



2016 Results

Protecting citizens and consumers, supporting businesses



FOREWORD

2016 was another milestone year for French Customs.

For the first time in nearly a century, French Customs officers marched in the traditional 14 July parade on Paris's Champs-Élysées. This was an expression of the nation's gratitude to French Customs and its staff, who are fully involved in the fight against terrorism, working alongside the other government departments that help keep France secure.

This recognition also took the form of a plan to bolster French Customs' resources to allow it to more effectively combat terrorism. Half of the 1,000 additional hires announced by President Hollande for 2016 and 2017 have already been assigned to operational surveillance units, and the rest will join them in 2017 as soon as their training is completed. Operational units will also receive additional weapons, bullet-resistant apparel and detection equipment. IT systems to combat fraud and to assist communication between surveillance teams are also being deployed.

In 2016, we achieved remarkable results in terms of combating every form of trafficking and illegal financial flows. After the record seizures of narcotics and smuggled tobacco in 2015, the past year's results remained at very high levels. In several areas, we broke records: nearly €150 million in criminal assets were seized or identified (a 170% increase over 2015), and more than 9 million counterfeit items were intercepted. These excellent results are a reminder that French Customs' protection efforts extend to the full range of threats to France.

The new Union Customs Code entered into effect in 2016. French Customs decided to turn this rare event – the former Code was introduced in 1992 – into an opportunity for French companies. We rolled out a "Customs Clearance in France" plan that contains 40 measures, including simpler and more trade-friendly initiatives. These actions help reinforce French Customs' role as a growth driver for French businesses and for the appeal of France and its logistical platforms. They have allowed France to retain its top ranking in the "Trading Across Borders" category of the World Bank's "Doing Business 2017" report.

In 2016, the value of the duties and taxes assessed by French Customs increased by 8% over the previous year, reaching €76 billion, while collection costs continued to fall: it now costs only 41 centimes to collect €100 in customs revenue.

These results, which are explored in depth in the following pages, testify to the ongoing, daily commitment and professionalism of the women and men of French Customs. They are the outcome of specific working methods used in the service of our in-depth and irreplaceable knowledge of international trade flows.

Michel Sapin
Minister for the Economy
and Finance

Christian Eckert
Minister of State reporting
to the Minister for the Economy
and Finance, with responsibility
for the Budget and Public Accounts

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KEY FIGURES

ENFORCEMENT



Drugs

83.4 tons

of narcotics seized, *including*



11.7 tons of cocaine



64.5 tons

of cannabis intercepted



€149.4M

in criminal assets seized or identified by the National Customs Judicial Department (SND) **(+170%)**

Financial fraud and tax evasion



860

firearms seized



Smuggled tobacco

441.3 tons

seized



€415.1M

in taxes and duties reassessed **(+10%)**



Counterfeit goods

9.24 million

counterfeit items seized

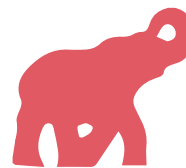
A NEW RECORD



Consumer protection

4.8 million

toys inspected



France's natural heritage

493 citations

issued for violation of endangered plant and animal species legislation **(+16.5%)**

CUSTOMS CLEARANCE AND ECONOMIC ACTIVITIES



Average clearance and economic activities

88.6% of customs declarations processed in less than 5 minutes



87.4% Overall rate of paperless customs clearance

3'52"

Average time that goods are immobilised (13 minutes in 2004)



Customs certification

1,589 AEOs

(1,389 in 2015) (+ 14,4%)

2,485 businesses given free advice on how to optimise their customs procedures (+6.2%)

TAXATION



90%

the overall user satisfaction rate in 2016



€76bn collected (+8%)



41 centimes

the cost to French Customs for collecting €100

HUMAN RESOURCES



16,759 full-time

equivalent positions (budgetary positions, 2017 Initial Budget Act)



489 departments (offices, units and excise taxes)

2016 HIGHLIGHTS



JANUARY

1

- **3 tons of cannabis found** in loads of fruits and vegetables in Hendaye
- More than **10 tons of smuggled cigarettes** seized in Réunion and Dunkirk **1**
- The SNDJ* and the DNRED* break up a gang responsible for €9 million in VAT fraud

▶ **Plan to provide French Customs with increased resources to fight terrorism** and secure France's borders is presented by the Minister of State for the Budget and Public Accounts

* Service National de Douane Judiciaire (National Customs Judicial Department).
* Direction Nationale du Renseignement et des Enquêtes Douanières (National Directorate for Customs Intelligence and Investigations).



2



3

FEBRUARY

- Hundreds of archaeological objects and stuffed specimens of endangered species seized by the SNDJ **2**

▶ **1st French Customs wine-growing forum**

- The Val-de-Seine Customs Unit discovers **21 tons of smuggled tobacco**

MARCH

- Presentation of the **"Customs Clearance in France"** plan to over 120 US and Chinese firms **3**

▶ First digital currency seizure as part of an anti-drug trafficking operation on the dark web



JULY

7

▶ **French Customs march down the Champs-Élysées* for the first time since 1919** **7**

- **First centralised national customs clearance** issued to a company that decided to relocate all of its customs flows to France

* The 14th of July is the French national holiday.



8



9



10

AUGUST

- 2,000 endangered seahorses discovered by French Customs at a postal centre in Chilly-Mazarin **8**
- Yannick Borel of the French Customs team, Olympic champion in the men's épée team event at the Rio Olympics **9**

▶ **Record seizure of methamphetamines in France: 51.5 kg** found hidden in cereal boxes at Roissy airport

SEPTEMBER

- Christian Eckert, Minister of State for the Budget, and Pierre Moscovici, European Commissioner, visit Roissy airport to meet with the departments in charge of protecting French territory **10**

▶ **Seizure at Roissy airport of archaeological friezes, most likely stolen from Syria** **11**



4

APRIL

- A tax evasion scheme involving more than **€385 million** in pollution duties is uncovered by the National Customs Judicial Department (SNDJ)

▶ **214 refugees rescued** from the Mediterranean by French Customs

- Discovery of a cache of weapons by the DNRED in Angoulême and Paris **4**

JUNE

- Launch of #DONTGETCAUGHTOFFSIDE, an information campaign prior to the 2016 UEFA European Championship

▶ Seizure of more than **960,000 illegal health products** and nearly **1.4 tons of various pharmaceuticals sold online**

- A VAT fraud scheme involving imported vehicles is broken up by the SNDJ
- Seizure of **5.5 tons of cannabis in the Mediterranean** in a joint operation involving coast guard teams from the **French and Spanish customs authorities** **6**



5



2016 RESULTS

6

MAY

▶ The Union Customs Code (UCC) comes into application

- Inauguration of the new Customs IT Centre, the third-largest government data centre in the Greater Paris region
- **350 kg** of ivory seized by the SNDJ and French Customs departments at Roissy airport – **the largest such seizure since 2006** **5**



11



12



13



14

OCTOBER

▶ Launch of the "Tour de France" of customs experts in the wine and spirits sector

- Chilly-Mazarin: interception of **122 counterfeit and hazardous pushchairs** ordered from a website **12**
- Breakup of a large-scale wine **trafficking operation involving misappropriation of protected origin labelling**

DECEMBER

- The Customs Investigation Directorate uncovers a scheme to avoid paying **€9 million** in **anti-dumping duties** on solar panels

▶ **Guadeloupe: record seizure of 150 kg of cocaine** **14**

NOVEMBER

- Fourth National Counterfeit Destruction Day **13**

- Record seizure of **42 kg** of heroin in Réunion

▶ Information day around the theme of "French Customs helps you export"

- A large-scale **cigarette smuggling operation in Marseille is uncovered by the SNDJ**

- International conference on maritime intelligence to counter drug trafficking in Fort-de-France

PROTECTING OUR CITIZENS AND OUR COUNTRY

14 July 2016*: nearly 100 years after taking part in the 1919 Victory Parade in commemoration of its actions during the First World War, French Customs returns to the Champs-Élysées. Putting French Customs alongside military troops and government defence departments is proof of France's recognition of our missions to protect French citizens and French territory. We fulfill these missions under the powers granted to us as a tax administration, and thanks to our in-depth understanding of international flows of both people and goods.

499

additional
staff

were hired in 2016
to strengthen
border controls
and intelligence
operations

Nearly
7 million
intra-Schengen
border controls

COUNTERING TERRORISM AND ITS FINANCING

When it comes to protecting France, our departments are heavily involved on every front, including anti-terrorism efforts, fighting crime and major fraud, and combating illegal financial flows used to hide criminal and terrorism activities.

Our protection efforts go far beyond individual controls. They are also directed at goods and means of transport, in a bid to counter a widening range of threats. They are equally focused on criminal activities and on health and safety risks, as well as on every sector in which criminal and terrorist organisations can extract profits. Thus, French Customs' actions with respect to trade flows and movements of individuals complement the work of other government departments.

STEPPED-UP CONTROLS OF INDIVIDUALS

Following the 2015 terrorist attacks, French Customs moved quickly to re-introduce border controls by stepping up interventions at Schengen borders, but also at internal borders and throughout France. In 2016, we carried out nearly 7 million border checks of individuals, and turned away more than 1,000 people, most of them at land-based crossing points.

In the railway sector, French Customs extended a 2013 agreement that it had signed with the SNCF, the goal of which is to expand information exchanges concerning both travellers and freight. The agreement also includes training courses given to SNCF employees by French Customs in the area of security techniques.

* French national holiday.



14 July: 49 customs officers, primarily additional hires in connection with the Anti-Terrorism Plan, parade on the Champs-Élysées.

When it comes to air transport, French Customs was a key player in the development of the interministerial Passenger Name Record platform, which is tasked with gathering and processing data supplied by airlines companies, with an eye to combating terrorism and large-scale criminal activities. The platform, the Passenger Information Unit (UIP) is housed on French Customs' premises, and continued efforts to connect with airline companies' IT systems. Tests were carried out through the end of 2016, by which time more than 41 airlines – accounting for 80% of extra-Community flows and 40 million passengers per year – were connected to the PNR system.



Passenger Information Unit

EXPANDED DATA ANALYSIS AND PROCESSING

French Customs has expanded its analytical resources and stepped up exchanges of intelligence with other departments involved in combating terrorist threats. We doubled the size of the staff in the anti-terrorist unit within the National Directorate for Customs Intelligence and Investigations (DNRED). Exchanges with other departments multiplied fourfold. Every day, French Customs transmits the results of the thousands of controls it carries out across France. 400 customs officers have taken a training course in how radicalisation works. A specific procedure has been put in place to quickly make available the data gathered during these controls. Thanks to its in-depth knowledge of international trade flows, French Customs is able to enhance this data.

Information exchanges with other departments have **multiplied fourfold**

41 airlines accounting for **80%** of extra-Community flows, are now connected to the PNR system

SECURITY DURING THE EURO 2016

French Customs was active on all fronts during the 2016 UEFA European Championship. It protected consumers, particularly by combating counterfeits, working in close cooperation with the Directorate General for Competition Policy, Consumer Affairs and Fraud Control (DGCCRF). A joint information campaign, #DONTGETCAUGHTOFFSIDE, was introduced in June. We also stepped up border controls and inspections of flows during this time.



7.3 million
declarations
processed
through
the ICS²

860
firearms
seized

INCREASED MEANS TO COUNTER THREATS

The plan to increase resources to fight terrorism and secure France's borders, which was finalised in late 2015 and presented by the Minister of State for the Budget and Public Accounts on 22 January 2016, was rolled out throughout the year. Of the 1,000 additional staff that Customs plans to recruit to strengthen border controls and intelligence operations, half were hired in 2016. Our training institutions worked at full capacity during this period. The remaining recruits are currently being hired, and will be assigned positions in 2017, after being trained.

Concurrently, French Customs stepped up efforts to modernise its equipment, thanks to €45 million in additional appropriations over the same two-year period. In 2016, this budget increase allowed us to purchase nearly 500 additional bulletproof vests and 500 semi-automatic pistols, as well as a thousand plate carriers for officers in the 120 teams who will receive 500 new submachine guns starting in March 2017. Our fleets of motor vehicles and motorcycles will also be increased. A total of €1.5 million has been earmarked for making customs sites more secure, and nearly €1 million will go to our training academies for the purchase of additional training equipment adapted to the current circumstances. IT resources devoted to protection efforts have received a €5.9 million increase, which will be used to develop our IT system devoted to enforcement and to expand data mining, and to purchase communication equipment for surveillance teams (access to the INPT network¹ and long-distance radio-frequency terminals).

¹ The radio network used by the Ministry of the Interior.

² ICS: Import Control System.

SECURING INTERNATIONAL TRADE

In addition to working with other government departments in controlling flows of individuals, French Customs is responsible for keeping trade flows secure. To accomplish this, it controls air and maritime freight by implementing the EU's Import Control System (ICS). French Customs helps prevent terrorism through contamination of cargo shipments. The ICS has the same relation to freight shipments as the PNR has to flows of passengers – it obliges transporters to file declarations prior to the physical import of goods.

Thanks to the ICS, we were better able to counter criminal activities in 2016, since the number of citations issued in 2016 for major violations (drug trafficking, tobacco smuggling and counterfeiting, among others) rose by 18% over the previous year.

THE FIGHT AGAINST ARMS TRAFFICKING

In 2016, French Customs issued 1,098 citations concerning weapons and seized 860 firearms. These actions were in line with the Ministry of the Interior's national plan to combat illegal ownership of weapons. In 2016, we also introduced a complementary action plan based on our knowledge of trade flows.

The plan, which we began to roll out in early 2017, reflects French Customs' intention of using its specific set of skills, in cooperation with other government departments, to combat arms trafficking, through the creation of a specialised investigative group, the expansion of new targeting measures and the implementation of powers granted by recent legal provisions. With the enactment of Act 2016-731 of 3 June 2016


 €149.4 M

 in criminal assets seized
or identified by the SNDJ
(+170%)

154

 money laundering
cases handled in 2016
(compared with 69 in 2015)

Combating illegal financial flows is a top priority for French Customs

strengthening the fight against organised crime and terrorism and their financing, infiltration operations and “*coup d’achat*” procedures (in which a customs officer may establish evidence of infringement by purchasing goods) were expanded to include weapons, ammunition and explosives.

A NEW RECORD IN THE FIGHT AGAINST ILLEGAL FINANCIAL FLOWS

The number of citations for money laundering rose sharply: 154 cases in 2016, which represents a 123% increase over the previous year.

Over the past several years, French Customs has made combating illegal financial flows a priority. This is one of our areas of action that shows how French Customs complements the work of other government departments.

As part of this, the Act of 3 June 2016 granted French Customs additional legal powers. Under its provisions, undeclared sums being taken across borders are presumed to be of illegal origin, which makes it easier to investigate

criminal activities and money laundering. Fines for failing to declare more than €10,000 when entering or leaving France have been increased.

Furthermore, the National Customs Judicial Department’s remit has been expanded to include investigations into terrorist financing and money laundering in relation to a terrorist undertaking. Judicial investigations into money laundering account for 40% of the SNDJ’s caseload, its largest area of activity. Investigations into assets and attempts to identify criminal assets in a bid to dismantle criminal gangs and organisations have led to a notable increase in the SNDJ seizing or identifying criminal assets. In 2016, €149.4 million were seized or identified, an increase of 170% over the previous year.

As part of efforts to combat illicit financial networks, French Customs stepped up its transfers of information to Tracfin, the French Financial Intelligence Unit (FIU). A joint Customs/Tracfin working group was set up.

In January 2016, officers from the National Directorate for Customs Investigations and Intelligence (DNRED) arrested three individuals at Lyon-Saint Exupéry airport and seized €350,170 in cash and eight bars of gold. These arrests put an end to the activities of an organisation that was responsible for mass exports of gold and cash to Turkey for the purposes of money laundering. Mules living in Tunisia would pick up gold and cash in Paris and transport it to Istanbul.

A RECORD YEAR FOR ANTI-TAX EVASION EFFORTS

French Customs enjoyed a record-breaking year in terms of fighting tax evasion. Duties and taxes reassessed in 2016 reached €415.1 million, a 10% increase over 2015. Cases of VAT fraud, excise fraud, tax evasion and cases involving the protection of the EU’s financial interests netted €363.64 million in damages paid to the French government.

+10%

€415.1M

**in taxes and duties
reassessed**

FIGHTING ORGANISED CRIME

OUR THIRD BEST YEAR FOR DRUG SEIZURES

In 2016, French Customs intercepted 83.4 tons of narcotics, with a total value of €644.6 million. This is our third best score to date, and represents a significant loss of income for criminal organisations, particularly since the estimated value of the drugs is based on the wholesale price. In terms of quantities seized, although slightly lower than 2015 (88 tons), 2016 was a very good year, indicating the ongoing commitment of French Customs' various departments.

64.5 tons of cannabis were seized, 2 tons more than in 2015 (62.6 tons). Discoveries of indoor cannabis farms also rose.

There were a number of seizures of cocaine: 11.7 tons in all. This is our second best score in the last 25 years, after the record-breaking seizures of the previous year.

HIGH LEVELS OF TOBACCO SEIZURES

French Customs played an active role in combating smuggled tobacco, which they seized from land, air, maritime, express freight and postal vectors.

A total of 441.3 tons were intercepted in 2016, which represents the third best score in the last quarter century. Significant seizures were also carried out abroad based on intelligence provided by French Customs³.

A NEW RECORD FOR SEIZURES OF COUNTERFEIT GOODS

In 2016, French Customs seized a record-breaking 9.24 million counterfeit items. This is our highest score to date, and is an illustration of the daily efforts by customs authorities to combat counterfeiting and protect intellectual property.

EFFECTIVE INTERNATIONAL COOPERATION AGAINST LARGE-SCALE TRAFFICKING

Over and beyond seizures carried out in France, to carry the fight against fraudulent networks as far upstream as possible, French Customs works in close cooperation with customs authorities in partner countries. The most tangible forms that this cooperation takes are the transmission of detailed and immediately usable data, and the introduction of joint control actions.

In this way, French Customs was responsible for the seizure of 37.19 tons of narcotics and 182.3 tons of tobacco outside France's borders.

83.4 tons
of narcotics,
including
11.7 tons
of cocaine

441.3
tons
of tobacco
seized



9.24
million
counterfeit
items seized

1,492

The number of applications for action filed with French Customs by holders of intellectual property rights

38
million items
tested by
the SCL⁵

CONSUMER PROTECTION

French Customs protects consumers against hazardous or non-compliant goods that are likely to be imported into France. In 2016, 8,380 consumer protection cases were handled, a 10% increase over 2015. Moreover, in 2016 the Joint Laboratory Department (under French Customs and the DGCCRF⁴) received an increased number of requests for analyses concerning cosmetic products suspected of containing hazardous substances.

More generally, some 38 million products were tested for compliance with technical standards. Of these, 8.2 million were found to be non-compliant, and 235,657 were both non-compliant and hazardous.

PROTECTING FRANCE'S NATURAL AND CULTURAL HERITAGE

In 2016, French Customs issued 493 citations involving endangered species

protected by the Washington Convention (a 16.5% increase over 2015). Cross-border transfers of waste were also the subject of scrutiny, and 258 cases were handled during the year (a 39.5% increase over 2015).

Finally, four cases of maritime pollution were discovered by French Customs' specialised air/sea departments, as part of our remit to protect French territory under the government's Maritime Action Plan (AEM).

To more effectively counter trafficking in cultural goods from sensitive geographic zones that may be used to finance terrorism, the Act of 8 July 2016 on the freedom of creation, architecture and heritage allows French Customs to control these types of goods at the time of import. Controls, which are currently focused on items from Syria and Iraq, will be expanded to include all cultural goods coming from non-EU countries.

In February, six big cats and a crocodile, all stuffed, which had been seized by customs officers in Besançon, were handed over to Paris's Natural History Museum. This provided an occasion to emphasise the importance of French Customs' cooperation with the Museum to protect biodiversity.



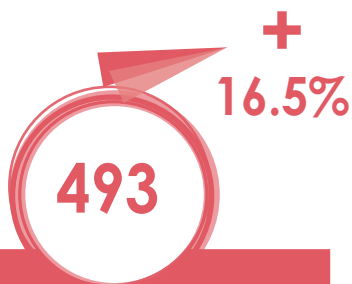
³ See the section on international cooperation below.

⁴ Directorate General for Competition Policy, Consumer Affairs and Fraud Control.

⁵ Joint Laboratory Department.



of drug seizures were from express freight and postal shipments



the number of citations issued for violations of endangered species protection legislation

In 2016, French Customs stepped up its cooperation with the EU's law enforcement agency Europol. This included taking part in operations organised by Europol, increasing the number of representatives in analysis groups focused on suspicious financial flows and arms trafficking, and sharing our experience in combating terrorism. Today, French Customs plays a leading role in Europe in terms of fighting organised crime.

EMPLOYING INNOVATIVE WORKING METHODS

GREATER EXPERTISE IN RISK ANALYSIS AND TARGETING

Understanding flows of goods is one of French Customs' critical skills. This skillset allows us to act in complement to other government departments in protecting French territory. It is based on specific know-how, adapted working methods and dedicated structures.

On 1 June 2016, French Customs introduced a new entity, the Risk Analysis and Targeting Department (SARC), whose remit includes providing a response to the challenges of safety, security and the fight against fraud. The SARC carries out all risk analyses and operational-oriented studies for all of French Customs' departments. This new department is the embodiment of our goal to federate and strengthen our expertise, in a bid to more effectively target suspicious flows that are part of sizeable trade volumes without slowing the pace of legitimate flows.

BUILDING KNOWLEDGE OF TRADE FLOWS TO INCREASE OUR EFFECTIVENESS IN DETECTING FRAUD

French Customs has also decided to boost its actions in the fight against large-scale smuggling and fraud against the public purse by acquiring powerful IT tools. The creation of processing methods based on data mining allows us to deeply search our databases and to model fraudulent behaviour. Our goal is to improve our analytical abilities, to better identify potentially fraudulent situations and to perfect how we target our controls. These methods will be tested during a pilot phase during the first half of 2017.

DEVELOPING INNOVATIVE METHODS TO FIGHT TRAFFICKING

After testing a Land-Based Customs Operations Centre (CODT) in Bordeaux in 2014 and 2015, other centres are currently being set up in Lille and Metz. Three more will then be opened in Lyon, Marseille and Paris. They will ensure ongoing links with teams in the field in order to provide them with intelligence about their operational environment. Thanks to new means of communication and geo-location, the centres will help keep Unit officers safe and boost the effectiveness of controls.

As part of its efforts to bolster its investigations into money laundering and terrorist financing, French Customs is also testing the use of dogs that are able to detect both banknotes and drugs. Six sniffer dog teams were set up in 2016, and more will be fielded in 2017. This new means of detection has already resulted in several citations being issued.

Concurrently, more than 30 units have been given particle detectors to facilitate the search for traces of drugs on banknotes during inspections.

We have also stepped up the fight against Internet-based fraud. Parliament has granted French Customs increased investigative powers, with the authority to conduct investigations under a pseudonym and to carry out *coups d'achat* (in which customs officers may establish evidence of infringement by purchasing goods). The Cyberdouane department combats fraud carried out on the dark web⁶. There will be twice as many staff members assigned to this department in 2017 as there were in 2015. French Customs has

⁶ The dark web is the hidden part of the World Wide Web that, by providing anonymity to users, hosts a number of illegal activities.

861

people
rescued
at sea35
cases of
maritime
pollution

French Customs' maritime and airborne resources are involved in the fight against organised crime and human trafficking.

In September 2016, the DNRED seized **55 handguns**, **14 explosive devices** and **10,000 pieces of ammunition** from the home of an individual who was recommissioning firearms and reselling them.

also teamed up with e-commerce operators (similar to its partnership with PriceMinister that was featured during the Fourth National Counterfeit Destruction Day, which was launched from the company's offices) or with express freight firms, particularly under the terms of the agreement of 6 April 2016 signed with the *Union Française de l'Express* (UFEX).

NEW EUROPEAN OPERATIONAL RESOURCES

When it comes to countering cross-border criminality, cooperation between French Customs, other countries and European institutions is crucial. This is why we take part in actions coordinated by the European agency Frontex, particularly in the Mediterranean. Our maritime and airborne resources are used to combat human trafficking and to rescue migrants at sea. Our patrol boat, which was partly financed by Frontex, was commissioned in 2015. It was used to rescue 214 people at sea during a mission in April 2016. Furthermore,

under the provisions of Regulation (EU) 2016/1624, French Customs is soon to become a member of the rapid reaction pool set up to deal with flows of migrants at Europe's external borders. A total of 20 customs officers can be mobilised for this purpose.

INTERNATIONAL COOPERATION

Large-scale organised crime is a cross-border phenomenon. To effectively fight against organisations that take advantage of Europe's borders, French Customs is expanding its partnerships and its international commitments.

Our actions are relayed by a network of customs attachés and international technical experts who are located in zones and countries of interest to French Customs.

We are involved in a large number of cooperative actions with partner countries in order to encourage feedback. Nearly 450 such actions were carried out in 2016.

Between 15 and 25 June 2016, French Customs took part in a large-scale sea and air surveillance operation in the Alboran Sea, working closely with Spanish Customs. During the mission, French Customs' maritime and airborne resources were able to identify 3 go-fast boats.

Nearly 5.5 tons of cannabis were seized and 5 individuals were arrested.



BOOSTING THE APPEAL OF FRANCE'S LOGISTICAL PLATFORMS AND MAKING FRENCH COMPANIES MORE COMPETITIVE

A key (and rare) event took place in 2016: the entry into application of a new Customs Code. On 1 May 2016, the former European Community Customs Code from October 1992¹ was replaced by the new European Union Customs Code (UCC). French Customs immediately opted to make this new Code a instrument in favour of competitiveness, streamlining and security in the service of the French economy. Provisions that are simpler and more adapted to operators have been put in place, in order to help businesses seize opportunities that the new regulations create. Thanks to the daily efforts of French Customs in this domain, France kept the top spot in the "Trading Across Borders" category of the World Bank's "Doing Business 2017" report.

French Customs has also decided to make the UCC a vector for bolstering its missions to protect and support the French economy. These are increasingly seen as a coherent whole whose complementary nature keeps France secure and helps our

HELPING FRENCH COMPANIES COMPETE ABROAD

1st

France's ranking in the "Trading Across Borders" category of the World Bank's "Doing Business 2017" report.

Source: World Bank

BUSINESSES ARE A TOP PRIORITY FOR FRENCH CUSTOMS

Although French Customs' missions involve controls to prevent counterfeiting, smuggling and tax evasion, they also require a good understanding of our economic partners and ongoing dialogue to support them and help them grow, and to create jobs for the French economy. As part of this, in 2016 we rolled out a nationwide information campaign – a "Tour de France" of customs experts – about customs regulations and the opportunities created by the new European Union Customs

Code. In the first six months of the year, we held meetings in nearly 20 cities in mainland France and overseas, which drew almost 3,000 businesses.

40 TANGIBLE MEASURES FOR FRENCH BUSINESSES

At the various stopovers of our "Tour de France", economic operators who clear their imports in France were able to see the ways in which their expectations were taken to heart by French Customs. We presented the "Customs Clearance in France" plan, which

3,000

The number of businesses we met with during the "Tour de France" by customs experts

31/40

The number of measures in the "Customs Clearance in France" plan that have already been implemented

Le plan « Dédouanez en France » met les entreprises au cœur des priorités de la douane.

comprises 40 tangible initiatives. These take the form of commitments by French Customs to streamline procedures, reduce costs and save time for businesses, and provide support for French businesses with their international operations.

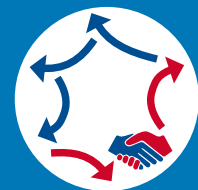
By the end of 2016, 31 of these initiatives had been implemented and were producing the expected results², and 9 were being rolled out. Visitors to French Customs' website can monitor the plan's measures³.

USING THE NEW EUROPEAN UNION CUSTOMS CODE TO SPUR GROWTH

The UCC can be a powerful growth driver when businesses and French Customs seize the opportunities that it creates. These include centralised clearance, the status of Authorised Economic Operator (AEO) and paperless procedures.

Centralised clearance: a unique European initiative that operators favour

Centralised clearance is a new procedure that allows companies to submit all of their customs declarations with a single customs office, regardless of where and how their goods arrive in France. Centralised clearance will not be fully deployed Europe-wide until 2020. French Customs has decided to implement it as of 1 May 2016 for flows entering French territory. French companies can thus immediately take advantage of this key advance, familiarise themselves with the new procedure and pave the way to deploying centralised clearance on a Europe-wide basis. Centralised clearance in France will also help anchor logistical flows in France, which benefits our economy. Since 1 May 2016, 136 applications have been submitted, an indication of companies' strong interest.



CUSTOMS CLEARANCE IN FRANCE

40 TANGIBLE MEASURES in support of businesses

Keeping businesses at the heart of French Customs' priorities



¹ Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the European Community Customs Code.

² These include the introduction of centralised clearance (measure 1), a one-stop shop (measure 2), the creation of a Key Accounts Department (measure 4), cutting clearance times (measure 19), streamlining checks (measure 20) and customised advice (measure 28).

³ <http://douane.gouv.fr/articles/a12971-les-entreprises-au-coeur-des-priorites-de-la-douane>

BOOSTING THE APPEAL OF FRANCE'S LOGISTICAL PLATFORMS AND MAKING FRENCH COMPANIES MORE COMPETITIVE



90%

The overall user satisfaction rate

1,589

The number of AEOs

81.7%

The share of Authorised Economic Operators engaged in French international trade



87.4%

Overall rate of paperless customs clearance

A sharp rise in the number of reliable operators

By making the AEO status a critical passport for acquiring an international dimension, the UCC bolsters the safety and security of trading. French Customs wants to work with reliable operators who have been vetted and who are monitored. In return, we have put in place specific measures, including special arrangements for AEOs, a choice of venue for controls, priority treatment, streamlined means for granting exemptions from guarantees and special access to certain customs authorisations.

Since 1 May 2016, French Customs has seen requests for AEO status jump by more than 20%. At the end of 2016, the number of AEOs stood at 1,589, an increase of nearly 15%. France is in third place in Europe in terms of the number of authorisations granted in 2016.

Paperless procedures gain ground

Under the UCC, paperless procedures are an integral part of modernising customs procedures, and the goal is to be fully paperless by the end of 2020. To achieve this, in 2016 French Customs launched DELTA G, a new online clearance system that incorporates a number of customs clearance applications. In 2016, the availability rate for DELTA G was 98.25% (against 92.68% in 2015 for DELTA C, its predecessor).

The percentage of procedures that are now paperless continues to increase, reaching 87.4% in 2016 (against 86% the previous year).

This is particularly attributable to continued efforts on GUN, the new one-stop shop for administrative formalities. French Customs is leading the interministerial testing phase of this initiative, which will modernise formalities for more than 15 other national

administrations⁴. The PABLO NG project is another major initiative led by French Customs⁵. The goal is to make the VAT refund scheme – under which foreign tourists can be reimbursed the VAT they pay on purchases made in France – entirely paperless. This is of great commercial and financial significance, since these purchases represent more than €7.2 billion per year. French Customs is perfecting a new procedure that will more accurately reflect the significance of this sector of activity, both economically and in terms of France's image. Thus, we are introducing electronic refund terminals that are user-friendly, easy to use and reliable.

Average clearance times continue to shrink

All of these initiatives have helped to continually decrease clearance times. The average time went from 4 minutes, 38 seconds in 2015 to 3 minutes, 52 seconds in 2016. 88.6% of all clearance procedures take less than 5 minutes.

INCREASING THE APPEAL OF FRANCE'S LOGISTICAL PLATFORMS WITH THE REVERSE CHARGE PROCEDURE FOR VAT


Under the provisions of the so-called "Blue Economy Act" of June 2016, French Customs has introduced the reverse charge procedure for VAT at import (ATVAI). The goal of this measure is to increase the appeal of France's port and airport infrastructures.

The reverse charge procedure helps with companies' cash flows by allowing them to carry over the amount of tax due on import transactions to their turnover return filed with the tax authorities. They thus immediately benefit from the deductibility of this amount from taxes owed on turnover. In 2016, 4,577 companies expressed interest in this procedure, for a total reverse charged of €3.3 billion.

3'52"

Average time
that goods are
immobilised

88.6 %

of clearance procedures
take less than 5 minutes


Adapted customs formalities help boost the appeal of France's logistical platforms.

ONGOING EFFORTS TO STREAMLINE CUSTOMS CLEARANCE

STEPPED-UP EFFORTS TO ROLL OUT GUN

Thanks to the DELTA online procedure, customs declarations are entirely paperless. However, some import and export authorisations, which are required during the clearance process under the terms of non-customs regulations, continue to be processed in paper form.

Producing these documents costs businesses time and money. To ensure that these authorisations do not deprive companies trading internationally of the benefits of automated clearance, French Customs is testing an interministerial tool: the Consolidated Customs Clearance System (GUN). Accessible from French Customs' web portal, GUN links the

Customs IT system to systems in other government departments.

In 2016, GUN was expanded to include three new systems: I-CITES at the Ministry for the Environment, which deals with imports and exports of plant and animal species that are protected under the Washington Convention, FranceAgriMer for agricultural export certificates, and the IT system of the National Interprofessional Grouping for Seeds and Plants (GNIS), which issues seed import permits.

Two additional connections will soon be added: FranceAgriMer for managing exports of dairy products, and the Institute for Radiation Protection and Nuclear Safety (IRSN), for exchanges of radionuclides⁶. We are currently testing

connections relative to the significant sector of dual-use goods and also exchanges of fruits and vegetables, both of which will be rolled out next year. In 2016, French Customs also began work to move to paperless procedures with respect to armaments and also goods for which veterinary and phytosanitary certificates must be issued.

CUSTOMISED SERVICES TO MEET OPERATOR'S NEEDS

The Key Accounts Department (SGC) was set up in May 2016 to address the needs of major firms. It was offered to 67 of France's largest groups, which represent 287 companies in all. All responded positively. The SGC consists of a centralised department that is tasked with providing advice,

BOOSTING THE APPEAL OF FRANCE'S LOGISTICAL PLATFORMS AND MAKING FRENCH COMPANIES MORE COMPETITIVE

Personalised procedures that meet companies' needs are a decisive factor in choosing where they clear their goods. A major telecommunications company decided to relocate its customs flows in the Paris area rather than accomplish the formalities in Antwerp. An appliance firm is another company that chose France for its customs declarations.

support and help managing procedures, and four centres of expertise in Nantes, Lyon, Rouen and Toulouse⁷, which handle customs transactions for SGC members as of January 2017. The centralised SGC office is already working with the

29 largest groups who have joined as members. Thanks to this innovative and personalised approach, the SGC has already brought the activities of two major firms back to France, and is clearing goods for a third company.

SUPPORTING BUSINESSES

PROVIDING ADVICE FOR VSEs, SMES AND MID-TIER FIRMS⁸

To meet the needs of VSEs, SMEs and mid-tier firms, French Customs offers 40 Business Consulting Units at each Regional Customs Directorate, within the Economic Action Centres (PAE). Staff at the units have in-depth knowledge of regulations, but also of supply chains and the needs of businesses. They provide free consulting services to companies to help them choose the customs offer that best suits their requirements. The third measure of the "Customs Clearance in France" plan calls for increased staff for the Business Consulting Units. In 2016, staff numbers increased by 13.5%. French Customs is also working with its customs attachés located in major partner countries to get them to provide support for French companies.

companies who decided to obtain information prior to carrying out a customs transaction.

PROTECTING BUSINESSES

French Customs receives applications for action filed by companies anxious to protect their intellectual property rights and avoid seeing their creative and productive efforts wiped out by counterfeiters. In 2016, 1,492 applications for action were filed (against 1,411 in 2015). In 2016, we also rolled out a new procedure, the Made in France Information Request (IMF). It is designed for companies that wish to spotlight their products – both those sold in the EU and exports – by adding a "Made in France" label. The IMF procedure informs businesses upstream whether such a label is allowable.

ENSURING TRANSPARENT CUSTOMS ACTION

The economic strategies adopted by businesses are largely dictated by access to information and French Customs provides them with a large amount of strategic data. One example is foreign trade figures that are regularly published on the Le Kiosque website⁹. At the start of the year, to make it easier to access data posted on DataDouane, free downloads were extended to include a number of fields. Economic analyses and data on countries and products are available. There were 10,264 downloads during the year.

7,983

Binding
Tariff Information
rulings
issued

AFNOR-CERTIFIED SERVICE QUALITY

For the third year in a row, French Customs' AFNOR certification testifies to the quality of the service we provide. At a time when demand is on the rise (+20% between 2015 and 2016), French Customs ensures the rapid issue of reliable, traceable binding tariff information.

SECURE CLEARANCE PROCEDURES FOR BUSINESSES

French Customs also guarantees that customs formalities are secure. Customs regulations concerning the nature, origin and value of goods are complex. French Customs provides information in the form of rulings in which it commits to a specific interpretation of the regulations as they apply to the specific flows of a given company. Binding Tariff Information (BTI) and Binding Origin Information (BOI) rulings are enforceable throughout the EU. They are an important source of security for

6,406
EA
authorised
exporters

+
6.2%

2,485
businesses given
advice by French
Customs' Business
Advisory Units

5.2 m
visits to French
Customs'
website

French Customs' Business Advisory Units provide customised information, free-of-charge.

DataDouane¹⁰ also provides information on Customs' action. It can be accessed from the douane.gouv.fr website.

In addition, French Customs is publishing more information for businesses and professionals with an eye to disseminating regulatory data via Douane magazine, with each issue being devoted to a specific topic, or via the Douane + Newsletter¹¹.

SUPPORTING BUSINESSES' APPLICATIONS TO EU BODIES

Businesses based in the EU may be entitled to tariff suspensions or quotas providing full or partial exemption from customs duties on imports from non-EU countries for commodities, semi-finished products or components that are unavailable in the EU, or that are only available in insufficient volumes. In 2016, French Customs supported 30 such applications from French businesses vis-à-vis EU bodies, 26 of which were approved. It is thought

that the gains from these autonomous tariff suspensions and quotas amount to over €22m per year.

Subject to customs' authorisation, French companies are also entitled to special customs regimes under which they can import goods into the EU under suspension of customs duties and VAT, as well as trade policy measures.

ISSUING CERTIFICATION FOSTERING BUSINESSES' INTERNATIONAL COMPETITIVENESS

Authorised exporter (AE) status authorises the holder to certify the preferential origin of the exported goods on his commercial documents. The status streamlines export procedures as customs approval is no longer required. It also means greater security for clearance operations as Customs checks, upstream, that the exporter has understood the rules of origin. In 2016 6,406 French companies had this status.

The declaration of origin is also the only proof of origin stipulated in the agreement between the EU and South Korea. In this respect, authorised exporter status is critical for certifying the preferential origin of goods over and above a threshold of €6,000 and for therefore providing entitlement to the elimination of customs duties.

⁴ See page 19.

⁵ *Programme d'Apurement des Bordereaux par Lecture Optique - Nouvelle Génération* (Programme for Form Approval via Barcode Reader - Next Generation).

⁶ Atoms that are unstable and radioactive.

⁷ Each of the four regional centres of expertise looks after specific economic sectors. Toulouse handles aeronautics and defence, Rouen looks after the automotive and industrial vehicles industries, Lyon is responsible for the chemical, energy, electronics and pharmaceutical sectors, and Nantes handles luxury goods, agri-food and retail distribution.

⁸ VSE: Very Small Enterprise SME: Small and Medium-Sized Enterprise

⁹ <http://lekiosque.finances.gouv.fr/>

¹⁰ <http://www.douane.gouv.fr/services/datadouane>

¹¹ <http://app.mailerlite.fr/b2a1n1>

RECASTING TAXATION MANAGED BY CUSTOMS AND OVERSEEING THE SECTORS

In 2016, French Customs collected almost €76bn in duties and taxes, up 8% on 2015 (€70.3bn). The revenue accrues to central government, social security funds, local government and the European Union.

Key tax events in 2016:

- the public authorities entrusted French Customs with collection of the new domestic tax on consumption of electricity by end-users (TICFE)
- continued ground-breaking action to upgrade and streamline taxes collected by Customs



COLLECTING THE NEW ENERGY TAX

Owing to the high standard and low costs of collection by Customs, and following a proposal from the government, the French lawmaker tasked it with collection of the TICFE. This tax has now been merged with the levy to compensate electricity distributors for additional costs entailed by public service obligations (CSPE) to meet France's commitments as regards the energy transition (increase in the carbon tax and lower rates for environmentally-friendly fuels). With expected revenue of around €8bn for a full year, this represents an important new challenge for French Customs. It duly rose to this challenge as almost €6.2bn were collected in respect of this tax for its first year.





€44.99
bn

in energy
taxes

€638m

collected for
the general tax on
polluting activities
(TGAP)

The energy sector is managed by experts from French Customs' five energy divisions.

INCREASED SPECIALISATION

In 2016, the National Customs Road Taxation Department (SNDFR) continued to scale up. Over time, the SNDFR will become the competent department and sole point of contact for professionals for processing applications for partial refunds of the domestic tax on consumption of energy products (TICPE), and for management of the tax on certain road vehicles (TSVR) paid by French hauliers and companies transporting passengers by road. This centralisation, combined with paperless management, secures processing of the TSVR and provides for improved monitoring of tax expenditure as regards TICPE refunds. As of 1 January 2017, the SNDFR already managed the fleets of vehicles belonging to six of the nine inter-regional customs directorates in mainland France. The SNDFR will assume

responsibility for the remaining three inter-regional fleets on 1 July 2017.

When the SNDFR was set up in Metz, life became easier for businesses in two ways:

- streamlined payment of the TSVR
- upgrading of the process for partial refunds of the TICPE to road carriers by the use of paperless accounting documents made possible by the online SIDECAR-Web procedure that was launched on 11 February 2016

French Customs is also bolstering its energy taxation expertise. In 2016, five energy divisions were set up (Dunkirk, Lyon, Port-de-Bouc, Rouen and Strasbourg) to provide the best possible management for operators

subject to complicated and ever-changing regulations. These divisions collected 40% of total TICPE revenue in 2016.

In 2017, four new specialised departments (Bayonne, Bordeaux, Tours, Toulouse) will be created to continue shaping the Customs' system for processing taxes and harmonising regulations with an eye to cutting red tape.

As taxation for the entire energy sector is monitored and managed by French Customs, an inaugural Energy Forum was held in June 2015 to further bolster dialogue between Customs and professionals. In 2016, a number of initiatives advocated by the sector's representatives were either examined or rolled out as part of the streamlining and upgrading of this taxation.



French Customs is helping wine growers move towards paperless procedures.

PAPERLESS RETURNS/DECLARATIONS AND PAYMENT



Making tax returns and economic monitoring declarations, as well as payments, paperless, is a key goal of the upgrading of customs taxation and the economic oversight of the sectors by French Customs.

Introduced in summer 2016, the CIEL (online excise duties) online procedure enables companies in the wine-growing and excise duty sectors to file their declarations online.

Paperless rates are continuing to rise for economic monitoring declarations in the wine sector. 90% of harvest declarations are now paperless compared to 84% in 2015. In 2017, it will be mandatory to file these declarations online.

Furthermore, since April 2016, French Customs has made two new online procedures connected with the excise duty

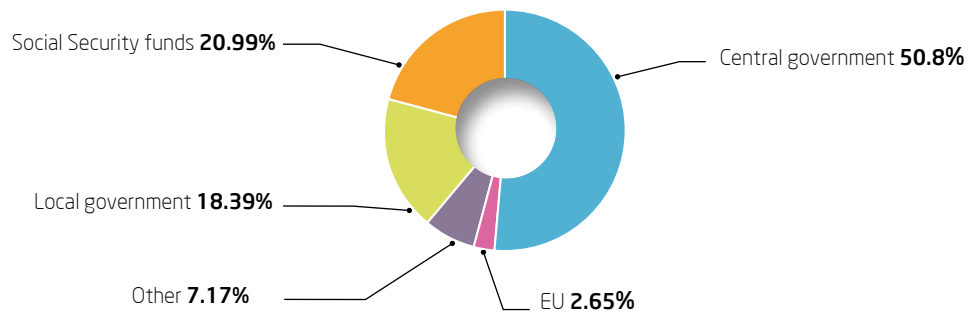
exemption regime available to operators. SOPRANO UT and SOPRANO DENAT allow them to file their profession declarations and applications for denaturing process authorisation online. Since December 2016, SOPRANO-Classement fiscal has also enabled operators in the excise duty sector to file applications for tax classification online to be aware of the excise duty applying to manufactured or marketed products.

Moreover, so that all taxpayers have access to paperless payment methods, French Customs is continuing to roll out online payment by bank card and teleshop procedures. In 2016, 66.4% of customs receivables were settled online. In the long term, teleshop will be mandatory from the 1st euro for all payments made by professionals with individuals having the option of paying by bank card.

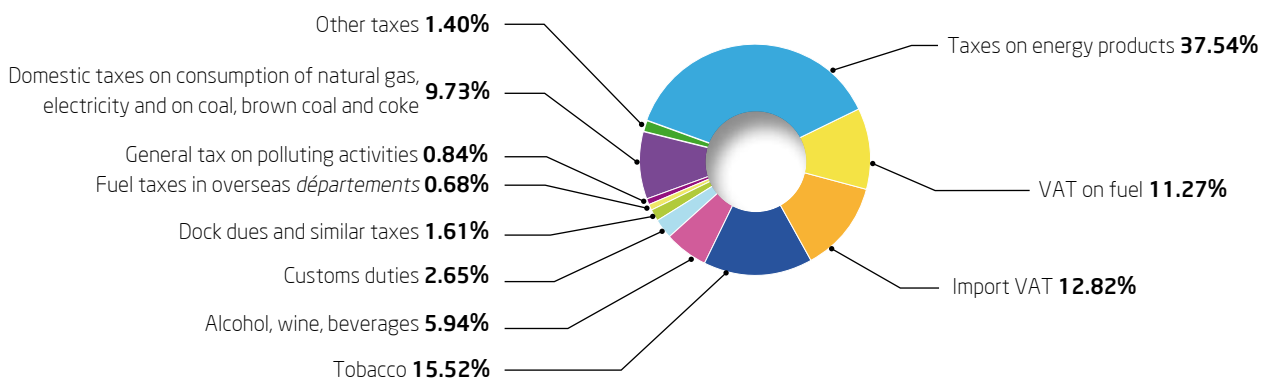


Ultimately, all payments of customs receivables will be paperless.

BREAKDOWN OF REVENUE COLLECTED BY FRENCH CUSTOMS IN 2016 BY BENEFICIARY



MAIN TAXES COLLECTED IN 2016



Le pacte de confiance



Service - Simplicité - Sécurité

La démarche qualité pour les secteurs
des alcools et de la viticulture

TOUR DE FRANCE

DES EXPERTS DOUANIERS DE LA FILIÈRE

Vins et Alcools

The *Tour de France* will consist of twelve regional stopovers.

"TOUR DE FRANCE" OF EXPERTS IN THE WINE AND SPIRITS SECTOR

The modernisation of the wine-growing and excise duty sectors via the continued upgrading of the computerised vineyard register (CVI) and the commissioning of the CIEL system for online excise duty management have been widely publicised to the sectors' professionals. This is being materialised by a "*Tour de France*" by experts from the Directorate General of Customs and Excise and regional customs departments. At the twelve regional stopovers organised up until summer 2017, these experts will meet with operators to explain the most recent regulatory changes at roundtables and practical workshops to demonstrate online customs services. The *Tour de France* began in Paris on 18 October 2016 with an information day for over 130 professionals.

CUTTING RED TAPE

SUPPORTING THE WINE-GROWING SECTOR

Wine-growing is the second largest economic export sector in France. As it manages the entire production cycle from planting to exports, it is vital for French Customs to ensure this sector's competitiveness by continuing to upgrade the computerised vineyard register (CVI) which is the wine sector's national management and steering tool.

As part of the «Tell Us Once» red tape streamlining programme, the CVI is now interconnected with the FranceAgriMer IT system to avoid double entries for wine-

growers for granting planting authorisations under the new arrangements which took effect on 1 January 2016.

In addition, French Customs has provided CVI access to a number of structures involved in steering and audit work.

Although the rate of online declarations again increased in 2016, French Customs is continuing to expand its online procedures for the wine sector on the Pro.douane website. These procedures will be mandatory in 2017. In the medium term, new online procedures will be added to the current offering in the wine sector, particularly in respect of planting and uprooting.



The taxation of pleasure craft is being thoroughly overhauled.

UPDATING MARITIME TAXATION

Taxation is also an economic regulation instrument. This applies to maritime taxation which has been recast as a result of the «Blue Economy Act» of 20 June 2016.

By providing for a partnership between French Customs and the Maritime Affairs Directorate, the new law aims to bolster the appeal of the French flag.

The flagging deed drawn up by Customs and the registration certificate issued by the Maritime Affairs Directorate have been combined into a single document. Furthermore, the arrangements for ship mortgages have been clarified and streamlined.

The Single Maritime Portal (PUMA) project, common to both government departments, has been chosen as part of the Invest for the Future programme. It is included in the “Cutting red tape for users” category owing to the exchange of data between

government departments – “Tell Us Once” programme for individuals – and it bears witness to French Customs’ involvement in the government modernisation strategy. PUMA is a one-stop shop for the online flagging and registration of pleasure craft, for carrying out formalities through an online procedure, and for the pre-registration of vessels by distributors and builders on behalf of their customers.

SUPPORTING CHANGES TO THE TOBACCONISTS’ NETWORK

On 15 November 2016, a memorandum of understanding was executed between central government and the National Confederation of Tobacconists to support changes to their network to promote public health goals. This illustrates the determination of professionals to get involved in the fight against tobacco addiction and tobacco smuggling. The network of tobacconists is vital for regional planning as these stores are often the only ones still open in rural areas or priority urban areas. Whilst reducing the

fiscal impact of financial support from central government, the new system is more focused on aid for tobacconists based in sensitive areas, supports the upgrading of the network and improves arrangements for its steering to ensure that the profession is better trained and that there is balanced regional coverage.



French Customs manages the network of tobacconists.

INVOLVING STAFF IN STRATEGIC CHANGES

Adjusting customs departments and their staff to permanent changes to the working environment is a key gauge of the effectiveness of French Customs. As for prior years, 2016 witnessed the rollout of modernisation initiatives, the majority of which were part of the strategic project, and the staff support system. During the year, customs departments demonstrated that the consistency of their work and its complementary nature with that of other government departments were crucial for effective public action. In 2016, the permanent commitment of customs officers to protect France and ensure its economic growth was also evident.

ONGOING EFFORTS TO HELP FRENCH CUSTOMS ADAPT

IMPLEMENTING STRATEGIC GOALS

Implementing strategic goals for the future of French Customs continued during 2016.

Twelve of the twenty-five measures in French Customs' Strategic Plan 2018 have been completed or are in the process of being completed (as against seven at the end of 2015). Examples are the Key Accounts Department (SGC) and the Risk Analysis and Targeting Department (SARC) which were both set up in 2016. Ten measures are in the rollout phase such as setting up Land-Based Customs Operations Centres (CODT) and mainstreaming online payment. Lastly, three measures are in pre-rollout (compared to nine in 2015) and are at a very advanced stage meaning that they will be able to be launched in 2017.



Bordeaux land-based customs operations centre.

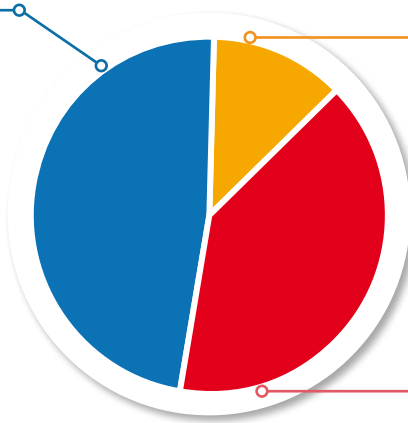


The new building that is home to Paris-based departments, including the SARC.

CURRENT STATUS OF THE 25 MEASURES IN FRENCH CUSTOMS' STRATEGIC PLAN (PSD)

COMPLETED

- Set up a national re-engineering and administrative streamlining structure
- Scale up the role and powers of the National Customs Judicial Department (SNDJ)
- Set up a Consultancy, Professional Mobility and Careers Unit
- Centralise management of the general tax on polluting activities (TGAP)
- Rethink the training programme
- Examine manning of the border crossing points
- Set up regional or inter-regional energy hubs
- Update anti-fraud indicators
- Create the Key Accounts Department (SGC)
- Set up the Risk Analysis and Targeting Department (SARC)
- Centralise customs clearance
- Expand the Business Consulting Units (CCE)



IN PRE-ROLLOUT

- Reorganise the management of the annual French flagging and navigation tax (DAFN)
- Streamline the accounting network
- Improve coastguard oversight

IN ROLLOUT PHASE

- Implement the PNR (Passenger Name Record) programme
- Mainstream online payment
- Set up Land-Based Customs Operations Centres (CODT)
- Modernise the information system
- Support postal and express freight consolidation
- Organise the management of tobacconists at regional level
- Group together certain surveillance units
- Moving monthly summary declarations (DRM) online
- Streamline transport taxation
- Adopt a new strategy for HR

SNDJ : service national de douane judiciaire
 TGAP : taxe générale sur les activités polluantes
 PNR : Passenger Name Record
 CODT : centres opérationnels douaniers terrestres
 SI : système d'information
 DAFN : droit annuel de francisation et de navigation
 DRM : déclarations récapitulatives mensuelles (contributions indirectes)
 SARC : service d'analyse de risque et de ciblage
 PPF : points de passage aux frontières



All Grade B customs officers are trained at La Rochelle National Customs Academy.

BETTER WORKING METHODS

RECASTING THE OPERATIONS OF CENTRAL DEPARTMENTS

In mid-2016, a support taskforce was set up with the backing of the Secretariat-General for Government Modernisation (SGMAP) to consider the work methods of the central departments. The strategy, which is called «Ambition DG», is intended to improve the operations of the central departments and interaction with the devolved departments. The findings of the SGMAP and the consultants were presented to staff and initial work began during Q4 2016.

IMPROVING STEERING OF THE DEVOLVED DEPARTMENTS

In 2016, the Directorate General of Customs and Excise (DGDDI) bolstered its steering system by changing its methods, organisation and tools. French Customs sets out its annual targets for the devolved departments in a framework memorandum, the strategic importance of which has been heightened. It uses a review of threats enabling priorities to be identified in terms of inspections and enforcement, economic action and taxation.

By refocusing on key issues, management dialogue between central and devolved departments allows strengths to be built upon, for progress to be made on other points and for local projects to be approved.

These changes have been combined with the ramping up of an inter-regional network tasked with monitoring the activity and examining the performance levels of the departments, and also the use of up-to-date activity assessment tools allowing for more effective departmental steering.

PAVING THE WAY FOR CHANGES TO THE ACCOUNTING NETWORK

French Customs has an accounting network that collects almost €76bn in duties and taxes. Collection is a necessary extension of customs activities. It is however changing





Renovation works at the La Rochelle National Customs Academy continued during 2016.

substantially owing to paperless formalities and increasingly complicated procedures. These key financial and technical issues mean that making the network more compact is being considered to focus on skills that have become rare.

This structural work was planned for throughout 2016 with changes being made to all the accounting-related applications. To support this changeover, modules were developed to train staff and provide information to users. The structural overhaul will begin on 1 March 2017 and will continue until the end of 2019.

MATCHING VOCATIONAL TRAINING WITH OPERATIONAL REQUIREMENTS

As part of the additional recruitment drive announced in the «security pact» adopted at the end of 2015 and to confront changing

security issues, training for customs officers has been adjusted both in terms of content and equipment.

Customs Academies have been operating at maximum capacity levels. They have doubled their intake with 1,100 trainees undertaking initial training compared to 600 in 2015 and almost 3,200 trainees being given in-service training against around 2,300 last year. The anti-terrorist plan provided the opportunity of setting up new training programmes such as the «border guard» module, training in inspections on trains and trialling prior to deployment of long weapons in land-based surveillance units.

As for previous years, over 90% of customs staff were given in-service training. The number of training days for each officer was the same as for previous years.



BUILDING OUR STAFF'S OPERATIONAL CAPACITIES AND ENSURING THEIR SAFETY

SEA AND AIR SURVEILLANCE RESOURCES

36 boats

15 planes

9 helicopters



53-metre coastguard patrol vessel.



A customs officer equipped with new weapons.

Owing to the terrorist threat, French Customs has bolstered its resources to increase effectiveness whilst improving the safety of its officers.

INCREASING RESOURCES AND MAKING WORK CONDITIONS SAFER

Resources have been increased for land-based surveillance units: in 2016, owing to the additional recruitment drive announced in the «security pact», 499 new officers, in addition to the usual figure of 600, have been posted to the units. The vehicle fleet has been bolstered. French Customs also acquired 10 spectrometers, 25 new-generation particle analysers and 9 mobile X-ray machines (SIRM: mobile X-ray inspection system or ScanVan) for improved mobile inspection support. French Customs gives priority to the safety of its officers and the conditions for carrying out inspections are subject to close scrutiny. All units are now equipped with bulletproof vests.

Fourteen units have also been trialling a new weapon (semi-automatic machine pistol) which will be deployed in 2017. Officers with these new weapons will only be involved in inspections with a protection role. They will be equipped with plate carriers for their safety. Motorcyclists have progressively been provided with new means of communication. Concurrent with the setting up of the Land-Based Customs Operations Centres (CODT), which improve the effectiveness and safety of departments in the field by providing them with all relevant information for their activity, French Customs has continued its work to connect up with the Ministry of the Interior's radio network (INPT network).

In 2016, French Customs also rolled out new resources and technologies to broaden air and sea intervention capabilities, to heighten detection, to allow for more discreet surveillance and to boost performance levels. With the delivery in early 2017 of vessels to units in Hyères, La Grande Motte and Bayonne, a new generation of high performance, versatile and safer inshore surveillance resources have been commissioned. At the same time, new coastguard patrol vessels are being gradually allocated as in Royan on 21 July 2016. They are more rapid and carry cutting-edge equipment: new cameras and new sensors. At the end of 2016, two new Beechcraft planes began operational service. Compared to French Customs' current aircraft, they have higher performance levels and upgraded detection equipment.

PROTECTING OFFICERS WHEN CARRYING OUT THEIR DUTIES

French Customs was closely involved in drafting the public security bill which was submitted to the Senate on 21 December 2016. The bill stipulates that customs officers may remain anonymous in the procedural instruments which they draft in the same way as police officers and gendarmes. As part of updated and comprehensive provisions, they may also use their weapons in the same circumstances as police officers and gendarmes. These provisions specify, besides cases of self-defence, the situations in which officers increasingly find themselves and comply with requirements of absolute necessity and strict proportionality. Officers also have an overhauled framework for using vehicle immobilisation equipment.



The recast Customs IT Centre is one of the French government's key data centres.

UPGRADING CUSTOMS' IT FACILITIES

The Minister of State for the Budget inaugurated the Customs IT Centre's new equipment on 10 May 2016. Over two years the Centre was entirely overhauled both in respect of IT equipment and electric and refrigeration systems. The aim was to ensure optimal performance levels to increase the reliability of the systems made available to operators (98.25% reliability for the clearance system). The €12.5m investment has made the Customs IT Centre one of the French government's most high performance data centres and it also provides hosting solutions for other government departments (the IT systems of several directorates of the Ministry for the Economy are already hosted

there, as well as those belonging to the Ministries of Justice and Culture).

RENOVATING THE PROPERTY STOCK AND MAKING IT SAFER

While improving working conditions and the safety of its staff, French Customs' strategy is part of the move to streamline government property stock. In 2016, bringing the vast majority of Paris-based departments together was completed when they moved into a modern building which meets environmental and energy standards and complies with occupancy rate requirements. As regards the safety of premises, a bold four-year plan has been rolled out nationally. In 2016, a special effort was made with investments of €2m

to improve the safety of persons, buildings and assets.

Furthermore, to train the extra staff recruited under the plan to provide French Customs with additional resources, renovation works at the La Rochelle National Customs Academy continued in 2016. These works are crucial as they concern the majority of facilities including those devoted to training (classrooms enabling multicast teaching), trainees' accommodation and canteens, or even the Academy's secure compound. Delivery of the new equipment began in 2016. It will be staggered over 2017 and will be completed with the installation of the technical training platform which will allow for a new teaching method based on role play covering the different aspects of French Customs' work.

French Customs' budgetary positions

16,759

(2017 Initial Budget Act)

MAKING FRENCH CUSTOMS A STANDOUT GOVERNMENT DEPARTMENT

CUSTOMISING SUPPORT FOR OFFICERS AND PROMOTING COHESION AMONG THE CUSTOMS COMMUNITY

The agreement accepted by a majority vote that was executed in March 2016 with a number of trade unions concerning social and financial support for staff affected by restructuring took effect in 2016. 34 officers have benefited from this agreement. Particular care is taken to ensure that the conditions of application are identical, irrespective of the location of the restructuring. Maximum attention is paid to provide customised options to customs officers affected by changes to their departments.

To give each officer tailored support throughout his/her career, advisers from the Guidance, Mobility and Career Development Unit meet with staff and offer career development and mobility interviews in a neutral and confidential venue. 180 such interviews took place during 2016. Moreover, the social audit was presented to labour and management at the end of 2016. The audit shows the priority given to supporting staff and to training, with the expansion of e-training. Although it is not easy against a backdrop of restructuring, labour/management dialogue is still a priority for French Customs: around 830 consultation meetings were held in 2016.

Concurrently, French Customs social and non-profit action widely promotes cohesion among the customs community. The government-funded institution, *Masse des Douanes*, which is tasked with managing housing for customs staff, and non-profit organisations such as *Œuvre des orphelins des douanes* (ODOD), the *Association sportive nationale des douanes* (ASND), or the *Association nationale des*

anciens combattants et victimes de guerre (ANACVG) form an integral part of French Customs' DNA.

UPGRADING THE HR DEPARTMENT

With the opening of the Human Resource Service Centre (CSRH), a single department responsible for payroll and career management in Bordeaux in 2013, the HR department continued its modernisation, with a focus on the standard of the functions which are the responsibility of local HRM departments.

At central level, discussions began in late 2016 to improve the steering and coordination of the HR department. A number of interviews held by the project team with the central and devolved departments provided an overall assessment of the HR department and enabled expectations and suggestions for improvement to its management to be compiled. Collective discussions are ongoing to identify a strategy for the next three years to bolster coordination, management and steering of the HR department.

ENSURING WELL-BEING IN THE WORKPLACE

French Customs places priority on quality of life at work. The *"Bien-être au travail"* (BEAT) scheme, which has already been trialled in a number of inter-regional directorates since 2013, is in the process of being mainstreamed and should apply to all directorates, including the directorate general, by the end of 2017. The scheme, intended to prevent psychosocial risks, allows for an adapted and participative roadmap to improve working conditions.

SPECIALIST OFFICERS

- 583 maritime officers
- 175 airborne officers
- 242 motorcyclists
- 233 dog handlers
- 768 investigators and intelligence officers
- 237 judicial customs officers
- 630 IT staff

FRENCH CUSTOMS IS:

48.4% uniformed surveillance officers

51.6% of officers involved in commercial transactions and general administration



Over 25% of women are involved in French Customs' uniformed surveillance work.

Besides the BEAT scheme, the prevention of psychosocial risks was also the subject of training for supervisory staff in quality of life at work. In 2015 and 2016, over 900 executives took this training course.

In addition, the time and motion study into the special working conditions for clearance departments on the major platforms was completed in 2016. It covered a number of departments at Roissy CDG airport and Le Havre and led to tangible improvements in lighting, furniture and the adaptability of work stations, especially from an IT angle. The recommendations made by the ergonomists will not be restricted to the departments that were subject to the study. Their recommendations concerning the use of certain online services are currently being examined (i.e. the user-friendliness of Delta applications or the ICS) with an eye to their mainstreaming.

MAKING FRENCH CUSTOMS A STANDOUT GOVERNMENT DEPARTMENT

As regards parity, French Customs is continuing with its efforts with a 37.7%

share of women in overall staffing numbers. There is near parity in the clearance and general administration sectors (49.4%). At 37.1%, there are also more women holding higher executive positions.

French Customs is also looking to be a benchmark administration in terms of ethics. It has decided to introduce a national ethics programme to promote collective values and the concept of individual responsibility, and to underscore the role of managers in controlling the professional environment. Risk mapping has been drawn up. The discipline policy has been upgraded with the main goals being to communicate about French Customs' core values, to set out clear rules concerning behaviour whilst on and off duty and to bolster cooperation with the ordinary courts. Over the next two years, a wide-reaching in-service training programme for both officers and supervisors will be rolled out. Lastly, an ethics charter, setting out the provisions of the act on ethics and the rights and obligations of civil servants of April 2016, will be drawn up in 2017.

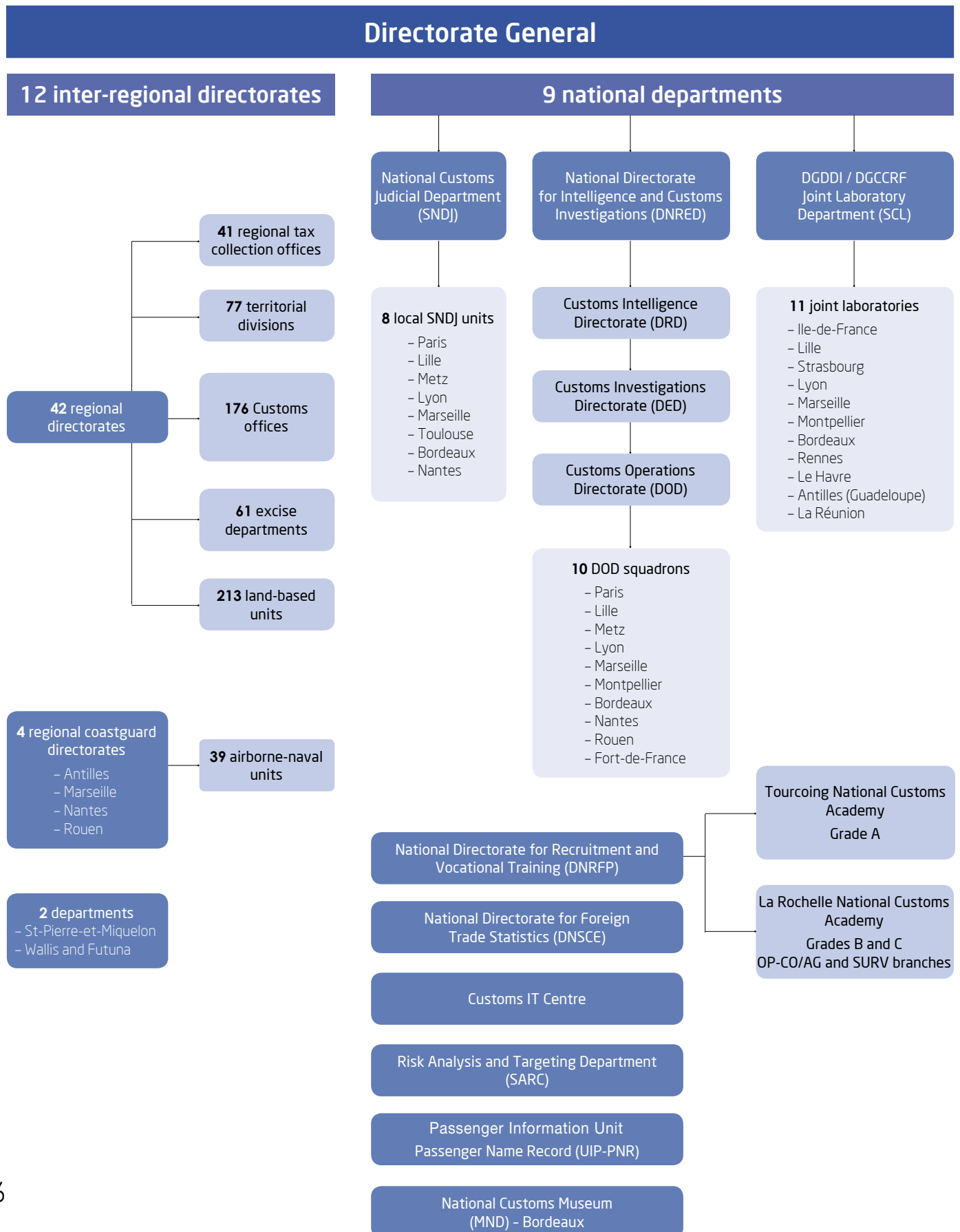
At the Rio Olympics, the sportsmen and women under contract with the French Customs Team (EFD) were very successful. These successes included Yannick Borel's magnificent fencing Olympic champion in the men's team epee event. The EFD's skiers also did France and French Customs proud in 2016 with many podium finishes, prestigious victories and major titles in the biathlon for Marie Dorin-Habert, triple world champion, or in Alpine combined for Alexis Pinturault and in ski cross for Jean-Frédéric Chapuis, who were both winners in the overall World Cup Standing for their discipline.



Yannick Borel, 2016 Olympic Champion in the men's team epee event.

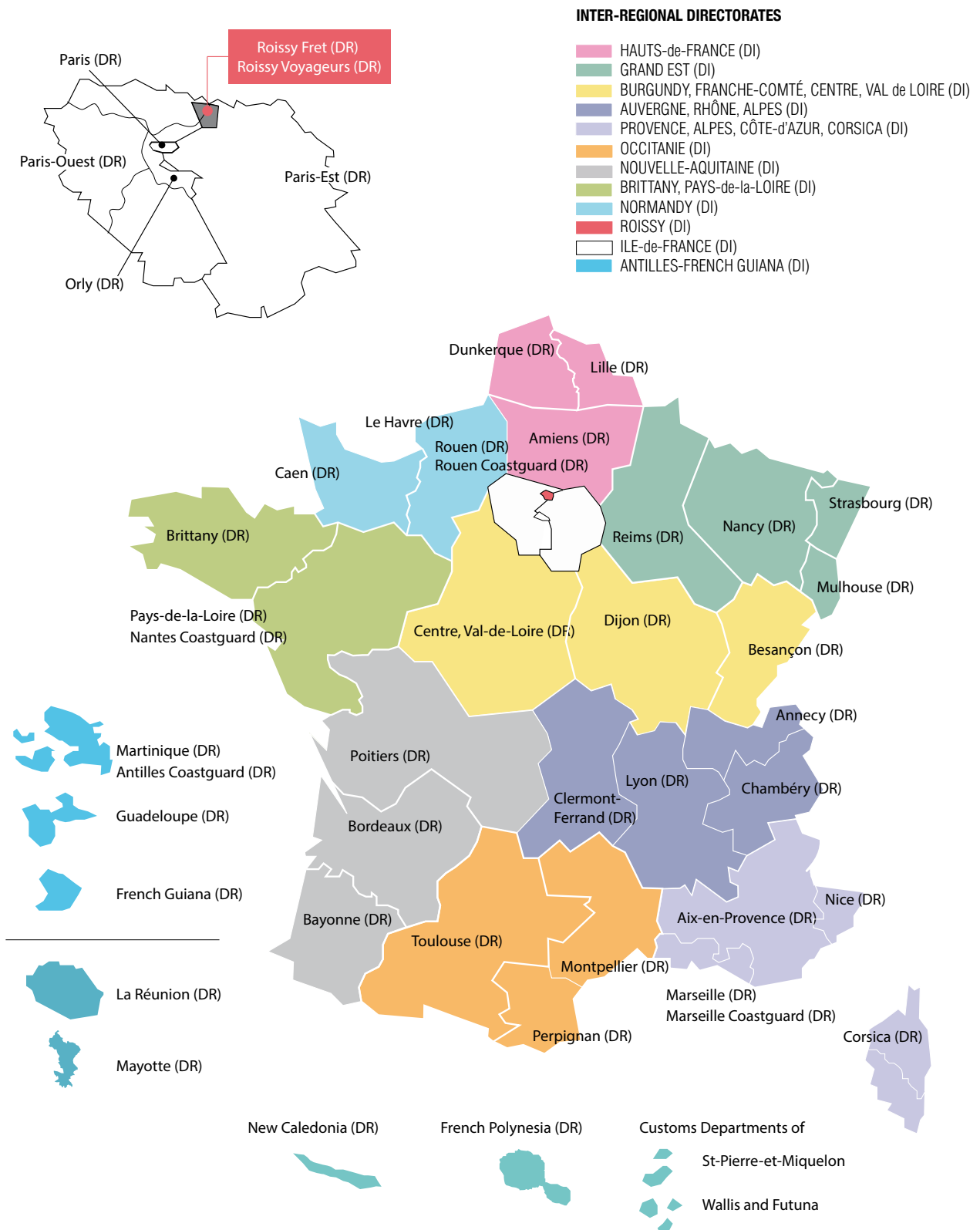
BASIC FACTS ABOUT FRENCH CUSTOMS

OPERATIONAL ORGANISATION OF THE DIRECTORATE GENERAL OF CUSTOMS AND EXCISE (DGDDI)



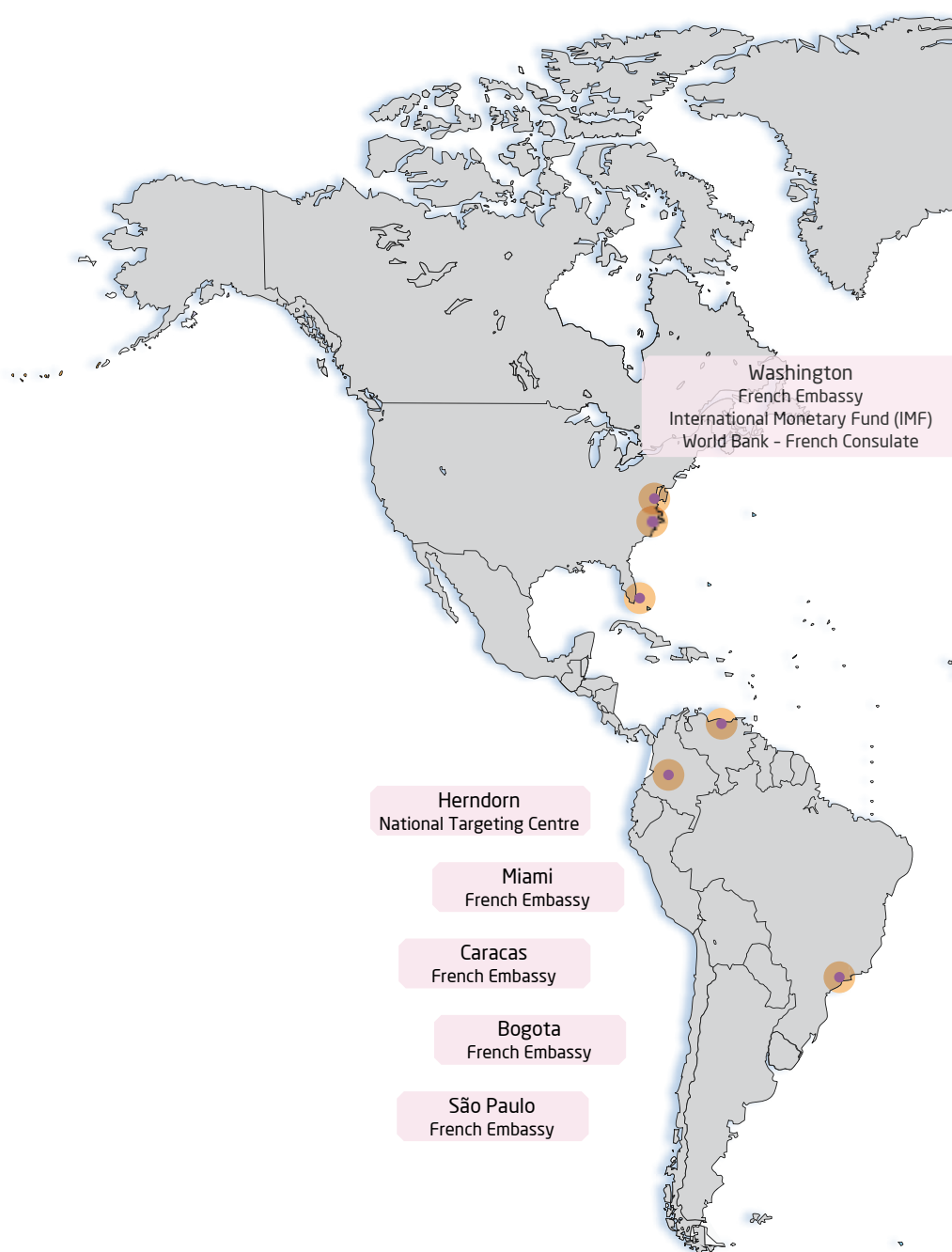
THE DGDDI'S REGIONAL ORGANISATION MAINLAND AND OVERSEAS FRANCE AS OF 1 JANUARY 2017

MAP OF FRENCH CUSTOMS' REGIONAL (DR) AND INTER-REGIONAL (DI) DIRECTORATES



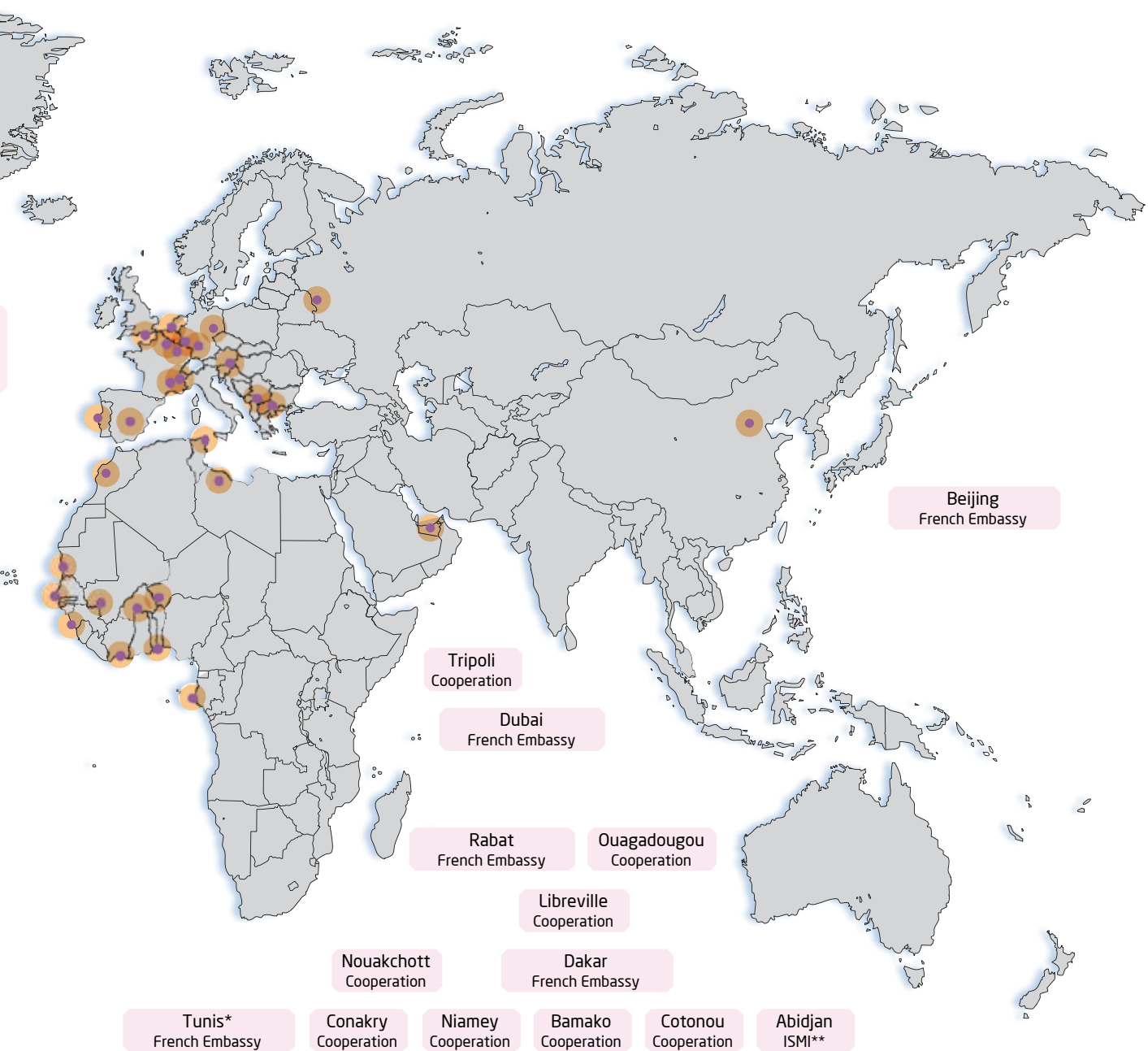
DR: Regional Directorates

FRENCH CUSTOMS AROUND THE WORLD IN 2016



● Seconded or assigned personnel.

- Brussels**
France's Permanent Representation to the European Union
World Customs Organization (WCO) - European Commission (EC) -
European Global Navigation Satellite Systems Agency
- Geneva**
United Nations (UN)
- Cologne**
World Customs Organization (WCO)
- Lyon**
Interpol
- Luxembourg**
European Court of Auditors
General Court of the European Union
- Frankfurt**
European Central Bank
- Madrid**
French Embassy
- Berlin**
French Embassy
- The Hague**
French Embassy - Europol
- Belgrade**
French Embassy
- Vienna**
International Atomic Energy Agency (IAEA)
- Lisbon**
MAOC-N
- London**
French Embassy
- Sofia**
French Embassy
- Moscow**
French Embassy



* The French Embassy in Libya has been temporarily relocated to Tunisia.

** Inter-Regional Maritime Security Institute.

CAPACITIES

BUDGETARY RESOURCES

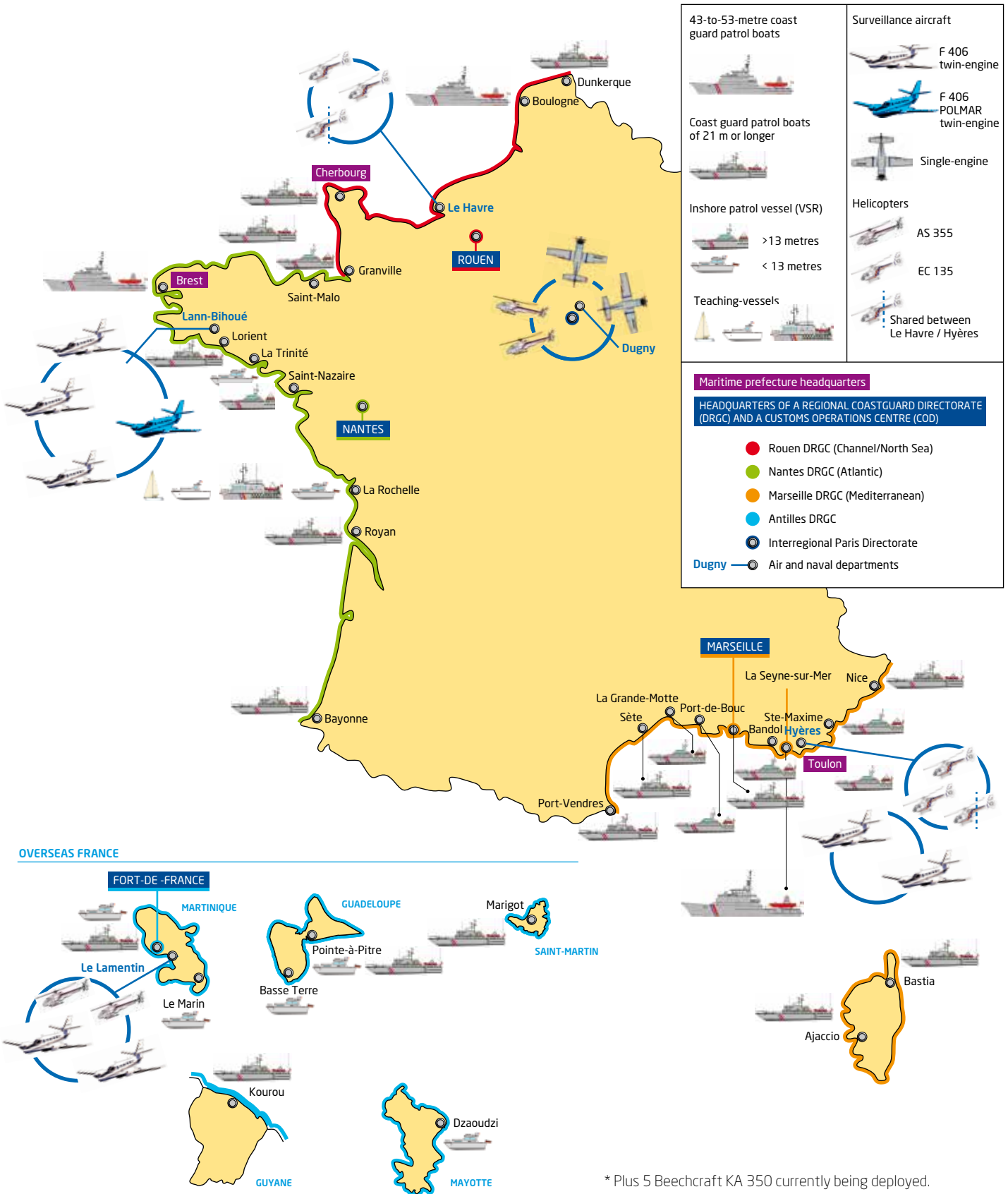
(in millions of euros, excluding the Joint Laboratory Department and excluding contributions to the special pensions allocation account)

| | 2013 | 2014 | 2015 | 2016 |
|--|----------------|----------------|--------------|-----------------|
| Staff | 798.4 | 795 | 791 | 797.49 |
| Operations and miscellaneous expenditure | 170.6 | 164 | 171 | 172.5 |
| Interventions | 253.8 | 218.7 | 219 | 183.2 |
| Investment | 38.6 | 52 | 47 | 41 |
| Total | 1,261.4 | 1,229.7 | 1,228 | 1,194.19 |
| Contributions to the special pensions allocation account | 336.1 | 346.9 | 346 | 351.56 |

MATERIAL RESOURCES

| | Number of | 2015 | 2016 |
|----------------------|--|---|---|
| Land-based fleet | Vehicles | 2,638 | 2,612 |
| | Motorcycles | 436 | 436 |
| Naval and air fleets | 53-metre coastguard patrol vessel | 1 | 1 |
| | 43-metre coastguard patrol vessels | 2 | 2 |
| | 21-to-32-metre coastguard patrol boats | 16 | 16 |
| | 10-to-14-metre inshore patrol vessels | 13 | 14 |
| | Teaching vessels | 3 | 3 |
| | Twin-engine aircraft | 16 (including 2 Polmar and 7 Beechcraft KA 350) | 13 (including 1 Polmar and 7 Beechcraft KA 350) |
| | Single-engine aircraft | 2 | 2 |
| Helicopters | 9 (including 5 EC 135) | 9 (including 5 EC 135) | |
| Detection equipment | Fixed scanners | 1 | 1 |
| | Mobile scanners | 4 | 4 |
| | X-ray machines | 82 | 87 |
| | Density metres | 150 | 150 |
| | Particle analysers | 25 (12 fixed and 13 mobile) | 25 (12 fixed and 13 mobile) |
| | Survey metres | 73 | 73 |

FRENCH CUSTOMS' SEA AND AIR SURVEILLANCE SYSTEM IN 2016*



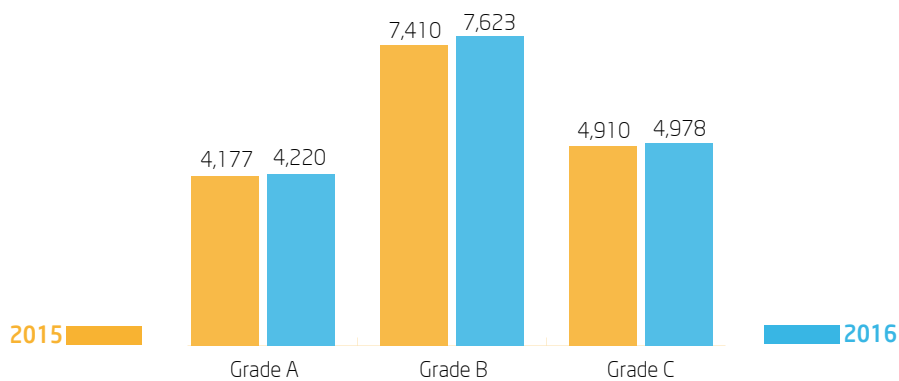
* Plus 5 Beechcraft KA 350 currently being deployed.

HUMAN RESOURCES

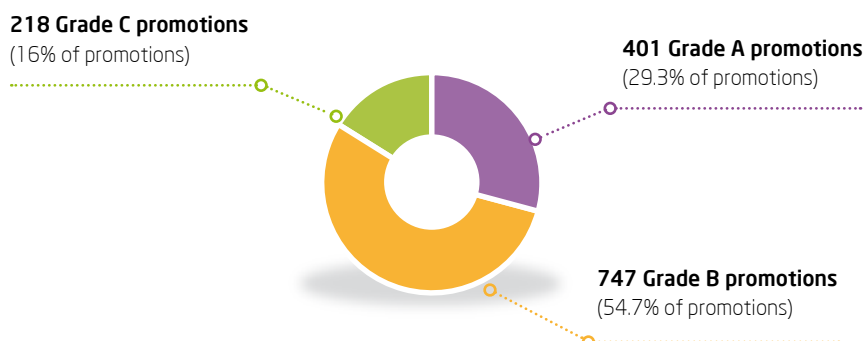
DEMOGRAPHICS

| | 2015 | 2016 |
|--|----------|----------|
| Total male and female employees | | |
| Male employees | 62.2% | 62.3% |
| Female employees | 37.8% | 37.7% |
| Male and female employees in the commercial operations branch and in the general administration | | |
| Male employees | 51% | 50.6% |
| Female employees | 49% | 49.4% |
| Male and female employees in the surveillance branch | | |
| Male employees | 75% | 74.8% |
| Female employees | 25% | 25.2% |
| Percentage of women in entry-level executive positions (IP2) | | |
| | 50.5% | 52.5% |
| Age of employees | | |
| Average age | 47 years | 46 years |
| 19 to 34 years old | 13.6% | 16.2% |
| 35 to 49 years old | 43% | 43.3% |
| Over 50 years old | 43.4% | 40.5% |

EMPLOYEE GRADES (IN NUMBER OF EMPLOYEES)



PERCENTAGE OF INTERNAL PROMOTIONS IN 2016



TAXATION

CHANGES TO CUSTOMS REVENUE IN MILLIONS OF EUROS (BREAKDOWN)

| | 2015 | 2016 |
|--|---------------|---------------|
| Customs clearance | 12,911 | 11,777 |
| Customs duties | 2,126 | 2,016 |
| Import VAT | 10,763 | 9,739 |
| Other | 22 | 22 |
| Energy and environment | 38,527 | 45,632 |
| TICPE | 26,671 | 28,517 |
| TSC DOM | 486 | 513 |
| VAT on fuel | 9,906 | 8,562 |
| TICGN + TICFE + TICHLC | 754 | 7,393 |
| Taxes and remuneration on behalf of oil industry professionals | 11 | 9 |
| TGAP | 699 | 638 |
| Excise duties (CI) | 16,681 | 16,398 |
| Alcohol and beverages | 4,476 | 4,512 |
| Tobacco | 12,096 | 11,789 |
| Other excise duties | 109 | 97 |
| Dock dues and maritime activities | 1,772 | 1,780 |
| Dock dues | 1,211 | 1,221 |
| Port dues | 515 | 514 |
| DAFN | 46 | 45 |
| Tax on certain road vehicles (TSVR - axle tax) | 167 | 167 |
| Other taxes | 265 | 208 |
| Total | 70,323 | 75,962 |

TICPE: Domestic tax on consumption of energy products

TSC DOM: Special consumption tax in overseas départements

TICGN: Domestic tax on consumption of natural gas

TICFE: Domestic tax on consumption of electricity by end-users

TICHLC: Domestic tax on consumption of coal, brown coal and coke, known as the «Carbon Tax»

TGAP: General tax on polluting activities

DAFN: Flagging and navigation tax

DUTIES AND TAXES REASSESSED SINCE 2012 (IN MILLIONS OF EUROS)

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-----------------------------|------|------|-------|-------|-------|
| Duties and taxes reassessed | 294 | 323 | 356.9 | 377.4 | 415.1 |

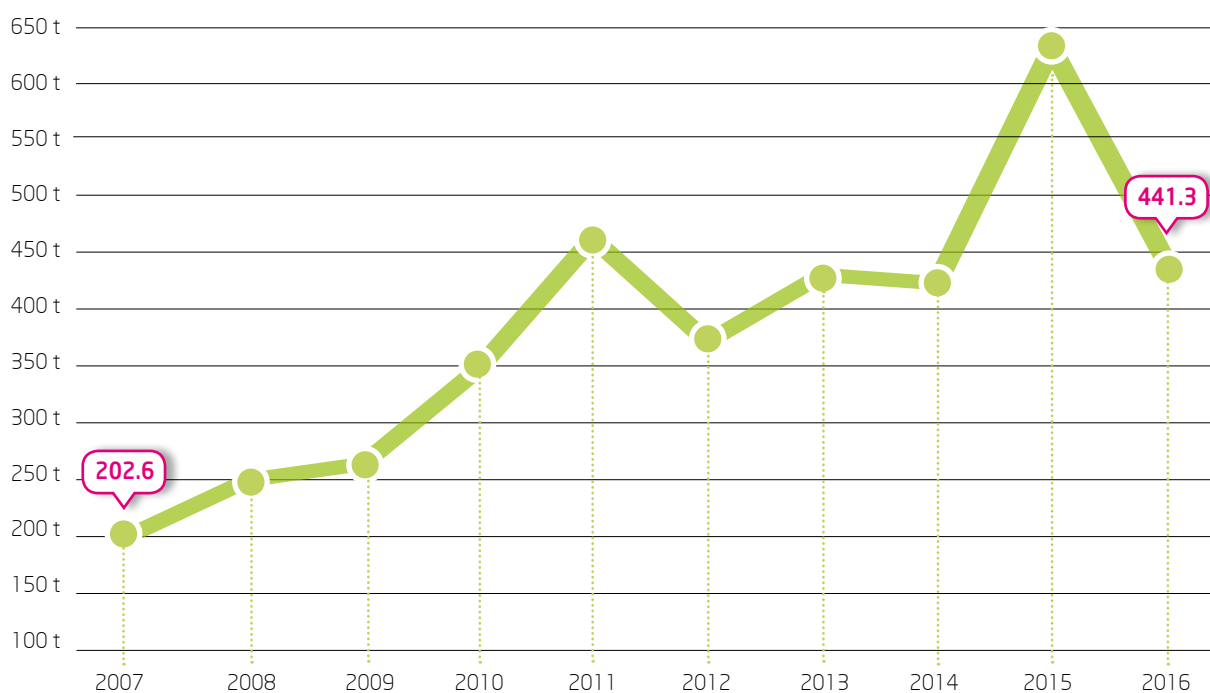
NARCOTICS AND TOBACCO

FRENCH CUSTOMS' SEIZURES OF NARCOTICS BY TYPE OF PRODUCT*

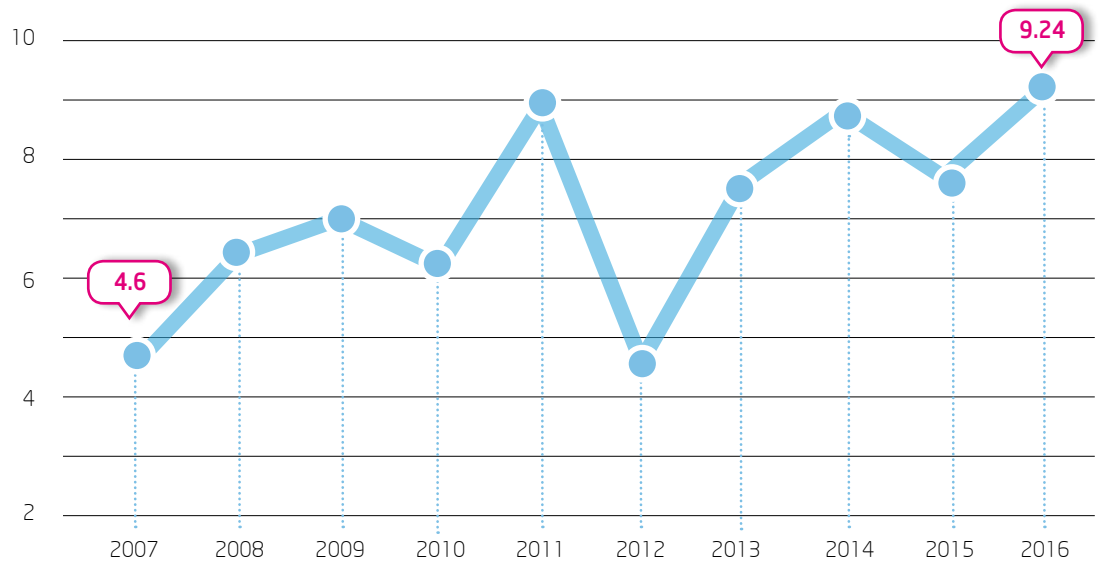
| | 2015 | | 2016 | |
|--|--------------|----------------|---------------|------------------|
| | Quantities | Doses | Quantities | Doses |
| Total quantity seized | 88 t | 946,149 | 83,4 t | 1,940,117 |
| Cannabis | 62.6 t | - | 64.5 t | - |
| of which resin | 53 t | - | 52.7 t | - |
| of which herb | 4.3 t | - | 11.7 t | - |
| Cocaine | 16.8 t | - | 11.7 t | - |
| Heroin | 243.5 kg | - | 370.3 kg | 421 |
| Khat | 7.16 t | - | 2.4 t | - |
| Amphetamines | 512.7 kg | 314 | 236.4 kg | 309 |
| Ecstasy | - | 931,017 | - | 830,374 |
| LSD | - | 1,210 | - | 4 318 |
| Opium | 4.5 kg | - | 1.1 kg | - |
| New synthetic drugs | 340.8 kg | 206 | 385 kg | 182 |
| Psychotropics | 84.4 kg | 8,734 | 66.1 kg | 1,104,515 |
| Other drugs and precursors | 254.2 kg | - | 2.7 t | - |
| of which hallucinogenic mushrooms | 13.3 kg | - | 29.5 kg | - |
| Methadone | 529 g | 4,668 | 1.7 kg | 421 |
| Total street value (in millions of euros) | 802.2 | | 644.6 | |
| of which cocaine (in millions of euros) | 638.9 | | 474.6 | |

* Rounded to the nearest tenth.

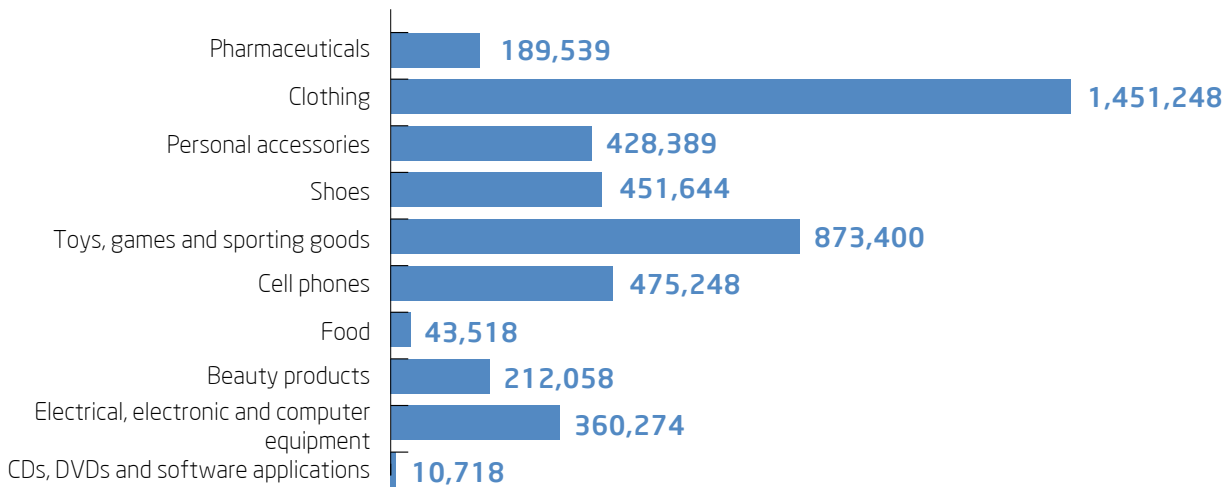
SEIZURES OF TOBACCO OVER 10 YEARS (IN TONS)



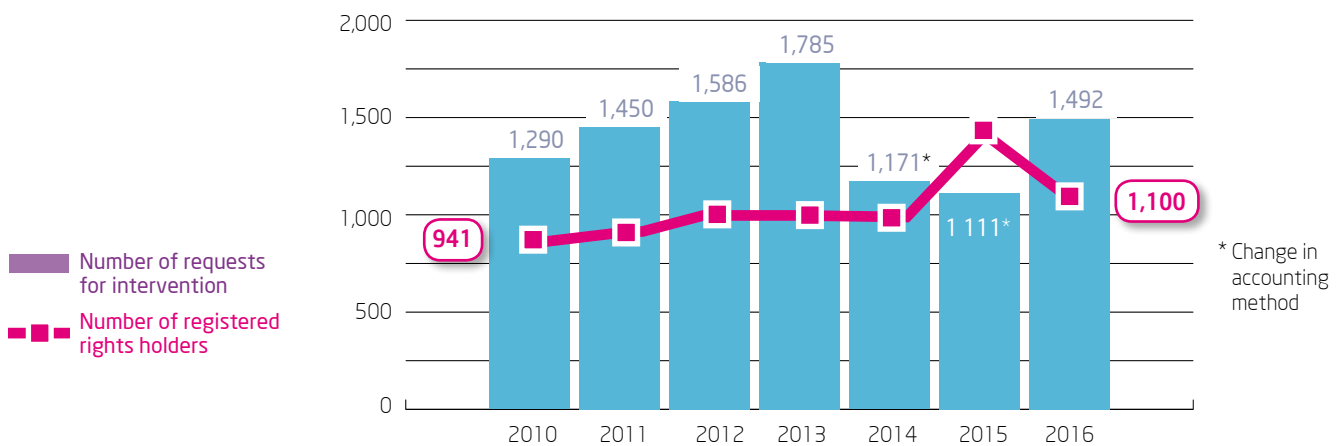
SEIZURES OF COUNTERFEITS OVER 10 YEARS (IN MILLIONS OF ITEMS)



MAIN SEIZURES OF COUNTERFEITS BY TYPE OF PRODUCT IN 2016 (IN NUMBER OF ITEMS)



REQUESTS BY BUSINESSES FOR INTERVENTION BY FRENCH CUSTOMS TO INTERCEPT COUNTERFEITS



KEY PERFORMANCE INDICATORS

SUPPORT FOR FRENCH BUSINESSES WITH THEIR INTERNATIONAL OPERATIONS

| Indicator | Unit | 2015 Results | 2016 Target | 2016 Results |
|--|------------------|--------------|-------------|--------------|
| Average time goods are immobilised for single-day customs clearance | minute second | 4m38s | < 5m | 3m52s |
| Percentage of customs declarations cleared in under five minutes | % | 90.5% | 93% | 88.6% |
| Overall rate of paperless customs clearance | % | 86% | 87% | 87.4% |
| Share of foreign trade benefiting from Authorised Economic Operator (AEO) status | % | 33.7% | 73% | 81.7% |
| Number of businesses receiving a customised approach | number | 2,339 | 2,000 | 2,485 |
| User satisfaction | % | 90% | 87% | 90% |

COMBATING LARGE-SCALE CUSTOMS FRAUD AND ORGANISED CRIME, AND PROTECTING BUSINESSES AND EUROPEAN CONSUMERS

| Indicator | Unit | 2015 Results | 2016 Target | 2016 Results |
|--|-------------------|--------------|-------------|--------------|
| Seizures of drugs | millions of euros | 802.2 | 350 | 644.6 |
| Seizures of smuggled tobacco and cigarettes | tons | 629.5 | 420 | 441.3 |
| Number of counterfeit items seized | millions of items | 7.7 | 7 | 9.24 |
| Number of consumer protection litigation cases | number | 7,597 | 6,500 | 8,380 |
| Total enforcement litigation cases | number | 10,953 | 6,750 | 10,404 |
| Seizures of criminal assets by the SNDJ | millions of euros | 55.4 | - | 149.4 |

IMPROVING THE EFFECTIVENESS OF MANAGEMENT AND OF CUSTOMS INSPECTIONS AND TAX AUDITS

| Indicator | Unit | 2015 Results | 2016 Target | 2016 Results |
|---|-------------------|--------------|-------------|--------------|
| Duties and taxes reassessed | millions of euros | 377.4 | 322 | 415.1 |
| Number of tax litigation cases | % | 4,577 | 2,750 | 2,928 |
| Positive inspection rate | number | 230 | 3.50% | 4.7% |
| Intervention rate with respect to customs revenue | % | 0.44% | 0.43% | 0.41% |
| Collection rate for reassessed duties and taxes | % | 70% | 66% | 50.1% |

INVOLVING THE MEN AND WOMEN OF CUSTOMS IN THE STRATEGIC PLAN

| Indicator | Unit | 2015 Results | 2016 Target | 2016 Results |
|--|--------|--------------|-------------|--------------|
| Availability of online procedures | % | 98.6% | > 99% | 99.7% |
| Share of women in overall staffing numbers | % | 37.8% | - | 37.7% |
| Overall satisfaction rate of employees taking part in initial or in-service training | rating | A- | B+ | A- |
| Percentage of positions requiring special skills | % | 35.7% | 36% | 35.7% |

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