

EXPLANATORY MEMORANDUM FOR EUROPEAN UNION LEGISLATION WITHIN THE SCOPE OF THE UK/EU WITHDRAWAL AGREEMENT AND WINDSOR FRAMEWORK

Council ref: COM/2026/2108

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REGULATION (EU) 2026/2108 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 16 SEPTEMBER 2026 ESTABLISHING THE UNION CUSTOMS CODE AND THE EUROPEAN UNION CUSTOMS AUTHORITY, AND REPEALING REGULATION (EU) NO 952/2013

Submitted by HM Revenue and Customs 28 September 2026

SUBJECT MATTER

1. Regulation (EU) No 2026/2108 repeals and replaces Regulation (EU) No 952/2013 (the Union Customs Code).
2. Regulation (EU) 2026/2108 is a long-term customs modernisation programme aimed at responding to growing pressures on the EU Customs Union. These include rising trade volumes, particularly the rapid growth in low-value ecommerce consignments, and the need for customs authorities to enforce a wider range of safety, security, environmental and other regulatory requirements at the border. These challenges are compounded by fragmented national IT systems, limited access to high-quality data and inconsistent implementation across Member States.
3. The EU reforms are intended to create a simpler, more data-driven and better coordinated customs framework across the EU. The European Commission's aim is to reduce burdens for compliant traders, strengthen EU-wide risk management and revenue collection, and improve controls on unsafe, illegal or non-compliant goods entering the EU Single Market.
4. The reforms are designed to deliver these objectives through several changes. These include:
 - a. establishing an EU Customs Authority to coordinate risk management and crisis response;
 - b. creating a central EU Customs Data Hub to collect and manage customs information through a single digital platform;
 - c. introducing a new Trust and Check status, allowing the most reliable traders to benefit from simplified procedures and fewer routine interventions in return for greater visibility of their supply chains and internal controls;

- d. a response to the growth of e-commerce through deemed importer rules for online marketplaces, a handling fee for e-commerce items and a harmonised approach to penalties for non-compliance.
5. The key milestones are as follows:
 - **expected 1 November 2026:** Introduction of the handling fee for e-commerce items
 - **1 July 2028:** EU Customs Data Hub will become operational for e-commerce goods
 - **1 March 2031:** EU Customs Data Hub to open for all other businesses
 - **1 March 2034:** EU Customs Data Hub expanded to all traders and becomes the single mandatory EU customs entry point.

SCRUTINY HISTORY

6. The revision to the Union Customs Code was subject to scrutiny as EU document C(2023)258 + ANNEX: PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ESTABLISHING THE UNION CUSTOMS CODE AND THE EUROPEAN UNION CUSTOMS AUTHORITY, AND REPEALING REGULATION (EU) NO 952/2013
7. HMRC published an Explanatory Memorandum dated 3 August 2023.
8. That proposal has subsequently been considered through the relevant scrutiny processes in both the UK Parliament and the Northern Ireland Assembly. This has involved consideration of HMRC's Explanatory Memorandum, requests for evidence, exchanges of correspondence and Government responses to scrutiny queries. The Northern Ireland Assembly's Windsor Framework Democratic Scrutiny Committee also considered the proposal at its meetings on 29 May, 11 September and 6 November 2025.

MINISTERIAL RESPONSIBILITY

9. The Financial Secretary to the Treasury has responsibility for UK policy on customs.

INTEREST OF THE DEVOLVED GOVERNMENTS

10. This regulation is relevant to Northern Ireland by virtue of the Windsor Framework.
11. Though customs is not a devolved matter, the Government notes the Northern

Ireland Department for Economy's interests in the Regulation with regard to economic policy, development and consumer affairs matters. The Government has previously provided briefing and engaged with Northern Ireland departments on questions arising from the proposed EU customs reform.

12. Interested Northern Ireland departments will continue to be engaged in discussions as appropriate.

LEGAL AND PROCEDURAL ISSUES

i. Application under the Windsor Framework:

The Regulation constitutes customs legislation that is applicable in Northern Ireland through Article 5 and 13(3) of the Windsor Framework. The Regulation is within the scope of Schedule 6B of the Northern Ireland Act 1998. **ii. EU Legal basis:**

The proposal is based on Articles 33, 114 and 207 of the Treaty on the Functioning of the European Union (TFEU). **iii. Voting procedure:**

Ordinary legislative procedure.

iv. Timetable for adoption and implementation:

Regulation (EU) 2026/2108 will be implemented in stages. Key milestones are set out under subject matter above.

POLICY IMPLICATIONS

13. The Government recognises the challenges that have precipitated the EU's Union Customs Code (UCC) reform and the case for modernising the operation of the EU Customs Union. The reform is a long-term strategic programme, with its legal, operational and digital elements to be developed and introduced progressively over the coming decade.
14. The UK faces many of the same pressures, including growing trade volumes, the rapid expansion of e-commerce and an increasingly complex range of risks at the border. It therefore shares the EU's underlying objectives of using better data and digital systems to make customs processes more efficient and effective. The UK is pursuing these objectives through its own plan for customs modernisation. HMT and HMRC announced a Call for Evidence on customs modernisation at Tax Update 2026, which ran from June to September 2026 and sought views on how customs processes and the use of data and technology could be improved. A summary of responses will be published in due course.

15. Both the UK and EU modernisation initiatives present opportunities to simplify customs processes and support stronger, more targeted border management. Under the UCC reform package, the EU Customs Data Hub is intended to provide businesses with a single digital environment through which information on goods and supply chains can be submitted once and reused across multiple consignments, reducing repetitive data submissions and reliance on separate national systems. In practice, this would remove the need for traders to submit separate customs and safety and security declarations through different systems, allowing overlapping information to be provided once and reused.
16. The Trust and Check arrangements would also allow the most reliable traders to benefit from simplified procedures, fewer routine checks and, in some cases, the release of goods without active customs intervention. Together, these changes could reduce administrative and compliance costs for traders and allow customs authorities to focus resources on higher-risk goods and movements.
17. Under the Windsor Framework, the EU's UCC (Regulation (EU) No 952/2013) applies in Northern Ireland (NI), while bespoke UK-EU arrangements simplify these customs requirements for qualifying movements within the UK internal market. The new UCC (Regulation (EU) No 2026/2108) will apply on the same basis. Where appropriate, individual elements of the reform will be subject to discussion between the UK and the European Commission as the detailed arrangements are developed.
18. The Windsor Framework is clear that NI remains in the UK customs territory and protects unfettered access to GB and privileged access to the EU market. The EU reform proposal stated: ***“The revision of customs legislation set out in this Regulation will not affect the level of the facilitations referred to in Joint Committee Decision No 1/2023”***. It is this Joint Committee Decision which gives effect to the Windsor Framework customs facilitation. This position recognises NI's unique circumstances and preserves Windsor Framework facilitations, including the UK Carrier Scheme, which allows consumer parcels to move from GB to NI without customs declarations, duty or safety and security declarations, regardless of value.
19. In this context, the reforms may create opportunities for NI to benefit from more streamlined customs processes, greater reuse of data and reduced administrative burdens, while bespoke arrangements continue to reflect NI's position within the UK internal market.
20. Much of the package will be developed over the coming decade, and significant aspects of its legal, operational and technical design remain to be determined

through future Delegated and Implementing Acts. It is therefore not yet possible to assess in detail how the reforms will be implemented in NI.

21. To support the operation of the EU Customs Data Hub and promote the uniform application of EU customs legislation, an EU Customs Authority will be established in Lille, France. The Authority's role however is primarily one of governance, coordination and support. The text does not provide for the Authority to assume the operational customs functions currently exercised by national customs authorities, including those relevant to the implementation of customs arrangements applicable in NI.
22. The UK Government and the European Commission will continue to work jointly as the detailed arrangements are developed, to ensure that existing Windsor Framework facilitations and approaches are maintained while enabling NI to benefit from the reforms.
23. This joint approach is already reflected in the treatment of the first measure, the handling fee for e-commerce consignments, that is expected to take effect from 1 November 2026. The UK and EU have agreed in principle, and are working to introduce a Joint Declaration, that the fee will apply only to distance sales that are 'at risk' of entering the EU, in line with the treatment of customs duty, and that no proceeds from the fee will be remitted to the EU.
24. As a result, the handling fee is expected to have minimal impact in NI. More than 99% of distance sales are expected to be classified as 'not at risk' and therefore no additional fees will apply to these movements.
25. Businesses will continue to be engaged as the detailed arrangements are developed, including on the practical implications of individual measures.
26. Where opportunities are identified for alignment between UK and EU modernisation approaches that would support efficient trade, interoperability and simpler processes, these will be considered as part of the Government's wider customs strategy.

CONSULTATION

27. The European Commission ran a public consultation from 20 July until 19 September 2022 as part of the impact assessment on the revision of the Union Customs Code (UCC).
28. The target audience was primarily stakeholders involved in customs matters,

such as businesses, trade associations, customs authorities, individuals, and other non-customs stakeholders.

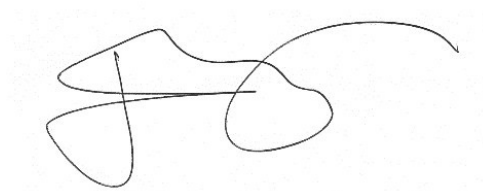
29. A full impact assessment was published in May 2023.

30. The UK Government is also considering how best to ensure that the customs regime remains effective in a modern trading environment. Through its Call for Evidence on Customs Modernisation, the Government sought stakeholder views on how customs processes, data and technology could support future customs operations. The evidence gathered will inform the development of longer-term UK customs strategy.

FINANCIAL IMPLICATIONS

31. The European Commission has published an Impact Assessment and an Impact Assessment Summary. Subject to the extent to how specific reforms may apply in respect of Northern Ireland for reasons discussed above, it is premature to make any assessment of potential financial implications.

MINISTERIAL NAME AND SIGNATURE

A handwritten signature in black ink, appearing to read 'James Murray', with a long horizontal stroke extending to the right.

James Murray MP

Financial Secretary to the Treasury

HM Treasury