

Comments to accompany answers submitted to

Public Consultation on Modernising VAT for cross-border e-commerce

18 December 2015

Specific comments

- ▶ Regarding questions **26 and 30**, we note that the de minimis exemption for collection of VAT on low-value consignments is internationally acknowledged as a way to reach an ideal balance between the overall costs of assessing and collecting VAT (see The International Chamber of Commerce Customs Guideline #11 and the Revised Kyoto Convention (RKC), by the World Customs Organization, as well as the Cross Border Research Associates study discussed below in our general comment). The EEA understands that the Commission intends to eliminate the VAT de minimis exemption, and therefore reminds the Commission that for efficiency and cost-effectiveness, it is essential that a simple and efficient collection process is put in place before removal.
- ▶ Regarding question **28**, we generally agree but note that it depends upon the country of registration.
- ▶ Regarding questions **31**, we find the question imprecise. Does the threshold referenced operate as a threshold below which sellers do not have to declare and pay VAT on their shipments as long as their total sales do not exceed the threshold, or is it a uniform threshold for intra-EU supplies below which no registration is needed? If it is the latter, then the EEA is in favour of any measure that would help small companies increase their sales across borders in the EU, in line with the Commission's objective to facilitate and increase e-commerce.
- ▶ Regarding question **32**, as stated above, if the threshold is for registration, allowing small businesses to easily ship across borders, then the EEA welcomes a high uniform threshold across the EU.
- ▶ Regarding question **35**, the answer depends on the level of the threshold. If a high threshold is established, then we strongly agree that any threshold needs to be harmonised across the EU and should apply to both goods and services.

General comment

The European Express Association (EEA) supports the European Commission's strategy to develop a Digital Single Market (DSM) and its emphasis on increasing cross-border e-commerce. An important component is the modernisation of the European Union's value-added tax (EU VAT) system in order for authorities to efficiently and easily collect VAT from the sale of goods

and services on the internet while facilitating legitimate commerce and maintaining a level playing field for business.

The modernisation of VAT rules, a review of cross-border contract rules, and other measures that make it easier for small and medium enterprises (SMEs) – the express industry's customers – to trade cross-borders and beyond will help to develop more intra-European trade and accelerate the use of e-commerce.

The express sector already provides seamless cross-border delivery in EU, facilitating intra-EU trade, an essential requirement for digitally-enabled business to serve their customers across Europe. The express sector also connects SMEs with other markets outside the EU; cross-border express delivery in the EU grew 22.5% between 2000 and 2010. This growth, however, is at a slower rate than in other regions.

The successful implementation of the new VAT rules for telecommunications, broadcasting and electronic services, as of 2015, was a major first step taken by the European Commission in order to take full account of the development of the digital economy and the growth of e-commerce in particular. The European Commission is now working to find an efficient and modern method to collect VAT from the sale of goods and services on the internet. Earlier this year, in the framework of the Digital Single Market Strategy, the European Commission announced their intention to abolish the VAT de minimis limit – the threshold below which VAT is not collected on shipments – and seek cost effective ways to collect VAT on shipments below 150 Euros, aiming to establish a level playing field between intra-EU sales and EU-imports.

We welcome the work and consultation that is already under way. The European Commission's Directorate-General for Taxation and Customs Union (TAXUD) proposed a number of options for more efficient collection of VAT based around the extension of the so called Mini One Stop Shop (MOSS), also known as the single electronic registration and payment mechanism, to sales of tangible goods. These proposals have been shared and discussed with industry.

The developments in the world's economy and technology assure that e-commerce will continue to grow. It is already part of the everyday retail experience. Therefore any solution aimed at its taxation needs to ensure that tax collection adapts to changing commercial practices, providing for the minimum impact on both business and administrations whilst also protecting tax revenues.

In this context, we note that in 2014, Cross Border Research Association carried out economic analysis on behalf of the European Express Association of the cost of collecting VAT on import into the EU¹ and estimated that, on average, the de minimis threshold would need to be set at least 80 EUR in order for the amount of tax collected to exceed the actual collection costs. CBRA's study identified the relative high costs of collecting VAT on all shipments, especially low-value shipments. To diminish these costs, it is essential that the collection process is simple and efficient.

¹ The import VAT and duty de-minimis in the European Union – Where should they be and what will be the impact?, Cross-border Research Association (Lausanne, Switzerland) 14 October 2014. Available online <http://www.cross-border.org/images/reports/CDS-Report-Jan2015-publishing-final.pdf>.

We note that the Commission's current options include a limitation of the single electronic registration and payment mechanism for imports of up to 150 EUR in value, above which a full customs declaration is required. We believe that for simplicity, this limitation should be removed so that VAT could be submitted on a voluntary basis through the mechanism even for goods with a value of greater than 150 EUR, allowing a unified approach for goods shipments from outside the EU and within the EU.

Guiding principles for development of the DSM and VAT modernisation

The EEA believes that the envisaged VAT modernisation can only effectively enhance the collection of VAT on imported express shipments without imposing additional burdens on traders and administrations if the following principles are applied:

1. **VAT rules should be simplified**, minimising administrative burdens for the various actors in the cross-border shipment of goods, and in particular Small and Medium Sized e-traders who want to grow their share of cross border sales.
2. **Import VAT accounting should be separated from customs clearance of imported goods** and simplified by departing from a transactional basis approach towards periodic reporting and payment;
3. **Regulations on VAT-related liability and control should be optimised** to balance the need for information and the need to facilitate movement of goods, recognising the established partnership of express operators and customs/tax administrations.
4. **'Overcorrecting' perceived distortions should be avoided** as they can effectively create protectionist measures that may harm consumers and may lead to third-country retaliation.

Closing and immediate actions

The express industry would welcome the opportunity to continue working together with DG TAXUD and the MS customs and tax authorities in order to create a solution that will enable trade and ensure a reliable method of VAT collection on low value consignments destined to the EU. The Express carriers are uniquely equipped to test or pilot any proposals for simplification put forward by the European Commission and will be most willing to co-operate in this way. The carriers not only have full consignment data but also full end to end control of the import transaction. This will allow any administration involved the advantage of having one single point of contact for the whole supply chain.