Management of Customs Risks in the Field of Foreign Economic Activity Taxation

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Abstract: The way customs administrations handle and approach their work has been impacted by changes and unpredictability in the customs operating environment as well as the rise in commerce and travel volumes. The function of customs services has been greatly altered by the current geopolitical climate. Customs administrations have always aimed to increase compliance primarily through stepping up their enforcement efforts. Such activities are frequently motivated by a sense of urgency or the need to produce outcomes, especially in terms of raising money, but they are sometimes taken without adequate planning. However, lack of consideration of tax payers' interests and vision often lead to more sophistication of evading schemes and ultimately to reduction of customs efficiency and volume of customs taxes revenues for the state. Based on narrative review and case study tools, the article aims to consider the core essential risks in the field of customs taxes and justify the application of integrated approach. The experience of the USA, EU (in particular, Poland), Australia, UAE, and Ukraine in the field of customs tax risk vision and management was investigated, along with the overall customs landscape and challenges of today. The findings of the study allow emphasizing the crucial need to apply Integrated Risk Management strategy, based on balancing and aligning the public (state) interests and visions/interests/strategies of industries' players - foreign economic activity subjects.

Keywords: customs; evasion; Integrated Risk Management, risks; taxes.

Introduction

At the moment, risk management serves as a commercial driver for all customs administrations, at least in theory. As a vital foundation for the proper application of suitable regulations and to allow legitimate trade, risk management is emphasized in the majority of international customs best practices.

It seems that many customs administrations have not yet been able to progress to a mature risk management system, despite this dedication to risk management. As a result, the two important issues to examine are: (1) How many customs administrations have a functioning institutional plan for integrated risk management? (2) Why, in many circumstances, have risk management systems failed to tighten customs regulations while also improving trade facilitation and compliance? [1]

Understanding customs fees and taxes is critical when conducting international trade to ensure compliance with global regulations and avoid unexpected charges. Customs fees and taxes can have a substantial impact on the overall cost of goods, therefore it is critical for businesses to understand how they function, how to calculate them, and how to reduce the risk of noncompliance.

A new era of broad tariffs on industries and entire nations, from China to Canada, from steel to semiconductors, has begun with the inauguration of the second Trump administration. However, the cost-benefit analysis for companies to use innovative workarounds, such as misreporting commodities, sending shipments through third countries, or experimenting with pricing schemes, increases along with levies. Customs fraud or even innovative importation aimed

at avoiding or lowering tariffs can be prosecuted as tax avoidance, with dire repercussions for both individuals and businesses [2; 3; 4].

With regulators considering tariff evasion in the same light as tax avoidance, even ordinary importing operations can result in international enforcement actions. As trade obstacles rise, businesses will naturally adapt with agility. The risk is that this will cross the line into deception. To avoid some duties, a business may declare items of Chinese origin as being from Malaysia. Alternatively, they could undervalue things to reduce their customs bill. What appears to be a clever accounting workaround may actually be a fraudulent evasion of tax duties, exposing the company and its leaders to scrutiny and prosecution.

In the U.S., the Department of Justice (DOJ) and Customs and Border Protection (CBP) are increasingly considering customs fraud as a False Claims Act offense. Officials from the Trump administration have promised tough enforcement.

On the other 'pole', companies-subjects in international trade have traditionally regarded customs duties and compliance with customs law and regulations as unavoidable business expenses for which little or no planning was possible, and they have managed them, as well as other indirect taxes, through billing and purchasing processes outside their tax departments.

'Clash' of these two 'poles', two opposite interests create a landscape of risks. In our research, we make an attempt to outline the core ones of these risks, their features and regional/country peculiarities, for better comprehension of possible vectors of these interests balancing and approaching.

Method

A narrative review method was applied in the study, within qualitative interpretivist and constructivist paradigms.

Semantic Scholar AI-powered tool was employed for the initial search of literature sources to be included in the sample for analysis. For the initial selection in the databases, the terms "risk", "management", "tax". and "customs" in the "Article title", "Abstract", and "Keywords" were set. The range of years was set as 2017-2025. In total, 228 records were identified.

103 entries were excluded due to duplication or unavailability. The rest 125 publications were examined for further inclusion in the review based on their relevance to the topic. Some of them had only title and abstract in English (while the main text was on other language), in some the term "customs" did not correspond to the study scope and object, and some were of too declarative nature without strong theoretical, empirical, or opinion base. As a result of final scoping, 21 studies were selected for narrative review.

Results and Discussion

Risk management is typically defined as the application of risk or selectivity criteria during the processes that lead to the release of commodities. In many circumstances, this method concentrates solely on detecting formal violations or making minor value modifications on occasion, without imposing fines. These activities are usually carried out as transactional, individual cases, with no holistic plan or control of the end results, resulting in little or no increase in operator compliance. When certain customs authorities keep identifying the same abnormalities and customs crimes committed by the same traders without ever questioning the lack of progress in compliance, this reaches extremes. Furthermore, some customs administrations do not ask why some industries and/or businesspeople never seem to be subject to any kind of regulation. Both the involved items that might be a bigger hazard and the changing economic operators' actions appear to be myopic [5; 6; 7].

Additionally, some customs administrations believe that a decrease in the selectivity rates of the red and yellow/orange channels is adequate to be seen as contemporary and consistent with sound international risk management procedures. Additionally, while achieving this objective is essential to risk management, customs administrations also need to address the efficacy of outcomes and the execution of additional actions that indirectly enhance adherence to customs regulations [8]. For instance, customs has to establish a strong post-clearance audit function, comprehensive and trustworthy cargo tracking, and an institutional culture that values effective use of data to inform decisions. Regretfully, many situations still do not meet these requirements. A number of myths and/or incorrect presumptions regarding risk management are layered on top, which might divert attention from an integrated approach (see Table 1).

Table 1: Risk Management Myths versus Reality [9]

Myth	Reality
An organization's administrative unit is alone in charge of defining, creating, and implementing the Integrated Risk Management (IRM) strategy.	The goal of IRM is to increase the trading community's customs compliance, and it is the duty of the entire business.
The submission of the customs declaration marks the beginning of risk management.	All stages of the customs cycle are covered by effective IRM, which includes actions taken before, during, and after the release of goods, including during the permitted customs review period.
The core component of IRM ought to be the selectivity module of the customs IT systems.	Although selectivity modules are crucial, they only impact in-line cargo controls; as a result, they must be used in conjunction with other pre- and post-release procedures, as well as the development of the technical skills and moral character of the customs personnel engaged in the clearance process.
The better the results, the more physical inspections are conducted at the point of entry.	Before, during, or after the items' release, the proper treatment or action must be implemented based on the risk that has been determined. High physical inspection rates without sufficient risk management tools are often a waste of limited resources, creating needless delays and costs for both customs and traders.
Customs IRM cannot and should not include the private sector.	Compliance and facilitation initiatives like AEOs are examples of how the compliant business sector may and should work with customs as a strategic partner to adopt an IRM approach. Customs is able to discover new risk profiles and spot evolving trends through regular discussions and exchanges with the private sector.

According to Pérez Azcárraga and San Juan's research [6], there were some intriguing developments in risk management in 2017. When combined, the results indicate that risk management is used extensively in many nations, but that strong control at the release point is also heavily relied upon. Approximately 70% of customs departments say they have an institutional risk management policy, and more than 90% say they have protocols in place for dealing with it. However, selectivity percentages do not always represent formal risk management efforts, as illustrated in Fig. 1.

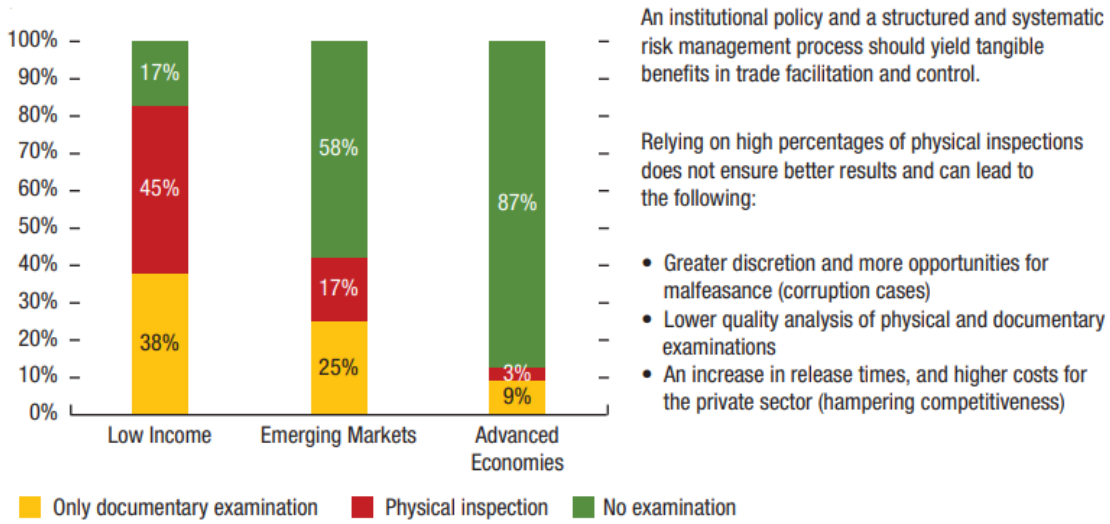

Figure 1: Average selectivity channel by economic group, based on International Survey on Customs Administration (ISOCA) co-managed by the IMF and the WCO, 2019–2020 [10]

* presented in original

The goal of Karklina-Admine et al. [11] is to determine and examine the current issues in customs risk management (CRM) from the perspective of its efficacy. The authors conduct a thorough literature study, looking through the majority of reputable databases from 2005 to 2024. They list and talk about pertinent, important elements that make CRM effective. The authors wrap up by discussing the findings' implications for CRM practice and policy as well as a number of prospective advancements in the field. The authors correctly point out that as trade and travel volumes have increased in recent years, the customs operating environment has changed and become more uncertain, which has affected how customs administrations handle and approach their work. The role of customs services in monitoring adherence to sanctions against the Russian Federation and the Republic of Belarus has been greatly impacted by the present geopolitical climate, which has prevented the flow of sanctioned products over the borders between the EU and Russia and Belarus. Karklina-Admine et al. [11] examined today's CRM difficulties and how they are being solved, and they found a number of important elements that contribute to CRM effectiveness. These elements include the use of cutting-edge technology like machine learning and data analytics, cooperation and information exchange amongst customs officials, and matching risk management plans with global best practices and standards.

According to the findings of a systematic review, Karklina-Admine et al. [11] concluded that customs officials should be able to differentiate between law-abiding traders through efficient CRM in order to facilitate border crossing and clearance for these traders, including by implementing automated clearance. CRM is a method of thinking that aids organizations in resolving various issues and accomplishing their goals, not just a procedure used within them. It is beneficial to have a thorough understanding of the hazards. The methodical execution of the following processes is necessary for effective CRM: communication and consultation within national customs administrations; risk identification; risk assessment (including analysis and evaluation); risk treatment; monitoring; and risk review. According to the authors' summary of the meta-analysis, the updated CRM process is shown when successful risk management techniques are incorporated to improve sustainability actions and link risk mitigation efforts with sustainability indicators. However, the findings are actually declarative in character, which is a feature of many academic works and even policy briefs about customs hazards in the taxation domain. Seldom is the necessity of an integrated approach that takes into account the industry participants' perspectives, attitudes toward the risks associated with customs clearance, and suitable management techniques taken into account.

Hofman et al. [12] present a detailed case study on combining customs and business data, measuring data quality and value in relation to data requirements, and providing an evaluation framework for assessing the quality and value of connected datasets. The authors propose that this framework be used as a support tool for customs specialists (at the national and international levels) who are active in customs data analysis. The suggested approach enables a drill-down to provide a deep understanding of what data may be discovered in specific corporate data sources and how they supplement existing customs data. However, this approach, while really setting a foundation of innovation in customs risks management, yet offers relying on purely quantitative data. While such juxtaposition of databases may be indeed beneficial, it is evidently not enough, since it does not allow revealing actual deep patterns of 'customs tax optimization' strategies applied by businesses.

Meanwhile, the ability to carry out its primary responsibilities in the face of a growing volume of international trade, particularly in a complex environment with fluctuating and continual user demands, is the primary problem facing every customs administration. They operate in a challenging environment that is further influenced by a number of internal and external challenges. Experts identify the following among them [13-17]:

- Budgetary, technological, human, and infrastructure constraints;
- High managerial staff turnover is caused by both shifting governments and a lack of regulations that support proper talent retention;
- Poor capacities of human resources;
- Corruption patterns;
- Suspensive regimes, exclusions, free-trade zones, preferential treatment agreements, indirect/special taxes, and duties are examples of administrative, fiscal, and trade policies that are frequently challenging to implement and occasionally have not demonstrated significant economic benefits;
- High levels of informality;
- Low traders' compliance;
- Different and ever-changing types of fraud that jeopardize income, security, and public safety.

Customs administrations have to adapt to the growing demands of the public and trading community for time and cost savings, procedural predictability, openness, and simplification, which further complicates this operational environment. Revenue collection functions must not be overlooked despite the aforementioned difficulties; in certain low- and medium-income nations, they account for as much as 40% of total tax revenue. Additionally, traditions must keep in mind their contribution to societal safety and security.

Compliance teams at the corporate level now need to be aware that tariffs are taken into consideration by international tax enforcement. The trade battles brought on by high tariffs might undoubtedly be a boon to the tax collector, whether through current laws or more vigorous enforcement. Treating tariff avoidance as a type of tax fraud, the US has greatly increased enforcement against corporate tax and customs evasion. The fraudulent Claims Act (FCA) is now widely used by the Department of Justice to prosecute companies and individuals who intentionally make fraudulent import declarations in order to evade charges; these cases typically involve millions of dollars in underpaid tariffs. Additionally, more audits and inspections are being conducted by Customs and Border Protection (CBP), especially for commodities that are being routed through third countries in order to avoid anti-dumping duties. Furthermore, multinational tax avoidance techniques, especially those involving base erosion, profit shifting, and mispricing of intercompany transactions, are still being targeted by the Internal Revenue Service (IRS).

We can use a business that imports consumer electronics from a nation with high tariffs as an example. It fraudulently classifies the goods under a tariff code for “educational devices” or “components” that have lower rates in order to lower charges. Or maybe the invoice is recorded at half its actual value, and the remaining amount is paid to the supplier informally. These tactics become classic examples of tax fraud even though they may save millions. A Florida couple was sentenced to almost five years in jail by a federal court in March 2025 for swindling the US government out of more than $42 million in tariffs by smuggling Chinese plywood through Malaysia and fabricating paperwork. The case was prosecuted for tax evasion and criminal conspiracy in addition to a customs violation.

Additionally, Evolutions Flooring Inc., a San Francisco-based company, agreed to pay $8.1 million in March 2025 to resolve claims that it misrepresented the provenance of multilayered wood flooring made in China as coming from Malaysia. Through the method, the company was able to avoid Section 301 tariffs, hefty antidumping and countervailing levies, and other taxes that are applicable to flooring products imported from China. The mislabeled shipments, according to the Department of Justice, were a part of a larger effort to obtain an unfair advantage in the US market by undercutting legally mandated duties. The settlement will provide the whistleblower, who brought the lawsuit under the False Claims Act, almost $1.2 million. This kind of customs fraud will face harsh prosecution since it is considered a major form of tax evasion, as the DOJ stressed.

Two Indian chemical businesses, Raxuter Chemicals and Athos Chemicals, were charged with importing fentanyl precursor chemicals into the United States and Mexico by U.S. authorities in January 2025. To avoid regulatory scrutiny and save tariffs, the corporations concealed the true nature and origin of the chemicals through fabricated customs reports, according to the Department of Justice. In addition to breaking customs law, the smuggling operation’s link to the opioid crisis presented serious concerns to national security and public health. The accusations highlight the DOJ’s larger strategy of connecting criminal conspiracy and tariff evasion, especially when it comes to high-risk items or international trafficking.

The Criminal Finances Act in the United Kingdom establishes two offenses for businesses: failing to stop domestic tax evasion and failing to stop foreign tax evasion. These offenses carry strict liability, which means that unless the company can demonstrate that it had “reasonable procedures”, it is culpable if a business associate aids in tax evasion. Supply chain diligence is therefore more than just a procurement issue. Even if the UK business is not aware of it, it may be subject to criminal liability if a freight forwarder or import partner assists in hiding the actual value or origin of goods in order to avoid tariffs.

A UK-based business agreed to pay HMRC more than £3.2 million in a compound settlement in February 2025 for exporting military-listed products without the required authorization. This settlement, which totals about £3.7 million, is the largest of three that were struck in the first quarter of 2025. The infractions concerned violations of the Customs and Excise Management Act of 1979 and the Export Control Order of 2008. In these situations, HMRC’s use of compound settlements demonstrates its dedication to upholding export controls and guaranteeing adherence to customs laws.

Intermediaries, including internal legal and compliance departments, are required by the EU’s Directive on Administrative Cooperation (DAC6) to disclose specific cross-border agreements. Although DAC6 was created to combat aggressive tax evasion, it also applies to situations - such as customs schemes - where arrangements conceal the jurisdiction, value, or nature of transactions. The “generic hallmarks” of DAC6, which center on tax benefit and

opacity, might be activated by a fraudulent country-of-origin statement or rerouting scheme. Non-disclosure might result in financial penalties and damage to one's reputation throughout the EU.

As part of an investigation into suspected tax evasion totaling more than €1.1 billion, customs officials and criminal prosecutors visited Adidas' headquarters in Germany in December 2024. The inquiry, which is being led by the European Public Prosecutor's Office (EPPO), centers on purported nonpayment of import sales tax and customs fees from October 2019 to August 2024. According to the EPPO, the EU budget was impacted by the possible offenses that took place in Germany and Austria. Adidas has cooperated with authorities and accepted the investigation, blaming the problem on conflicting interpretations of German and European legislation [18].

Economic operators in the EU have been advised by the European Commission since 2022 to take the necessary due diligence steps to stop the evasion of goods sanctions.

According to the most recent modifications to the EU's perspective of customs tax risks, extra attention must be paid to exports to countries in the Eurasian Economic Union (EAEU), because commodities in any EAEU member state can transit freely throughout the union. Imports from third countries where commodities can readily be diverted to the EU are also receiving more attention, notably from nations that do not impose limitations on imports from Russia and Belarus.

In 2024, EU customs authorities expanded their focus on enforcing sanctions and due diligence, with Polish authorities investigating end users' awareness across the supply chain, beginning with the producer. Sanctions compliance is still a work in progress, with new circumvention methods being uncovered on a regular basis. Additionally, Directive (EU) 2024/1226, which criminalizes sanctions infractions, must be enacted into all EU member states' legislation by 2025.

Agnieszka Kisielewska [19], an International Tax Review expert, examines the Polish experience. She discusses the most prevalent traps to avoid in efficient customs clearance risk management and argues that taking a proactive approach can assist avoid costly penalties in an ever-changing market. As a member of the EU, Poland adheres to the Union Customs Code (UCC), which, at its core, streamlines customs processes among all member states. However, due to national laws, IT systems, and tax-related regulations, importers and exporters also have to manage local tax and customs duty risks. Currently, proper tariff categorization, customs value, and trade agreement compliance can be regarded as the top priorities on the roadmap for customs clearance risk management [19].

The key to avoiding under- or overpayment of duties and VAT is determining the correct customs classification, values, and provenance of the items. Every year, the EU Combined Nomenclature (CN) is modified to take into account modifications made by the World Trade Organization, World Customs Organization, and other international organizations as well as advancements in technology. Over time, new decisions or guidelines may cause certain codes to be interpreted differently. Polish customs officials often check the CN codes for products, particularly in new markets like smartwatches and hybrid vehicles. Customs restrictions are frequently triggered by new explanatory notes or rules, such as those pertaining to smart bands, which result in duty rate increases from 0% to roughly 4.5%. Misclassification can lead to penalties violations, because classified impacts not only customs duties but also VAT and excise duties (for goods like vehicles, alcohol, tobacco, or energy).

Beginning on December 1, 2027, the EU will implement binding valuation information choices and provide valuation simplifications. Until then, customs officials in other member states must verify the strategy with customs operators who have value determinations issued in one of the member states. Before requesting confirmation or authorization, importers must carefully examine their supply chains since Polish customs officials are extremely picky about determining the origin and customs value of items.

Other important issues pertaining to customs and VAT, aside from associations with categorization, valuation, and origin, include as follows:

- How is VAT paid or settled? In Poland, importers have the option to settle import VAT in their VAT returns or pay it in cash.
- Is it legal for the importer to deduct import VAT?
- Whether the 0% VAT rate (exemption) is applicable to exports?

The revisions to the Automated Export System and Export Control System 2 PLUS, which came into effect on October 31, 2024, are critical in terms of export. These systems verify that VAT declarations match customs-related papers. These systems will continue to use the XML format for documents, but the names of customs messages will change. For many years, Polish tax officials insisted on utilizing solely customs exit paperwork to apply the 0% VAT rate on exports. However, recent rulings, in response to challenges against the restricted interpretation of the EU VAT

Directive, have highlighted that alternative documents confirming goods have left the EU should also be sufficient [19].

Kisielewska [19] underlines the importance of proactive solutions for controlling customs clearance hazards in Poland. Maintaining compliance is critical for efficient, cost-effective, and secure trade operations. Importers and exporters can avoid costly delays and penalties by addressing frequent problems including categorization errors, inaccurate valuations, and missing documents, particularly as customs systems improve. Due diligence for VAT regulations and sanctions presents additional risks.

The Australian Border Force (ABF) recently published customs duty compliance material that highlighted various areas of concern for any business importing trade stock, manufacturing inputs, or other commodities used or consumed in its activities. The specific concerns raised also raise a more fundamental question: whether businesses importing goods are paying enough attention to their customs duty responsibilities and other customs-related matters. Some businesses assign customs duty ownership to procurement or logistics rather than group tax or finance. Furthermore, responsibility for customs duty is frequently delegated to one or more third-party customs brokers, putting firms at risk of failing to be properly informed of and resolve customs compliance and supply-chain concerns as they emerge.

The ABF presented results from its compliance monitoring program, which revealed a 28% mistake rate in import declarations in 2016-17. These inaccuracies pertain to a variety of issues, some of which are likely to affect the amount of customs tax payable, such as the tariff classification of the items, the price and values assigned to related party transactions, and related expenditures, such as foreign freight and insurance. For the same period, the ABF identified an even greater mistake rate for export declarations, topping 40% [20].

The accuracy of customs declarations is critical to ensuring that the appropriate amount of duty is paid. Overpayment of duty is a net cost to the business. Underpayments of duty can result in significant penalties, such as the higher of 45 penalty units (AUD 9,450) or 75% of the short-paid duty. Penalties can also be imposed for declarations that contain inaccurate and misleading statements but do not result in a loss of duty. The ABF has issued several infringement notices for breaches, even those when there is no loss of duty, and sees the enforcement of penalties as an effective tactic to induce improved compliance [21]. The circumstances surrounding the infraction usually determine whether the penalty is borne by the importer or the customs broker.

Given these error rates, it is not unexpected that the ABF has focused on noncompliance in 2017 that leads to duty evasion through incorrect product classification and undervaluation. A special emphasis is placed on undervaluation that arises when an importer or broker, whether intentionally or unintentionally, neglects to include in the “customs value” of commodities certain price-related expenses incurred prior to the products leaving their place of export. These expenses consist of commissions, royalties or license fees paid, packing expenses, overseas inland freight and insurance, and production assistance charges.

Currently, the ABF is concentrating on the following additional areas of compliance [22]:

1. Duty evasion occurs when duty concessions are misused. This emphasizes the significance of importers ensuring that their goods properly qualify for any duty concession that is sought. For example, relying on a tariff concession order (TCO) requires the items to exactly fit the description provided in the TCO, as well as the designated tariff classification. When claiming concessional duty treatment under a free trade agreement (FTA), it is critical to identify the correct tariff classification of the goods, ensure that the goods meet the applicable rules of origin, and provide a complying certificate or declaration of origin. When concessional duty treatment is based on an item listed in Schedule 4 of the Customs Tariff Act of 1995, it is important to confirm that the specific products are eligible. For example, the ABF is currently focusing on identifying a wide range of aircraft parts, components, and test equipment that were imported under the concession offered by Item 34 in Schedule 4, but fall outside the item’s narrowly defined scope.

2. Imports suspected of carrying asbestos. The ABF is detecting an increasing number of asbestos-containing imports. Brake pads, gaskets, and other motor vehicle and motorcycle parts, protective wrapping material, some building supplies, empty containers, and crayons are among the affected items. Goods suspected of containing asbestos will be kept at the border pending testing, resulting in delayed clearance, additional expenditures, possible confiscation and destruction of the goods, and significant penalties.

3. Noncompliance with regard to cider items that are imported. According to the ABF, importers and customs brokers exhibit a high degree of noncompliance and misunderstanding regarding when ciders made abroad are ineligible for duty-free treatment and WET collection and should instead be subject to customs duty (at a significantly higher cost for the importer).

4. Avoidance of countervailing and dumping duties on a variety of goods. The ABF has been aggressively monitoring import statistics for particular commodity groupings to uncover instances of probable dumping, or foreign government

subsidization, of imports. The goal of the ABF is to make sure that importers who fail to declare goods accurately do not avoid paying anti-dumping duties or countervailing (anti-subsidy) duties on imports that are subject to Australian anti-dumping laws.

Australia, like many other nations, is thinking of enacting a tax on digital services in an effort to increase the profits from online companies that do not have a significant physical presence in the nation. Australia is taking part in a multilateral process that is already underway through the Organization for Economic Co-operation and Development and the G20, even though traditional taxation methods may need to be completely revised to adapt to the digitalization of the global economy. Australia's commitments under international economic law, including international trade law and international investment law, could be violated by an interim Australian digital services tax. Certain flexibilities included in the applicable trade and investment regulations, such as specific taxation references, may help to support such a tax. The main issue, though, is that an Australian digital services tax is likely to disproportionately punish US companies, especially if smaller companies are exempt as planned. This could result in a violation of at least some of the pertinent treaties. It is not desirable to provoke retribution from the United States or further close national economies by imposing an Australian digital services tax in the current global political and economic environment [23].

The tax environment in the United Arab Emirates, specifically the excise tax, VAT, customs duty, and corporate income tax (CIT), is examined by Hussain et al. [24]. In addition to having a last-minute influence in whether the importer's transfer price is at arm's length for customs duty purposes, the authors emphasize that customs regulations are crucial to the import and liability of dutiable and excisable commodities in the United Arab Emirates. Additionally, the UAE government's recent progressive actions - ratifying Free Trade Agreements (FTAs) with Indonesia and India, respectively, and perhaps more to follow - highlight the significance of customs in relation to international trade in the UAE market. The essay also discusses the real-world difficulties that UAE companies confront when it comes to customs and international trade. According to the authors, the question of whether the new tax environment would have any effect on the importance of the most archaic type of indirect tax, customs, comes in light of the previously indicated evolution and growth of indirect taxes (VAT and excise) and direct tax (CIT). The authors also analyze the impact of trade agreements in which UAE participates - FTAs (GCC-Singapore FTA, GCC-EFTA FTA. UAE-India FTA, UAE-Indonesia FTA), the GCC Customs Union, Greater Arab Free Trade Area (GAFTA).

One of the major obstacles that companies encounter in their quest for cost efficiency is the appropriate administration of the customs function, according to Hussain et al. [24]. The majority of companies in the United Arab Emirates use clearing agents, freight forwarders, or customs brokers. While this eventually minimizes the administrative load on the business, it nevertheless raises the possibility of errors perpetrated by customs brokers whilst completing the customs declarations on behalf of the firm. The authors also stress that in order to promote compliance, whistleblower protection laws may be put into place. Businesses should also save their related customs documents, such as commercial invoices, bills of lading, certificates of origin, packing lists, etc., for a minimum of five years after the date of declaration in order to comply with record compliance.

Being an independent agency that is a component of a single fiscal body together with the tax service and even the ministry, Ukrainian customs have undergone a difficult journey of change and reform. The State Customs Service is currently in charge of Ukraine's customs system. Since the government, acting through the Minister of Finance, directs and coordinates its customs, it ultimately follows the most widely used European model. The fiscal function of Ukraine's customs authority might be seen as primary since the Ministry of Finance creates and carries out financial and budgetary policy. In general, it consists of the customs officials collecting taxes and, as a result, filling the governmental budget. This function's efficiency and importance are determined by a variety of economic, political, and social considerations. Furthermore, its performance impacts more than just the budget and finances, which Ukrainian scientists often consider within the planes of public administration, business, and communities [25; 26-32]. Other responsibilities in customs are also affected. Customs collects taxes to accomplish much more than just fill the coffers. Furthermore, as Mishchenko [33] highlights, despite its paradoxical nature, customs tariffs contribute more to the non-fiscal component of customs activities.

A wide range of natural and artificial factors determine the amount of international trade taxes collected by customs authorities each year. The author highlights the following: the structure and geography of imports and exports; the proper calculation of customs value, country of origin, and categorization of imported commodities; political issues; and trade defense measures. Mishchenko reveals ominous statistics: in 2023, the customs authorities boosted the tax base by UAH 49.3 billion as a result of their control over the accuracy of customs values for goods. At the same time, during the 11 months of 2023, Ukrainian courts reviewed 3,070 appeals against decisions made by customs authorities on the adjustment of the customs value of products valued at UAH 810 million. Of them, 2,728 lawsuits totaling about UAH 690 million were decided in favor of the importers [34]. Therefore, it is evident that the issue is present on both

sides. On the one hand, importers frequently undervalue their products. However, in over 89% of cases, the customs officials alter the declarants' claimed customs value without a valid reason. This condition is highly unusual. In an endeavor to fill the state budget, the customs service's irrational measures only injure it by accruing further litigation fees.

Customs administrations frequently limit the scope and efficacy of their risk-management efforts by failing to detect and address hazards that emerge before, during, and after the goods are cleared and released [35; 36]. In many situations, they do not evaluate the outcome and effectiveness of their control measures, or how much they have changed the behavior of noncompliant operators to obtain greater voluntary compliance. However, one must understand that customs cannot increase voluntary compliance simply by conducting a risk analysis on a transaction-by-transaction basis [37; 38].

Adopting an IRM approach allows customs to address current challenges comprehensively; however, this approach necessitates a shift in mindset from traditional customs administration practices, as it includes new ways of managing data and information, IT systems, processes, and resources, as well as legal and regulatory changes in many cases. It brings together the risk concerns and contributions of all relevant units within the customs administration and its partner government agencies, most notably the tax administration and other border control agencies. Building and executing an IRM approach is not a simple process technically, politically, or administratively, but it is absolutely worthwhile because it considerably improves the country's ability to recognize and mitigate risk in its foreign trade transactions. The IRM approach should outline in detail how the customs administration intends to respond to such risks, ideally with the assistance and participation of other competent agencies [38]. Aligning objectives, projected achievements, and milestones is extremely important in this situation. In addition to the foregoing, it is critical to understand the total population of importers and exporters through a clear segmentation based on their relative importance in terms of CIF/FOB value and associated risk level in order to apply the most appropriate treatment to each segment of traders.

Without IRM, the government will be unable to detect and address the most serious threats to trading patterns and the trade community. It is fairly typical to see control activities that do not adhere to a strategy aimed to minimize and reduce the risks inherent in each of the primary operations. Furthermore, control activities do not typically target different groups of importers and/or exporters based on segmentation and risk level. This reduces the overall effectiveness of the actions, failing to persuade importers and other economic operators to change their conduct and enhance their compliance.

Given the importance of improving customs risk management in the sphere of taxation, there is a clear need for a compliance improvement strategy based on an integrated risk management approach that may assist customs bodies in meeting their primary mandates and strategic objectives. A well-designed compliance improvement plan can assist a customs administration improve its institutional image both internally and within the trading community. It will enable it to facilitate compliance while also detecting and sanctioning noncompliance in a timely manner by (1) identifying and implementing measures and procedures that improve controls and facilitate compliance, (2) determining the most appropriate means and timing for implementing them, and (3) identifying and adopting the legal powers required to accomplish them. Based on an IRM strategy, a compliance improvement plan can increase its efficacy by allowing the institution to deploy long-term solutions to encourage voluntary compliance.

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