



Evaluation of the EU VAT e-commerce package

Customs Valuation aspects

DG TAXUD

15 February 2023

Topics

- 1. Overview of measures in EU VAT e-commerce package (1 July 2021)**
- 2. Some statistics about period 1 July 2021 – 30 June 2022**
- 3. Definition of Intrinsic value**
- 4. Consignments**
- 5. Valuation issues**
 - transport charges and declaration fees
 - exchange rate
 - business models
- 6. Undervaluation**
- 7. Recent documents**





1. Main issues for customs implementation

1. **Use of customs declaration with super-reduced dataset (H7)**
2. **Use of Surveillance to produce the VAT monthly reporting**
3. **Value threshold – definition of intrinsic value**
4. **Form of customs declaration (including its impact on the return formalities)**
5. **Use of pre-lodged CD with super-reduced dataset as a temporary storage declaration**
6. **Other issues** (e.g. Article 144 Delegated Regulation (nr. 2015/2446))

1. Super-reduced dataset

Article 143a Delegated Regulation (nr. 2015/2446)

- *Concept:*
 - **Use of super-reduced dataset as **standard declaration**** (preferably as pre-lodged declaration)
- *Scope:*
 - **Goods subject to duty relief** (Articles 23(1) and 25(1) COUNCIL REGULATION (EC) No 1186/2009)
 - **Goods not subject to prohibitions & restrictions**
 - Customs Procedure Code (CPC) 42/63 excluded >> **only possible CPC is '4000'**
 - **Any declarant**
 - **Any VAT scheme**
 - **Related to B2B, B2C and C2C**



2. Statistics 1 July 2021 – 30 June 2022

(source: Surveillance)

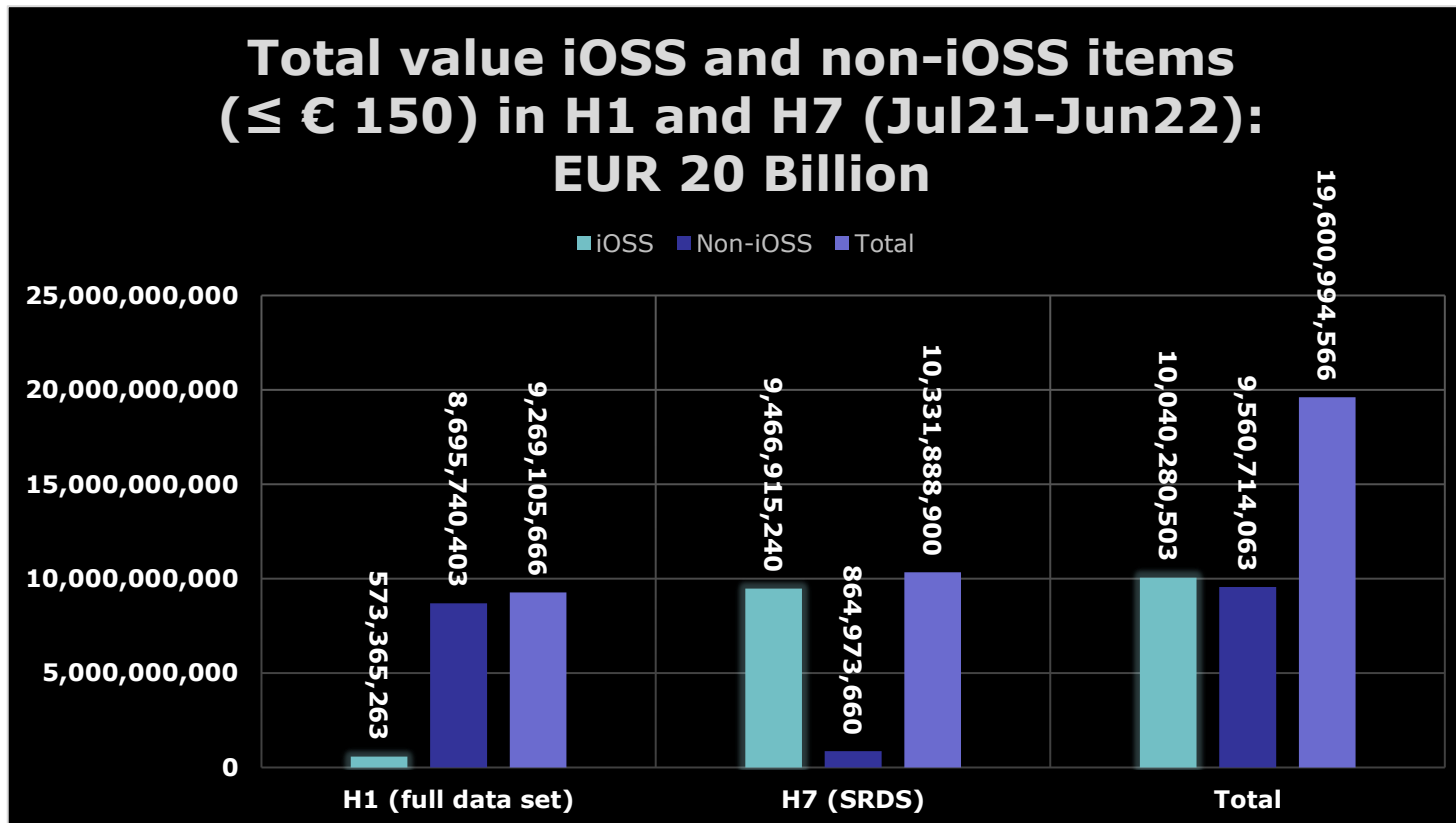
Goods with intrinsic value not exceeding €150

Data set	Total Value	Nr. Items (decl. lines)	Average value	IOSS declared
H1	€ 10 Billion	300 Million	€ 30,50	9%
H7	€ 10 Billion	1 Billion	€ 10,50	96%

- * Only **8** IOSS numbers (probably platforms) represent **91%** of all H7 import declarations!
- * Only **4** MS represent **80%** of all H7 import declaration items



2. Statistics 1 July 2021 – 30 June 2022 (source: Surveillance)



3. Intrinsic value



- Definition in Article 1 (48) Delegated Regulation (nr. 2015/2446),

'intrinsic value' means:

*(a) for commercial goods: the price of the goods themselves when **sold for export** to the customs territory of the Union, **excluding** transport and insurance costs, **unless** they are included in the price and **not separately indicated on the invoice**, and **any other taxes and charges** as ascertainable by the customs authorities from any relevant document(s);*

*(b) for goods of a non-commercial nature: the price which would have been paid for the goods themselves **if they were sold** for export to the customs territory of the Union;*

4. Consignment (1)



- No legal definition yet
- Explanation in paragraph 1.3.2 '*Guidance on import and export of low value consignments*'
- **(Artificial) split consignments:** difficult to identify before the release of the goods into free circulation
- Risk: misuse of duty relief exemption for consignments not exceeding €150
Article 23 COUNCIL REGULATION (EC) No 1186/2009

4. Consignment (2)

Paragraph 1.3.2 of **LVC Guidance Document**

As regards the term "*consignment*", the **goods dispatched simultaneously by the same consignor to the same consignee and covered by the same transport contract** (e.g. house airway bill, S10 barcode) shall be considered as a **single 'consignment'**.

Consequently, goods dispatched by the same consignor to the same consignee that were *ordered and shipped separately*, even if arriving on the same day but as separate parcels to the postal operator or the express carrier at the destination, should be considered as separate consignments. In the same vein, goods covered by the one order placed by the same person, but dispatched separately, should be considered as separate consignments.

5. Valuation issues (1)

- **transport charges and declaration fees**
- **exchange rate**
- **business models**



5. Valuation issues (2)

Transport charges and declaration fees

- Questions received from business, consumers in the EU and customs as well.
- Consumers: many times experienced as customs costs!
- Occurs in postal and express consignments.



5. Valuation issues (3)

Exchange rate

For VAT and customs duties: the exchange rates are applicable on different moments!

For customs:
most related to the calculation of the intrinsic value.

The limit for the intrinsic value of €150 is relevant for:

- the exemption of import duties
- the use of H7 declaration
- the use of the IOSS

5. Valuation issues (4)

E-Commerce Business models: value at import?

- **Marketplace model** (IOSS and non-IOSS)
* no new valuation issues
- **Fulfilment center** (non-IOSS):
* no transaction at moment of import. Customs value?
- **Drop shipment model** (IOSS and non-IOSS)
* several questions related to customs value

5. Valuation issues (5)

E-Commerce Business models:

Drop shipment: Characteristics

1. At least two sales / transactions before import in EU
2. In a certain sequence
3. One sales price is (much) lower than the other one

Crucial: *Understanding the business!*

5. Valuation issues (6)

E-Commerce Business models:

Drop shipment: Sale for export

What's the sale occurring immediately before the introduction of the goods into the customs territory of the Union?

Art. 70(1) Union Customs Code: *REGULATION (EU) No 952/2013*

Art. 128 (1) Implementing Acts: *IMP. REGULATION (EU) 2015/2447*

5. Valuation issues (7)

E-Commerce Business models:

Drop shipment: Important to consider

- **VAT principles**
- **Type of agreement**
- **IOSS or non-IOSS**
- **Example 5 Commentary No 13 of Compendium of Customs Valuation Texts**

5. Valuation issues (8)

E-Commerce Business models:

Drop shipment: VAT Principle

- **A supplier must first own the goods before he can supply them to someone else** (art 14(1) Council Directive nr. 2006/112/EC)
- **This has a consequence on:**
 - the sequence of the transactions
 - Customs value / Intrinsic value
 - possibility to use IOSS Y/N ?

5. Valuation issues (9)

E-Commerce Business models:

Drop shipment: Questions to be answered

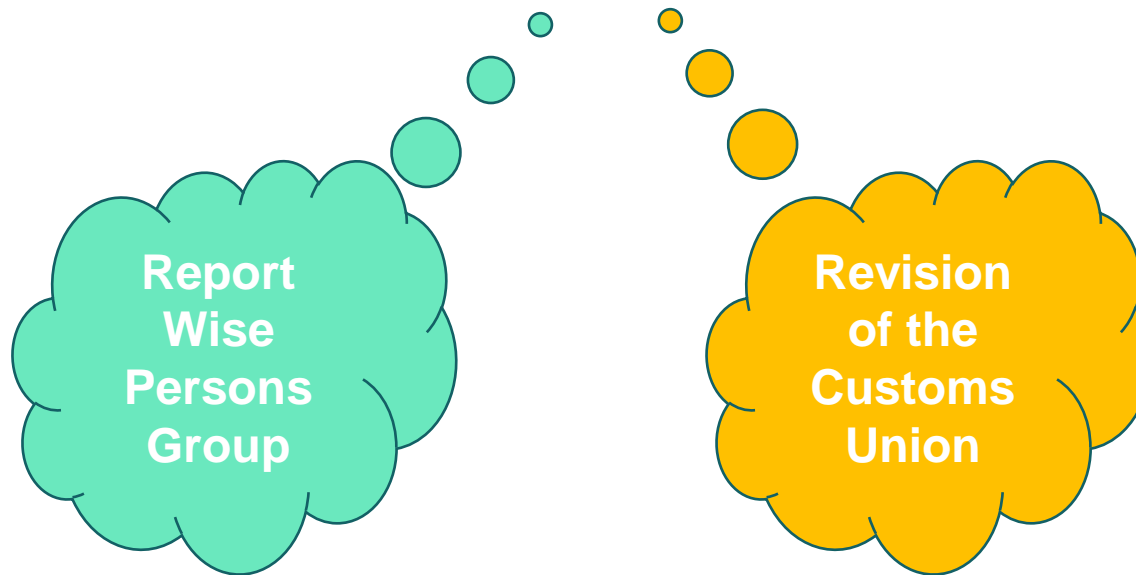
1. What's sequence of the transactions?
2. Consequences for the Customs value / Intrinsic value?
3. Consequences for use of IOSS?
4. What if the declarant can't dispose the invoice to Customs?

6. Undervaluation

- * **As usual**
- * **Communication about Customs findings (in IOSS):**
questionnaire about current practice for Tax Authorities and Customs (results Jan 2023)

E-Commerce in the EU

The way forward



7. E-Commerce in the EU

Relevant documents:

**Guidance on
import
and export of
low value
consignments**

**Guidance on
VAT
e-commerce
explanatory
notes**

**Non-paper on
Returns of
e-commerce
goods**

**Compendium
of Customs
Valuation
Texts**

[UCC - Guidance documents \(europa.eu\)](http://europa.eu)

Thank you for your attention!

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