



Customs reform

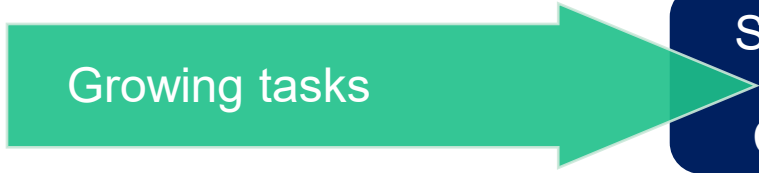
VAT rules relating to distance sales of imported goods

Proposal COM(2023)262 final

GFV Meeting 9 November 2023

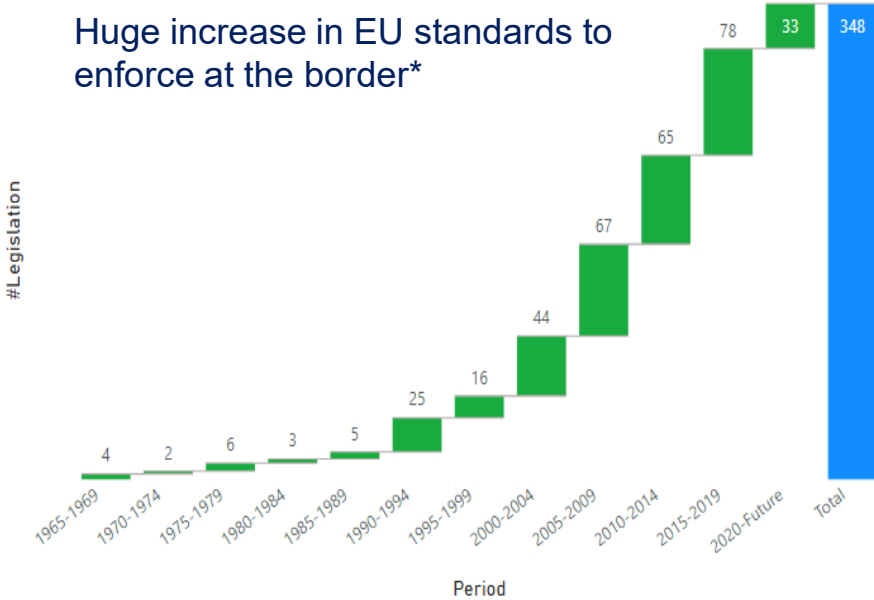
Customs reform – Pillars

1. **EU Customs Data Hub** to digitalise the procedures, which will be available for e-commerce consignments in 2028, followed (on a voluntary basis) by other importers in 2032, leading to immediate benefits and simplifications.
2. **A new EU Customs Authority** that will help Member States to prioritise the risks and coordinate their checks and inspections.
3. **E-commerce** a coordinated approach between customs and VAT rules regarding the importations of goods in the context of e-commerce.

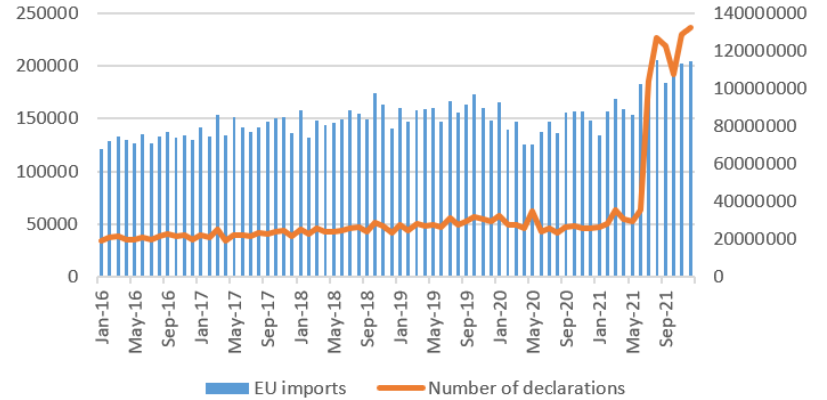


1 billion declarations per year only in e-commerce

Huge increase in EU standards to enforce at the border*



More and more items declared:



*Recent examples: CBAM, Deforestation, Sustainable Product Passport / Ecodesign, Product Safety directive, Firearms, Digital Services Act

Tailor-made e-commerce regime

Simple
Transparent
Efficient

Today:

Since 2021, drastic increase of customs declarations in e-commerce* (more than 1 billion super-reduced declarations in 2022) without effective controls:

- 65% of the e-commerce consignments are undervalued → revenue loss
- 66% of products purchased online are not meeting EU safety requirements → citizens are not protected
- Traders split consignments into smaller batches → negative environmental impact.



Reform:

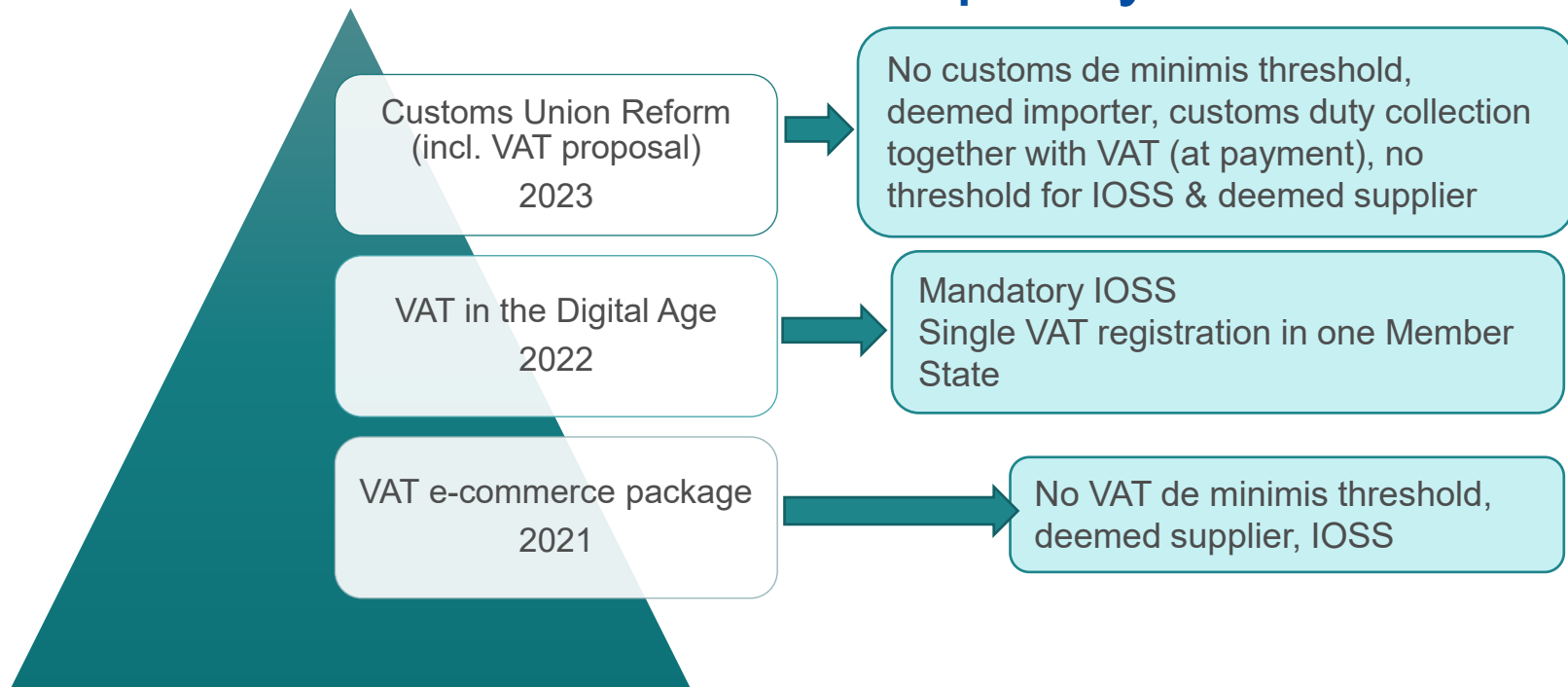
- ✓ Large platforms will be responsible to ensure compliance with EU rules (financial and non-financial)
- ✓ Consumers will be freed from compliance burden and protected from unpleasant surprises, like unexpected costs and burdensome customs formalities.
- ✓ The EU Customs Data Hub facilitates processing of declarations, helping customs and platforms to absorb the compliance burden.

A (voluntary) 4-tier bucketing system to simplify calculation of duties:

- ✓ 5% (e.g. for toys, games, houseware articles),
- ✓ 8% (e.g. for silk products, carpets, glassware),
- ✓ 12% (e.g. for cutlery, electrical machinery) and
- ✓ 17% (e.g. for footwear).
- ✓ Goods having a 0% duty rate currently will continue to benefit from zero duties.

*VAT applies to all goods and as a result, goods below 150€ must be declared to customs, despite being exempt from customs duties.

Evolution of EU e-commerce policy



Key elements of the reform

- Alignment of the new customs proposal with the VAT framework (e.g. introduction of the concept of deemed importer enabled to use IOSS as the deemed supplier).
- **Removal of the EUR 150 customs de minimis threshold** which currently limits the application of the IOSS to distance sales of imported goods not exceeding EUR 150.
- Support the objective of a single VAT registration in the Union by allowing IOSS registered traders to declare and remit the VAT due on all their eligible supplies of IOSS goods, irrespective of their value.
- Simplify customs processes for businesses and cut down on cumbersome customs procedures by replacing traditional declarations.

Customs Reform - VAT Directive proposal

Customs Reform

'Deemed Imported' = an IOSS registered Trader

Simplified Tariff Treatment



EUR 150 VAT threshold removed for the application of

IOSS

Deemed supplier regime

Special Arrangements

Impact :

- Simplification for foreign business
- Fight fraud by encouraging the use of the IOSS (which will be compulsory for platforms)
- Avoid undervaluation.

A proposal which is independent from the issue of the customs de minimis.

Definitions

Deemed importer:

- any person involved in the distance sales of goods to be imported from third countries into the customs territory of the Union who is authorised to use the special scheme laid down in Title XII, Chapter 6, Section 4 of Directive 2006/112/EC [Art. 5(13)]

Distance sales of goods imported from 3rd countries:

- distance sales of goods imported from third countries or third territories as defined in Article 14(4), point (2), of Directive 2006/112/EC [Art. 5(47)]

Simplified tariff treatment for distance sales:

- the simplified tariff treatment for distance sales set out in Article 1, paragraphs 4 and 5, and Part One, Section II, point G of Annex I to Regulation (EEC) No 2658/87 [Art. 5(47)]

E-commerce: full alignment of customs & VAT rules and processes

VAT

- De minimis threshold for commercial goods: 0€
- Scope: business-to-consumer (B2C)
- Liability: supplier / deemed supplier
- Incurrence of VAT: at acceptance of payment (online order)
- Reporting and payment of VAT: monthly to the MS of identification

Customs

- De minimis threshold for commercial goods: 0€
- Scope: business-to-consumer (B2C)
- Liability (fiscal & non-fiscal): deemed importer
- Incurrence of customs debt: at acceptance of payment (online order)
- Communication and payment of customs debt: monthly to the MS of establishment



Thank you!

Do you have any questions?