E-Customs and Customs Regulation in the Russian Federation

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Abstract

The rapid development of information technologies and digitalization of the global economy is compelling the Russian customs service to quickly create an electronic customs system that can coexist alongside the traditional paper customs control. The creation of electronic customs aligns with the development strategies outlined in Presidential Decree No. 204 "On national goals and strategic development tasks of the Russian Federation through 2024" of 7 May 2018. Electronic customs contributes to the development of international cooperation, exports, and an attractive investment climate. The first results of electronic customs are impressive: more than a third of all customs declarations are registered automatically, and more than a quarter of all low-risk declarations are issued automatically with the average release time reduced to about five minutes. The creation of electronic customs is an integral part of the digitalization processes in Russian economy. Customs operations are being automated and modern information and communication technologies are being introduced, and these changes provide significant savings in both time and money. The article discusses new approaches in electronic customs operation: the risk management system, personal accounts for foreign economy actors, and unified personal accounts. It also points out the main difficulties in digitalizing customs operations (lack of preparation for e-customs among Russian organisations, the low level of existing digitalization in many EAEU countries, etc.). All organisations, regardless of their economic clout, may now take advantage of digitized customs operations (reduced customs procession times, lower overhead costs, no appearance in person at customs offices, etc.), but the true winners are small and medium-size businesses, many of which formerly could not bear the high overhead costs associated with customs clearance and control and were in effect barred from accessing foreign markets. The article discusses the main institutions of modern electronic customs, how electronic customs may contribute to effective resistance to corruption in public service, as well as prospects for further digitalization of customs operations.

Keywords

digitalization of customs operations, electronic declaration, electronic customs, electronic declaration centre, risk management in customs control, personal account of person engaged in foreign economic activities, single account, artificial intelligence in customs.

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1. Introduction. Customs Regulation in Russia: Fiscal or Administrative Focus?

The customs service in Russia underwent an unprecedented transformation during the 1980s and '1990s. How customs were levied had been determined throughout the Soviet era (1917–1991) by the state monopoly on foreign trade. Foreign trade operations were carried out exclusively through authorized state bodies. In the final stage of the state monopoly on foreign trade, those bodies were foreign trade associations that were part of the USSR Ministry of Foreign Trade. The function of the customs department itself was carried out by the Main Directorate of State Customs Control within the Ministry of Foreign Trade. At that time the main activity of customs was administrative (policing) control over the established procedure for moving goods across the customs border. It is no coincidence that customs themselves were called "suitcase fees" and not perceived as a source of fiscal revenue[1].

The perception of customs changed completely after the lengthy process of abolishing the state monopoly on foreign trade was completed in 1991. What was formerly a governmental body supervising border policing became the main fiscal organ of the state. The budget of the Russian Federation received 50-60% of its revenue from customs. From the very first years of its existence, payments collected by the post-Soviet customs service (import and export tariffs, VAT and excises levied on imported goods, as well as customs duties) became the main source of state revenue, surpassing even the receipts from the tax authorities. The significance of the customs service as a policing body simply faded away.

The situation began to change again in 2014 when Russia's economic situation was affected by extremely unfavourable external conditions. The share of payments received through the Federal Customs Service of Russia (hereinafter FCS) fell to 30–40% of total federal budget revenue. In 2014 the

[1] For the Soviet state, collecting customs payments from state-owned foreign trade associations meant merely shifting money from one pocket to another and obviously had no fiscal purpose.

FCS contributed 7,1 trillion rubles to federal budget revenue, but by 2017 that figure dropped to 4,5 trillion rubles. At the same time, such factors as the sanctions imposed by a number of Western states, and expanding trade wars intensified administrative regulations in global commerce. The role of the FCS as a border policing institution once again became prominent, although the high expectations for fiscal contributions from its operation remained the same. The concept of "electronic customs" was developed to meet the new challenges in customs regulation from the world economy and international trade so that the customs service could fulfil both its fiscal goals and manage the operations imposed by new foreign trade regulations.

With the creation of electronic customs and the digitalization of the tools for regulating customs, a movement to form a single channel for fiscal receipts in Russia began. As a result, the main types of fiscal payments such as taxes, customs, and insurance contributions began to be administered centrally by the Ministry of Finance of the Russian Federation (hereinafter Ministry of Finance) and regulated solely by the Tax Code of the Russian Federation. One more highly effective measure was to unify the information resources of the Federal Tax Service (hereinafter FTS) with those of the FCS. Along with other factors, the ongoing reforms to customs administration and the use of digital technologies have led to positive results: payments received by the FCS increased by 32% in 2018, increasing from 4,5 trillion rubles in 2017 to 6.06 trillion rubles the next year[2].

Russian customs currently acts both as an administrative and a fiscal regulator, and both functions are equally important. New features offered by current digital technologies help ensure its successful operation.

2. Electronic Customs as a Response of the FCS to the National Priorities of the Russian Federation

Russia adopted e-customs in the course of modernizing its international customs services under the auspices of the World Customs Organization, but the transition was facilitated by the application of digital technologies to public administration and to the Russian economy in general [See: Belick-

[2] Available at: https://tass.ru/ekonomika/5986624 (accessed: 01.06.2020). For more detail see Federal Customs Service of Russian Federation in 2018, p. 9. Available at: https://www.minfin.ru/common/upload/library/2019/04/main/06_Federalnaya_tamozhennaya_sluzhba_v_2018_godu.pdf (accessed: 01.06.2020)

aya A.V., Belyh V.S., Belyaeva O.A., 2019; Saurin A.A., 2019; Arabyan M.S., Gilmanova K.M., 2019; Tregubov A.N., 2020].

However, there was also a definite political reason to apply electronic customs in Russia. The customs service reforms were prompted by the national priorities formulated in the well-known Presidential Decree No. 204 "On National Goals and Strategic Development Tasks of the Russian Federation through 2024" dated 7 May 2018. The introduction of electronic customs serves several aims outlined in the Presidential Decree: international cooperation and export, development of the digital economy, and growth of small and medium-size enterprises.

Concerning the first aim — international cooperation and export — the introduction of electronic customs was expected to create the most favourable conditions possible for improving international trade and foreign economic relations, as well as to provide a good investment climate that includes not only legislation guaranteeing a stable investment regime and protection of foreign investors' rights and legitimate interests, but also a trade-friendly administration of customs and a fully developed foreign trade infrastructure. Russian customs strived to present an entirely new image — called "customs without fists" — and adopted a client-friendly approach that would regard foreign economic actors as partners rather than targets for various liabilities.

E-customs has become extremely efficient; it processes 39% of all declarations and issues 29% of low-risk declarations automatically. The average time to clearance has been reduced to some 5 minutes[3]. By 2020, 99% of all declarations will be registered automatically, while 80% of the declarations by low-risk foreign economic organisations will be issued automatically. In addition, 64% of all declarations will be issued automatically in 2020. The average time for any import consignment to clear customs will be 1 hour and 29 minutes and for export consignments 40 minutes.

In order to contribute to the second goal — developing the digital economy — customs institutions have to automate their operations and make use

[3] The statistical information used here and in what follows is from: International Customs Forum 2018. Panel discussion "Electronic customs". Available at: https://www.youtube.com/watch?v=FCPcJlO-q4) (accessed: 01.06.2020); A speech by the Head of the FCS at the Moscow Finance Forum 2018; Gaidar Forum 2019. Customs administrating in Russia. Available at: https://www.youtube.com/watch?v=5sO_TQ7FdxA) (accessed: 01.06.2020); Plenary session of the International Customs Forum 2019. Customs 2030:Trajectory of the Future. Available at: https://www.youtube.com/watch?v=CEUGyQurYww) (accessed: 01.06.2020). Customs service development strategy through 2030. Available at: https://www.youtube.com/watch?v=DJ84eglc43I) (accessed: 01.06.2020).

of the latest information and communication technologies available. While this will result in enormous savings in both time and money, digitalization itself will require major expenses for software, telecommunication equipment, and computing infrastructure, etc. [See: Belickaya A.V., Belyh V.S., Belyaeva O.A., 2019].

Digital technologies are an integral part of the risk-based management system that places foreign economic actors into low-risk and high-risk categories as they interact with customs services. Over the past three years, the number of low-risk declarants has almost tripled, accounting for up to 60% of all declarations and about 80% of all payments contributed to the federal budget by customs.

The use of digital technologies is bringing about a rapid change in the interaction between customs and other federal structures, which have enabled customs at present to have remote access to the information gathered by 32 federal executive bodies. [See: Romanovskaya O.V., Romanovskij G.B., 2019; Zubarev S.M., 2020]. The information exchange system supported by various governmental agencies processes over 70,000 requests every day and returns replies to them in a matter of seconds. As a result, the effectiveness of customs control has increased considerably as is clearly demonstrated by higher rates of customs payment.

One of the indicators of the quality of the digital technology used for customs is the accessibility of the information system. The current standard holds inactivity of the information system caused by all types of preventive maintenance, backup operations, and emergency situations to a total of no more than three days and 15 hours in a year. By 2020 this indicator is expected to increase accessibility to 99.99% of the time, which means that interruptions should not exceed 40 minutes per year.

Although customs has charged ahead in adopting highly digitalized and automated procedures, many foreign economic actors still fail to take full advantage of them and so interfere with the smooth operation of the innovations. The advantages derived from the new customs administration technologies may be dissipated by foreign economic actors unable to keep up with the pace now possible. For example, a shipping container that arrives by sea may clear customs in a couple of hours and then be left in the port area for weeks waiting for its owner or carrier to pick it up.

The divergent degree of digitalization and automation of customs operations within the countries of Eurasian Economic Union (EAEU) present one more problem which interferes with digitalization of customs and may

well retard integration within the EAEU to create a unified customs zone and common customs regulation. The head of the department of customs legislation of the Eurasian Economic Commission (EEC) commented on the situation of "digitalization at different speeds" as follows: "One of the primary tasks in developing customs enforcement interaction in the EAEU is to create a single digital realm. With that said, the countries of the Union differ in how quickly they are digitalizing customs administration. Any change needs time and money and is constrained by the basic level that already exists. We are certainly striving to reduce that gap"[4]. In his speech at the Digital Almaty Forum on 31 January 2020, the Russian Prime Minister said that the different degrees of digitalization among national economies threaten the Union with disintegration[5].

Turning to the third strategic development aim highlighted by Presidential Decree No. 204, let us see how the digitalization of customs contributes to the growth of small and medium-size enterprises. One answer is that the automation of customs operations together with the introduction of modern information and communication technologies has dramatically reduced the processing time needed to complete all the customs procedures and has thus cut overhead costs for foreign economic actors. In addition, declarants using e-customs are no longer required to appear in person in order to have their consignments clear customs. All foreign economic actors, regardless of their size and capitalization benefit from this streamlining of customs, small and medium-size businesses derive the most benefit from it because their overhead costs for dealing with customs in the past were unacceptably high and constituted an obstacle to accessing foreign markets.

3. Expected Benefits from E-Customs

The use of e-customs is expected to provide a broad range of benefits. First, academic consultants and professional customs expediters hope that e-customs will help optimize the management system for customs. This is still a task of great importance for Russia with its vast territories, the long

[4] Using artificial intelligence to process large arrays of data for customs operation is in the planning stage. Press service of the FCS, 12.09. 2019. Available at: https://www.tks.ru/news/nearby/2019/09/12/0012 (accessed: 01.06.2020).

[5] Available at: https://www.youtube.com/watch?v=3P0a7r4sT34 (accessed: 01.06.2020). A report on his remarks is available at: https://mail.kz/ru/news/kz-news/mishustin-rossiya-gotova-delitsya-tehnologiyami-so-stranami-eaes#hcq=3arlFPr. (accessed: 01.06.2020)

border with many entry points, and now that the Russian Federation has entered the Eurasian Economic Union and is forming a single customs zone within it, optimization has become even more urgent. Moreover, the technological features of digital customs make it possible to redistribute the declaration data in accordance with the real economic needs of the Russian regions [Arabyan M.S., Gilmanova K.M., 2019]; [Tregubov A.N., 2020].

Second, academic consultants and professional customs expediters see advantages in digital customs as they build and update more effective and efficient customs controls. At present, Russian customs control faces a number of challenges because commodity nomenclature is steadily diversifying and cargo turnover is increasing significantly in various geographical areas. However, the customs authorities have few options for adding personnel to meet the additional responsibilities. This leaves more automation of the customs operations and remote release of goods as the only way to improve customs control. An additional benefit will also come from using various information resources and modern risk management techniques. Increasing the number of customs inspectors and other staff as a comprehensive solution for customs control is no longer an adequate and competitive approach.

Third, electronic customs should make enforcement of customs more uniform. As odd as it may seem at first glance, removing the law enforcement officer (the human factor) from these processes (administrative decisions on customs clearance, customs control, or verification of declared value and of the completeness and timeliness of customs payments) would vastly improve uniform enforcement throughout the customs zone.

4. E-Customs: How it Works

Electronic customs in Russia first appeared in 2018, and the Volga Customs Service was the first to introduce it. The advantages of the new system became clear on the very first day of its operation: out of 1,000 registered declarations, 140 were issued without a customs inspector. And such automatic release of declarations took merely five to ten minutes.

There was nothing haphazard about the introduction of electronic customs; it was carried out according to by a carefully drawn up plan. In response to a governmental order, the Ministry of Finance approved a roadmap for the transition to electronic customs, and the FCS developed a detailed implementation plan for it.

The FCS's draft order "On Approval of the General Regulation concerning Customs (Electronic Customs)" provides the definition of e-customs: "Electronic customs is a specialized customs authority which is part of the unified and centralized federal system of customs authorities and which ensures the implementation of the FCS's tasks and functions, including those related to customs operations for declaring goods electronically and for currency control, in the regions where electronic customs are within the limits of powers as established by this Regulation"[6]. Electronic declaration centres are subordinate to electronic customs, which manages their activities. The FCS determines the region in which e-customs is to operate.

The creation of a unified network of electronic customs throughout the Russian Federation is planned to include:

eight electronic customs services with subordinate electronic declaration centres,

seven electronic declaration centres at specialized customs, and

one electronic aviation customs service.

Electronic customs are being created in almost every federal district (usually in their district centres). An electronic declaration centre is formed as part of the electronic customs structure, whose staff includes customs inspectors responsible for checking declarations submitted and issued digitally.

Electronic customs, as follows from the definition above, perform customs operations related directly to declarations in electronic form, and they include functional units related to electronic declaration: control of customs value, control of compliance with non-tariff measures, etc.

All personnel and logistical issues relating to electronic customs are delegated to the regional customs offices. In this way, electronic customs are freed from personnel matters and other administrative duties in order to focus exclusively on the use of new technologies related to the digitalization of customs operations and electronic declaration.

Electronic declaration centres at specialized customs gateways are established in combination with traditional "paper-based" customs. These centres will be established during 2020 in seven customs authorities: the Central Energy Customs, the Central Excise Customs, the three Maritime Customs (Baltic, Novorossiysk, and the Russian Far East), as well as in the Kaliningrad Regional Customs and the Moscow Regional Customs. Kalin-

[6] The text of the draft order has been posted on the federal website of draft regulations as well as in the Consultant Plus commercial legal database.

ingrad Customs were established because Kaliningrad is an exclave and as part of a special economic zone is free of customs. The creation of a special electronic declaration centre within the Moscow Regional Customs is due to the region's strong economic potential.

Along with electronic customs and electronic declaration centres at specialized customs gateways, a single electronic aviation customs service is being created for the whole country. It will be located in Moscow because 86% of Russia's foreign air cargo lands at Moscow airports and clears customs there.

5. Electronic Customs as Another Way to Combat Corruption

Corruption is the greatest affliction of modern public services in general, and it poses a particular threat to customs because customs officials are perceived as more susceptible than most others. Almost all the functions of the customs authorities are vulnerable to corruption. The broad discretion they have in making important decisions about various types of non-tariff restrictions and fiscal taxation levels (determining the classification of goods, verifying the calculation of customs value, identification of country of origin, etc.). Irene Hors of the OECD Development Centre notes that all the principal ways in which public services become corrupt are present in customs affairs. Those kinds of corruption are:

routine corruption — when foreign economic players pay bribes to expedite ordinary customs procedures;

malicious corruption — when a customs officer is "motivated" to turn a blind eye to illegal actions aimed at reducing tax and customs payments, circumventing administrative barriers, etc.;

criminal corruption — when a bribe is offered to carry out an illegal but extremely profitable operation (smuggling weapons, drugs, animals listed in the Red Book, etc.)[7].

The likelihood of corruption increases when customs officers and entrepreneurs meet at privately owned commercial facilities where it is easy for them to agree on reducing the fees for a foreign economic transaction and this is exactly the way corruption usually occurs in Russia because customs

[7] De Wulf L. & Socol J. (eds.): Customs modernization handbook (World Bank). This article refers to its Russian translation (Moscow, 2007, pp. 67, 69).

control usually takes place at locations owned by businesses (as their storage facilities or administrative offices). In order to reduce such opportunities, the Russian customs service is now trying to minimize contacts between declarants and customs inspectors, and it has also announced that customs operations will be relocated to avoid privately owned sites. The use of e-customs certainly will help to complete this task.

Electronic customs is quite compatible with locating the customs authorities exclusively in state-owned facilities. However, this desideratum is one of the main reasons that electronic customs are being put into practice so slowly in Russia. The lengthy public procurement procedures involved in setting up customs offices has delayed implementation of electronic customs and electronic declaration centres for a number of specialized kinds of customs operations. [See: Truncevskij Yu.V., 2019; Koval V.D., 2018].

For anti-corruption purposes, electronic customs can easily be arranged in such a way that any direct contact between declarants and customs inspectors is avoided. Foreign economic actors would submit all the necessary supporting documents to a customs authority[8] distinct from the customs officer who carries out the actual inspection.

Finally, electronic customs facilitate highly automated operations and administration. The latest version of the Arusha Declaration approved by the World Customs Organization in 2003[9], classifies automation as one of the key weapons in combatting corruption in customs operations. Automating customs will minimize the human factor that customs personnel can introduce, and the manual operations most vulnerable to corruption should be automated first. It should also be kept in mind that automation can become an effective way to combat corruption only when it is coupled with other measures mentioned in the Declaration.

However, automated systems used in customs control are vulnerable to both external attacks and manipulations from inside the customs organisation. This means that there will be new challenges in ensuring cybersecurity and protecting automated customs administration systems. [See: Zubarev S.M., 2020].

[8] This innovation has caused debate in the business community because there is a different customs authority where the declarant will have to submit the required documents on paper.

[9] In addition to automation, the Declaration also identifies the other main weapons for combating corruption: transparency; reform and modernization; audit and investigations; code of conduct; interaction with the private sector, etc.

6. Electronic Customs: Does Classic "Hands-on" Customs Control Have a Future?

The formation of a unified system of electronic customs does not mean that the Russian Federation is trying to completely replace "hands-on" or direct customs control. Various specific features of customs control and its important function in law enforcement make it inevitable that some direct customs control will remain (direct control is explicitly prescribed by federal law in particular cases).

The only thing that will change is the ratio between the competences of electronic customs and direct customs control. As digitalization of customs procedures and other customs operations proceeds, the scope of electronic customs will expand and the use of direct customs control operations will shrink.

Only three of the seventeen customs procedures specified by the EAEU Customs Code had been digitalized by the beginning of 2020. However, these three customs procedures are extremely comprehensive, as they constitute 98% of all declarations: 63% of them are imports for domestic consumption; 33.3% are for exports; 1.7% are for customs free zones. That means that the remaining customs procedures make up no more than 2% of all customs declarations submitted. These are not being shifted to electronic customs but are processed by traditional forms of direct customs control. The business community has shown interest in taking digitalization of customs further and has already requested expedited digitalization of customs processing procedures (processing within customs facilities, processing outside customs facilities, and processing for domestic consumption).

Direct customs control is currently applied to any customs procedures not yet digitalized as well as to a number of other areas: direct control where it is prescribed by law, customs control of goods and vehicles after goods have been released, etc.

Labour productivity is increased by electronic customs, and automation threatens to make many customs officials redundant. Will this cause wholesale reduction in the number of customs officials, including those with abundant practical experience? The heads of the customs service have stated in their speeches that the employees replaced through automation will be redirected to those areas of customs which are short of personnel, specifically: port customs, staffing and arrangement of new customs border stations, increased customs control over the constantly growing passenger flow

at airports, and possibly transfer of veterinary and phytosanitary control to the customs authorities in certain areas (primarily in the Russian Far East)[10].

7. Technologies for Electronic Customs

Electronic customs refers to a specialized body in customs operations for declaring goods through an electronic format, and it requires the use of modern, technologically advanced approaches. Let us describe the most important of them.

7.1. Risk-based approaches

Risk management processes in the Russian customs service are based on a subject-oriented risk management system in which foreign economic actors are classified as presenting low, medium or high risk depending on how likely they are to violate customs regulations, and this results in applying more differentiated and effective control measures to them[11].

This subject-oriented risk management system directs the attention of customs control to the consignments most likely to be out of compliance. The customs authorities can then allocate their personnel and technical resources more efficiently during customs control. In addition, the risk management system gives organisations with a good history of compliance the advantage of deferring customs control until after their goods have been released, which may considerably reduce their transport and overhead costs.

A subject-oriented customs risk management system would be as follows:

customs control of low-risk organisations ("green zone") is mainly carried out after the goods have been released;

for medium-risk organizations ("yellow zone") control is exercised mostly through verification of documentation (control measures may take place both before and after releasing the goods);

for organizations with a high level of risk ("red zone"), control by means of both document checks and hands-on inspection is completed before the goods are released.

[10] This would reproduce exactly what happened in China. The personnel freed up after the opening of electronic customs were transferred to phytosanitary and veterinary control assumed by the Chinese customs authorities.

[11] Available at: http://customs.ru/uchastnikam-ved/kategorirovanie-uchastnikov-ved/o-realizaczii-v-fts-rossii-sub-ektno-orientirovannoj-modeli-sistemy-upravleniya-riskami (accessed: 01.06.2020)

For organizations qualifying for the "green zone", control is designed to ensure compliance with prohibitions and restrictions. Other forms of control are carried out infrequently, and the information and documents required for these other forms of control are provided to the customs authorities after the release of goods.

For the "yellow zone", the same compliance control measures as in the "green zone" are applied, and other forms of control are still used relatively infrequently. Documentary control is carried out both before and after the goods are released. However, the main focus of documentary checks is on the stage after the goods have been released.

The "red zone" organizations are subject to all forms of customs control as well as to an expanded range of control measures. All customs control is carried out before the release of goods.

The risk levels are assessed automatically (without involving customs officials) depending principally upon the industrial or commercial category of an organisation[12]. Once the organisation's category has been established, information is analysed to determine the risk level, and subsequent customs control is adapted to handle various enterprises, such as car manufacturers, importers of fish and meat products, or exporters of domestic products.

The procedure for classifying an organization as a low-risk declarant relies on its declaration. The organisation sends an application to the FCS accompanied by documents which the FCS employs to reach a decision derived from its established criteria. If necessary, the FCS requests additional documents and information and finally decides whether to designate the applicant a low-risk organisation or not. The decision is issued in the form of an FCS decree.

There are general criteria for assigning foreign economic actors to different risk levels as well as more specific criteria for organisations in a particular industry, such as:

amount of authorised capital;
value of net assets;
main type of economic activity;
staff size;
applicable tax category;
volumes of foreign economic activity;

[12] For more details, see the orders of the FCS, e.g., No. 1740, 27 August 2015, No. 706, 8 April 2016, No. 731, 11 April 2016, No. 732. 11 April 2016, No. 733, 11 April 2016, etc.

commitment to paying customs duties, fines, and also taxes levied by tax authorities;

liability for any violations, etc.

Most of the organisations designated low-risk have been assigned that category by automated risk-categorization procedures set forth by FCS Order No. 2256 dated 1 December 2016. The established procedure analyses the organisation's activities over the previous two calendar years. The appendix to the Order identifies more than thirty evaluation criteria, such as: turnover of goods with offshore zones, changes in key indicators on customs declarations, results of customs control measures, liabilities, categorization by the Federal Tax Authority, compliance with foreign exchange regulations, degree of commercial focus on export, and others.

The customs authorities regularly update risk categories using software and the database of the Unified Automated Information System, which is shared with the FTS and the Central Bank of the Russian Federation. The procedure for risk categorization is first to calculate the score for each of the criteria and then to use those scores to make a final assessment of the organisation's activities ending in assignment of a low, medium or high level of risk.

The high-risk category applies not only to organisations whose overall scores meet the criteria for high risk, but also to organisations that match any one of the following pre-emptory criteria[13]:

the organisation is listed as an entity for which customs inspection is difficult;

the organisation is about to be liquidated or to terminate its activity;

has failed to fulfil its obligation to pay customs duties, penalties, or interest;

has failed to pay an administrative fine;

has a final conviction in court under Art. 194 of the Criminal Code of the Russian Federation[14];

has a high risk level for tax evasion according to the Federal Tax Authority's evaluation.

Organizations are considered medium-risk ("yellow zone") if they cannot be definitely categorized as either low-risk ("green zone") or high-risk ("red zone").

[13] If the organization meets any one of the preemptory criteria, it will be listed as a high-risk organization, regardless of the total evaluation score it actually received.

[14] Art. 194 of the Criminal Code of the Russian Federation "Evasion of customs payments levied on organizations or individuals".

About 10,000 entities were listed as low-risk at the end of 2019. These organisations participating in foreign economic activities accounted for 79% of all customs payments paid. The risk level for 10,500 other organizations was estimated as high, while over 95,000 organizations were designated medium risk[15] [Tregubov A.N., 2020]; [Arabyan M.S., Gilmanova K.M., 2019].

7.2. Personal account of a foreign economic actor

The option for a "Personal account of a foreign economic actor" was added to the website of the FCS at the end of 2015. The legal definition of these personal accounts is contained in Article 284 of Federal Law No. 289-FZ dated 3 August 3, 2018 "On customs regulation in the Russian Federation and on amending certain legislative acts of the Russian Federation". A personal account is an information resource belonging to the FCS and located on the internet and which may be used for exchange of electronic documents and information in digital form between the customs authorities and interested parties. The FCS issued instructions on how a personal account for the exchange of electronic documents and information is to be used (FCS Order No. 901 dated 3 June 2019). In that same order, the FCS regulated access to personal accounts by their users.

Until recently, organisations participating in foreign economic activities had to send someone to the customs authorities and spend substantial amounts of time conversing with customs officials. By using the new personal account online options, they can now carry out many requisites for customs clearance and customs control more quickly and easily. The personal account was designed for personalized information exchange between organisations and the customs authorities and provides information services for creating and storing electronic documents (declarations, notifications, reports, inventories, etc.) and for submitting them to the customs authorities, etc.

Users must register to create a personal account in one of the following ways:

with a digital signature[16] (registration is automatic, and the login name becomes the individual insurance account number[17]);

[15] More information on these classifications is available at: http://customs.ru/uchastnikam-ved/kategorirovanie-uchastnikov-ved/o-realizaczii-v-fts-rossii-sub-ektno-orientirovannoj-modeli-sistemy-upravleniya-riskami (accessed: 01.06.2020)

[16] Many functions of the personal account require a digital signature to protect the information entered from unauthorized access by third parties.

[17] Unique number of the individual personal account of the insured person in the mandatory pension insurance system (SNILS).

without a digital signature (the user creates a login name);

by using an existing online account created for one of the other Russian state services.

After the account is authorized, various functions are automatically available. Organisations using a digital signature have the option to maintain personal accounts and electronic archives, submit various types of customs reporting or to obtain permits, classifications of goods, and access to various "white lists". Individuals with personal accounts upon request may choose the options to submit a passenger declaration and to calculate the customs payment due.

The numerous personal account services can be divided into groups by their function:

informing about goods before they arrive at a customs facility:

providing preliminary information for expediting operations on water and air shipments; preliminary information on road and rail shipments; customs operations for goods transported via ATA Carnets, etc.;

customs declaration and customs operations necessary for the release of goods: declaration of goods; use of the electronic archive[18]; statistical declaration; use of a personal account; determining arrears of customs payments and other fees; requesting the status of a declaration of goods; providing collateral, bank guarantees, etc.;

information on foreign economic activities: permits; general information on declarations of goods[19]; risk level classifications; currency exchange control, etc.;

classification of goods*:* decisions on classifications of goods; classification of goods transported as components; information on preferences; information on preliminary decisions, etc.;

inspections and violations: administrative offenses; customs checks; customs inspections, customs appraisals, etc.;

customs activities: reporting (authorized economic operators, owners of a duty-free shop, importers of tobacco products, owners of customs warehouses, etc.); obtaining permission for temporary storage; registry maintenance, etc.;

[18] The digital archive is designed to store the user's digital documents within the customs authorities' information system. The uploaded documents can be used for other services during different declaration processes.

[19] This information service visually represents all declarations issued, no matter how the declarations have been submitted.

specialized personal accounts: for banks, customs carriers, customs representatives, etc.;

information services for individuals:

confirmation that an individual has opened a unified personal account (see 7.3 below); filing customs declaration as a passenger; receipts for payment of customs, etc.

The personal account opens up new opportunities for organizations to reach foreign markets. They can fill out electronic goods declarations independently and submit them to the customs authority without involving a customs official or acquiring specialized software. All the documents and information necessary for customs purposes can be provided without appearing in person at a customs office. Information about cash balances on personal accounts, decisions of the customs authority on registering a declaration or releasing goods, etc. are all available automatically.

7.3. Unified personal account of organisations participating in foreign economic activities.

Another new technical capability recently added to customs is the unified personal account, which was introduced toward the end of 2016. This system of centralized accounting for customs and other payments administered by the customs authorities had at first been available only to the largest tax-paying organisations; the others were saddled with making separate payments to each of the customs divisions they interacted with. But now, all organisations may use a unified personal account to direct the use of their payments to cover declarations wherever they were submitted. Once money has been received in a unified personal account, it can be used for transactions at any customs authority of the Russian Federation.

The new technology has several advantages. First, it is now possible to carry out customs operations for all the customs authorities at once. Personal accounts for each of the various customs authorities are no longer required as they were before. This supports large-scale implementation the policy for transitioning to remote payment of customs duties, taxes and fees.

Second, it greatly augments control over cash flow and expenditures. Any organisation can now monitor its expenses in its personal account on the website of the FCS. There is no longer any need to regularly track expenses and settle accounts with the various customs authorities.

Third, the system of unified personal accounts executes monetary transactions instantly (in no more than 6 seconds) and thus offers faster throughputs at customs, which in turn cuts transport, overhead and other costs for organisations participating in foreign economies. In addition, the uniform bank details for all types of customs payments minimize the likelihood of errors when transferring money.

A regulatory framework for the application of the new unified personal account function is now being drafted [Arabyan M.S., Gilmanova K.M., 2019]; [Abramova G.A., Voronina E.A., Goroshkov A.A., 2019].

Conclusion. Electronic Customs: What's Next?

The process of building an electronic customs system in Russia is clearly irreversible. The question of what will come after e-customs has already come up. The answer is indicated in the Strategy for the Russian Customs Development through 2030. The FCS has decided to introduce artificial intelligence technologies into the customs administration processes[20].

An intelligent checkpoint model for complete automation of customs processes is now in development. This model entails an information system which is unified for all regulatory authorities and into which all the existing technical tools for customs control will be integrated. This will facilitate and expedite the administration process and bring it to an entirely new level. The FCS plan a transition to completely paperless control and will introduce new software that can carry out customs control without any human factor involved.

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