Customs: Bulgaria referred to Court of Justice for failing to abolish duty and tax relief in its agreement with USA

The European Commission has today referred Bulgaria to the Court of Justice for failing to bring its bilateral agreement with the USA on technical assistance into line with EU law.

On its accession to the EU, Bulgaria committed to take all steps necessary to bring its existing agreements with third countries into line with EU law. This includes the bilateral agreement with the United States on technical assistance, under which Bulgaria waives customs duties and VAT on imports linked to US-funded assistance projects. This goes beyond what is allowed under EU customs duty rules and EU VAT rules.

The Commission had requested Bulgaria to amend the agreement so as to make it compatible with EU law or to unilaterally terminate it (see IP/12/672). Given that Bulgaria has failed to do this, the Commission is now referring the case to the European Court of Justice.

Background

Under EU customs duty rules, duty relief may only be granted under certain specific circumstances. For example, certain privileges and immunities are allowed when organisations are set up under international law, or when cultural, scientific or technical cooperation agreements are concluded with third countries. Under EU VAT rules, import VAT relief may be given under diplomatic arrangements. However, none of the tax or duty relief granted under the Bulgarian-US agreement meets these criteria. Therefore this relief may not be applied to the import of goods for US-financed assistance projects in Bulgaria.

For press releases on infringement cases in the taxation or customs field see: [link]

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