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Study finds the EU spends up to three times what it collects in VAT charges on low-value shipments on top of a lack of modernisation and harmonisation of customs processes

Study also reveals the costs and obstacles to increased e-commerce because of an EU rule which has not been updated since 1983

BRUSSELS: New research conducted by the Cross-border Research Association (CBRA) analysed the current cost to European administrations and businesses to collect VAT on low-value shipments compared with the revenue that is generated. On average, across the EU, for goods of a value of €30.00 it costs €3.10 to collect €1.00. In other words, the total spending within the EU to administer the system is three times higher than the resulting tax revenue on such low-value imports. This does not make sense in an age of fiscal challenges.

It is currently possible for EU Member States to waive VAT collection on the imports of goods valued below €22, known as low-value shipments. This is due to the fact that it is not worth collecting VAT on goods of a lower value than this threshold as the cost of collection exceeds the revenue collected. This threshold is called *de-minimis* and it was set at €22 in 1983, and a minimum floor of €10 was set in 1991. The new study, commissioned by the European Express Association (EEA), shows that this threshold is now too low to generate positive revenue for governments and that it should be raised to at least €80.

Mr. Jaap Mulders, Chair of the EEA, said, *“The €22 threshold was set in 1983, the same year that the internet was born. It is high time to raise the de-minimis to match international standards and make European rules fit for the 21st century.”*

An analysis of a large set of empirical data from government and industry and the development of an innovative *de-minimis* economic model by CBRA has confirmed that the total costs of import processes are high when adding up the costs for the Customs authorities and for the importers, logistics service providers and their supply chains. Simultaneously the relevance of Customs collected border taxes remains low in EU Member State budgets. As European governments are currently struggling to finance crucial public services, they should reform EU laws to stop losing money when collecting VAT on low-value goods.

Mr. Juha Hintsa, lead researcher at CBRA for the study, said, *“The point of a tax is to collect revenue. From a purely economic point of view, the current de-minimis level is suboptimal. An increase to at least €80 would be the best solution for Europe, especially at a time of fiscal challenges.”*

With its unchanged VAT *de-minimis* level, the EU is falling behind global standards. The EU has some of the lowest *de-minimis* limits of industrialised countries between €10 and €22 compared to €700 in Australia, €75 in Japan and €177 in the United States. Europe should align with the practices of other international trading blocks.

Furthermore, the study found that cost of collection across the EU varies so significantly that the most expensive Member State spends nine times more than the cheapest. This fragmentation mirrors the current state of the Customs Union, where national initiatives risk eroding the founding principle of the free movement of goods. This trend makes e-commerce in the EU more complicated, running contrary to the Commission President Juncker's specific political priorities.

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Key findings of the CBRA study:

1. On average across the EU, **for goods of a value of € 30.00 it costs €3.10 to collect €1.00**. In other words, the EU economy is spending three times more to administer the system than it is collecting in tax.
2. **The EU VAT *de-minimis* should be raised to at least €80 from the current €22.**
3. **The cost of collection across the EU varies so significantly that the most expensive Member State spends nine times more than the cheapest.** If the *de-minimis* was raised to €80, in some Member States the collection costs would still exceed the revenues collected.

Raising the current *de-minimis* value on VAT in the EU would:

- ▶ Support the EU economy by contributing to economic growth, supporting job creation and saving governments money;
- ▶ Benefit the EU consumer by providing more choice, decreasing delivery times and reducing the cost of deliveries;
- ▶ Contribute to the goals of the Digital Single Market by matching the structure of EU customs to the structure of international trade in the 21st century, facilitating the connection between ecommerce seller and buyers, and simplifying trade;
- ▶ Allow customs administrations to re-direct resources to activities of value like detecting intellectual property violations, enhancing supply chain security and detecting fraudulent activity.

About the EEA

The express industry provides a fully "integrated" service that accelerates the process of transporting goods across the globe. At the point where express shipments cross international borders, the express industry plays a unique and crucial role. Members of the European Express Association represent over 30% of customs clearances and some of the largest customs brokerage operations in the EU. Not only does the express operator handle the customs clearance of a given shipment, it also looks after the payment of duties and taxes as required by the relevant geographical jurisdiction.

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