceptance date older than 4 years will be rejected as will declarations with acceptance date in the future.

Country of origin	a2	
Preference code	n3	
Order number code	n6	

Country of destination	a2	
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Subdivision1	an8	
Subdivision2	an2	
Subdivision3	an4	
Subdivision4	an4	

Net mass	an..15	Decimal number (11+3 numeric digits (decimal point not included) with an accuracy of 3 places after the decimal point).
Statistical value	an..18	Decimal number (15+2 numeric digits (decimal point not included) with an accuracy of 2 places after the decimal point).
Supplementary units	an..15	Decimal number (11+3 numeric digits (decimal point not included) with an accuracy of 3 places after the decimal point).

The Measurement unit must not be indicated as part of the Net mass, as it is fixed to the Combined nomenclature code. Nevertheless, the Net mass value has to be greater than 0 unless the indicated Commodity code allows so.

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The currency must not be indicated as part of the Statistical value, as this unit is tied to the issuing Member State (in the SDR header). The Member States not belonging to the euro-zone will send the declaration data using their national currency unit; DG TAXUD will take care of the conversion to EUR. The rate of conversion to be used is the value of the day published in the Official Journal C series of the first working day of October of the previous year. It must be considered that the Statistical value has to be greater than 0.

The Measurement unit must not be indicated as part of the Supplementary units, as this unit is tied to a particular Commodity code. It must be noted that the Supplementary unit will be required for a particular Commodity code during a certain period and for a specific country (or region), as defined in TARIC3.

2.2 UCC SDR full version

The table below shows the complete dataset of the Surveillance Declaration Record according to the UCC legislation (as per Annex B from Commission Delegated Regulation (EU) 2015/2446 of 28 July 2015 supplementing Regulation (EU) No 952/2013 of the European Parliament and of the Council as regards detailed rules concerning certain provisions of the Union Customs Code).

Data elements

Declaration number	an..35	
Goods item number	n..5	
Date of acceptance of the declaration	n8	
Procedure code	an4	
Additional procedure code	an3	
Country of origin code	a2	
Country of preferential origin code	an..4	
Country of destination code	a2	
Country of dispatch/export code	a2	
Valuation method	n1	
Preference	n3	
Quota order number	an6	
Description of goods	an..512	
Number of packages	n..8	
Combined nomenclature code	an..8	Code to be completed using the headings of the CN in accordance with TARIC3.
TARIC code	an2	Code to be completed in accordance with the TARIC3 code.

The Combined nomenclature code and TARIC code must be valid in TARIC3 at the declaration date. If the TARIC code is present in conjunction with the Combined nomenclature, this combination must be also valid in TARIC3.

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TARIC additional code	an4	Code to be completed in accordance with the TARIC additional code.
National additional code	an..4	Codes to be adopted by the Member States concerned.
Net mass	n..16,6	The unit is fixed, i.e. kg.
Gross mass	n..16,6	The unit is fixed, i.e. kg.
Statistical value	n..16,2	The unit is tied to the issuing Member State (in the SDR header).
Supplementary units	n..16,6	The unit is tied to a particular goods nomenclature (Commodity code).

The net mass and gross mass values have to be greater than 0 unless the indicated Commodity code allows 0.

The statistical value has to be greater than 0. The currency must not be indicated as part of the Statistical value, as this unit is tied to the issuing Member State (in the SDR header). The Member States not belonging to the euro-zone will send the declaration data using their national currency unit; DG TAXUD will take care of the conversion to EUR.

The supplementary unit is for specific goods codes during a certain period and for a particular country (or region).

The Measurement unit must not be indicated as part of the Supplementary units, as this unit is tied to a particular Commodity code. It must be noted that the Supplementary unit will be required for a particular Commodity code during a certain period and for a specific country (or region), as defined in TARIC3.

Declaration type	a2	
Additional declaration type	a1	
Document type	an4	
Document identifier	an..35	

If a Union code is used as Document type it must be valid in TARIC3 at the declaration date.

Exporter identification number	an..17	
Importer identification number	an..17	
Consignee identification number	an..17	
Declarant identification number	an..17	
Holder identification number	an..17	
Authorisation type	an..4	

EORI number must exist and be valid at the declaration date for Importer, Declarant and Holder identification numbers.

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Tax type	an3	
Tax rate	n..17,3	
Payable tax amount	n..16,2	
Method of payment	a1	
Measurement unit	an..6	
Quantity	n..16,6	
Container	n1	
Mode of transport at the border	n1	
Inland mode of transport	n1	
Container identification number	an..17	

2.3 UCC SDR reduced version

The table below shows the reduced version of the Surveillance Declaration Record according to the new UCC legislation.

Data elements

Date of acceptance of the declaration	n8	
Procedure code	an4	
Country of origin code	a2	
Preference	n3	
Quota order number	an6	
Country of destination code	a2	
Combined nomenclature code	an..8	Combined nomenclature code.
TARIC code	an2	TARIC code.

The Combined nomenclature code and TARIC code must be valid in TARIC3 at the declaration date. If the TARIC code is present in conjunction with the Combined nomenclature, this combination must be also valid in TARIC3.

TARIC additional code	an4	TARIC additional code.
Net mass	n..16,6	The unit is fixed, i.e. kg.
Statistical value	n..16,2	The unit is tied to the issuing Member State (in the SDR header).
Supplementary units	n..16,6	The unit is tied to a particular goods nomenclature (commodity code).

The net mass has to be greater than 0 unless the indicated Commodity code allows 0.

The statistical value has to be greater than 0. The currency must not be indicated as part of the Statistical value, as this unit is tied to the issuing Member State (in the SDR header). The Member States not belonging to the euro-zone will send the declaration data using their national currency unit; DG TAXUD will take care of the conversion to EUR.

Administrative arrangements (*document sent separately*).