The impact of E-Commerce on the basic functions of customs control in the EU Member States

Assoc. Prof. Momchil Antov, PhD
The impact of E-Commerce on the basic functions of customs control in the EU Member States

Global B2C E-Commerce Sales Forecast

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (trillion)</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$1.23</td>
<td>19.0%</td>
</tr>
<tr>
<td>2014</td>
<td>$1.47</td>
<td>19.3%</td>
</tr>
<tr>
<td>2015</td>
<td>$1.70</td>
<td>15.6%</td>
</tr>
<tr>
<td>2016</td>
<td>$1.92</td>
<td>13.1%</td>
</tr>
<tr>
<td>2017</td>
<td>$2.14</td>
<td>11.5%</td>
</tr>
<tr>
<td>2018</td>
<td>$2.36</td>
<td>9.9%</td>
</tr>
</tbody>
</table>

Source: eMarketer
The impact of E-Commerce on the basic functions of customs control in the EU Member States

Table 1. Top 10 Worldwide Online Retail Products for 2018

<table>
<thead>
<tr>
<th>Category</th>
<th>Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>Books, music, movies &amp; video games</td>
<td>60%</td>
</tr>
<tr>
<td>Consumer electronics &amp; computers</td>
<td>43%</td>
</tr>
<tr>
<td>Clothing &amp; footwear</td>
<td>40%</td>
</tr>
<tr>
<td>Toys</td>
<td>39%</td>
</tr>
<tr>
<td>Health &amp; beauty</td>
<td>37%</td>
</tr>
<tr>
<td>Sports equipment/outdoor</td>
<td>36%</td>
</tr>
<tr>
<td>Household appliances</td>
<td>33%</td>
</tr>
<tr>
<td>Jewellery/watches</td>
<td>32%</td>
</tr>
<tr>
<td>DIY/home improvement</td>
<td>30%</td>
</tr>
<tr>
<td>Furniture &amp; homeware</td>
<td>30%</td>
</tr>
</tbody>
</table>
The impact of E-Commerce on the basic functions of customs control in the EU Member States

Cross-Border E-Commerce Framework of Standards (WCO)

- Online ordering, sale, communication and, if applicable, payment,
- Cross-border transactions/shipments,
- Physical (tangible) goods, and
- Destined to consumer/buyer (commercial and non-commercial).
The impact of E-Commerce on the basic functions of customs control in the EU Member States

Cross-Border E-Commerce Framework of Standards (WCO) Standards

I. Advance Electronic Data and Risk Management;
II. Facilitation and Simplification;
III. Fair and Efficient Revenue Collection;
IV. Safety and Security;
V. Partnerships;
VI. Public Awareness, Outreach and Capacity Building;
VII. Measurement and Analysis;
VIII. Leveraging Transformative Technologies.
The impact of E-Commerce on the basic functions of customs control in the EU Member States

State of E-commerce in the EU

European B2C ecommerce turnover forecasted to hit 621 billion euros in 2019

Annual European B2C Ecommerce Turnover
2013-2019 (f) (Euro, billion)
The impact of E-Commerce on the basic functions of customs control in the EU Member States

State of E-commerce in the EU

<table>
<thead>
<tr>
<th>Category</th>
<th>Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothes, sports goods</td>
<td>64%</td>
</tr>
<tr>
<td>Household goods (e.g. furniture, toys)</td>
<td>45%</td>
</tr>
<tr>
<td>Books, magazines, newspapers</td>
<td>32%</td>
</tr>
<tr>
<td>Food or groceries</td>
<td>25%</td>
</tr>
<tr>
<td>Electronic equipment</td>
<td>25%</td>
</tr>
<tr>
<td>Films, music</td>
<td>25%</td>
</tr>
<tr>
<td>Video games software, other software and upgrades</td>
<td>23%</td>
</tr>
<tr>
<td>Computer hardware</td>
<td>17%</td>
</tr>
<tr>
<td>Medicines</td>
<td>14%</td>
</tr>
</tbody>
</table>

*Table 2. Top 10 goods sold online in the EU Member States for 2018*
The impact of E-Commerce on the basic functions of customs control in the EU Member States

State of E-commerce in the EU

E-commerce in the EU Member States in 2018 (billion EUR)

- EU external trade: 405 billion EUR
- EU internal trade: 142 billion EUR

Legend:
- EU external trade
- EU internal trade
The impact of E-Commerce on the basic functions of customs control in the EU Member States

State of E-commerce in the EU

Total volume of imports into the EU in 2018 (billion EUR)

- Online trade: 142 billion EUR
- Other trade: 5286 billion EUR
The impact of E-Commerce on the basic functions of customs control in the EU Member States

Important challenges for EU online trade

- Huge increase in volumes of imports have to be managed by customs authorities;
- Greater risks for security and safety, illegal trade and evasion of VAT/duties;
- Lack of a level playing field in compliance obligations between different economic operators involved in the delivery of goods;
- Particular problem of small/low-value consignments.
The impact of E-Commerce on the basic functions of customs control in the EU Member States
The impact of E-Commerce on the basic functions of customs control in the EU Member States

Main functions of customs control
The impact of E-Commerce on the basic functions of customs control in the EU Member States

Main functions of customs control

- Fiscal function
- Protective function
- Economic function
The collected customs duties are paid into the state budget and the EU budget (TOR).

In 2018, the revenue collected by EU customs in total state tax revenues is around 15% and the share of customs duties in the total EU revenue has been on the rise over the last couple of years and reached 15%.
The impact of E-Commerce on the basic functions of customs control in the EU Member States

E-commerce falls under the regulations of:

- Council Regulation (EC) No 1186/2009 of 16 November 2009 setting up a Community system of reliefs from customs duty;


<table>
<thead>
<tr>
<th>Price range</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR 1 000 and more</td>
<td>9%</td>
</tr>
<tr>
<td>500 to less than EUR 1 000</td>
<td>10%</td>
</tr>
<tr>
<td>100 to less than EUR 500</td>
<td>41%</td>
</tr>
<tr>
<td>50 to less than EUR 100</td>
<td>23%</td>
</tr>
<tr>
<td>Less than EUR 50</td>
<td>15%</td>
</tr>
</tbody>
</table>

Table 3. Money spent on online shopping, EU-28, 2018
The impact of E-Commerce on the basic functions of customs control in the EU Member States

Fiscal function

“de minimis”?
The impact of E-Commerce on the basic functions of customs control in the EU Member States

Protective function

- Protect the life and health of the population
- Protection against unauthorized importation or exportation of goods
- Protection of cultural and historical values
- Protection of certain animal and plant species
- Protection of trade in dual-use goods
- Protection of intellectual property rights
The impact of E-Commerce on the basic functions of customs control in the EU Member States

Protective function
The impact of E-Commerce on the basic functions of customs control in the EU Member States

**Economic function**

- Favorable conditions for production and trade
- Increasing and hindering the import of unwanted goods
- Increase of GDP
- Raising employment rates and earnings
- Limiting opportunities for a speculative commodity market
The impact of E-Commerce on the basic functions of customs control in the EU Member States

Economic function
Identifying the functions of customs control can more clearly define the objectives and tasks that customs administrations of the EU Member States should fulfill. To a great extent they outline the scope of customs control itself, indicating where the efforts of the control bodies should be directed, and which of the activities of the customs administration is essential to it and what is of a minor nature.

Today, the emphasis is on the protective and economic function of customs control, while the importance of fiscal function decreases. In the practice of a body responsible for government revenue, customs have become the main defender of the economic and vital interests of society as a whole.
Thank you for your attention!

Assoc. Prof. Momchil Antov, PhD
e-mail: m.antov@uni-svishtov.bg