

9 September 2011

Screening report

Iceland

Chapter 29 – Customs Union

Date of screening meetings:

Explanatory meeting: 8-9 March 2011

Bilateral meeting: 5-6 April 2011

I. CHAPTER CONTENT

The customs union *acquis* consists almost exclusively of legislation which is directly binding on the Member States, ensuring the functioning of the customs union and the effective protection and control of its external borders. It includes the EU Customs Code and its implementing provisions, the Combined Nomenclature, common customs tariff and provisions on tariff classification, customs duty relief, duty suspensions and certain tariff quotas, and other provisions such as those on customs control of counterfeit and pirated goods, drugs precursors, export of cultural goods, as well as on mutual administrative assistance in customs matters and transit. The *acquis* consists mainly of a number of instruments ensuring the functioning of the customs union and the effective protection and control of its external borders.

Member States must ensure that the necessary implementing and enforcement capacities, including links to the relevant EU computerised customs systems¹ are in place. The customs services must also ensure adequate capacities to implement and enforce special rules laid down in related areas of the *acquis* such as external trade, health and security provisions.

The chapter is partially covered by the EEA.

II. COUNTRY ALIGNMENT AND IMPLEMENTATION CAPACITY

This part summarises the information provided by Iceland and the discussions at the screening meeting. Iceland indicated that it is aware of the obligations stemming from the *acquis* regarding customs union and the challenges that this would entail for Iceland. It indicated that it expects some difficulties to implement the *acquis* by accession, notably with regard to administrative capacity and IT interconnectivity. Furthermore, Iceland indicated that the application of the EU external tariff would potentially have a negative effect on its aluminium industries and that preventive measures regarding border control to protect cargo from any kind of terrorism or other illegal activities might become less effective.

By Iceland's accession to the EU, the application and enforcement of the *acquis* on customs union will need to be ensured.

II.a. Customs legislation

General customs rules and procedures

The fundamental acts of the customs legislation of Iceland are the Customs Law nr 88/2005, Regulation nr 630/2008 on preferential customs treatment of various types and the Regulation on the custody and customs clearance of goods nr 1100/2006. The Administrative Procedure Act nr 37/1993 is also applicable.

¹ For example: the Integrated Tariff Environment (TARIC, QUOTA, Surveillance, etc), transit (NCTS - New Computerised Transit System), export and import controls (ECS – Export Control System, ICS – Import Control System), economic operators (EOS – Economic Operators System), risk management (RIF) etc.

The customs territory of Iceland consists of the territory of the Republic of Iceland, the sea within the 12 nautical miles from the coast as well as the airspace above.

Iceland accepts both direct and indirect representation, the traders being capable to interact directly with Customs or through a customs broker authorised by the Customs Directorate. Currently, Iceland does not apply any system similar with the Authorised Economic Operators system functioning in EU.

A customs debt is incurred when a permit is issued for the release of goods for domestic use; goods have to be declared no later than six months from the date of arrival of the transport vessel into the country, unless the goods are transferred to a bonded warehouse.. The customs debt should be paid by whoever imports goods for resale, for delivery without remuneration or for own use, or whoever becomes responsible for the payment of duties (ex. broker acting in behalf of an importer). Deferred payment of duties is allowed for companies which pay VAT and can compensate their debits/credits to the state (deferment of up to two months after clearance) and for express consignments.. The reassessment of duties for electronic declarations can be performed for a period of six years from clearance; for the declarations presented on paper the reassessment is possible only within 60 days from clearance (see also point IIb).

In case of disputes concerning Customs decisions, complaints must be submitted in writing to the Directorate of Customs within 60 days. The ruling of the Directorate, to be issued within 30 days, can be appealed to the State Customs Board for a final administrative decision.

The entry of goods into Iceland, with the exception of passenger and crew luggage, is allowed only on the basis of a manifest submitted in advance by a transporter to Customs. All consignments in a manifest receive a reference number.

After entry, the goods may be cleared directly or stored in temporary warehouse until their release or movement is authorized by Customs. Temporary storage (i.e. before assigning goods to an approved treatment or use) is allowed in one of the following types of warehouses: clearance warehouses of transporters and brokers; bonded warehouses; warehouses for duty free supplies; duty free shops (at exit but also at entry); free zones; or transit warehouses.

As described above, Iceland uses a system of temporary warehousing which it indicated has some common points with the EU concept of warehousing (for example authorisation by Customs, guarantees or use of invoices for bonded warehouse). The free zones are foreseen in the Customs law but none is functioning in practice.

From the point of view of customs approved treatment or use, as defined in the *acquis*, Icelandic legislation contains provisions on release for free circulation (import), transit, temporary importation and export, as well as warehousing and free zones. Nevertheless, the level of alignment between the EU and Icelandic provisions can vary a lot, depending on each type of specific treatment or use. At import, after the submission of the manifest, the import declarations are to be presented to Customs in a specific format (not aligned with the Single Administrative Document). Iceland is using simplified declarations and procedures only for postal consignments, small consignments, goods not registered on a manifest or provisional customs clearance based on incomplete commercial documents. Iceland stated that the verifications during clearance (examination of declaration, request

for documents, examination of goods, samples) are similar with the ones performed in EU. The same applies for export, where the procedures are relatively similar to EU-procedures except in the form of the declaration and use of some simplified procedures.

Transit is defined as the transportation of goods within the customs territory of Iceland under customs control (surveillance) from an arriving vessel on board an exporting vessel provided that the destination of the goods is a country other than Iceland. The transportation of goods for transit is subject to customs surveillance. The import or export of goods in transit is not allowed without a customs declaration and clearance. Iceland is a member of the Convention on a Common Transit Procedure and is linked to the New Computerised Transit System (NCTS) system through Norway.

Temporary importation is possible for goods sent temporarily for exhibitions, trials or transport, as well as for temporary use in scientific, artistic, professional or rescue purposes. Iceland is a member of the Convention relating to Temporary Admission of Goods (ATA). A procedure, similar to the EU inward processing, is available for repairs or processing to prevent the shrinkage and damage of exported goods, on imports of raw material, packing and machinery, but re-export is not required. Outward processing is only allowed if goods do not undergo transformation to such an extent as to alter their classification abroad.

Finally, the Customs Law 88/2005 of Iceland lists, under Article 195, a series of fees/charges for services rendered by customs. Some of these are justified because they are related to services rendered by customs outside regular opening hours or on specific request. Others (like costs for data transmission, costs for sealing of goods, surveillance costs) are not aligned with the acquis (Art 28 of the TFUE) prohibiting charges of an equivalent effect to customs duties.

Customs valuation

Iceland applies the provisions of Article VII of the GATT and of the Agreement on implementation of Article VII of GATT, in its customs legislation. The transaction value is the basis for valuation. In the case of imports, the cost of transport, handling and insurance to the port of importation is taken into account for establishing the value in customs, even if these costs were not actually incurred. According to the Agreement implementing Art VII GATT, in case of doubts on value, Customs may require further information from the trader, and may apply alternative methods of valuation according to the hierarchy established by Art VII Agreement. Special rules are set out for valuation of vehicles, for which alternative sources of valuation (price lists for similar cars) are allowed to determine a reference value to be compared with the actual transaction value.

Customs classification and tariff

Iceland uses an 8-digit structure of the customs tariff. While the Icelandic and EU tariffs are identical at the level of the Harmonised System (first 6 digits of any tariff code), the last two digits (digits 7 and 8) are different. The tariff is published on a webpage of the Customs and is accessible to the public.

The Customs Directorate can issue binding classification decisions, which Iceland stated are - to a certain extent - similar with the EU binding tariff information (BTI). For classification, the Customs officers have access to a range of information sources and

explanatory notes published by the World Customs Organisation; the EU tariff database (TARIC) and BTI database; US database of customs rulings; and information provided in the framework of the Nordic Cooperation.

Iceland applies tariff suspensions and tariff quotas. Tariff suspensions can be temporary (ex. seasonal suspensions for vegetables and meat) or permanent (ex. for stimulating production in various economic sectors). Tariff quotas are auctioned by the Ministry of Fisheries and Agriculture and attributed to the highest bidder.

Rules of origin

In addition to the EEA with the EU, Iceland has concluded free trade agreements (FTAs) through the EFTA Convention with Norway, Liechtenstein and Switzerland and, together with the EFTA States, concluded FTAs with 18 free trade partners, 16 of which are already in force. In addition, Iceland has concluded FTAs bilaterally with the Faroe Islands and Greenland.

Iceland has no provisions at national level on non-preferential rules of origin.

The rules on preferential origin are based on the provisions in each individual FTA concluded. Iceland informed that rules identical to those of the EU are applicable for the FTAs with countries that participate in the system of Pan-Euro-Mediterranean cumulation. Within the FTAs with countries outside the system of Pan-Euro-Mediterranean cumulation of origin, Iceland, along with the other EFTA States, applies rules of origin that are based on the Pan-Euro-Mediterranean system which provides bilateral cumulation. Accordingly, the rules applicable to proofs of origin (movement certificate EUR.1 and declaration of origin) or approved exporters, are similar with the ones applied by EU.

Iceland grants Generalised System of Preferences (GSP) to a list of 50 countries. However, Icelandic legislation has not yet been aligned with the latest list of Least Developed Countries (LDC), as published by the United Nations.

Icelandic legislation envisages the possibility for the Customs authorities to issue binding origin information (BOI) upon request from an applicant. However, implementing rules on issuing BOI's are further needed to allow the application in practice of this possibility.

Duty relief

Duty relief is regulated in the Customs Act nr 88/2005 and the Regulation 630/2008 on Various Customs Privileges. Iceland indicated that it has provisions similar to those of the EU concerning personal luggage; education, scientific and cultural material; goods for charities; decorations or awards; presents received in international relations; fuel and lubricants for means of transport under temporary importation; promotional goods and goods imported temporarily for exhibitions and fairs. However, some discrepancies with the EU *acquis* exist in relation to other categories of goods under duty relief (see section IIIa).

The Customs Act allows for the operation of duty-free shops at entry, limited to certain products (alcohol, tobacco, candy, perfumes and cosmetics, DVDs, CDs and tapes, toys, electrical equipment, including cell phones, and some other minor items).

Security aspects of the Customs Code

Iceland is part of the World Customs Organisation (WCO)'s framework of Standards of Security and Facilitation since 2005 and is participating in several international initiatives related to security (ex. Regional Intelligence Liaison Office Western Europe, EUROPOL, Nordic Cooperation). With regard to operational capacity, Customs is already endowed with adequate inspection equipment and regularly uses risk selection criteria in its IT system.

Icelandic Customs does not use a similar system of entry/exit summary declarations as that of the EU, relying mostly on the analysis of data in the cargo manifests or passenger lists. According to its legislation, traders or transporters have a general obligation to provide Customs with information related to security. Since 2004, Iceland has implemented a cargo security system which includes the possibility for operators to become certified secure cargo handlers. As of 2011, 258 operators in Iceland were granted the status of Secure Cargo Handler, and over 50,000 containers were dealt with under this specific procedure in 2010. Any Icelandic company or individual person dealing with Customs is identified through a 10 digit unique number (Personal Identification Number).

Intellectual property rights

(see also chapter 7 – intellectual property law)

Beyond the legal acts mentioned at the beginning of this chapter, the legal basis is complemented by the Act on Trademarks nr 45/1997, the Act on Copyright nr 73/1972 and the Act on Protection of design nr 46/2001, as well as various implementing provisions.

As required under the EEA, Iceland has ratified the Paris Convention for the protection of industrial property, the Bern Convention for the protection of literary and artistic works, the Rome Convention for the protection of performers, producers of phonographs and broadcasting organisations, the Protocol to the Madrid Agreement on the international registration of marks, the Nice Agreement on the classification of goods and services for the purpose of registration of marks, the Budapest Treaty on the international recognition of the deposit of micro-organisms for the purpose of the patent procedure, the Patent Cooperation Treaty of 1984 and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement).

Customs intervention can be set in motion *ex officio* or upon application of the rights holder providing information that goods suspected of infringing intellectual property rights are being imported into Iceland. Subject to the provision by the rights holder of adequate evidence that he/she is the holder of right protected in this country, that importation of the goods would cause infringement of such right and that a description of the goods is given, Customs is authorized to suspend clearance of goods for a period not exceeding 10 working days, while the rights holder seeks provisional measures from the competent authorities, and following that, initiates judicial procedures. The mentioned time limit may be extended for another 10 days when special circumstances apply. Customs requests the applicant to deposit security instruments for possible compensatory damages until a valid court judgement is made.

In the case of *ex officio* procedures, the Customs can, on its own initiative, suspend the customs clearance of goods in respect of which it has acquired satisfactory evidence that an intellectual property right is being infringed. Customs shall promptly inform the rights holder in writing, giving him/her a deadline of 3 working days from the receipt of the letter to make a request for suspension. In the absence of such request, the goods may be cleared.

Cultural goods

The legal basis in this field is Act nr 105/2001 on the export and return of cultural objects, together with Customs Law nr 88/2005. Similar to EU Member States, Iceland is a member of some international conventions adopted under the aegis of UNESCO protecting cultural goods and heritage (the Convention for the Protection of the World's Cultural and Natural Heritage; and the Convention on the Protection of Cultural Property in the Event of Armed Conflict).

Administratively, the Museum Council of Iceland is the competent authority for issuing export licences for cultural goods. The forms (application, licence) are similar with the ones used in the EU; the licences are transmitted electronically to Customs, who is responsible for export controls. The export of cultural goods without licence is prohibited and such objects that have been unlawfully removed from another country have to be returned to their origin. When Customs discover illegal exports or imports of cultural goods, or have reasonable grounds for suspecting it, goods are seized temporarily and investigations are carried out.

Cash control at the borders

(See also chapters 4 – Free movement of capital and 24 – Justice, freedom and security)

Cash controls are based upon the Customs Law nr 88/2005 and Law nr 64/2006 on Money laundering and the financing of terrorism. As EU Member States, Iceland is party of the International Convention for the suppression of the financing of terrorism and is also a member of the Financial Action Task Force (FATF). Certain rules on capital controls, which were introduced by the Central Bank of Iceland as a response to the financial crisis, also affect cash control at the borders. These rules are foreseen to be removed gradually by the end of 2012.

Iceland stated that, similar to the EU, it applies a ceiling of € 10,000 (or equivalent in other currencies) for the declaration of cash at the border. Customs can seize any undeclared amount of cash found in excess of € 15,000 if there is suspicion of possible criminal acts associated with the money. Customs are responsible for the implementation of cash controls at the borders, and are in charge of the preliminary investigation and the seizure report; further investigations, when warranted, are then performed by the Police.

Drug precursors

(See also chapter 24 – Justice, freedom and security)

The Icelandic legal base in this field is the Act on narcotics and psychotropic substances nr 65/1974, and the Regulation of narcotic drugs and psychotropic substances and other controlled substances nr 233/2001. Iceland is party of the UN Conventions on Narcotic

Drugs and on Psychotropic Substances and of the 1988 UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. Also, Iceland implements Regulations (EC) 273/2004, 1277/2005 and 111/2005 on drug precursors according to its EEA obligations.

The implementation of the provisions related to drug precursors is under the general competence of the Ministry of Welfare. Customs has the role of ensuring implementation of the legal framework and also performs customs controls on goods and documents. The import and export of drug precursors are subject to authorisations issued by the Icelandic Medicines Agency. The Customs Directorate has built some filters into the IT clearance system which allow an automatic surveillance and reporting of the trade with precursors. In case of offences with drugs or drug precursors, investigations are performed by the Police with the help of Customs.

Mutual administrative assistance and international customs cooperation

Iceland participates in the mutual administrative assistance in customs matters with the EU in accordance with Protocol 11 of the EEA Agreement. Iceland is also a member of the World Customs Organisation. Iceland has concluded customs cooperation agreements with the Nordic countries, Germany and Poland, and implements customs cooperation provisions included in the relevant FTAs as a member of the EFTA.

II.b. Administrative and operational capacity

Administrative organisation

The Ministry of Finance is the highest customs authority in Iceland.

The Revenue and Taxation Department is in charge of the implementation of the main Customs policy lines established at the level of the Ministry of Finance, as well as with the coordination of legal aspects, collection of taxes and international issues. The Department has 14 employees.

The Directorate of Customs is an independent agency within the Ministry of Finance and since January 2009 it is organised in one single district covering the entire customs territory of Iceland. It employs in total 225 staff and is divided into two core Divisions (Collection and Customs), two support Divisions (Administration and Human Resources), as well as the Office of the Director General, and an Internal Audit Office. In addition to the headquarters, it is comprised of 10 customs offices distributed over the territory.

Since 2001, Icelandic Customs has in place a performance management agreement with the Ministry of Finance, on the basis of which annual and five-year strategic plans are developed, setting out projects and performance objectives. The Internal Audit Office is under the responsibility of the Director General and consists of one person.

The Customs Directorate conducts investigations on cases where there is a suspicion of Customs related fraud, and if needed, prepares criminal cases for further investigation by the National Commissioner of the Icelandic Police and for the Directorate of Public Prosecutions.

Finally, the State Customs Board rules in cases of disagreement between the traders and the Customs Directorate. The decisions of the Board are final for the administrative procedure; they can be contested only in court. The Board has 4 members and 1 employee.

Computerisation

The Icelandic Customs Administration makes extensive use of information technology (IT) to manage customs procedures, including in relation to risk analysis. The Customs IT system is connected to shipping companies, traders and other government departments. All of the offices are connected to the central IT system. Close to 97% of customs declarations and of import/export manifests are dealt with electronically; paper declarations are allowed in exceptional cases (ex. small companies). The collection and reimbursement of duties is done electronically, with a direct link to the State revenue accounting system.

Iceland is linked to the New Computerised Transit System (NCTS) system through Norway.

III. ASSESSMENT OF DEGREE OF ALIGNMENT AND IMPLEMENTATION CAPACITY

Overall, Iceland's legislation in the field of the customs union is aligned with the EU *acquis* to a large extent. However, there are discrepancies in several areas, in particular in the fields of customs rules, procedures with economic impact and security aspects. Furthermore, Iceland needs to reinforce its administrative capacity to enforce the customs rules and develop a comprehensive strategy to develop the necessary IT systems to exchange information with EU Member States by the time of accession.

III.a. Customs legislation

General customs rules and procedures

The level of alignment is generally good. The basic customs concepts and definitions are incorporated in the customs law and some customs procedures are applied. The following discrepancies with the *acquis* have been identified:

- Iceland needs to align its legislation to a number of definitions and concepts contained in the EU Customs Code (ex. customs procedures).
- The rules concerning incurrance, recovery, deferral, repayment and extinguishment of debt differ at the level of detail (ex. different time limits, different treatment for particular cases like VAT paying companies or express consignments).
- The concept of Authorised Economic Operator and some simplified procedures (ex. local clearance, entry into records) are not applied.
- Iceland does not use the data elements as required and defined for customs declarations in the implementing provisions of the EU Customs Code.
- The rules applicable to inward and outward processing are significantly different from the ones provided by the *acquis* (including authorisations, the system of

suspension/drawback for inward processing, limitations on the types of goods which can be declared under these procedures).

- The rules applicable to warehousing are significantly different from those provided by the EU Customs Code (including different types of warehousing, declaration and movement of goods under warehousing regime).
- Icelandic legislation does not provide for processing under customs supervision.
- Iceland applies certain fees for customs services which are not compatible with the EU *acquis*.

Customs valuation

The level of alignment is very high, since Icelandic legislation is modelled on WTO rules. The following discrepancies have been identified:

- The use of reference prices for the valuation of specific products (second-hand vehicles) is not in line with the EU *acquis*.
- Currently, Iceland is not using the declarations of particulars relating to the customs value, or the simplified procedures for low-value consignments as required by the *acquis*
- Provisions related to the inclusion in the customs of value transport costs which were not actually paid, are not fully aligned with the *acquis*

Customs classification and tariff

The level of alignment of Icelandic legislation on classification and tariff is high. Its tariff classification mirrors the Combined Nomenclature up to the first 6 digits; Binding Tariff Information (BTIs), tariff quotas and suspensions are applied, but some provisions are not aligned as listed below. However, the following main discrepancies have been identified:

- Significant differences exist in the Icelandic tariff classification compared to the Combined Nomenclature (at 8-digit level).
- Differences exist between the Icelandic classification rulings and the EU system of BTIs concerning the issuing time (shorter in Iceland), validity (indefinite in Iceland, 3 years in the EU), public character, lack of implementing provisions for classification rulings as well as the possibility to issue classification rulings at the request of non-residents.
- The management of tariff quotas and suspensions differs regarding the allocation system (first come first served in EU, bidding system in Iceland) and use of licences in the clearance process (e-licences in EU; manual processing in IS).

Rules of origin (see also Chapter 30 External relations in what concerns the FTA's)

Due to Iceland's membership to the EEA, the level of alignment in the field of preferential rules of origin is high. However, the following discrepancies have been identified:

- Iceland is currently not using the concept of non-preferential origin, and the issuing of binding origin information (BOI) is not yet possible in practice.
- The rules on granting preferential origin are to a certain extent different from the rules used by the EU, especially concerning the Generalised System of Preferences (GSP), e.g. types of cumulation existing in the framework of GSP rules of origin, the list of Least Developed Countries (LDC) and rules of origin applicable to such countries. Additionally, supplier's declarations will have to be introduced.

Duty relief

There is a satisfactory level of alignment in this field. Duty reliefs are applied in Iceland, but several differences exist between the Icelandic legislation and the EU *acquis*:

- Certain circumstances for granting relief that exist in the EU *acquis* either are not present in Icelandic legislation (Chapters IV, V, VII-IX, XII, XIII, XVI, XXII, XXIV, XXV-XXVII, XXIX, XXX, Title III of Regulation EC 1186/2009) or are treated differently (Chapters I-III, VI of the same Regulation).
- Duty relief is provided in Iceland for certain products and circumstances, which are not allowed under the EU *acquis* (e.g. goods on board vessels, empty packaging used in export, certain reliefs for industrial and horticultural products, new investments, aluminium industry, etc.).

In particular, the conditions for duty reliefs provided in some legal acts (Act nr 99/210 regarding new investments in Iceland, Act nr 57/2010 on authorisation to negotiate a data centre, and Acts related to the aluminium industry) need to also be assessed from the point of view of the State aid rules (see chapter 8 – Competition policy).

Iceland allows operations of duty-free shops selling to incoming passengers at its international airport. This is not allowed under the EU *acquis*.

Security aspects of the Customs Code

The level of alignment is limited. Certain security procedures for incoming and outgoing shipments are in place in Iceland. However, Icelandic legislation does not provide for entry/exit summary declarations, Authorised Economic Operators and uniform IT-based risk selection criteria. Iceland will have to implement, by the time of accession, the procedures and tools used in the EU for security and registration/authorisation of economic operators (ex. RIF, EOS).

Intellectual property rights (see also chapter 7 – Intellectual Property Law)

The level of alignment is very high and rules of IPR protection are applicable to import procedures. The following discrepancies have been identified:

- Icelandic legislation on intellectual property rights is not applicable to exports, transit and other suspensive procedures.
- The system of guarantees/securities is not fully in line with the EU *acquis*.

- There is no possibility under Icelandic customs legislation for the rights holder to be informed by customs of the names and addresses of the consignee, the consignor, the customs broker or the holder of the goods and the origin and provenance of goods suspected of infringing an intellectual property right; or time limits for intervention needs further fine-tuning alignment with the *acquis*.
- Applications by rights holders are only accepted on case by case basis, since it is not possible for the right holder to request long-term surveillance on IPR infringing goods.

Cultural goods (see also chapter 26 – education and culture, for reference to international UNESCO conventions)

The level of alignment is high. Iceland will need to adapt its legislation to:

- Align with the Annex to Regulation no. 3911/92 and make reference to the Combined Nomenclature;
- Align the licence form to the model set out in Annex I of Commission Regulation no. 752/93, as last amended by Commission Regulation no. 656/2004.

Cash control at the borders

Icelandic legislation in this field is highly aligned with the *acquis*. The following discrepancies have been identified:

- The details of the cash declaration form are not identical;
- The limits for seizure of cash are not harmonised and the procedure to be followed after the seizure of undeclared cash are different.

Drug precursors

Due to Iceland's membership to the EEA, the EU legislation in this field has been fully transposed in Iceland.

Mutual administrative assistance and international customs cooperation

Iceland cooperates on customs matters with the EU in the framework of the EEA Agreement. However, it is not a member of the Convention on Transports Internationaux Routiers (TIR Convention), the Convention on the harmonisation of frontier controls of goods or the revised Kyoto Convention. As regards the agreements that Iceland has concluded with third countries, Iceland needs to confirm its readiness to bring these agreements into compliance with the *acquis*, or to denounce them if they are not compatible with the *acquis* (see also Chapter 30 – External relations).

III.b. Administrative and operational capacity

Administrative organisation

Upon accession, the Icelandic customs administration will have to manage and control Iceland's borders, which will then also be external borders of the Union, in the interest of

the EU. The customs *acquis* must be implemented in a homogeneous and harmonised way at any point of the border of the Union. Iceland has already in place the necessary structures to this purpose, but it will need to strengthen them in order to be able to fulfil its obligations as a Member State upon accession.

The Icelandic customs administration must guarantee that the development and implementation of a revenue collection and management strategy will enable domestic and EU customs revenues to be accurately collected, accounted, disbursed, reported and audited, both nationally and by the EU. This requires Iceland to develop policies, systems, procedures, technologies and instruments compatible with EU requirements and standards.

The Icelandic customs administration will be requested to have in place all necessary facilities to ensure straightforward and efficient customs control operations at borders and inland offices, capable of facilitating a flow of legitimate passengers and trade while ensuring collection of national and EU revenue and the protection of national and EU citizens.

Computerisation

Accession to the EU requires that a number of customs procedures are fully computerised and that IT systems used by the customs administrations are compatible and inter-connected with all operational EU systems at the time of accession.

As regards transit procedures, Iceland is connected to the New Computerised Transit System (NCTS) via Norway. Upon accession, Iceland will have to develop and deploy its own national transit IT system, and ensure that it is compatible and inter-connected with NCTS in place in all Member States and the other contracting parties of the CTC.

Apart from the above-mentioned connection to the NCTS via Norway, Iceland at present does not have other IT systems that are inter-connected to the EU IT systems.

Consequently, the Customs Administration will be required to develop national IT applications/systems interoperable with EU IT Customs Union systems in the area of external tariffs, commercial policy measures, export and import controls, registration and authorisation of economic operators and security and risk management, in the framework of a coherent IT interoperability strategy. The required development of and changes to the systems required for interconnectivity (ex. TARIC, EOS, etc.) will have an important impact on the existing import and export declaration processing systems. This will have to be taken into account in the IT strategy and the IT planning schedule. The current CCN connectivity situation (i.e. usage of the Norway CCN GW) needs to be updated upon accession and the provision of a dedicated CCN site for Iceland needs to be added in the IT strategy & IT planning.