

## **ELECTRONIZATION OF THE BULGARIAN CUSTOMS ADMINISTRATION**

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### **Abstract**

*Customs has a significant potential to protect the public against the proliferation of pirate and fake goods, as it is the first barrier in front of them. The damage that these products cause to the economy in general and the risk for consumers determine the ultimate responsibility of the Customs authorities to prevent them.*

*The purpose of this study is to track down and present: the historical development of the Customs administration; electronization of the Customs administration and Customs services; advantages and disadvantages of electronic Customs services in facilitating trade with goods which ensure the safety of goods and security of European citizens after Bulgaria's accession to the Community.*

*The scientific methods used in the paper were as follows: characterization for experience and observation, source criticism, deduction.*

*Priority for the Bulgarian customs administration after the accession of Bulgaria to the European Union is uniform application of European customs legislation, procedures and tools for customs control of the EU in different areas of customs law. Consequently, the following actions are performed: optimizing the structure and composition of the customs administration; electronization of customs administration; new electronic systems are introduced, facilitating the processing, control and commercial operations of the flows of goods; Customs perform new tasks and responsibilities, on the one hand related to securing revenues not only for the state budget but also for the European Union budget and on the other hand protecting the interests of the Community and its citizens from violations and supply of contraband and fake goods. Customs gained paramount importance for the protection of the EU - its financial interests and those of the Member States and its protection from unfair and illegal trade while supporting legitimate economic activity and its competitiveness. Together with the other law enforcement agencies, customs administrations ensure the security and the safety of EU economic operators, citizens and the environment in the EU.*

*Keywords: electronic customs, customs services, international trade, goods*

### **Introduction**

The idea of a united Europe and the pursuit of its realization are associated with the theories and concepts that have arisen in the late nineteenth and throughout the twentieth century. The realization of these ideas began after World War II, and the main driving force of desire for unity is on the one hand that experiences during the war should not be repeated on the other hand the need for rapid economic recovery and facilitating trade with goods.

The main objective of the European Union (EU) is to protect the interests, health and safety of the European citizens and to ensure that the internal market is open, fair, transparent and excludes improper tradesmen. At the same time through the implementation

of various policies the EU helps consumers and economic operators<sup>1</sup> to take full advantage of the opportunities offered by this market. Bulgaria's accession to the EU and its commitments as an external border of the Community set specific requirements towards Bulgarian customs administration for the fulfilment of effective border control and the protection of intellectual and industrial property rights (Shekerova & Cheshmedzhieva 2006).

In recent years, dangerous imitations threaten Europe and the whole world. Working faster than the counterfeiters is a requirement to overcome their distribution. This requires these goods to be identified, new routes for distributing fake goods to be revealed in order to protect the health and safety of the citizens and the economy of the Community. The EC report states that over 80% of the seized fake goods come from China. In the field of medicines India is number one, followed by the United Arab Emirates and China. These three countries provide a total of more than 80% of fake drugs. In the food sector dominates Turkey, while in electrical appliances the first place is for Malaysia.

Customs have a significant potential to protect the public against the proliferation of piratic and fake goods, as they are the first barrier in front of them. The damage that these products cause to the economy in general and the risk for consumers determine the ultimate responsibility of the customs authorities to prevent them.

**The purpose** of this study is to track down and present: the historical development of the customs administration; electronization of the customs administration and customs services; advantages and disadvantages of electronic customs services in facilitating trade with goods which ensure the safety of goods and security of European citizens after Bulgaria's accession to the Community.

## **1. Brief History of the Bulgarian Customs administration**

The Bulgarian Customs administrations in its historical development passes through seven successive stages:

- founding of the Customs administration;
- development of the Customs administration by the end of the XIX century;
- the first decades of the twentieth century;
- changes in Customs until 1944;
- state monopoly on imports and exports - 1944-1989;
- Bulgarian Customs: future external border of the EU – after 1990;
- Bulgarian Customs after EU accession.

**Founding of the Customs administration.** The foundations of the Customs administration in Bulgaria are laid down by a Decree №2 on July 7, 1879 (the date of birth of the Bulgarian Customs Administration) issued by Prince Alexander I Battenberg, which established the customs. They are the first administrative offices established in Bulgaria after the liberation from Ottoman yoke. Customs is established immediately after the appointment of government with considerations to protect the interests of the Principality. Twelve customs were created in the Principality of Bulgaria, located on the Black Sea, the Danube and the land borders. So the construction of the customs administration began. In the Principality the customs office was of a great importance, and because of that Prince Dondukov-Korsakov approved the first regulations in customs organization. During this period the first Bulgarian Customs Act, Customs Code, Common Customs Tariff with specific duties, the first Bulgarian autonomous tariff (it is the first attempt to replace the ad valorem duties with specific duties) were prepared.

**Development of the Customs administration by the end of XIX century.** Flexible customs policy began after the Liberation of Bulgaria in terms of organizing customs

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<sup>1</sup> subject involved in the course of its business in activities covered by customs legislation

activities and settling different types of customs matters, as well as regarding the conclusion of commercial contracts. In this period the main roads of the principality to trade with foreign countries were two: Black Sea - on the east and the Danube – on the north. Customs in Ruse, Vidin, Lom and Svishtov, service exports and imports to and from countries of Western Europe, South America, Serbia and Turkey. In 1887 with a passed law the first commercial contracts were approved and came into effect. In 1889 England was the first to make a contract with Bulgaria, recognizing its right to tax goods not only with a duty (on their real value), but also with municipal tax and excise duty. The term was one year with possible extension. These relations continued annually until 1894, when new contracts were made for term of two years based on the increase of import duties (Valkova, Alichkova, Tsvetkova, Penkova & Penev 2009).

In 1897 trade agreements were concluded with Austria-Hungary, England, Italy, France, Serbia and Russia, which was not only an economic but also a political success of the Bulgarian principality. They agreed on differentiated rates of duty as the lowest ones were on raw materials for industry and crafts, higher ones for semi-worked products and highest for finished products. Besides the higher duties, which provide more receipts to the state budget the established by these contracts regime confirms that Bulgaria won the right to subject the imported goods to excise, municipal and other taxation. The trade agreement with Serbia established a special regime for frontier trade. The relations with Turkey were governed mainly by an agreement of 1900, which provided reciprocity in the taxation and acquaintance of certain goods from customs duties and excise duties.

**The first decades of the twentieth century.** During this period of historical development of customs in Bulgaria for the first time some customs documents are written and updated: Rules of Customs in 1900; The first specific Customs Tariff of 1906; The Customs Act of 1906; Tariff for imports from 1922.

Based on the first specific Customs Tariff new trade agreements with Russia, Germany, England, France, Italy, Romania and Austria-Hungary were concluded. The transition to specific taxation on goods created a lot of difficulties in the work of the customs appraisers. They were required to have extensive knowledge about the quality of goods, their origin, processing and use, as well as skills to interpret articles in the tariff and to have greater efficiency. At first customs officials did not have such special training. This led to strong tension and sharp disputes with the traders.

Novelties in the Customs Act 1906 are related to: features into the system of customs taxation; organization in customs management; increased responsibility of customs officials to the Ministry of Finance and the Supreme Audit Office; newly established chemical laboratories at customs, in which prerogatives include “determining the type, quality and constituent materials of imported goods and goods subject to excise duty; analyzing imported drinks and food, according to the law of sanitary supervision”. By order of the Minister of Finance in 1913 a central chemical laboratory was established, in which control analyzes of contentious goods in taxation were carried out (Valkova, Alichkova, Tsvetkova, Penkova & Penev 2009).

Customs institution conducted adequate policy during the wars (1912-1918 AD), from customs duty were released import of medicines and hospital equipment, aids and donations to soldiers at the front, even overseas manufactured orders and medals. The customs duty-free importation and exportation of refugees’ household goods and livestock, including aid from Germany and the USA was arranged by a law.

The idea was the new customs tariff for imports from 1922 to be simultaneously fiscal, protective and prohibitive in all its aspects of implementation. The considerations for this were not only fiscal, but political and economic as well. The large financial obligations of Bulgaria after the war imposed increase of some custom duties. The increased imports of foreign goods, accompanied by the export of Bulgarian money led to a significant

depreciation of the lev. Therefore only raw materials needed for domestic production were imported free of custom duty. Protectionist tariffs were implemented for goods produced in the country - more moderate for the essential ones and more sensitive for the others. Imports of luxury goods were minimized. As a result of the new Customs Policy, the revenue from import custom duties increased significantly. The new tariff had a beneficial impact in terms of local production, attracting more capital to the industrial and craft industries and protecting them from foreign competition.

**Changes in customs until 1944.** In 1925 a Bureau for smuggling prosecution, which operated less than a year was created. In 1926 Administrative Bureau, which included activities in pursuit of smuggling and application of customs legislation except for affecting custom tariffs opened.

During the war the Customs Act was amended to provide relief facilities and incentives relating to exemption from customs duties and other taxes, products of local industry in exports and imports of all raw materials, wrapping, packing and preservative substances necessary for manufacturing, packaging, wrapping and preserving the intended for export products (Valkova, Alichkova, Tsvetkova, Penkova & Penev 2009).

**State monopoly on imports and exports: 1944-1989.** The Customs Administration had in its structure four sections: administrative, cash and accounting, tariff and control of chemical laboratories. It included also the customs inspection, as well as expert and audit committee.

The Customs Act of 1906, though amended and supplemented, couldn't meet the new requirements for customs and in 1948 the Grand National Assembly voted for a new Customs Act, which repealed the former one. It settled mainly substantive relations between customs, companies and individuals who import and export goods as the procedural orders were left to the individual rules and regulations. Significant adjustments were made by specifying the concepts of customs territory, border belt, customs roads and others, and also official competences of the customs authorities were defined. The private import and export of samples and goods for commercial purposes or for production was prohibited.

The Customs Act adopted in 1948 underwent a change in 1949, according to which from January 1<sup>st</sup>, 1950 customs passed from the Ministry of Finance to the Ministry of Foreign Trade. Customs currency declaration had to be filled by travelers and tourists. Customs offenses were distinguished by giving customs the right to impose fines of a certain minimum to a set up maximum. A customs tariff for taxation with customs duties on items imported and exported for personal use by individuals was approved. Six years later, customs were returned to the Ministry of Finances. This contributed to a better conduct of financial and exchange control of the Ministry of Finance and provided periodic and full receipts in budget revenues from foreign trade activity (Valkova, Alichkova, Tsvetkova, Penkova & Penev 2009).

In the period 1944-1990, the Bulgarian state and the customs institution established contacts and cooperation with other countries and organizations. Bulgaria signed customs agreements with Finland (1944), Yugoslavia (1956, 1960, 1964, 1973), Czechoslovakia (1957), Turkey (1959, 1974), Poland (1959), GDR (1960), Austria (1981). Bulgaria participated in the work of other organizations and joined various conventions: Customs Convention on the ATA Carnet for the temporary import of goods (1964); General Agreement on Tariffs and Trade (GATT) on the level of observer – in 1967; Customs Convention on International Transport of Goods under Cover of TIR carnet (TIR Convention 1959) – 1960. Bulgaria is one of the first countries to join it; International Convention on the Simplification and Standardization of Customs Procedures (Kyoto Convention) – 1982; 1985 Bulgaria became a member of the World Customs Organisation in 1973 and in 1982 – of its political committee.

In the 70s a cooperation between customs administrations of Bulgaria and the USA was established. Immediately after the establishment of the Drug Enforcement Agency (DEA) in the US in 1973 bilateral contacts between its representatives and the Customs Administration of Bulgaria were established.

By Decree № 2242 of the State Council on July 14<sup>th</sup>, 1987 free trade zones were created, and then the Rules for the implementation of the decree were adopted. In 1988, by order of the Council of Ministers free trade zones were created in the territories of Ruse and Vidin municipality, by Decree of the Council of Ministers free trade zones were created also in 1989 – in Burgas, Plovdiv and Svilengrad, and in 1991 – in Dragoman.

**Bulgarian Customs: future external border of the EU after 1990.** General “Customs” bureau by the Ministry of Finance as a legal entity with activity towards development and implementation of the government’s customs policy and management of customs control was created in 1990. The liberalization of trade led to the registration of many companies that began trading goods abroad. Many of them didn’t have trained experts and had never worked with customs. So the work of customs teams increased. The first legal act that led to serious change in customs activity was Regulation on customs control of goods transported across the state border of the Republic of Bulgaria adopted in 1991, it regulated the import and export of legal entities and sole traders. In this way the existing solely accounting control on companies by that time became real. The ordinance introduced a new customs declaration, unfamiliar by that time to custom-house officers and traders. By decision of the government in 1991 the number of employees in the customs administration increased and in Sofia National Training Center for training and qualification of customs officers opened (Valkova, Alichkova, Tsvetkova, Penkova & Penev 2009).

The market environment imposed changes in the organization of customs controls. Part of this activity was transferred into the territory of the country and for this purpose internal offices for customs processing of vehicles and goods were opened. At first the offices were created in district towns and in larger industrial centers. A new customs tariff for taxation of goods imported by legal entities and sole traders, based on nomenclature of the harmonized system for description and coding of the goods in international trade was established. A decision on Bulgaria’s accession to the Convention on the Harmonized System was made in 1990, but our country became its full member since January 1<sup>st</sup>, 1992.

In April 1994, customs offices were assigned to charge and collect VAT and excise duty on imports of goods. This further increased their importance for fiscal and economy. During the same year in the structure of administration changes were made according to which it included: head office, regional customs, customs, customs departments, customs posts and customs offices. The number of employees increased to 4100 people. To support the activities of the Customs Administration in 1995 Central Chemical Laboratory was established and in 1996 regulations for its structure and activity were made.

In 1996 a new form of customs declaration – Single Administrative Document was introduced corresponding to the SAD of the European Community.

**Orientation to the European Union.** On March 8<sup>th</sup>, 1993 in Brussels the Association Agreement between the European Community and Bulgaria was signed, it came into force on February 1<sup>st</sup>, 1995. Bulgaria undertook to harmonize its legislation with that of EU member states (Valkova, Alichkova, Tsvetkova, Penkova & Penev 2009).

To meet the commitments to bring its legislation into line with European law and with the rules and principles of international trade, in 1997 the Customs Administration started preparing the new regulations. In 1998, adopted by January 1<sup>st</sup>, 1999 a new Customs Act and its implementing rules, highly harmonized with the orders of the Customs Code and its Implementing Rules came into force. The changes by that time were integrated in various areas of customs activity resulting from the country's membership in the WTO and from international agreements.

In 2000 the Law on amending the Customs Act was adopted. The purpose was to reflect the amendments to the Bulgarian legislation and to achieve even greater harmonization with the EU Customs Code. Changes in the structure and organization of the customs administration were made. In correspondence with the ongoing administrative reform the General Department of Customs was converted to Customs Agency, organized into four levels of government: Central Customs Directorate (CCD), five regional customs directorates in Burgas, Varna, Plovdiv, Rousse and Sofia and customs with customs offices and / or customs checkpoints. In the structure of the central government was provided for the establishment of new specialized directorate "Follow-up control". Computerization of customs activities was displayed as a top priority for customs administration.

In 1999 a Strategy for Information Technology of Customs Agency was adopted, containing decision to develop its own integrated information system. In 2000 BICIS (Bulgarian Integrated Customs Information System) was launched as a joint project of the Bulgarian government and the European Commission. BICIS was implemented and operational in all customs offices since January 1<sup>st</sup>, 2001.

**Modernization of Bulgarian Customs.** In 2003 amendments were made in the Customs Act and its Implementing Regulations in order to reflect the changes in regulating transit, customs economic regime, free zones and free warehouses in EU customs legislation after 1998. Legal basis was introduced for the Combined Nomenclature, which corresponded to that of the EC as the base for the customs tariff of the country (Valkova, Alichkova, Tsvetkova, Penkova & Penev 2009).

For the first time in Bulgarian legislation the institute of agreement of termination of the administrative proceedings in cases of customs violations was regulated. At the end of 2003, the harmonization of customs legislation with the EU is almost completed. The nature of customs controls was amended, focusing on pre-selection and risk analysis. Mobile groups founded in late 2002 became additional barrier to offenders. In order to optimize the performance in October 2003 changes to the structure of the Directorate of Customs Intelligence and Investigation were approved.

**The start before EU membership.** In 2005-2006 the Customs Agency had established and applied uniform and consistent procedures and effective policy control, as well as an adequate IT security. Consistent progress in developing administrative capacity had been made. Of utmost importance for our country in relation to EU accession was the fulfillment of all requirements for developing BICIS. The process went into a new phase – construction and development of systems offering interconnectivity with the EU systems. They included nine components, the main two were - Integrated Customs Tariff of the Community (TARIC) and system of tariff quotas and observations. After building them the Bulgarian Customs would be able to automatically apply the EU customs legislation. In the beginning of 2005, the new modules – "customs duty", "Solutions to the customs authorities" and "Risk Analysis" were implemented. A system for monitoring real-time payments of public debts on import through exchange of information with the banks serving the agency's accounts, was introduced. The communication center for contact and exchanging information with customs systems of the Community was put into operation. In 2006 functionality for reporting duties as part of the traditional own resources of the EU was introduced. Interconnection with NCTS, which allowed Bulgaria to join the common European transit system was provided. During the same year interconnection with TARIS, TQS and other systems from ITMS was performed, which made it possible to apply the Common Customs Tariff of the EU (Valkova, Alichkova, Tsvetkova, Penkova & Penev 2009).

**Bulgarian Customs after EU accession.** Along with the accession of Bulgaria to the EU customs checkpoints on the borders with other Member States were abolished. Since January 1<sup>st</sup>, 2007 EU customs legislation, which has more than 780 regulations in different

areas of customs law has begun to implement. Thus, the customs administration was facing new responsibilities. On the one hand, it must provide income not only for the country's budget, but also for the EU's budget, on the other hand- it must maintain a balance between the accelerated flow of trade by supporting economic operators and protecting the interests of the Community and its citizens from violations.

With the objective of maximum protection as well as economic, social and fiscal interests of Bulgaria and the EU and the business interests of the companies in 2007, Customs Agency signed five memorandums of cooperation with different tobacco companies. On October 23<sup>rd</sup>, 2008 an annex to the memorandum of cooperation with "Imperial Tobacco Limited", with its Bulgarian subsidiary "Imperial Tobacco Bulgaria" LTD was signed. The main directions in the signed documents were limiting smuggling and illegal trade with tobacco products, including prevention of cross-border trade with fake tobacco products in the Bulgarian and the European market.

In 2007, a "National Transit Center" was founded, where all certificates for completed transit operations TIR were processed along with documents related to procedures for completing common / Community transit operations involving EU member countries. An updated agreement between the Customs Agency and AEBTRI was signed, it regulated the basics of relations between countries in terms of the full membership of Bulgaria in the EU. In the same year the CCD as a customs office of guarantee took completely the administration of general guarantees for transit regime.

In 2008 developing a module for simplified declaration (MSD) began. Its purpose was the process to be automated from the moment of submission of a request for authorization to use simplified procedures for declaring to the ending the process of declaration and payment of outstanding public debts secured in the previous period (Valkova, Alichkova, Tsvetkova, Penkova & Penev 2009).

The policy of enforcement control to the general safety of import and export of goods into the customs territory of the Community became extremely important for the customs administration. When conducting it customs authorities assist the competent institutions on the implementation of control. In this regard, Customs Agency signed a number of agreements for cooperation and interaction.

In 2008 advanced versions of the processing system of tariff quotas (Quota 2) were developed and implemented as well as the TARIC 2 system and the extended version of the NCTS system, which includes functionality for data processing of carnet TIR. In the same year the development of the system of export control phase 2, the system of import control phase 1, the system for authorized economic operators and the system of registration and identification of economic operators was launched.

The expanding functions and tasks of the customs administration required changes to the structure rules of Customs Agency, which the government adopted in late 2008. In the organizational structure of the CCD Directorates "Counteracting customs, currency and excise violations" and "Operational Customs and excise control" were created, they elaborated the functions of the existing Directorate "Customs intelligence and investigation".

Directorates "Excise" and "Legal regulations" were created. The functions and tasks of the directorate "Administrative Services" were updated. In the directorate "Follow-up control" according to the new responsibilities a new department "permissions and control" was formed. The changes were introduced in connection with the optimization of the control and counteracting violations of customs and excise legislation and increasing the collection of public receipts and the traditional own resources of EC.

The common strategic objectives of the customs administrations of EU Member States would enable them to meet the challenges of the constantly changing economic environment. In recent years customs have undergone a fundamental change in the way they

work, which has led to an expansion of their functions - from control and collection of customs duties to a more global mission - for security, trade facilitation and protection of the economic interests of the European Union (Valkova, Alichkova, Tsvetkova, Penkova & Penev 2009).

## **2. Electronization in customs administration and Customs services in Bulgaria**

In response to the new realities and to achieve the goals set by the objectives of The Lisbon Strategy in the field of the Customs Union, the European Commission (EC) adopted a proposal COM / 2005/608 concerning the modernization of the Community Customs Code. The Modernised Customs Code (MCC), adopted in 2008 is part of the global reform of the European Commission aimed at creating a new electronic customs and customs environment (Kostadinova 2008). The facilitation of legitimate trade requires simple, rapid and standard customs procedures and processes. A key element in ensuring this facilitation is the paperless environment for the customs, the trade and the effective customs control. The first step in moving towards centralized clearance as a standard procedure in the Modernised Customs Code of the EU was introduced by Regulation (EC) №1192/2008 of the Commission of 17 November 2008 amending Regulation (EEC) № 2454/1993, of the Commission (publ. OJ, L 329 of December 6, 2008) from January 1<sup>st</sup>, 2009 applying new rules for issuing permits for simplified procedure for declaration - simplified declaration and clearance on the territory of a Member State (national authorizations) and on the territory of several Member States as required for a single authorization for simplified procedures. It is necessary the goods subject to national bans and restrictions to be exempted from authorization for simplified procedures (Dimitrova 2008).

The Modernised Customs Code also provides for “single window“ and “one stop shop“. The provided information is shared between customs agencies and other agencies involved in the control - border police, agencies for veterinary control and protection of the environment. In this way the information from economic operators would be submitted only once (single window) and the goods would be controlled by those agencies at the same time and in one place (one stop shop). This way of service aims to strengthen the cooperation between institutions and increase confidence among economic operators and public administration. The two concepts “single window” and “one stop shop” could be implemented separately, but only their combination, as well as providing additional incentives may lead to an effective results and facilitate trade with goods (Kostadinova 2006).

In 2009, Bulgaria signed an agreement on information exchange between the systems of NRA and Customs Agency. This ensured timely and full collection of excise duties and other state receivables for the excise goods received from other Member States in the legal deadline and size, reduced smuggling and increased VAT collection. The connection is useful in the following areas: risk analysis and follow-up control, and in the daily operational work of the Agency (Todorova 2009).

Since July 1<sup>st</sup>, 2009- EORI<sup>2</sup> (Economic Operators Registration and Identification System) has been introduced. The aim was to simplify the work of economic operators and to facilitate their interaction with the customs administrations of the Member – States of the EC. According to the new provisions of EU customs legislation, the economic operators and other persons under Art. 4 of Regulation 2454/93 (Regulation (EEC) № 2454/1993) who carry out activities that require identification of the person in the interaction with the customs administration should have and use the EORI number (Stefanov 2009). In Bulgaria

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<sup>2</sup> EORI - number is unique throughout the EU. The very EORI number starts with the Member State’s code that does the registration. Each EU Member State determines the structure of numbers, but must ensure its uniqueness



registration for EORI number (customs registration number), valid for the whole EU, will replace the so far used local identification numbers (eg in Bulgaria. BULSTAT/ UIC).

The system of export control is another step towards the complete computerization of customs procedures. In accordance with paragraph 1 of article 787 of Regulation (EC) № 1875/2006 of the Commission, besides the electronic exchange of information between the customs office of export and the customs office in accordance with the provisions of art. 796a -796g of Regulation № 2454/93, the electronic data exchange with the economic operators in normal procedure for declaration and clearance was implemented with complete data (Pashova 2009). Control system for import is to be developed, it's in accordance with the provisions of Regulation (EC) 273/2009 of 01.01.2011, submission of an entry summary declaration of the goods at certain times, depending on the type of transport before the physical arrival of the goods, which would provide timely analysis of risk, becomes mandatory.

The New Computerized Transit System- NCTS is the first electronic customs system in the Community, launched by Decision 210/97 / EC. Through it application of the same legislation in general and the Community transit procedure and uniform practice in the application of rules in different countries is achieved. Customs procedures are simplified. The system works in real time, allowing information to be available before the arrival of goods (Iankova 2009).

### **3. Computerization of the Bulgarian Customs Administration**

The construction of the Bulgarian Integrated Customs Information System (BICIS) is a major priority for the Bulgarian customs administration as an important element for achieving the required capacity to implement the attainments of the EC's legislation. BICIS's core was developed and by the end of 2000 it covered customs offices, providing 90% of the document processing, and by mid-2001 it covered all customs offices. Parallel to the process of implementing the core, additional subsystems to BICIS were developed and implemented, the final result is the creation of an information system corresponding to the EU requirements in this area (Pashova 2015).

**Electronic customs.** In 2011, the process of computerization and development of information systems in the field of customs and excise duties continue to support activities in strengthening the control and implementation of our commitments as a member state of the EU.

**Maintenance of operability of the information systems.** The reliable and continuous operation of the information systems is a prerequisite for the effective work of the Customs Administration, in respect to which throughout the year permanent functional and technical support was done and monitoring of both national systems and the systems that provide connection with the EU. From great importance for the fulfillment of the commitments as a customs administration of a state member and as a participant in the initiative "electronic customs" of EU and the application of the measures for security and safety is the ensuring of a constant availability of the Communication center for connection with the systems of EU, NCTS system, the system for export control Phase 2, the system for import control Phase 1, the system for registration and identification of the economic operators, the system for management of the integrated tariff (TARIC 3) and the system for control of the movement of excise goods.

In order to improve the work of the systems and to remove the errors a constant corrective maintenance is being done. New versions of the modules of the Bulgarian integrated customs information systems (BICISM) are introduced in all customs offices, without disturbing their normal work regime. To help the application of the electronic declaration, constant technical and functional aid is being provided to the traders for registration (on-line and off-line) on the internet page of Customs Agency. Up to this

moment 4365 registrations of physical and legal entities and sole traders have been made by electronic way in the field of customs and excise.

**Development of the information systems.** The rise in requirements towards the customs administration demands constant process of development of the customs information systems and introducing new modules and systems. In the framework of the contract between the Ministry of Finance and the company “Informational Service” JSC, signed in July 2011, the process of perfecting of the functionalities of the basic information system continued.

In accordance with the changes in Technical specification of EC in the part of “Monitoring of the movement of goods and making business statistics” in the early June 2011 tests for correspondence were conducted with the central team of TAXUD and introduced in real exploitation new versions of the following systems: New Computerized Transit System (NCTS); The system for import control; The system for export control (Pashova 2012).

The second part of the changes in the specifications of EC for NCTS, The systems for export control and the systems for import control are realized and introduced in real exploitation with the versions from December 2011. The major changes in the information systems, regarding the national requirements are:

- the internet portal of Customs Agency with developed functionalities for accepting electronic documents, signed with electronic signatures of suppliers from member states of EU;
- module “Risk Analysis” with perfected functionality for additional requirements in processing community’s criteria;
- BICIS – processing of documents at import – precise processing of the elements of taxation; realizing of electronic submission of correction and cancellation of SJSC at import regimes;
- module “Simplified Procedures” – extension of the functionalities of the module with additional possibilities for submitting 20 simple declarations in more than one customs office;
- system for granting information for management purposes from customs documents – adding new references on the customs and excise documents, extension of the possibilities of extracting data for statistical purposes;
- help desk system – automated and assisting the processes of helping the consumers-customs employees and representatives of the trade sector.

In 2011 the perfection of the module “Road Taxes and Permission Regime” (RTPR) to BICIS continued in order to set in accordance with the changing regulatory and to reinforce the control functions of the customs administration in the field of road taxes and permission regime in terms of risk analysis, control of the expiring date of the vignette stickers, commitment between the registration number of cargo automobile and the number of the type of the permissions, issued by executive office “Automobile administration” for the foreign transporters (Pashova 2015).

After the initial introduction of the functionality for message exchange with the serving bank of Lesovo Border Checkpoint in the late 2010, in June 2011 this functionality was introduced at Capitan Andreevo Border Checkpoint as well. Considering the commitments of the customs administration in the field of excise, in 2011 the following systems were developed:

- system for excise control, Phase 2.1, in the frameworks of a project on the previous financial tool on PHAR program. With the execution of the project a full system was realized, in accordance with the national requirements and procedures. Functionalities for submitting excise declarations by electronic way were realized as well, with new formats for submitting excise declaration and a register for store

availability. The real work with the System for excise management 2.1 started in March 2011;

- system for excise management phase 2.2, in the frameworks of a project by PHAR program 2006. The national domain is realized with the execution of the project from the excise goods movement control system of EC. The system includes automated processing of the electronic messages for the movement of excise goods under delayed payment of excise regime in accordance with Directive of the Council 2008/118/EC from 16.12.2008 and Regulation (EC) № 684 of the Commission from 24.07.2009;
- the next phase 3 of the System for excise goods movement control of the EC expands the processed messages with possibilities of division of shipment and reinforcing of the administrative cooperation between the member states at movement control. The national realization of Phase 3 has been in real operation since January 2012. Register of the brought out from the tax stores energy products (RBT-SEP). The system supports a register in real time, in which data from the excise documents is filled (e-ED, EDD and others), originating from the process of bringing out energy products from the tax stores (Pashova 2015).

The next stage in front of the customs administrations of the member states, originating from the initiative “electronic customs”, was the preparation of the development of the systems, connected with the Modernized Customs Code. The preparation of national specifications, development of new as well as the changes and the perfection of existing systems were the main priorities of the customs administration for 2011.

Since March 2012 many meetings have taken place between experts of Customs Agency and the National Revenue Agency (NRA), on which the conception of introduction of more efficient control on the whole chain of realization of liquid fuels on the territory of Republic of Bulgaria was discussed. The realization of the conception was heard as changes in the legislation for optimization of the business procedures for control and as improvement of the available information system and/or developing and introduction of new information systems. The common understanding of the two agencies was for realization of a model, requiring higher degree of interaction in real time between the economic operators and the administration. In the late 2011 a technical assignment for realization of a system for data exchange with NRA was prepared, it gave the opportunity to track the movement of excise goods from the manufacturing store to the final realization in the internal market, raising the efficiency of the excise goods control on national level.

After the accession of Bulgaria as fully rightful member to EU in addition to the main functions and tasks of the Bulgarian customs administration new challenges were added:

- applying new Customs legislation;
- usage and application of the new achievements of the information technologies, which are in the core of functioning of the customs administration, development of the new systems and the connections with the existing ones;
- fully administrating the excise;
- applying customs control in connection with the fight with the different forms of violations and crimes. (Pashova 2015).

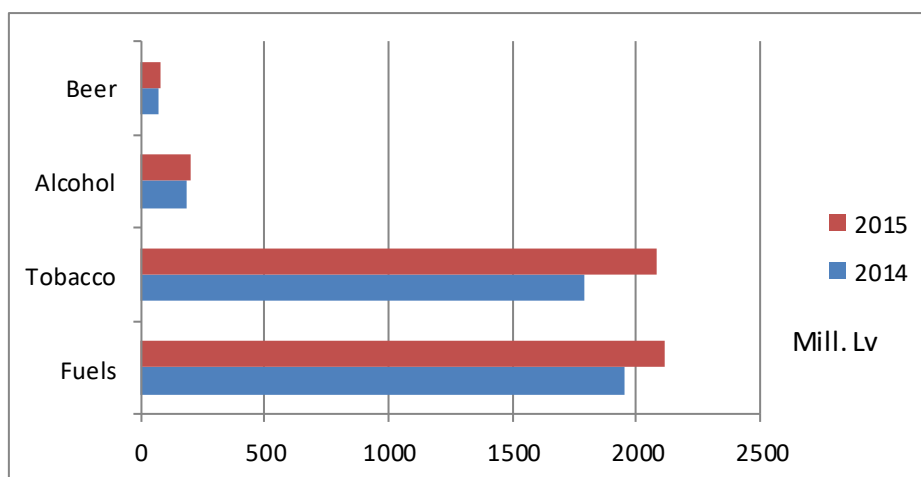
#### **4. Advantages and disadvantages of the electronic Customs services**

**Advantages.** The advantages of electronic customs services consist of assisting in strengthening the control of goods. The reliable and constant operation of information systems is a prerequisite for the effective work of the customs administration. The provided 24-hour access to e-portal Customs Agency enables users to familiarize themselves with everything necessary. It provides contact with the Bulgarian customs entirely electronically – access to customs and excise information systems, as well as up to date information and

documentation for these systems and their ability to work, including feedback to automatically receive new and updated documents for the systems and nomenclatures, as well as technical and functional support to traders for registration (on-line and off-line) is presented on the website of Agency Customs.

The permanent performance of the communications center to link with EU systems is a prerequisite for improving the security and an opportunity for timely response in the event of a problem. The continuous maintenance of the systems helps reduce errors and improve the performance of the systems through their constant renewal. The electronic systems provide the ability to track the movement of excise goods from production storage to the final realization on the internal market and increase the effectiveness of control of excise goods at the national level.

Another advantage of the electronic systems is the ability to conduct e-statistics with the latest data available. The information comes electronically and it is easily accessible to the general public. Thanks to this information various graphs, tables and figures could easily be drawn, reflecting the current trends in trade of goods between countries (fig. 1, fig. 2, fig. 3, table 1).



**Figure 1. Revenue from excise duty by commodity group for 2014 and 2015 million. Lev<sup>3</sup>**

The collapse of international oil prices, migratory pressure at the borders and cigarette smuggling are the main challenges facing the "Customs" Agency in the last 2015. A report of the agency noted that it has managed to offset the declining revenue from VAT on fuels with increased collection from excise taxes and so the total revenue collected by the institution during the year, reached 8.1 billion lev – the highest amount for the last seven years. The clearest is the fiscal result of the record above 4.565 billion Lev revenue from excise duty. This is almost half a billion lev more than 2014 and the highest collection of revenue from excise duty at all. Compared to the planned budget the increase is by 1.7% and compared to the previous year – by 11.8%. The revenues from excise duties on fuels are 8.3% above those collected in 2014, the increase for tobacco products is by 16.5% amid increased by the same percentage amount of legal cigarettes. The revenue from excise duty on alcohol rose by 6.4% and beer – by 4%, the agency reported. The duties are 6% more than the planned and 3.8% above the achieved a year earlier. Meanwhile, revenues from VAT on fuels imports decreased by 293.7 mln. Levs or 23.8% ([www.dnevnik.bg/biznes/finansii/2016/01/26/2692613\\_mitnicite\\_se\\_pohvaliha\\_s\\_rekordna\\_subiraemost](http://www.dnevnik.bg/biznes/finansii/2016/01/26/2692613_mitnicite_se_pohvaliha_s_rekordna_subiraemost)).

<sup>3</sup> Magazine "Customs Chronicle" No6/2015, year XXIII, ISSN 0861-9921 (Figure 2. Revenue from excise tax by commodity group for 2014 and 2015, p. 3 Source: Agency Customs)

Table 1

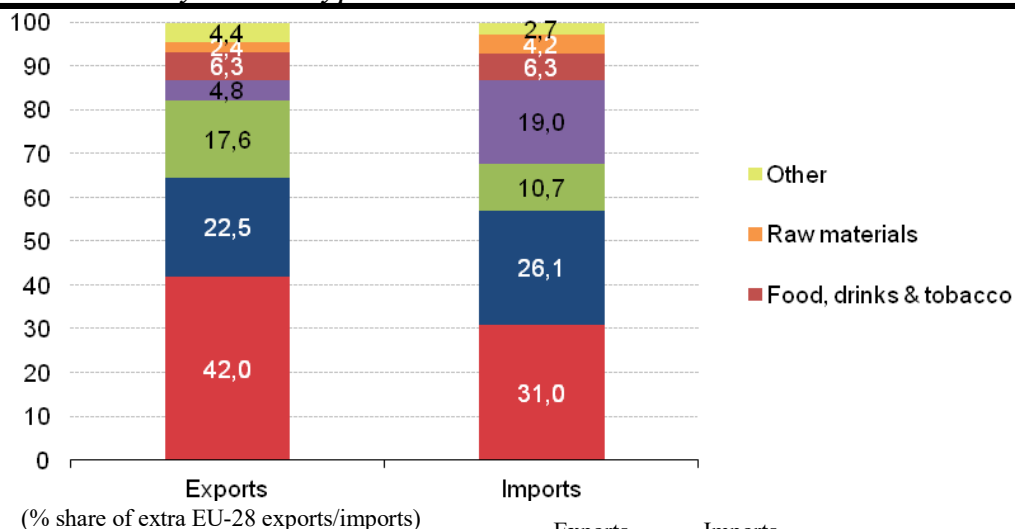
International trade 2014-2015

	Exports			Imports			Trade balance	
	2014	2015	2014-15 growth rate	2014	2015	2014-15 growth rate	2014	2015
	(billion EUR)		(%)	(billion EUR)		(%)	(billion EUR)	
<b>EU-28 (?)</b>	1 703,0	1 790,7	5,1	1 691,9	1 726,5	2,0	11,1	64,2
<b>Belgium</b>	355,5	359,6	1,1	342,2	338,8	-1,0	13,3	20,8
<b>Bulgaria</b>	22,0	23,2	5,1	26,1	26,4	1,1	-4,1	-3,2
<b>Czech Republic</b>	131,8	142,8	8,4	116,2	126,8	9,1	15,6	16,0
<b>Denmark</b>	83,5	85,9	2,9	74,8	77,0	2,9	8,7	8,9
<b>Germany</b>	1 125,0	1 198,3	6,5	908,6	946,5	4,2	216,5	251,9
<b>Estonia</b>	12,1	11,6	-3,8	13,8	13,1	-5,1	-1,7	-1,4
<b>Ireland</b>	91,8	110,5	20,4	60,7	66,5	9,6	31,1	43,9
<b>Greece</b>	27,2	25,8	-5,2	48,0	43,6	-9,1	-20,8	-17,8
<b>Spain</b>	244,3	255,4	4,6	270,2	281,3	4,1	-25,9	-25,9
<b>France</b>	436,9	456,0	4,4	509,3	515,9	1,3	-72,4	-59,9
<b>Croatia</b>	10,4	11,7	11,9	17,2	18,6	8,2	-6,7	-6,9
<b>Italy</b>	398,9	413,9	3,8	356,9	368,7	3,3	41,9	45,2
<b>Cyprus</b>	1,4	1,6	20,9	5,1	5,0	-1,4	-3,7	-3,4
<b>Latvia</b>	11,0	10,9	-0,8	13,3	12,9	-2,9	-2,3	-2,0
<b>Lithuania</b>	24,4	23,0	-5,7	25,9	25,4	-1,9	-1,5	-2,4
<b>Luxembourg</b>	14,5	15,6	7,4	20,1	20,9	3,9	-5,6	-5,3
<b>Hungary</b>	83,3	88,9	6,8	79,0	83,5	5,7	4,3	5,4
<b>Malta</b>	2,2	2,3	5,4	5,1	5,2	1,7	-2,9	-2,9
<b>Netherlands</b>	506,3	511,3	1,0	443,7	456,4	2,9	62,7	55,0
<b>Austria</b>	134,2	137,8	2,7	137,0	140,1	2,3	-2,8	-2,4
<b>Poland</b>	165,7	178,7	7,8	168,4	175,0	3,9	-2,7	3,7
<b>Portugal</b>	48,1	49,9	3,6	59,0	60,2	2,0	-10,9	-10,3
<b>Romania</b>	52,5	54,6	4,0	58,6	63,0	7,6	-6,1	-8,4
<b>Slovenia</b>	27,1	28,8	6,4	25,6	26,8	4,8	1,5	2,0
<b>Slovakia</b>	65,1	68,0	4,5	61,7	66,3	7,5	3,4	1,7
<b>Finland</b>	56,0	53,9	-3,7	57,8	54,3	-6,1	-1,8	-0,4
<b>Sweden</b>	123,9	126,3	2,0	122,1	124,5	1,9	1,8	1,9
<b>United Kingdom</b>	380,3	414,8	9,1	519,7	564,2	8,6	-139,5	-149,4
<b>Iceland</b>	3,8	4,3	12,1	4,0	4,6	14,4	-0,2	-0,4
<b>Norway</b>	107,5	-	-	67,2	-	-	40,3	-
<b>Switzerland (?)</b>	234,8	261,6	11,4	207,6	225,9	8,8	27,2	35,7

(?) External trade flows with extra EU-28.

(?) Including Liechtenstein.

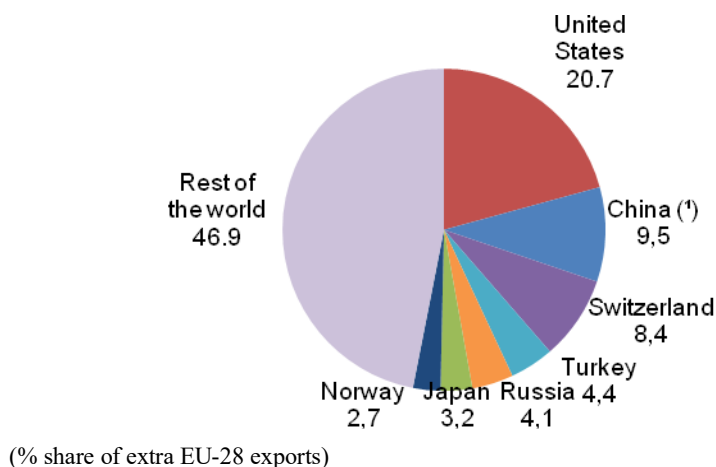
Source: Eurostat (online data codes: ext\_lt\_intertrd, ext\_lt\_intercc and ext\_lt\_introle)



	Exports	Imports
Machinery & transport equip.	42,0	31,0
Other manufactured goods	22,5	26,1
Chemicals & related prod.	17,6	10,7
Mineral fuels, lubricants	4,8	19,0
Food, drinks & tobacco	6,3	6,3
Raw materials	2,4	4,2
Other	4,4	2,7

Source: Eurostat (online data code: ext\_lt\_intratrd)

Figure 2. Main exports and imports, EU-28, 2015



(% share of extra EU-28 exports)

United States	20,7
China (*)	9,5
Switzerland	8,4
Turkey	4,4
Russia	4,1
Japan	3,2
Norway	2,7
Rest of the world	46,9

(\*) Excluding Hong Kong.

Source: Eurostat (online data code: ext\_lt\_maineu)

Figure 3. Main trading partners for exports, EU-28, 2015

**Disadvantages.** A major disadvantage of the electronic customs systems includes a constant commitment to their technical maintenance and the costs associated with them. The possibility of data leakage at an insufficient level of security when using electronic systems could also be a disadvantage. Electronic systems are also subject to the risk of infiltration of various computer viruses, which could lead to a system crash and stop workflow.

### **Summary and concluding remarks**

As it was outlined in the paper, the priority for the Bulgarian customs administration after the accession of Bulgaria to the European Union is uniform application of European customs legislation, procedures and tools for customs control of the EU in different areas of customs law. Consequently, the following actions are performed: optimizing the structure and composition of the customs administration; electronization of customs administration; new electronic systems are introduced, facilitating the processing, control and commercial operations of the flows of goods; Customs perform new tasks and responsibilities, on the one hand related to securing revenues not only for the state budget but also for the European Union budget and on the other hand protecting the interests of the Community and its citizens from violations and supply of contraband and fake goods.

The Customs Union is the basis of the European Community and one of the pillars of the internal market with an extremely important role in the dynamically changing times. In terms of increased international trade, global threats such as terrorism, organized crime and climate change, customs are vital for the protection of the internal market and to ensure the safety and security of citizens. Simultaneously, customs maintain a balance between protecting the interests of the Community and its citizens and ensuring the smooth flow of trade by facilitating the work of economic operators.<sup>4</sup>

The Customs Union is the “guardian” of the internal market with an extremely important role in the dynamically changing times. The high volume of international trade flows and the expectations of economic operators are significantly raised. Union Customs Code (UCC) replaced the current Community Customs Code, introduced on May 1<sup>st</sup>, 2016 mandatory electronic transactions unified customs processes at EU level between customs administrations of the Member States and imposed electronic communication between customs authorities and economic operators and the European commission.<sup>5</sup> The main task of the customs authorities is related to the reduction of barriers to the international trade and increased necessity to ensure the safety and the security of the EU external borders. Customs gained paramount importance for the protection of the EU - its financial interests and those of the Member States and its protection from unfair and illegal trade while supporting legitimate economic activity and its competitiveness. Together with the other law enforcement agencies, customs administrations ensure the security and the safety of EU economic operators, citizens and the environment in the EU.<sup>6</sup>

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<sup>4</sup> Strategy of Customs Agency 2010 - 2013.

<sup>5</sup> Regulation (EU ) № 952/2013 of the European Parliament and of the Council establishing the Union Customs Code (UCC) entered into force on October 30<sup>th</sup>, 2013 and its implementation has started since May 1<sup>st</sup>, 2016

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