

Seminar 2: Common Customs Tariff (CCT) – Removal of Customs Duties Between Member States

Reading

Barnard, Ch 3

I Introduction

- Free movement of goods rules – one of the so-called fundamental freedoms
- Separate titles in the Treaty

II Treaty Provisions

- **Articles 28-33** (creation of a customs union)
- **Articles 34-36** (elimination of quantitative restrictions)
- **Article 114** (harmonisation)

III Customs Union and Elimination of Customs Duties Between Member States

- Treaty provides an absolute prohibition on customs duties and charges having equivalent effect
- The prohibition is a “fundamental principle of the common market”

Article 28(1)

“The Community shall be based upon a customs union which shall cover all trade in goods and which shall involve the prohibition between Member States of customs duties in imports and exports and of all charges having equivalent effect, and the adoption of a common customs tariff in their relations with third countries”

2 distinct parts: (a) elimination of customs duties and charges between Member States and (b) the adoption of a CCT

IV The External Aspects of the SEM

- Common customs Tariff (CCT)
- Common Commercial Policy (CCP)

Common Customs Tariff (CCT) - Articles 31 & 32

- What is it? Uniform system of tariffs
- In place since 1 July 1968 – administered by the Commission and national customs officers – duties become part of the Community’s own resources – comprises 3 elements:
 - a nomenclature for the classification of goods
 - rules for the valuation of goods
 - rules for determining origin of the goods

NB Once goods have paid their duties then treated for purposes of free movement as Community goods.

Common Commercial Policy (CCP) (to be dealt with later)

Article 207 – exclusive competence on Community to conclude international trade agreements. (later seminar).

V The Elimination of Customs Duties (originally protectionist duties)

Article 30 – direct effect

a Direct Effect of Article 30 (standstill provision pre Amsterdam treaty) (**NB** monist/dualist)

“Customs duties on imports and exports and charges having equivalent effect shall be prohibited between Member States. This prohibition shall also apply to custom duties of a fiscal nature.”

Van Gend en Loos, Case 26/62, [1963] ECR1; [1963] CMLR 105

Facts: In 1960 Van Gend (VG) imported some chemical from West Germany into the Netherlands, and was charged an import duty of 8%, whereas they claimed that at the date of entry into force of the Treaty in 1958, the duty had been 3%. The question, therefore, arose as to whether they could invoke the standstill provision, Article 25, against the Dutch authorities before the Dutch Courts.

Case C-72/03 *Carbonati Apuani* [2004] ECR I-8027

b “All Trade in Goods”

Article 28 explicitly covers “all trade in goods”

Commission v Italy (Re Arts Treasures), Case 7/68 [1968] ECR 423; [1969] CMLR1

Facts: Italian Government had imposed a charge on the export of works of artistic value and they argued that art treasures do not come within the meaning of goods for the purposes of Article 23. The ECJ disagreed and formulated a broad definition of “goods” to include: “products which can be valued in money and which are capable of forming the subject of commercial transaction.” As the works of art had a commercial value (the Italian Government had even valued them for the purposes of imposing the export duty) they came within the scope of Article 23.

Case C-97/98 *Jorgenskiold v Gustafsson* [1999] ECR I-7319

c Goods “in Free Circulation”

Article 28(2): “The shall also apply to products originating in Member States and to products coming from third countries which are in free circulation in Member States.”

According to **Article 29** “products coming from a third country shall be considered to be in free circulation in a Member State if the import formalities have been complied with and any customs duties or charges having equivalent effect which are payable have been levied in that Member State and if they have not benefited from total or partial drawback of such duties or charges.”

Cases C-30/01 *Commission v UK* (re Gibraltar) [2003] ECR I-9481

d Charges Having Equivalent Effect

- No definition in the Treaty – CJEU's jurisprudence very important.

Commission v Luxembourg and Belgium (re Gingerbread), Joined Cases 2 & 3/62, [1962] ECR 425; [1963] CMLR 199 (protective charge)

Facts: Since 1935 Luxembourg custom duties followed the policy of Belgium. In 1957 Belgium imposed a special import duty on gingerbread because of higher cost of imported rye (the raw material). National support price system for the rye resulted in a high domestic price for rye, an ingredient of gingerbread. The Member States argued the tax was imposed on imports of gingerbread in order to compensate for the high cost.

Sociaal Fonds voor de Diamantarbeiders v Brachfeld (The Diamond Workers Case), Joined Cases 2 & 3/69. [1969] ECR 211; [1969] CMLR 335 (provision of a social benefit)

Facts: In 1960 Belgium established a Social Fund for diamond workers. In 1962 it was amended in order to provide "all persons importing uncut diamonds are required to pay a contribution to enable a fund to carry out its mission under ..." In 1962 proceedings were instituted in Antwerp against 200 diamond importers. Arrears claimed and defence of diamond importers was that the levy infringed EC Treaty because it amounted to a customs duty or charge having equivalent effect.

The Belgian government submitted in argument that the levy could not be regarded as infringing Articles 23 and 25 since it was devoid of protectionist purpose since:

- a Belgium did not produce diamonds
- b The purpose of the levy was to provide social security benefits for the workers.

Commission v Italy (Re Statistical Levy), Case 24/68; [1969] ECR 193

"any pecuniary charge, however small and whatever its designation and mode of application, which is imposed unilaterally on domestic or foreign goods by reason of the fact that they cross a frontier, and which is not a custom duty on the strict sense, constitutes a charge having equivalent effect ... even if it is not imposed for the benefit of the State, is not discriminatory or protective in effect and if the product on which the charge is imposed is not in competition with any domestic product" (paragraph 9).

Case C-72/03 *Carbonati* [2004] ECR I-8027

Case C-63/90 *Legros* [1992] ECR I-4625 (Remedies: repayment of unlawful charges)

- Prohibition of **Article 30** is absolute (no Treaty derogations) but CJEU has held in certain narrowly-defined circumstances, the levy may not constitute a charge for the purposes of **Article 30**.
 - i Where charge is imposed as consideration for a service rendered to the trader
Commission v Italy Case 24/68 (above) (Re Statistical Levy)
Commission v Belgium Case 132/82 [1983] ECR 1649 (warehousing)
Commission v Italy (Re Customs Hours), Case 340/87 [1989] ECR 1483
Cadsky Case 63/74 [1975] ECR 281 (para 8)
Bresciani Case 87/75 [1976] ECR 129 (compulsory vet health inspection on imported raw cowhides imposed on public interest therefore could NOT be regarded as a service rendered to importer (public as a whole benefited!))
 - ii Inspections carried out pursuant to Community Law
Commission v Germany, Case 18/87, [1988] ECR 5427 (protection of animals during transportation) 4 conditions listed
 - (a) not exceed actual cost of inspection
 - (b) inspection obligatory and uniform for all products concerned in the Community
 - (c) prescribed by Community law in the general interest of the Community
 - (d) promote the free movement of goods, by neutralizing obstacles which arise from unilateral measures for inspections adopted in accordance with article 30 EC Treaty.

Case 46/76 *Bauhuis v Netherlands* [1977] ECR 5
 - iii Charge which falls within the scope of internal taxation. [But see **Article 110**]
- NB** Mutually exclusive – a tax not satisfying a genuine test, relating to a general system of internal dues applied systematically to categories of products in accordance with objective criteria irrespective of origin of products.
- NB** Relationship between customs duties/taxation/State aids