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COVER NOTE

From:	Mr Günther OETTINGER, Member of the European Commission
date of receipt:	12 November 2018
To:	Mr Hartwig LÖGER, President of the Council of the European Union
Subject:	Proposal for transfer of appropriations No DEC 32/2018 within Section III - Commission - of the general budget for 2018

Delegations will find attached Commission document DEC 32/2018.

Encl.: DEC 32/2018

Many activities in the custom and taxation area are of a cross-border nature, involving all Member States. Trans-European IT systems operate on a highly secured dedicated communication network, which ensures cooperation between national administrations. The IT system interconnects custom and tax administrations in approximately 5000 points. This common network allows every national administration to connect directly to the common system to exchange any kind of information, instead of having to link bilaterally to any of the 27 national systems. In 2017, around 4,8 billion messages have been exchanged.

The United Kingdom (UK) leaving the European Union (Brexit) will have a major impact on the functioning of the IT systems and the underlying infrastructure centrally managed by the Commission. These IT systems and infrastructure need to be reconfigured and tested together with the remaining 27 Member States.

Adding to this complexity, the Commission needs to ensure full preparedness for all possible outcomes of the UK withdrawal process. This means that on the one hand the Commission needs to adapt the IT systems and their underlying infrastructure according to the requirements stipulated in the draft Withdrawal Agreement (currently Annex Y+4). On the other hand, the Commission needs to make sure that, in case of no-deal, from 30 March 2019 onward uninterrupted access to all of the IT systems and infrastructure is both ensured for and restricted to the 27 Member States.

In parallel, the Commission also needs to prepare for the requested accession of the UK to the Common Transit Convention, laying down a common procedure used for movement of goods under customs transit between EU Member States, EFTA Countries, Turkey, FYROM and Serbia. The UK accession requires additional reconfiguration, adaptation and testing of the corresponding IT systems and infrastructure.

In this context, in order to ensure business continuity for all IT systems, the Commission needed to take timely and appropriate actions as early as possible.

Therefore, the preparatory work started at the beginning of 2018 and some phases are already completed (representing a total committed amount of EUR 670 000). Consequently, while awaiting the requested reinforcement, some operational commitments foreseen in the regular planning of the programmes had to be postponed until the end of the year.

In particular, the following changes have to be implemented before end March 2019 and therefore committed in 2018:

- changes to the infrastructure (Customs and Fiscalis);
- changes to Customs IT Systems
- changes to Taxation and Excise (Fiscalis) IT Systems.

As regards the changes to the infrastructure, these changes apply in particular to the following platforms, networks and services:

- the Common Communication Network/Common System Interface - CCN/CSI;
- the Common Communication Network 2 - CCN2;
- the Single Point of Entry and Exit Data - SPEED2 platform;
- the Unified User Management and Digital Signature - UUM&DS service.

Summary table of the requested reinforcements:

(in EUR)

Infrastructure changes	
Customs 2020	606 000
Fiscalis 2020	302 000
Customs IT systems changes	
Study	150 000
Specifications	100 000
Software	1 257 000
Support	1 350 000
Taxation/Excise IT systems changes	
Specifications	40 000
Software	50 000
Support	80 000
Total	3 935 000

The proposed reinforcement can be covered by commitment appropriations available on the budget line for the EU contribution to the European Chemicals Agency - Chemical legislation, and the budget line covering the procedures for awarding and advertising public supply, works and service contracts.

I. DECREASE

I.1

a) Heading

02 03 03 - European Chemicals Agency -- Chemicals legislation

b) Figures at 23/10/2018

	Commitments
1 Appropriations in budget (Initial Budget + AB)	25 722 021,00
2 Transfers	-1 065 600,00
3 Total appropriations for the year (1+2)	24 656 421,00
4 Appropriations already used	12 861 010,50
5 Appropriations available (3-4)	11 795 410,50
6 Decrease proposed	3 035 000,00
7 Total appropriations up to year end (5-6)	8 760 410,50
8 Decrease as percentage of appropriations in budget (6/1)	11,80 %
9 Decrease, as a percentage of the final appropriations for the year, in the sum of transfers referred to in Article 30(1)(b) of the Financial Regulation	n/a

c) Receipts arising from recovery (carried over from previous year)

	Commitments
1 Appropriations available at start of the year	0,00
2 Appropriations available on 23/10/2018	0,00
3 Implementation rate [(1-2)/1]	n/a

d) Detailed grounds for the decrease

The European Chemicals Agency (ECHA) fee income actually received from industry in the course of 2018 has been higher than expected. Therefore, the balancing contribution to the Agency can be reduced by EUR 6 million, both in commitment and payment appropriations. Out of these, EUR 3 million in payment appropriations were already returned through the Global Transfer (DEC 22/2018), and EUR 3 million in both commitment and payment appropriations were returned through DEC 23/2018 (EUR 1,1 million) and DAB 6 (EUR 1,9 million). The present transfer regards the remaining EUR 3,0 million in commitment appropriations.

I.2

a) Heading

26 02 01 - Procedures for awarding and advertising public supply, works and service contracts

b) Figures at 23/10/2018

	Commitments
1 Appropriations in budget (Initial Budget + AB)	7 500 000,00
2 Transfers	0,00
3 Total appropriations for the year (1+2)	7 500 000,00
4 Appropriations already used	4 970 399,22
5 Appropriations available (3-4)	2 529 600,78
6 Decrease proposed	900 000,00
7 Total appropriations up to year end (5-6)	1 629 600,78
8 Decrease as percentage of appropriations in budget (6/1)	12,00 %
9 Decrease, as a percentage of the final appropriations for the year, in the sum of transfers referred to in Article 30(1)(b) of the Financial Regulation	n/a

c) Receipts arising from recovery (carried over from previous year)

	Commitments
1 Appropriations available at start of the year	0,00
2 Appropriations available on 23/10/2018	0,00
3 Implementation rate [(1-2)/1]	n/a

d) Detailed grounds for the decrease

The surplus in commitment appropriations is mainly due the postponement to 2019 of the implementation of a single point of access for all services related to management and public procurement data, and a slight decrease of production costs following the entry into force of a new Framework Contract.

II. INCREASE

II.1

a) Heading

14 02 01 - Supporting the functioning and modernisation of the customs union

b) Figures at 23/10/2018

	Commitments
1 Appropriations in budget (Initial Budget + AB)	78 860 555,00
2 Transfers	0,00
3 Total appropriations for the year (1+2)	78 860 555,00
4 Appropriations already used	55 639 865,60
5 Appropriations available (3-4)	23 220 689,40
6 Increase requested	3 463 000,00
7 Total appropriations up to year end (5+6)	26 683 689,40
8 Increase as percentage of appropriations in budget (6/1)	4,39 %
9 Increase, as a percentage of the final appropriations for the year, in the sum of transfers referred to in Article 30(1)(b) of the Financial Regulation	n/a

c) Receipts arising from recovery (carried over from previous year)

	Commitments
1 Appropriations available at start of the year	685 445,91
2 Appropriations available on 23/10/2018	0,00
3 Implementation rate $[(1-2)/1]$	100,00 %

d) Detailed grounds for the increase

As regards changes to the infrastructure of Customs 2020, a reinforcement of EUR 606 000 in commitment appropriations is needed.

As regards changes to the Customs systems, following needs are identified:

1. a study to identify the impact of Brexit on the entire portfolio of the 49 Customs IT systems (EUR 150 000);
2. a business analysis and update of the functional specifications with the appropriate descriptions of functionalities and data models (EUR 100 000);
3. for the software of each customs application, changes to the existing functionality (impact analysis, development, acceptance testing and deployment), as well as ad hoc scripts (execution and monitoring) (EUR 1 257 000);
4. overall coordination, monitoring and conformance testing with the Member States, to ensure that UK access to the infrastructure and applications is appropriate to the reached agreement (EUR 1 350 000).

II.2

a) Heading

14 03 01 - Improving the proper functioning of the taxation systems

b) Figures at 23/10/2018

	Commitments
1 Appropriations in budget (Initial Budget + AB)	31 888 213,00
2 Transfers	0,00
3 Total appropriations for the year (1+2)	31 888 213,00
4 Appropriations already used	19 387 315,48
5 Appropriations available (3-4)	12 500 897,52
6 Increase requested	472 000,00
7 Total appropriations up to year end (5+6)	12 972 897,52
8 Increase as percentage of appropriations in budget (6/1)	1,48 %
9 Increase, as a percentage of the final appropriations for the year, in the sum of transfers referred to in Article 30(1)(b) of the Financial Regulation	n/a

c) Receipts arising from recovery (carried over from previous year)

	Commitments
1 Appropriations available at start of the year	399 152,78
2 Appropriations available on 23/10/2018	0,00
3 Implementation rate [(1-2)/1]	100,00 %

d) Detailed grounds for the increase

As regards changes to the infrastructure of Fiscalis 2020, a reinforcement of EUR 302 000 in commitment appropriations is needed.

As regards changes to the Taxation and Excise (Fiscalis) systems, following needs are identified:

1. changes throughout the specifications for Trans-European systems and Central applications (EUR 40 000);
2. for the software of the Trans-European systems and Central applications, changes to the existing application functionality (EUR 50 000);
3. overall coordination, monitoring and conformance testing with the Member States, to ensure that UK access to the infrastructure and applications is appropriate to the reached agreement (EUR 80 000).