



GOVERNMENT OF THE REPUBLIC OF SERBIA

**Negotiating Position of the Republic of Serbia for the Intergovernmental
Conference on Accession of the Republic of Serbia to the European Union
for Chapter 29 „Customs Union”**

Belgrade, January 2017

I. INTRODUCTORY STATEMENT

The Republic of Serbia accepts the European Union acquis covered by the Chapter 29 – Customs Union and will be in the position to implement it fully by the time of accession to EU membership, as it stands on **30 April 2016**. The Republic of Serbia will have implemented any outstanding acquis, namely the acquis adopted after **30 April 2016**, by the date of accession, subject to the outcome of the negotiations under this Chapter.

The Republic of Serbia does not request specific adaptations under this Chapter.

II. LEGISLATIVE AND INSTITUTIONAL FRAMEWORK

II.1. CUSTOMS LEGISLATION

The customs legal framework in the Republic of Serbia consists of the Customs Law from 2010 („Official Gazette of the RS” Nos 18/10, 111/12, 29/15 and 108/16) and the Customs Law from 2003 (in the part related to status and authorizations of the customs service and powers and responsibilities of the customs officers („Official Gazette of the RS” Nos 73/03, 61/05, 85/05 – other law, 62/06 - other law, 63/06 – amendments of the other law, 9/10 – decision of the Constitutional Court and 18/10 - other law), the Customs Tariff Law („Official Gazette of the RS” Nos 62/05, 61/07 and 5/09), the Law on Free Zones („Official Gazette of the RS” No 62/06), related by-laws as well as International Agreements and Conventions which are applied in the Republic of Serbia. Customs regulations of the Republic of Serbia are broadly aligned with EU acquis.

General customs rules and procedures

Core regulations of the Republic of Serbia governing this area are: Customs Law, Regulation on Customs Approved Treatment of Goods („Official Gazette of the RS” No 93/10, 63/13, 145/14, 95/15 and 44/16) and Rulebook on the Form, Content, Manner of Lodging and Completing the Declaration and other Documents in Customs Procedures („Official Gazette of the RS” Nos 7/15, 45/15, 56/15, 88/15, 33/16, 73/16 and 89/16).

The Customs Law adopted by the Parliament at the end of April 2010 is in application from 3 May 2010. Since 2010 the Customs Law was amended three times in order to be harmonized with the Community Customs Code. In 2015, amendments were made in order to enable implementation of NCTS within the national framework and, also, in the area of the security for the payment of customs debt.

On the basis of Article 309 of the Customs Law, the Government of the Republic of Serbia adopted Regulation on Special Conditions for the Circulation of Goods with the Autonomous Province of Kosovo and Metohia („Official Gazette of the RS” Nos 86/10, 61/13, 111/13 and 17/14).

Customs legislation of the Republic of Serbia regulates placing and treatment of goods in the free zones and free warehouses, while the establishment of free zones, management of free zones, as

well as the conditions for carrying out activities in the free zones are regulated by the Law on Free Zones.

Customs status of goods and transit

The concept of „customs status of goods” is defined by Article 5 while „transit procedure” is defined by Articles 118-127 of the Customs Law. The Customs Law differentiates external and internal transit procedure. The external transit procedure means the movement of non-domestic goods and domestic goods that underwent the export procedure from one point to another within the customs territory of the Republic of Serbia, without the goods being subject to import duties and other charges or to commercial policy measures. The internal transit procedure means the movement of domestic goods through the territory of other countries without loss of domestic status upon re-entrance in Serbia.

From 1 February 2016, the Republic of Serbia applies the Convention on Common Transit Procedure („Official Gazette of the RS - International Agreements” No 13/15) and Convention on the Simplification of Formalities in Trade in Goods („Official Gazette of the RS - International Agreements” No 13/15).

Also, the Republic of Serbia applies Form 302 mentioned in the art. 91 and 163. of the CCC (Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code).

In addition to the above, the Republic of Serbia also applies following conventions:

- Convention on International Transport of Goods Under Cover of TIR Carnets (TIR Convention, „Official Gazette of the FRY - International Agreements” No 9/01) and
- Convention on Temporary Admission (Istanbul Convention) („Official Gazette of the RS - International Agreements” No 1/10).

Customs Valuation

The customs value of the goods imported into the Republic of Serbia is determined in compliance with the provisions of Article VII of the General Agreement on Tariffs and Trade (GATT) and of the Agreement on the implementation of Article VII GATT which are incorporated in the Customs Law and the Regulation on Customs Approved Treatment of Goods.

Customs tariff and classification

Customs Tariff Nomenclature is prescribed by Customs Tariff Law and the regulation adopted in compliance with that law.

Customs Tariff Nomenclature in the Republic of Serbia is harmonized with EU Combined Nomenclature and also includes national tariff lines. According to Article 3 paragraph 8 of the Customs Tariff Law, the Government shall harmonize, through regulations, the nomenclature of the Customs Tariff with the Combined Nomenclature of the European Union that shall be applied to classification of goods in the Customs Tariff, at the latest in November of the current year for the next year. This regulation also includes the rates of customs duties, i.e., amounts of custom duty determined by this law, or by the signed Free Trade Agreements.

According to the aforementioned, National Nomenclature has been harmonized on a yearly basis with EU Combined Nomenclature since 2008. The Regulation on Harmonization of the Customs Tariff Nomenclature for 2016 („Official Gazette of the RS” Nos 98/15 and 50/16) is in force since 1-January 2016. The Regulation on Harmonization of the Customs Tariff Nomenclature for 2017 („Official Gazette of the RS” Nos 97/16) is in force since 1-January 2017.

According to Article 3a of the Customs Tariff Law, the classification of goods in the Customs Tariff means determining the tariff position for such goods, in accordance with that law and regulations adopted on the basis of that law.

The Republic of Serbia ratified the International Convention on the Harmonized Commodity Description and Coding System („Official Gazette of the SFRY – International Agreements” Nos 6/87 and 3/91) and currently implements HS2017 version.

Also, according to Article 3a of the Customs Tariff Law, Commission Regulations concerning the classification of certain goods published in the „Official Journal of the European Union”, are obligatory for the application in the Republic of Serbia and they are published in „Official Gazette of the RS”. At the moment, national legislation includes all EU Regulations published in OJ EU from 1983 to December 2016 – 614 in total.

Binding Tariff Information (BTI) are regulated by Art.19 – 20 of the Customs Law, Art. 14 – 20 and Annexes 1 and 2 of the Regulation on the Customs Approved Treatment of Goods.

Legal basis for tariff quota is:

- The Stabilization and Association Agreement RS - EU („Official Gazette of the RS - International Agreements” No 83/08) and
- Free Trade Agreements with:
 - Turkey („Official Gazette of the RS – International Agreements” No 105/09) and
 - EFTA („Official Gazette of the RS - International Agreements” No 6/10).

Tariff quotas are presented in Regulation on Harmonization of the Customs Tariff Nomenclature for 2016 and for 2017 (Part IV, tables 1-3).

Method used for management of tariff quotas in the Republic of Serbia is „first come – first served”. There are daily published data about availability of tariff quotas on the web site of the Customs Administration of the RS (CAS, www.carina.rs). The only exception are the quotas for cigarettes originated from EU which are, according to the Decision on the Import of Cigarettes from the EU on Preferential Duty Rate („Official Gazette of the RS“ No 79/14), realized by using the licence issued by the ministry responsible for trade.

Republic of Serbia is implementing autonomous measures providing for reduction in or relief from payment of import duties for certain goods during certain time period. Legal basis is prescribed in Article 30 para 3 (6) of the Customs Law. Government prescribes conditions, procedure and manner of implementation of the measures, for the goods that are not produced in the Republic of Serbia or are not produced in sufficient quantities or do not correspond the needs of the domestic industry and domestic market. Currently, Decision on the Conditions and Manner of Reducing Customs Duties on Certain Goods and Exemption of Certain Goods from Customs Duties in 2017

(„Official Gazette of the RS” No 105/16 is in force. Republic of Serbia will implement those measures until the day of the EU accession.

Rules on preferential and non-preferential origin

Legal basis for determining preferential origin of goods is defined by Article 37 of the Customs Law which stipulates that preferential rules of origin are those determined in international agreements as well as the rules which the Government prescribes for goods which have the right to benefits on the basis of autonomous preferential tariff measures. Application of the rules on preferential origin of goods is based on the provisions of Articles 66-97 of the Regulation on Customs Approved Treatment of Goods.

For the purpose of application of agreements on free trade which are in force in the Republic of Serbia, provisions on preferential origin of goods are contained in the protocols on rules of origin which are integral part of those agreements. Regarding this, two kinds of preferential rules of origin are currently applied:

- rules on origin contained in the Regional Convention on pan-Euro-Mediterranean preferential rules of origin of goods, according to agreements with EU, CEFTA and EFTA. Until the entry into force of the Convention, Serbia and Turkey will continue to apply rules of origin (based on pan-Euro-Mediterranean rules of origin) prescribed in the Protocol II to the FTA between Serbia and Turkey.
- uniform rules of origin according to agreements with Russian Federation, Belarus and Kazakhstan.

Autonomous preferential tariff measures with regard to other countries are not currently applicable in Serbia.

Legal basis for issuing binding origin information on rules of origin is defined by Articles 19-20 of the Customs Law, Articles 14-20 and Annexes 3 and 4 of the Regulation on Customs Approved Treatment of Goods.

Legal basis for determining non-preferential origin of goods is contained in Articles 32-36 of the Customs Law and Articles 41-65 and Annexes 7, 8, 9 and 10 of the Regulation on customs approved treatment of goods.

Non-preferential rules of origin of goods are prescribed for the purposes of applying the Customs Tariff, applying measures established by regulations governing trade in goods and issuing of certificates of origin. Trade policy measures on import which require that non-preferential origin of goods shall be proved by certificate of origin are not currently in force.

In accordance with basic rules for acquiring non-preferential origin, goods originating from certain country shall be considered to be:

- the goods wholly obtained or produced in that country or
- in case of goods whose production involved two or more countries, goods shall be deemed to originate from the country where they underwent their last, substantial, economically justified processing or working in an undertaking equipped for that purpose and resulting in the manufacture of a new product or representing an important stage of manufacture. However, this rule shall not apply to textile and textile products (Section XI

of the Customs Tariff) as well as to limited number of other products. For those products, conditions for acquiring of origin are prescribed by the Lists of working and processing contained in Annexes 8 and 9 of the Regulation on Customs Approved Treatment of Goods.

Certificate on non-preferential origin shall be issued by the Serbian Chamber of Commerce.

Indication of country of origin on declaration for import (SAD, box 16) is mandatory, i.e. the code and the name of the country of origin of the goods from the Codex shall be entered. Submission of the proof of origin on import is not required.

In accordance with Article 40 of the Law on Trade („Official Gazette of the RS” Nos 53/10 and 10/13), goods intended for retail sale must have declaration which, also, contains data on country of origin. In terms of this provision, European Union (EU) can be listed as a country of origin.

Duty relief

Articles 215-220 of the Customs Law contain provisions on duty reliefs. On the basis of Article 219 of the Customs Law, the Government has adopted Regulation on the Kind, Quantity and Value of Goods on which Import duties are not Payable, Deadlines, Conditions and Procedure for Exercising the Right to Exemption from Import Duties („Official Gazette of the RS” Nos 48/10, 74/11 and 63/13).

The Regulation contains provisions on duty reliefs for foreign, natural and legal persons, as well as provisions on goods for which import duties are not payable.

The Law on Donations and Humanitarian Aid („Official Gazette of the FRY” Nos 53/01, 61/01- corrigendum and 36/02) provides that no import duties are due upon the importation of goods that are subject of donation and humanitarian aid and that the recipients of these goods are free from taxes. Donations and humanitarian aid, in terms of this law, can be in the form of goods (except tobacco and tobacco products, alcoholic beverages and passenger cars), services, money, securities, property and other rights.

The Republic of Serbia directly applies the relevant provisions of international conventions and agreements, which provide for exemption from customs duties.

Security aspects of the Customs Law

Article 22 of the Customs Law applies to customs control and risk analysis. It stipulates that customs controls, other than random checks, shall primarily be based on risk analysis using electronic data-processing techniques, with the purpose of identifying and evaluating the risks and developing the necessary protective measures, on the basis of criteria developed at national and, where available, international level. Definitions of the „Risk” and „ Risk management” are given in Article 5 points 29) and 30) of the Customs Law. Art. 9 - 13 of the Regulation on Customs Approved Treatment of Goods regulate the issue of risk management.

The Customs Law contains basic provisions on entry and exit summary declaration (definition

of terms, lodging, amending), while the Regulation on Customs Approved Treatment of Goods further elaborates these procedures. The title of the Annex 16 of the Rulebook on the form, content, manner of lodging and completing the declaration and other documents in customs procedures is „Entry and exit summary declaration”.

The Customs Law from 2010 introduced the status of „authorised economic operator” in the customs system of the Republic of Serbia. It is stipulated that a person established in the customs territory of the Republic of Serbia and who meets the conditions set out in this Law may request the status of an „authorised economic operator”. Articles 8 - 10 of the Customs Law provide the definition of this institute and lay down the criteria for obtaining this status, and Articles 21 – 40 of the Regulation on Customs Approved Treatment of Goods further elaborate these provisions of the Customs Law.

Intellectual property rights

Customs Law contains basic provisions on protection of intellectual property rights, while the Regulation on Conditions and Manner of Application of Measures for the Protection of Intellectual Property Rights at the Border („Official Gazette of the RS” No 25/15) which is effective from 1 September 2015, regulates this area in more detail.

The customs authorities are entitled to suspend the release of goods or to detain them, if they identify goods that are suspected of infringing IPR, and may do so at the request of the holder of IPR or ex officio.

The measures prescribed by this regulation relate to occasions when the goods are declared for free circulation, export or re-export, if the goods enter or leave the customs territory of the Republic of Serbia or if the goods are placed under a suspensive customs procedure or in a free zone or free warehouse . It is strictly prescribed that the Regulation shall not apply to: goods released for free circulation under the end-use regime, goods of a non-commercial nature contained in travellers’ personal luggage, goods manufactured with the consent of the right-holder or to goods manufactured, by a person duly authorised by a right-holder to manufacture a certain quantity of goods, if excess the quantities agreed between that person and the right-holder.

The Regulation contains specific provisions on destruction of goods in small consignments.

Cultural goods

The field of cultural heritage is regulated by the Law on Cultural Goods („Official Gazette of the RS” Nos 71/94, 52/11 – other law, and 99/11 – other law) and the Law on Old and Rare Library Materials („Official Gazette of the RS” No 52/11), and bylaws adopted in compliance with them. These laws are not harmonised with the European acquis of the Chapter 29.

Cash control at the border

The movement of cash across the state border is regulated by the Law on the Prevention of Money Laundering and Terrorism Financing („Official Gazette of the RS” Nos 20/09, 72/09, 91/10 and 139/14, hereinafter AML/CFT Law). Under Article 67 of the AML/CFT Law, any natural person crossing the state border carrying bearer negotiable payment instruments of a value of EUR

10,000 or more in RSD or its foreign currency equivalent, is required to declare that sum to the competent customs authority. The AML/CFT Law provides that the competent customs authority, when conducting customs checks according to the law, is responsible to check compliance with this requirement, while the minister lays down the form and content of the declaration, manner in which the declaration is completed and submitted, as well as the manner of informing the natural persons crossing the state border of this obligation. Under Article 69, where the competent customs authority finds that a natural person is carrying bearer negotiable payment instruments across the state border of a value lower of EUR 10,000 in RSD or its foreign currency equivalent, and it suspects money laundering or terrorism financing, it is required to collect the data specified in the AML/CFT Law.

The Rulebook concerning the Declaration of Transportation of Bearer Negotiable Payment Instruments Across the State Border („Official Gazette of the RS” No 78/09), specifying the form and content of the declaration form for declaring the transportation of bearer negotiable payment instruments of a value of EUR 10,000 or more in RSD or its foreign currency equivalent across the state border, manner of completing the declaration and manner of informing the natural persons crossing the state border of their obligation to declare the transportation, contains declaration forms which correspond to forms in EU Regulation No 1889/2005.

Drug precursors

The legislative framework in the field of drug precursors in the Republic of Serbia consists of the Law on Substances Used in the Illicit Production of Narcotic Drugs and Psychotropic Substances („Official Gazette of the RS” No 107/05) and following by-laws:

- Rules on determining the List of Substances Used in the Illicit Production of Narcotic Drugs and Psychotropic Substances („Official Gazette of the RS” No 101/09);
- Rules on the content of the license for import, export or transit of precursors of the first, second or third category („Official Gazette of the RS” No 101/09);
- Decision on Goods Import, Export or Transit of which Require Obtaining of Certain Documents („Official Gazette of the RS” No 32/15).

Also, the Government adopted a strategic document - the Strategy on the Prevention of Drug Abuse for the period 2014-2021 („Official Gazette of the RS” No 1/15).

Mutual assistance and International Customs Cooperation

The Republic of Serbia is a member of the World Customs Organization (WCO). The Republic of Serbia is a signatory to numerous international conventions, including the International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto Convention, „Official Gazette of the SFRY” No 10/84) and the Revised Kyoto Convention („Official Gazette of RS” No 70/07); Customs Convention on International Transport of Goods under International Road Transport Documents (TIR Carnet) (TIR Convention); International Convention on the Harmonization of Frontier Controls of Goods (Geneva Convention, „Official Gazette of the SFRY - International Agreements” No 4/85); International Convention on the Harmonized System of Description and Coding of Goods, Customs Convention on the ATA Carnet for the Temporary Admission of Goods (ATA Convention „Official Gazette of the SFRY- International Agreements”, No 13/63); The Convention on Temporary Admission (Istanbul Convention), the Convention on a Common Transit Procedure and the Convention on the Simplification of Formalities in Trade in Goods.

Given the importance of international cooperation of customs administrations in order to control trade flows, as well as fight against customs violations and illegal activities, the Republic of Serbia applies agreements on mutual administrative assistance and cooperation in customs matters with thirteen EU Member States (France, Germany, Austria, Greece, Bulgaria, Hungary, Czech Republic, Romania, Slovakia, Croatia, Slovenia, Poland and Italy) as well as with the Governments of the People's Republic of China, the USA, Macedonia, the Russian Federation, Turkey, Bosnia and Herzegovina, Montenegro, Azerbaijan, Ukraine, Georgia, Belarus, Moldova and Albania.

The Republic of Serbia exercises international customs cooperation and mutual assistance with EU Member States in accordance with Protocol 6 of the Stabilization and Association Agreement (Protocol on Mutual Administrative Cooperation in Customs Matters).

In the field of international and regional customs cooperation (see also Chapter 24 - Justice, Freedom and Security) customs service regularly and actively participates in international actions organized by the WCO, Interpol, EC OLAF, SELEC, (where it has its permanent representative) and other international organizations. Exchange of data as part of the SEED Project (Systematic Electronic Exchange of Data) is carried out within the framework of CEFTA.

II. 2. ADMINISTRATIVE CAPACITIES

Administrative organisation

Customs System and Policy Sector in the Ministry of Finance consists of two departments with the total of 13 civil servants (12 with a university degree), who are responsible for the preparation and harmonization of customs rules. Civil servants continuously attend trainings significant for the preparation of regulations and work improvement.

The Customs Administration (CAS) is a body within the Ministry of Finance. Jurisdiction and organization of the Customs Administration, powers and responsibilities of customs officers are governed by the Customs Law from 2003, the Law on State Employees and Civil Servants, the Rulebook on Internal Organization and Working Positions Classifications of Ministry of Finance - Customs Administration, the Rulebook on Rights, Obligations and Responsibilities of the Employees of the Ministry of Finance and Economy - Customs Administration and the Rulebook on the Disciplinary Responsibility of Customs Officers.

The CAS manages its scope of work through the headquarter and 15 regional authorities - customs offices. The CAS employs a total of 2,770 employees (2,443 for an indefinite time, 327 temporary). The Headquarter consists of 6 sectors, 3 departments as well as the Bureau of Director General. Basic customs operational activities (customs supervision, control, customs-approved treatment of goods and clearance) are carried out at the customs offices including 141 organizational units consisting of 76 customs offices, 59 customs units and 6 customs checkpoints. Organizational units whose scope of work includes the first instance customs - administrative procedure, processing of cases on detected customs offences and submitting a request for initiation of criminal proceeding to the competent court, as well as organizational units performing HR, financial and general affairs are formed in customs offices. Customs officers carry out customs controls at 74 border crossing points for international and border traffic, as well as at 6 customs checkpoints on the administrative

line with Kosovo and Metohija. Customs offices are formed at airports for international traffic in Belgrade and Nis to carry out activities in passenger and freight traffic with foreign countries. Customs Administration has its organizational units in 9 free zones.

The training of customs officers is conducted continuously through basic, specialist and professional development training. Customs Administration uses all available foreign technical assistance (EU program „Customs 2020”, TAIEX instrument, the expertise of the World Customs Organization, etc.).

As part of the Technical Protocol on Integrated Border Management (IBM), there is a simplified electronic correspondence between the Customs Administration and Customs of Provisional Institutions of Self-Government in Pristina (Kosovo Customs), which takes place in accordance with the agreement Belgrade / Pristina only through EU mediation office in Pristina (EU IBM Facilitation Office), together with the mediation of EULEX.

The Customs Administration has established the practice of strategic management and management of the administration. There have been adopted: Business Strategy for the period 2011-2015, IT Strategy for the period 2011 - 2020 with the development strategy on interconnectivity and interoperability with EU customs IT systems, Business strategy for post clearance controls for the period 2016 - 2019 and Risk management strategy for the period 2012 - 2015. Business strategy for the period 2016 - 2020 is being drafted, and the updating of the Strategy for risk management (2012-2015) is ongoing.

Ministry of Culture and Media employs 20 civil servants with university education who are in charge of the preparation and harmonisation of all the regulations in the field of export and import of cultural goods (and goods under previous protection). Civil servants continuously attend trainings which are significant for the preparation of the regulation and operational improvement. All work positions are equipped and connected with IT.

At this point, the Permits for taking the cultural goods out of the Republic of Serbia are issued by the Ministry of Culture and Media (Cultural Heritage Sector). Permits for export of goods which have previous protection are issued by the Institute for the Protection of Cultural Monuments, National Library of Serbia, and for the area of the AP of Vojvodina – Provincial Secretariat for Culture.

Computerisation

The CAS uses following information systems as IT support for the implementation of customs procedures and operations: NCTS for transit and customs service information system and ISCS for other customs-approved treatments of goods as well as for other business functions of the customs service. Those systems are complex, interactive, integrated and based on RS servers, a network of local servers connected to a central server and to over 2,300 workstations. They operate 24 hours a day, 365 days a year. All work stations are computer-equipped and connected.

NCTS, as the first e-customs system implemented in the Republic of Serbia, is in force as of 25 January 2015 on the national level, while the implementation of common transit procedure began on 1 February 2016. Procedures in the common transit system are being implemented without major

problems, our system regularly exchanges electronic messages with the systems of other Member States.

III ALIGNMENT OF LEGAL AND INSTITUTIONAL FRAMEWORK WITH THE EU ACQUIS

III. 1. CUSTOMS LEGISLATION

There is a high level of alignment of customs legislation with EU acquis. Due to certain specifics of the EU Customs Union, it should be noted that in some areas full alignment is only possible on the day of accession.

Existing differences between the legislation of the Republic of Serbia and EU acquis which are identified during the screening of legislation are not of such a nature to constitute an obstacle to achieving full implementation of EU acquis until membership of the Republic of Serbia to the EU.

In order to achieve full implementation of EU acquis, the Republic of Serbia will continue the ongoing harmonization of customs legislation and strengthening administrative capacity for implementation of EU *acquis*.

General customs rules and procedures

The Customs Law, the Regulation on Customs Approved Treatment of Goods and the Rulebook on the Form, Content, Manner of Lodging and Completing the Declaration and Other Documents in Customs Procedures are broadly aligned with the Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code and the 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.

By the end of the third quarter of 2017, the Customs Law of the Republic of Serbia will be aligned with the Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code.

By the end of the first quarter of 2018, the Regulation on Customs Approved Treatment of Goods and the Rulebook on the Form, Content, Manner of Lodging and Completing the Declaration and Other Documents in Customs Procedures will be aligned with the:

- 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,
- Commission Delegated Regulation (EU) 2016/341 of 17 December 2015 Supplementing Regulation (EU) No 952/2013 of the European Parliament and of the Council as regards transitional rules for certain provisions of the Union Customs Code where the relevant electronic systems are not yet operational and amending Delegated Regulation (EU) 2015/2446 and
- Commission implementing Regulation (EU) 2015/2447 of 24 November 2015 laying down detailed rules for implementing certain provisions of Regulation (EU) No 952/2013 of the European Parliament and of the Council laying down the Union Customs Code.

Having in mind national methodology of drafting legislation, certain provisions of Commission Delegated Regulations will be regulated by the Customs Law.

The Law of Free Zones will be amended in order to be harmonized with the *acquis* in this Chapter and Chapter 8 (Competition Policy) till the end of 2017. Article 19. will be changed so that the Customs Law shall be applied to non-domestic goods placed in a free zone. Also, Articles 26. and 29. will be deleted from the Law on free zones.

Proper application of these regulations will be ensured through strengthening of administrative capacities and information technologies, as well as continuous education of civil servants.

Customs status of goods and transit

Provisions of the Customs Law and the Regulation on the Customs Approved Treatment of Goods related to customs status of goods and transit procedure were broadly aligned with the Council Regulation (EEC) No 2913/92 and the Commission Regulation (EEC) No 2454/93.

By the end of third quarter of 2017, the Customs Law of the Republic of Serbia will be fully aligned with the Regulation (EU) No 952/2013 (the Union Customs Code).

By the end of first quarter of 2018, the Regulation on the Customs Approved Treatment of Goods will be fully aligned with provisions of:

- Commission Delegated Regulation (EU) 2015/2446
- Commission Delegated Regulation (EU) 2016/341 and
- Commission Implementing Regulation (EU) 2015/2447.

Proper application of these Regulations will be ensured through strengthening of administrative capacities of the Customs Administration, as well as continuous education of civil servants and strengthening of information technologies.

Customs Valuation

Provisions on customs valuation in the Republic of Serbia are harmonized to the greatest extent possible with the relevant provisions of the European legislation (Council Regulation (EEC) No 2913/92 and Commission Regulation (EEC) No 2454/93), considering that some of the provisions of the European legislation relate exclusively to Member States.

The Serbian legislation will be completely harmonized with the European legislation by the day of accession to the European Union.

Customs tariff and classification

The Regulation on harmonization of the Customs Tariff Nomenclature for 2016 is harmonized with EU Combined Nomenclature for 2016 (Commission Implementing Regulation (EU) No 2015/1754 of 6 October 2015 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff, Commission Implementing Regulation (EU) 2016/533 of 31 March 2016 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff and Commission Implementing Regulation (EU) 2016/533 of 31 March 2016 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff).

Adoption of the new Customs Tariff Law is planned after accession of the Republic of Serbia to the World Trade Organisation (WTO), in order to align duty rates with the concessions agreed with WTO member states and reducing the ten - digit level tariff lines to eight - digit level tariff lines. Deadline for this legislation is end of 2018. Serbia is already using Combined Nomenclature at the eight - digit level and by the day of accession will apply TARIC codes at ten-digit level.

Also, annual harmonization with EU Combined Nomenclature (Commission Implementing Regulation (EU) amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff) is foreseen. Regulation on harmonization of the Customs Tariff nomenclature for 2017 is adopted on 29 November 2016. Continued publication of Commission Regulations concerning the classification of certain goods in „Official Gazette of the RS” is also foreseen.

At the same time, the translation of the Explanatory Notes to the Combined Nomenclature of the European Union (OJ 2015/C 076/01 и 2015/C 214/04) is planned by the end of 2018.

As of the day of the EU accession, Serbia will directly implement *acquis* in the area of tariffs as follows: tariff measures (MFN duty rates, preferential duty rates, exemptions from payments of customs duties, tariff quotas and ceilings, as well as preferential tariff treatment pertaining to nature of goods), measures concerning implementation of the common agricultural policy, measures concerning implementation of the trade policy, measures pertaining to restrictions in trade of goods and measures pertaining to collection of statistical data.

As of the day of the EU accession, the CAS will establish the Integrated Tariff Management System (ITMS) and its sub-systems through interoperability and interconnectivity projects.

Rules on preferential and non-preferential origin

Provisions on preferential and non-preferential rules of origin of goods prescribed by the Customs Law and the Regulation on Customs Approved Treatment of Goods are broadly aligned with the Council Regulation No 2913/92 and the Commission Regulation EEC No 2454/93 (including Annexes 9 to 11).

By the end of third quarter of 2017, provisions on origin of goods prescribed by the Customs Law of the Republic of Serbia will be fully aligned with provisions of the Regulation (EU) no 952/2013.

By the end of first quarter of 2018, provisions on origin of goods prescribed by the Regulation on Customs Approved Treatment of Goods will be fully harmonized with provisions of:

- Commission Delegated Regulation (EU) 2015/2446
- Commission Delegated Regulation (EU) 2016/341 and
- Commission Implementing Regulation (EU) 2015/2447.

Proper application of regulations regarding origin will be ensured through strengthening of administrative capacities and information technologies, as well as continuous education of civil servants and business community.

Duty reliefs

The Customs Law and the Regulation on the Kind, Quantity and Value of Goods on which Import Duties are not Payable, Deadlines, Conditions and Procedure for Exercising the Right to Exemption from Import Duties are broadly aligned with the Council Regulation (EC) No 1186/2009 of 16 November 2009 which set up a Community system of reliefs from customs duty. Further alignment with above mentioned Council Regulation is done by the end of 2016 and also planned by the third quarter of 2017. By the end of the first quarter of 2018, the Regulation on the Kind, Quantity and Value of Goods on which Import Duties are not Payable, Deadlines, Conditions and Procedure for Exercising the Right to Exemption from Import Duties, shall be fully aligned with the Council Regulation (EC) No 1186/2009.

The Law on amendments of the Customs Law is adopted by the end of 2016. This Law provides amendments regarding duty reliefs, as follows:

- deletion (revocation) of duty relief for medications for personal use received in consignments from abroad;
- deletion (revocation) of duty relief for passenger motor vehicles and other motor vehicles imported by disabled persons;
- deletion (revocation) of duty relief for new equipment which are not manufactured in the country and are imported for the purposes of new production or expansion of the existing production, modernization of the production, introduction of the new or modernization of the existing technology, except passenger motor vehicles and gambling machines.

The new Customs Law is planned to be adopted by the end of the third quarter of 2017 and this law will be aligned with the Union Customs Code. As a result of adoption of this Law, the new Regulation on the Kind, Quantity and Value of Goods on which Import Duties are not Payable, Deadlines, Conditions and Procedure for Exercising the Right to Exemption from Import Duties, must be adopted and this will be done by the end of the first quarter of 2018.

Security aspects of the Customs Law

Provisions of the Customs Law and the Regulation on Customs Approved Treatment of Goods regarding risk, risk analysis and risk management, entry and exit summary declaration, as

well as provisions regarding authorized economic operator, are broadly aligned with the Council Regulation (EEC) No 2913/92 and the Commission Regulation (EEC) No 2454/93.

Annex 30A of the Commission Regulation EEC No 2454/93 is contained in Annex 16 of the Rulebook on the Form, Content, Manner of Lodging and Completing the Declaration and Other Documents in Customs Procedures.

By the end of 2016, the customs legislation shall be amended and further harmonized with the relevant *acquis*, especially in the area of risk and risk management (definitions) and authorized economic operator (definition; regulated agents).

By the end of the third quarter of 2017, the Customs Law of the Republic of Serbia, in this area, will be aligned with the Regulation (EU) No 952/2013,

By the end of the first quarter of 2018, the Regulation on Customs Approved Treatment of Goods and Rulebook on the Form, Content, Manner of Lodging and Completing the Declaration and Other Documents in Customs Procedures will be aligned with the:

- Commission Delegated Regulation (EU) 2015/2446,
- Commission Delegated Regulation (EU) 2016/341 and
- Commission Implementing Regulation (EU) 2015/2447.

Proper application of these regulations will be ensured through strengthening of administrative capacities, continuous education of civil servants, through strengthening of cooperation of the customs authorities and business community, as well as inter-agency cooperation at the national level (especially regarding exchange of relevant information by electronic means).

Intellectual Property Rights

The Regulation on Conditions and Manner of Application of Measures for the Protection of Intellectual Property Rights at the Border is broadly aligned with the:

- Regulation (EU) No 608/2013 of the European Parliament and of the Council of 12 June 2013 concerning customs enforcement of intellectual property rights and repealing Council Regulation (EC) No 1383/2003, and
- Commission Implementing Regulation (EU) No 1352/2013 of 4 December 2013 establishing the forms provided for in Regulation (EU) No 608/2013 of the European Parliament and of the Council concerning customs enforcement of intellectual property rights.

With regard to national regulations governing the area of personal data protection, the Regulation on conditions and manner of application of measures for the protection of intellectual property rights at the border does not contain provisions on establishing a central database and, in this part is not aligned with the Regulation (EU) No 608/2013 of the European Parliament and the Council.

The Republic of Serbia amended the Customs Law, by which is created legal ground for amending of the Regulation on Conditions and Manner of Application of Measures for the Protection of Intellectual Property Rights at the Border. The amendments of the Regulation will be adopted by the fourth quarter of 2017 and will contain provisions on forming central database and

also on costs of storing, keeping, maintaining or destroying the goods retained in accordance with the provisions of this Regulation.

Proper application of these regulations will be provided through strengthening of the administrative capacities and continuous training of civil servants.

Cultural Goods

Legislation in the field of cultural heritage is not harmonised with the acquis of the Chapter 29. As a priority regarding the harmonisation of the legislation it is planned to adopt the Law on Cultural Heritage by the end of 2018.

Cultural goods of interest for the Republic of Serbia have special protection. In the process of harmonisation of the legislation of the Republic of Serbia with the legislation of the European Union, it is planned to adopt a new Law on Cultural Heritage, in order to fully implement:

- Council Regulation (EC) No 116/2009 of 18 December 2008 on the export of cultural goods (Codified version)) and
- Commission implementing Regulation (EU) No 1081/2012 of 9 November 2012 for the purposes of Council Regulation (EC) No 116/2009 on the export of cultural goods (codification).

Manners and procedures related to the issuance of permits for export, their form and content, and to the close definition of categories of cultural objects considered as cultural treasures will be regulated through bylaws, to be adopted by the end of 2018 based on the Law on Cultural Heritage, in line with the Council Regulation (EC) No 116/2009 and Commission implementing Regulation (EU) No 1081/2012.

Cash control at the border

There are plans to further harmonise the legislation regulating the transfer of cash across the state border with the relevant EU acquis and international standards in the area.

The provisions of the AML/CFT Law are the result of the harmonisation with international standards in this area, including the Regulation (EC) no 1889/2005 of the European Parliament and of the Council of 26 October 2005 on controls of cash entering or leaving the Community, and the FATF Recommendation 32 which is related to the control of transportation of cash across the state border.

In addition, the Rulebook Concerning the Declaration of Transfer of Bearer Negotiable Payment Instruments Across the State Border will be changed till the end of 2017 in order to harmonise the declaration form, as this form has been changed at the EU level.

Proper implementation of aforementioned legislation will be provided through the strengthening of the administrative capacity of the Customs Administration and the continuous training of civil servants and strengthening of information technologies.

Drug precursors

The Law on substances used in the illicit production of narcotic drugs and psychotropic substances and by-laws are not fully harmonized with the relevant EU regulations, so it is necessary to comply with the following Regulations which are the legal framework of the European Union for drug precursors:

- Regulation (EC) No 273/2004 of the European Parliament and of the Council of 11 February 2004 on drug precursors (Text with EEA relevance);
- Regulation (EC) No 111/2005 of the Council from 22 December 2004 (Decision of the EEA Joint Committee No 111/2005 of 30 September 2005 amending Annex II (Technical regulations, standards, testing and certification) to the EEA Agreement));
- Regulation (EU) No 1258/2013 of the European Parliament and of the Council of 20 November 2013 amending Regulation (EC) No 273/2004 on drug precursors (Text with EEA relevance);
- Regulation (EU) No 1259/2013 of the European Parliament and of the Council of 20 November 2013 amending Council Regulation (EC) No 111/2005 laying down rules for the monitoring of trade between the Community and third countries in drug precursors;
- Commission Delegated Regulation (EU) 2015/1011 of 24 April 2015 supplementing Regulation (EC) No 273/2004 of the European Parliament and of the Council on drug precursors and Council Regulation (EC) No 111/2005 laying down rules for the monitoring of trade between the Union and third countries in drug precursors, and repealing Commission Regulation (EC) No 1277/2005 (Text with EEA relevance);
- Commission Implementing Regulation (EU) 2015/1013 of 25 June 2015 laying down rules in respect of Regulation (EC) No 273/2004 of the European Parliament and of the Council on drug precursors and of Council Regulation (EC) No 111/2005 laying down rules for the monitoring of trade between the Union and third countries in drug precursors (Text with EEA relevance)).
- *Commission Delegated Regulation (EU) 2016/1443 of 29 June 2016 amending Regulation (EC) No 273/2004 of the European Parliament and of the Council and Council Regulation (EC) No 111/2005 as regards the inclusion of certain drug precursors in the list of scheduled substances*

According to the Work Plan of the Government, Draft Law on Amendments to the Law on substances used in the illicit production of narcotic drugs and psychotropic substances is planned to be adopted for the third quarter of 2017.

Mutual Assistance and International Customs Cooperation

The Republic of Serbia is cooperating with EU in customs matters on the basis of the Stabilization and Association Agreement as well as with other countries/territories on the basis of bilateral and multilateral agreements. The Republic of Serbia will check all the international agreements on mutual cooperation in customs matters concluded with third countries and start the process of their amendments in order to comply with the EU acquis, if necessary. All agreements will be adapted or terminated until the day of accession to the EU.

Serbia undertakes activities to prepare for the implementation of the CIS Convention on the use of information technology for customs purposes. Serbia shall take the necessary action in order to start applying OLAF IT tools as of the date of the accession to the EU, in accordance with

Regulation 515/1997 and Regulation 766/2008 on amendment of the Regulation 515/1997. These activities include the establishment and use of a database for the exchange of data and information in the field of customs investigations. In this regard, the Customs Administration will conduct training for customs officers to use and handle the subject application (Customs Information System (CIS) and the Customs File Identification Database (FIDE)), as well as for data management. The Customs Administration will comply with national regulations in the field of protection, use and storage of data, which must be in compliance with EU legislation (see Chapter 24 - Justice, Freedom and Security).

III. 2. ADMINISTRATIVE CAPACITIES

Administrative organisation

Serbia takes into account the fact that as of the date of accession part of the borders of the Republic of Serbia shall become external borders of the European Union and that after accession to the EU Customs Administration of Serbia will have to ensure the control control of movement of goods and passengers on these external borders of the European Union.

The Customs Administration will provide all the necessary mechanisms in order to collect, account, audit and control national and EU revenue, in an orderly and transparent manner. Also, the Customs Administration shall provide the necessary infrastructure and equipment to enable efficient customs control at all border crossings, with the aim of facilitating cross-border traffic and trade, as well as the crossing of passengers, while ensuring proper revenue collection, preventing illegal trade and protecting health and security of EU citizens.

The Law on Customs Service is in a legislative procedure and it is planned for the Government of Serbia to adopt it by the end of 2017, which will expand the powers and responsibilities of customs officers in order to increase the efficiency of customs administration in accordance with those new powers and responsibilities.

Customs Administration of Serbia nominated the Twinning light (TL) project for creating conditions for strengthening the capacity of customs laboratories whose implementation is expected to start at the beginning of 2017 (source of funding IPA 2013, CAS has allocated the necessary funds for co-financing the project). It is expected that the results of the project will be TL Guidelines for the modernization and the starting point for future projects of Customs laboratory. Customs Administration will continue to work on improving the work of the customs laboratory by using the current procedures related to customs laboratories in the European Union, and through additional training of employees in the Customs Laboratory through contacts with EU laboratories.

Customs Administration of Serbia annually adopts a program for special professional training in order to strengthen administrative capacity. The program of special training in the CAS for 2016, which includes 8 different programs, plans to implement 103 different forms of professional development (courses, seminars, lectures, workshops, round tables, etc.), both at the Vocational Centre of the CAS and in the customs offices.

The adoption of business strategy for the period 2016 - 2020, followed by the annual Action / Business Plan for the implementation of the strategy is ongoing, as well as the drafting of the document of the risk management strategy (2016-2018). Since 2006, a business plan is adopted

annually, with the activities that need to be implemented within the deadlines set for the current year in order to achieve defined priorities. The document states: organizational unit that is in charge / responsible to take measures, funding, implementation indicators and expected results. The business plan is linked to the business strategy, enables planning activities as well as defining priority areas for potential projects and monitoring the results at the end of the financial year using annual report on the implementation of the Business Plan.

Computerisation

The information system of the customs service is being developed in accordance with the development and modernization of Customs Administration, in business and technology. Although the existing IT system covers most of the business processes within the Customs Administration, continuous development and applicational and service upgrade of an existing system for processing customs declarations (Customs Declaration System), as well as Customs Management System, is necessary with the aim of computerization of customs procedures and networking with relevant EU IT systems.

Further development of the system is defined by the Business Strategy, IT Strategy and Strategy for development of interconnectivity and interoperability with EU customs IT systems. In accordance with the adoption of business strategy for the period 2016 - 2020 as well as with updating the existing IT strategy, strategic development in the area of computerization and the development and implementation of E-Systems necessary to ensure the correct application of EU policies in the area of tariffs, import / export control, trade and security measures (ICS / AESCE, ITMS, EBTI, EOS, Surveillance, etc.) will be further defined.

Comprehensive updating of the CAS business strategy and IT strategy i.e. establishment of a roadmap for the development of the system and the introduction of project management discipline is planned to be realized as one of the results of the project IPA 2013 „Support to the further modernization of the Customs Administration and the improvement of border management in the Republic of Serbia”, taking into account the necessary resources to ensure that the exchange of computerized data between Customs administration of the RS and the EU is ready and operational at the time of accession. In this sense, the purpose of the project is to create conditions for the implementation of automated import (ICSC) and export (AES) systems.

IV. ACCEPTANCE OF THE EU ACQUIS

The Republic of Serbia accepts the European Union acquis covered by the Chapter 29 – Customs Union and will be in the position to implement it fully by the time of accession to EU membership, as it stands on **30 April 2016**. The Republic of Serbia will have implemented any outstanding acquis, namely the acquis adopted after **30 April 2016**, by the date of accession, subject to the outcome of the negotiations under this Chapter.

The Republic of Serbia does not request specific adaptations under this Chapter.