EU customs reform: What Canadian exporters and trade associations need to know

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The European Union (EU) has embarked on a significant reform of its customs framework, driven by a range of pressing issues and the need to modernize its processes. On June 27, 2025, EU lawmakers reached a landmark agreement on the Union Customs Code reform, setting the stage for a sweeping modernization of the EU's customs framework, which is the biggest overhaul since 1968.

This reform is poised to transform how goods enter the EU market, with substantial implications for international exporters — especially Canadian businesses, who have seen growing trade volumes with the EU (72 per cent growth between 2016 to 2024, enriching Canada-EU collective GDP by approximately EUR 5 billion annually).[1] The reform promises greater efficiency and transparency but also introduces new compliance demands and potential cost increases that Canadian exporters must prepare for.

A. Challenges prompting the reform

The EU has been a global trade and economic powerhouse with a complex and dynamic customs system. Trade policy falls under the exclusive jurisdiction of the EU Commission, which handles all trade agreements and regulations for the entire EU Meanwhile, each of the 27 Member State is individually responsible for enforcing EU customs regulations and procedures within its own borders.

The EU customs mechanisms have faced significant challenges that necessitated a comprehensive reform. One of the primary issues has been the substantial increase in trade volumes, particularly in e-commerce, which has placed immense pressure on customs operations. The rapid expansion of e-commerce, with an estimated 4.6 billion low-value parcels processed in 2024 alone, has overwhelmed the EU's customs authorities. The huge rise of e-commerce has also changed the nature of trade, from goods traditionally brought into the EU in big quantities via cargo, to millions of small consignments shipped directly to individual consumers. Many parcels bypass customs duties by exploiting the EUR 150 duty-free threshold through undervaluation or splitting consignments. This has led to significant revenue losses for the EU under the current customs arrangement and distorted competition, disadvantaging local EU retailers.

The influx of low-value goods has increased the risk of unsafe or counterfeit products entering the EU market. These goods may not comply with stringent EU safety, environmental, and ethical standards, posing potential hazards to consumers and harming the reputation of legitimate exporters. A recent study has found that 95 per cent of products sold via online marketplaces are non-compliant with chemicals laws in different ways imposing an estimated societal cost of EUR 76.6 billion per year. The financial loss suffered by consumers as a result of purchasing unsafe product that would not have been purchased if the consumers knew these products were unsafe is expected to reach EUR 20.8 billion by 2025 and almost EUR 22 billion by 2034. The reform seeks to tighten controls to safeguard consumer protection and ensure fair market conditions.

The other challenge pertains to the enforcement structure of the EU Customs Union. The enforcement of EU customs operation by 27 different customs authorities (*i.e.*, EU Member States) has resulted in a heterogeneous protection of the single market, leading to inconsistent processes, duplicate paperwork, and trade delays. Increasing EU standards, geopolitical changes, and digitalisation further complicate customs procedures. Traders must repeatedly submit similar information about goods throughout the supply chain to different authorities within a decentralised IT system, increasing administrative burden and hindering effective customs risk management.

Additionally, EU Member States diverge significantly in the application of the customs rules. For example, an independent study showed that 28 per cent of the 900 trustworthy operators active in more than one EU Member State consider that some of the benefits can vary significantly from one Member State to another. This has led to weakening the EU Customs Union, hampering the EU's financial interest and allowing non-compliant operators to target EU points of entry with lower levels of controls.

These factors have highlighted the need for a more efficient and modern customs framework to ensure the smooth flow of goods while maintaining stringent safety and compliance standards at an EU-wide perspective.

B. Proposed solutions in the reform

In response to these challenges, the European Commission has put forward ambitious proposals to reform the EU Customs Union. The reform aims to simplify customs processes for businesses, especially for the most trustworthy traders, by embracing digital transformation.

1. Establishment of the European Customs Authority and EU customs data hub

One of the key features of the reform is the establishment of a new European Union Customs Authority (EUCA), which will oversee an EU Customs Data Hub. The EUCA will serve as a central regulatory body overseeing customs activities and ensuring harmonized implementation across all Member States. The EU Customs Data Hub will act as the central IT platform for interacting with customs, providing an online environment for businesses to log all information on their products and supply chains. This will enable customs authorities to have a comprehensive overview of supply chains

and the movement of goods, facilitating more efficient risk management and customs checks.

2. Single digital portal for customs declarations

All customs declarations and compliance paperwork will be submitted through one online portal: EU Customs Data Hub. This reduces redundant administrative steps and allows traders to track their shipments and documentation status more easily.

3. Elimination of the EUR 150 duty-free threshold

The EUR 150 duty-free threshold will be removed, meaning all goods entering the EU, regardless of value, will become subject to customs duties, where applicable. E-commerce platforms will be responsible for ensuring customs compliance with customs regulations, including the collection and remittance of duties at the point of sale.

4. Trust and Check program for certified traders

The reform creates a new certification system to identify and fast-track Trust and Check traders who demonstrate consistent compliance with customs rules. Exporters who invest in compliance and security can qualify as Trust and Check traders, benefiting from expedited clearance and fewer inspections. The qualifications required for obtaining the status of Trust and Check trader include the absence of serious or repeated infringements of customs and taxation rules, showing high level of control over operations and goods flow, financial solvency with good financial standing, relevant competence or professional qualifications, appropriate security, safety, and compliance standards, and electronic system providing real-time data to customs authorities.

C. Practical implications for Canadian exporters and how trade associations can help

For Canadian exporters to the EU, the proposed customs reform holds significant implications. The Comprehensive Economic and Trade Agreement (CETA) between Canada and the EU has already provided substantial benefits by reducing tariffs and regulatory hurdles. The new customs framework is expected to further streamline the export process, making it easier for Canadian businesses to navigate the EU market.

The EU Customs Data Hub is scheduled to become available to e-commerce companies in 2028, with all other businesses able to access it on a voluntary basis beginning in 2032. The use of the EU Customs Data Hub will be mandatory for all businesses importing into the EU by 2038. Canadian businesses are advised to proactively prepare for these forthcoming changes, both from logistics and administrative perspectives, in order to maximise the benefits of this streamlined process.

1. Benefit from faster and potentially less expensive customs clearance in exporting to EU

Canadian exporters often face unpredictable lead times and administrative complexity when exporting to different EU countries, increasing costs and reducing competitiveness. By introducing a single, unified digital portal, businesses will be able to submit all customs declarations, certifications, and compliance documentation through one interface. For Canadian exporters, this means faster, more transparent customs processing and greater predictability in clearance times, facilitating smoother access to the EU market.

2. Prepare for increased compliance requirements

Canadian exporters must ensure their products fully meet the EU standards for safety, environment, and ethical practices. The reformed regulatory framework aims to standardise the interpretation and implementation of EU customs-related standards and regulations across all member states. Consequently, port-shopping based on variations in the application of those standards will no longer be an option, necessitating strict compliance by Canadian exporters to maintain access to the EU market. Trade associations can assist exporters by providing training, timely updates on regulatory developments, and access to relevant compliance resources.

3. Plan for higher costs on low-value shipments

The removal of the EUR 150 duty-free threshold means higher customs duties on small shipments. Exporters should review pricing strategies and shipping methods to remain competitive. Trade associations can facilitate information sharing and advocate for members' interests in policy discussions.

4. Invest in digital tools and expertise

Success in this new regime will depend on Canadian businesses' ability to integrate with the EU's digital customs infrastructure. The single digital customs portal demands robust IT systems and staff trained in digital customs procedures. Trade associations can organize workshops and provide technical assistance to help members transition smoothly.

5. Leverage trust and check trader status

Gaining Trust and Check trader status can be a competitive advantage. Certified Canadian exporters will gain access to expedited clearance, reduced inspections, and lower administrative burdens, enabling faster delivery times and cost savings. However, achieving and maintaining trusted status will require rigorous internal compliance programs. Trade associations can play a pivotal role in helping members achieve this status by providing guidance on compliance best practices.

D. Looking ahead: Positioning Canadian exporters for success

The EU Customs reform represents a significant step towards modernizing the customs framework, addressing the challenges posed by increasing trade volumes and evolving geopolitical realities. The proposed solutions, including the establishment of the EU

Customs Data Hub and enhanced customs simplifications, will streamline processes for businesses and improve risk management. The ongoing discussions among EU lawmakers indicate a strong commitment to implementing these reforms and ensuring a more efficient and secure customs environment.

For Canadian exporters, the reform offers opportunities to further expand their presence in the EU market, benefiting from reduced administrative burdens and improved compliance standards. By embracing digital modernization, strengthening compliance, and leveraging new programs, Canadian businesses can not only maintain but expand their presence in the EU market.

Footnote

[1] See also Joint Statement following the European Union - Canada 2025 Summit: Enduring Partnership, Ambitious Agenda (June 22, 2025).

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