

BRIEF HISTORY OF THE BULGARIAN CUSTOMS INSTITUTION (1879-2019)

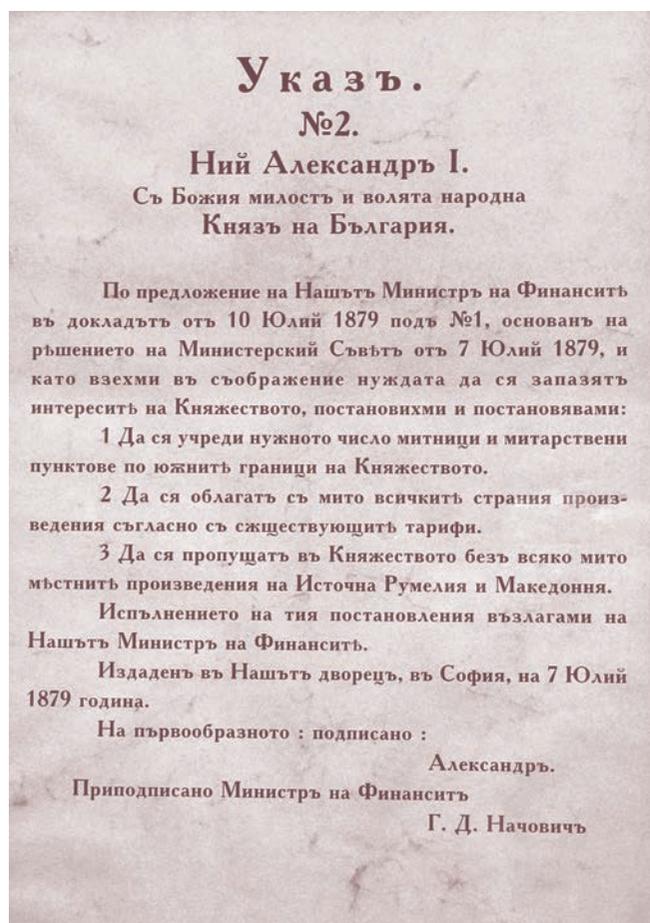
THE BEGINNING

The development of the customs administration in Bulgaria follows the main periods of development of the Bulgarian state.

The first provisions for the organization and functioning of the Bulgarian customs were from the beginning of 1879. After the adoption of the Turnovo Constitution on April 16, 1879 (the first constitution of Bulgaria), Prince Alexander I Battenberg with Decree No 1 of 5 July appointed the Ministers and the President of the Council of Ministers of the first Bulgarian government, and customs houses and customs points were established by Decree No.2 „in order to preserve the

interests of the principality.“ The princely decree on the establishment of customs also provides for the duty taxation of foreign goods. The Decree also provides for duty-free imports from Eastern Rumelia¹ and Macedonia. The date of the decree - July the 7th, 1879 - is considered the birthday of the Bulgarian customs administration.

During the first five years of Bulgarian customs activity, their legal basis is the „Customs Statute of the Bulgarian Principality“, endorsed by the Russian Imperial Commissioner in Bulgaria. According to Article 1 of the Statute, customs are offices at the border through which imports and exports are made. Customs management is



The Decree establishing the Bulgarian Customs



*Sketch (according to description from 1879)
of a uniform of a customs officer*

¹ Autonomous Province of the Ottoman Empire, established in Southern Bulgaria under the Berlin Treaty of 1878

entrusted to the Ministry of Finance, where the Customs Department is established.

The main trade routes of the principality with foreign countries are mainly two: the Black Sea - to the east and the Danube river - to the north. The customs in Rousse, Lom, Vidin and Svishtov serve imports from and to the countries of Western Europe, South America, Serbia and Turkey. Following the proclamation of the Unification of the Principality of Bulgaria with East Rumelia on September 6, 1885, the duties remaining under an agreement signed only just in the previous year were canceled. Customs houses were found at our land border with Turkey. The primary task of the government is to put under customs control the flow of goods and passengers passing through the railway lines. Two large customs houses were opened - in Plovdiv and Harmanli, as well as customs houses in settlements inside the country.

Already in their first years, customs began to keep **statistics on imports and exports** which becomes clear from the Almanac „Statistics on the trade of the Principality of Bulgaria during 1883-1884.“ According to it, the customs houses of the Principality in 1884 were 25, some of which still exist today.

In the beginning of 1885, the first Customs Act was adopted, which aimed to encourage some branches of the emerging Bulgarian industry. The duty-free export of leaf tobacco, wine, brandy, grapes, fruit and vegetables, books, pictures and icons was allowed. Even the first laws speak of import, export and transit as regimes. A special emphasis was put on the rail transport, which carried sealed wagons.

In 1900, the Customs Regulation was adopted and for the first time the details of the overall activity of the Bulgarian customs were examined. Together with its many applications, the regulation is a true encyclopedia for the organization, management, personnel and the multilateral activities of the Bulgarian customs in the early 20th century. Customs officers are assigned to collect customs duties, fight smuggling and punish offenders.

In 1906, a new customs act was drafted, which, although modified many times according to the requirements of the developing economy, remains in force for 42 years. For the first time the act has a separate chapter, devoted to the newly created **chemical laboratories** at the customs.

For the first time a Disciplinary Council was established to the Ministry of Finance, the status of the customs guard was arranged, the rights and obligations of the customs brokers were specified, an Expert Commission on disputes regarding goods tariffing was created as well as a Revision Commission, dealing with claims/appeals regarding customs penal decrees and customs notices.

The first specific **customs tariff** was adopted by the National Assembly on December the 17th, 1904 and began to apply as from the beginning of 1906.

The organization of the Customs Service, with a few exceptions, has been preserved for a long time as it was settled right after the Liberation. The Department of indirect taxes was set up to the Ministry of Finance which was also assigned to serve as a customs division. In 1909, the Department for indirect taxes was divided into two parts: for customs and for indirect taxes. In the beginning of 1911, the Customs Department became autonomous after the transfer of municipal taxes to tax structures. In 1925, an Anti-Smuggling Bureau was established on the basis of the Bureau of Infringements, and an Administrative Bureau was established in 1926 to include prosecution against smuggling and customs legislation enforcement activities, with the exception of what concerns customs tariffs. Their application remained the responsibility of the Tariff Bureau. The structure of the Customs Department in the early 1930s included: Administrative Bureau, Bureau of tariffs, control, information and statistics and the Control chemical laboratory.

DURING THE SECOND WORLD WAR AND AFTERWARDS

During the Second World War and in the period 1944-1989 the structure of Bulgaria's foreign trade and the work of customs were influenced by political and historical processes. After Bulgaria's entry into the war, **absolute centralization of imports and exports** was imposed, a number of prohibitions were introduced for the export of goods and materials needed to supply the local population and the army. Customs reduced the volume of their work several times.

Amendments and supplements to the Customs Act during the war provided relief, facilitation and encouragement concerning the exemption from customs duties and other taxes on domestic industrial products at the exports, as

well as at the imports of all raw materials, wrappings, packaging and preservatives, necessary for the manufacture of the products intended for export. During the bombing over Sofia, the solution of issues that were within the competence of the customs was done not by laws as was the usual practice but by decrees of the Council of Ministers, approved by royal decrees because, as recorded in the reports, „**customs issues permit no delays**“ and the customs institution continues its activity even in the most tense and fateful times for our country.

After 1944, under the terms of a planned economy, **the customs are assigned with protecting the state monopoly** on imports and exports and pursuing all forms of smuggling. The import-export trade almost entirely goes from the private sector to the hands of the state. Ad valorem duties were introduced which, according to the then decisions, „best reflect the role of duties on the planned development of the economy.“ In 1948, the Grand National Assembly passed a new customs act, but the main functions of the customs remained unchanged - to observe the interest of the Fisc and to fight smuggling. Part of the functions of the customs were reduced due to the fact that foreign trade was a monopoly of the state, even for some period between 1960 and 1966 the customs went under the direction of the Ministry of Foreign Trade and then returned to subordination of the Ministry of Finance, as is the tradition after the Liberation to nowadays. In 1973, Bulgaria became a member of the World Customs Organization.



In 1954 the first bridge over the river Danube between Bulgaria and Romania at Rouse was opened up. After 2007 the bridge is an internal border.

THE BULGARIAN CUSTOMS AT THE END OF XX AND THE BEGINNING OF THE XXI CENTURY

Following the changes in 1989-1990, the Bulgarian customs administration undertook new tasks, functions and responsibilities in the period of abolition of the state monopoly.

Under an agreement in 1993 (in force since 1995), Bulgaria was associated to the European Community and **was committed to aligning its legislation** with that of the European Union (EU). Priority has been placed on customs legislation as a basis for integration into the single European market. As a part of the process of Bulgaria's accession to the EU, in the period 2001-2002 the negotiations on Chapter 25 „Customs Union“ took place. A strategic task was to determine the further increase in the administrative capacity to implement the Union's acquis, which included: developing a human resource management system, introducing ex-post control, improving the quality of infrastructure and equipment, further developing the system of customs laboratories, computerization, development of a common/integrated tariff, fight against corruption. At the end of 2003, the harmonization of customs legislation with that of the EU was almost complete.

The computerization of customs activity is a key priority for the customs administration. In 1999, an Information Technology Strategy of the National Customs Agency was adopted, containing a decision to develop its own integrated information system. In 2000, BICIS (the Bulgarian Integrated Customs Information System) started as a joint project of the Bulgarian Government and the European Commission. BICIS 1 was implemented and was functioning in all customs offices as of January 1st, 2001. The important international acts that our country signs, require the use of new techniques for customs control and information technologies. In 2003 in all customs offices BICIS 2.1 was implemented, including a national Transit module. BICIS 2.1 is web-based and provides real-time transit control. The functionality of BICIS allows automated processing of customs – approved treatments or use and regimes.

In the period 2005-2006, of utmost importance for our country in connection with the accession to the EU is the fulfillment of all the requirements for the development of BICIS. The process is undergoing a new phase - building

and developing systems that **interconnect with the EU systems**. These include nine components, the two main ones being the Integrated Customs Tariff of the community TARIC and a system of tariff quotas and surveillance. New modules were introduced at the beginning of 2005, and a year later, a functionality for accounting the customs duties was introduced as part of the traditional own resources of the EU. Interconnectivity of the systems was achieved and the opportunity to apply the EU Common Customs Tariff was given.

In the years before Bulgaria's EU membership, the trend was to achieve **high fiscal results**. In 2004, the state budget revenue collected by the customs administration exceeded the record 4 billion leva and by the end of 2006 the collected revenue already exceeded 7 billion and in the year 2018 they are close to 10 billion leva, which is over 45% of the tax revenue of the state.

THE BULGARIAN CUSTOMS IN THE EUROPEAN FAMILY

On January 1st, 2007, Bulgaria became a fully-fledged member of the European Union, which directly altered the activity and structure of the customs administration. After the accession of Bulgaria to the EU, the imports of the Member States were transformed into an intra-Community acquisition. About 57% of imports and about 60% of exports are no longer controlled by the customs administration. On the other hand, the customs administration also takes **the administration of excise goods**, including in intra-Community supplies and within the country. Excise duty became one of the major tasks of the customs administration, both in the administration and in the law enforcement.



A major **structural reform** began in 2009, removing the intermediate structure between the core units - customs houses and the Central Customs Directorate. The changes aimed at strengthening the customs authorities in the field of customs control. Officials from the specialized administration underwent professional competence tests. Ten years later (in 2018 and early 2019), another major reform was made in the structure of the National Customs Agency, with customs offices and points being organized in five (instead of nine) territorial directorates, and the units in the Central Customs Directorate were consolidated. Following an example of the IT activity, the Customs Intelligence and Investigation activities were brought together in a Directorate General with territorial units.

In 2009 **new responsibilities** were assigned to the customs administration. It also took the functions of controlling the permits for international passenger and cargo transport, control of the total mass, axle load and dimensions of road vehicles, collection and control of vignette fees at the border-crossing points. In 2018 in the process of introducing an electronic vignette for passenger cars and tolls for freight vehicles, a leading function for customs officers became control.

At the same time, Bulgaria is building new border-crossing points with neighboring countries as well as due to the increased trade traffic, it increased the number of platforms at customs and border crossing points, thus increasing the number of points where the control of tolls and permit regimes is carried out. At the end of 2015, the National Customs Agency also received additional responsibilities for the management of sites at the border-crossing points.

Since the beginning of 2012, the customs authorities have been again empowered to

investigate customs and currency crimes. A National Coordination Center with a continuous work regime has been set up since the middle of 2012, whose commitments are related to the implementation of a Community risk analysis for security and safety, reception and processing of alerts by citizens and an operational exchange of information with the Territorial Coordination Centers and other law enforcement authorities. Since its very creation in 2015, the National Customs Agency has been involved with experts in the Interdepartmental Coordination Center for counteracting the trafficking and control of the movement of risk goods and loads in Directorate General "Fight against organized crime" at the Ministry of Interior.

One of the priorities for the Bulgarian customs is **the fight against smuggling and illegal excise goods.** For example, the level of consumption of cigarettes not intended for the Bulgarian market was 34.5% in 2010, 18.1% at the end of 2014, and in the last quarter of 2018 it fell to 4.4%². Active inspections of excise warehouses and the transport and delivery of excise goods such as fuels and alcohol are done independently by the National Customs Agency and with the assistance of other responsible national authorities. More than 160 million pieces of cigarettes were detained by the Bulgarian customs officers only during the period 2015-2018. 2.4 million liters of energy products, mainly fuels, were seized. About 700 000 liters of ethanol was seized for the period.



The Bulgarian Customs Administration continues to contribute to the fight against **counterfeiting and piracy**, recognizing that infringement of intellectual property rights is not limited to breaking the economic interests of a group of companies but also damaging consumer health and safety and resulting in financing of organized

crime. In 2011, in the EC report Bulgaria ranks first on the enforcement of intellectual property rights by the number of fake items retained, 28 per cent of all seized products in the EU. From 2009 to 2018, customs officers seized more than 58 million counterfeit items.

The National Customs Agency also shows traditionally good results in the **fight against the trafficking of narcotic substances.** In the period 2015-2018 the Bulgarian customs officers have seized a total of 28 730 kg, 16 133 liters and 740 835 tablets of narcotic substances and precursors. For this period, marijuana is the most frequently detained type of drug at country's borders, and heroin comes second as in 2018 the biggest seizure of heroin in the history of the Bulgarian customs was carried out – 712 610 kg. In 2017 the Bulgarian customs reported a peak in the quantities of seized acetic anhydride (16 128 l). At the same time, over the last 3 years, the Bulgarian customs officers detained over 23 tonnes of precursors Alpha-phenylacetoacetonitrile and Piperonyl Methyl Ketone (APAAN and PMK) and pre-precursors Aalpha-phenylacetoacetamide and PMK-glycidate (APAA and PMK-glycidate) used in the illegal manufacture of synthetic drugs from the amphetamine-derived group.



712 kg of heroin concealed in construction pallets – 2018, 'Kapitan Andreevo' BCP

After 2010 **significant investments in technical provision and modernization** of both the available technical equipment and the purchase of a new one are made. The X-ray park is expanding with a new generation of machines capable of testing large-scale vehicles and loads.

In the three accredited **customs laboratories**, about 8000 samples of different goods are surveyed annually, with the largest share of samples

² By the method of the independent international marketing research agency "Nielsen", measures the level of illegal trade by collecting and analyzing blank cigarette packs. Funded by the „Anti-Trafficking Initiative“

of excise goods - fuels, alcohol products, tobacco and tobacco products. Customs laboratories are also engaged in the implementation of the Bulgarian and Union legislation in the field of drug substances' and precursors' control, in cooperation with the General Directorate "Joint Research Center" of the European Union. Within just four years from 2015 to 2018, over 20 new designer drugs have been identified at the Central Customs Laboratory.

A radical step in the **excise policy** is legislative changes, which regulate the order of movement of excisable goods with an electronic administrative document, as well as changes related to the creation of the Bulgarian Excise Centralized Information System - BACIS, which has been implemented since 2014. The project is in co-operation with the National Revenue Agency and its main objective is to automate the processes of submission and processing of excise documents, the exchange of information and the control of the entire chain of excise goods. In the years to come, the improvement of the national excise legislation is generally in three directions - cutting off the opportunities for misappropriation and evasion of excise duties; alignment with the European requirements, including by enforced judgments of the Court of Justice of the European Union; and, last but not least, texts aimed at improving the business environment by reducing the administrative burden and costs of economic operators.

The focus in the work of the Bulgarian customs is the uniform application of the **EU customs legislation**. Since November 2013, when the Union Customs Code was adopted, the efforts have been targeted to prepare for its actual implementation in May 2016. Priority is given to using simplified procedures in customs legislation by finding a balance between customs control and trade facilitation.

In the first half of 2018, under the Bulgarian Presidency of the Council of the European Union, the National Customs Agency chaired

the working groups to the Council "Customs Cooperation" and "Customs Policy" and led to a successful conclusion of the negotiations between the Council, the European Commission and the European Parliament on the text of a new regulation, controlling the cash entering or leaving the Union.

The process of development of information systems of the National Customs Agency continues by building integration with other Bulgarian administrations. Innovations contribute to **automating processes** and facilitating communication between business and administration through the provision of quality and easily accessible electronic services. Guided by the requirements of the Union Customs Legislation, the National Customs Agency adopts the approach of developing institutional/corporate architecture for customs processes such as Import, Export, Transit, Customs Debt, Guarantee (Security) Management and Exchange of Information with the Community Domain.

And in the field of **training** of customs officers, the focus is on harmonizing standards at EU level. As a result of the joint work of the European Commission and the Member States, a European Union Customs Competency Framework is set up which provides a comprehensive understanding of the knowledge, skills and behavior required by the European Union customs officer to be highly effective in their work. The Bulgarian customs are among the first administrations in the European Union to introduce and implement this standard. The National Customs Agency implements a sustainable human resources policy aimed

at selecting high potential personnel, providing specialized training and career development under clear rules through competitive procedures and an advanced selection system. From the beginning of 2017, a study on professional and psychological fitness began as a separate stage of the procedures for recruitment and promotion in the customs administration.

