OECD Recommended Framework for Collection of VAT/GST on Low-Value Imported Goods
The growing importance of VAT and the strong growth of e-commerce
Global spread of VAT

Over 170 countries now operate a VAT

Source: OECD Consumption Tax Trends 2022
Today, VAT is a key revenue source at global level

Tax structures in different regions of the world, as a percentage of total tax revenue (2021)

- **OECD**
  - Personal Income Tax: 20%
  - Corporate Income Tax: 12%
  - Social Security Contributions: 27%
  - Value-Added Tax: 8%
  - Other Taxes on Goods and Services: 24%
  - Other Taxes: 9%

- **LAC**
  - Personal Income Tax: 20%
  - Corporate Income Tax: 8%
  - Social Security Contributions: 15%
  - Value-Added Tax: 9%
  - Other Taxes on Goods and Services: 17%
  - Other Taxes: 12%

- **Africa (31)**
  - Personal Income Tax: 23%
  - Corporate Income Tax: 28%
  - Social Security Contributions: 19%
  - Value-Added Tax: 4%
  - Other Taxes on Goods and Services: 19
  - Other Taxes: 8%

- **Asia-Pacific (29)**
  - Personal Income Tax: 26%
  - Corporate Income Tax: 7%
  - Social Security Contributions: 17%
  - Value-Added Tax: 18
  - Other Taxes on Goods and Services: 7
  - Other Taxes: 26%

Note: The data for the Africa (31) average and the OECD average are for 2020.
Source: OECD (2023), Revenue Statistics in Asia-Pacific 2023
Parcel delivery is steadily growing

E-commerce is fuelling demand
✓ Volume of parcels delivered has more than quadrupled since 2009
✓ Rising much faster than overall economic growth

Cross-border delivery represents 20% of global e-commerce

Sources: Pitney Bowes Shipping Index 2023; and Accenture Post and Parcel Industry Research 2019
Key VAT challenges and OECD recommendations to address these challenges
Challenges

• Long standing VAT reliefs for low-value imported goods
• Customs authorities face enormous volumes of low-value imported goods
• Fraud and abuse risks

Effects

• Often no or inappropriately low amount of VAT collected in consumer’s jurisdiction
• High administrative costs under traditional collection frameworks

Policy concerns

• Growing VAT revenue losses
• Distortion of competition → incentive to buy from abroad
• Adverse impact on employment and other tax revenues
VAT collection models for low-value imported goods

as identified by OECD/G20 Report

- Traditional collection model
- Purchaser collection model
- Vendor collection model
- Intermediary collection model

- E-commerce platforms
- Express carriers and postal operators
- Financial intermediaries
OECD has developed standards and guidance to address VAT challenges of the digital economy.
Core OECD VAT recommendations
Low-value imported goods

1. To reassign the responsibility for VAT collection to non-resident suppliers and digital platforms

2. Implement an efficient and effective collection mechanism

3. Facilitate compliance and strengthen enforcement through modern, data-driven risk management and administrative co-operation
The central role of digital platforms
International supplies of low-value imported goods

Cross-border sales of goods made through platforms and other channels

- Three biggest digital platforms: 55%
- Direct sellers: 33%
- Other platforms: 13%

Note: The total of the percentages for the component channels in the pie chart exceed 100% due to rounding.
Source: OECD analysis based on the Cross-Border E-Commerce Shopper Survey 2021 by International Post Corporation (IPC)

→ Significant potential to enhance and facilitate VAT compliance and administration
Reassigning the responsibility for VAT collection on B2C imports of low-value goods (vendor collection)
Vendor collection model

Design considerations for low-value imported goods

• **Considerations on scope** of vendor collection regime:
  - Goods with a value above the relief threshold for VAT (and customs duty) on low-value imported goods
  - Goods subject to excise duty, additional taxes or extra regulatory scrutiny
  - Non-commercial goods, e.g. imports of own goods, gifts, private sales by consumers

• **Treatment of imports for which VAT is not collected by non-resident suppliers or digital platforms**
  - Traditional VAT collection mechanism at importation as fallback
    - Measures to avoid double taxation
  - Relieving all imported goods below the customs duty relief threshold for low-value imports from the collection of VAT at importation
Potential VAT opportunities and effects for international supplies of low-value imported goods

Opportunity
- Maximise VAT base
- Maximise effectiveness and administrative efficiency of VAT collection

Effects
- Allows customs to focus on important security and public protection matters
- Reduces effects of under-valuation
- Increases efficiency of compliance enhancement and enforcement

Policy impact
- Positive impact on VAT revenue and administrative costs
- Level playing field for domestic supplies with international supplies
A growing number of jurisdictions have implemented VAT reforms for low-value imported goods based on OECD standards and guidance

Countries start moving away from traditional customs process

• Largely based on vendor/intermediary collection model: online sellers and/or intermediaries to collect and remit VAT on imports

• Simplified registration and compliance through digital online portal

• VAT charged/collected at the point of sale – Fast release at customs

Key initiatives implemented or announced

✓ Singapore (January 2023), Nigeria (January 2024)

- Australia: AUD 1.8 billion (nearly USD 1.2 billion) in the first four years
- European Union: EUR 3.6 billion (nearly USD 3.8 billion) in the first 1.5 years
- New Zealand: NZD 513.4 million (nearly USD 326 million) since implementation (2019-Q2 2023)
- Norway: NOK 2.1 billion (nearly USD 218 million) since implementation (2020-Q2 2023)
- United Kingdom: GBP 1.4 billion (nearly USD 1.7 billion) in the first fiscal year
OECD’s work on VAT
The OECD’s mission on VAT: developing international standards and supporting their consistent and efficient implementation

- **Partnerships**
  - International VAT/GST Guidelines
  - Standards and guidance on distinct aspects of policy design and administration
  - Increasingly focused on the challenges of the digital economy

- **Policy dialogue and international standards**
  - Technical workshops
  - E-learning
  - Consumption Tax Trends
  - Regional VAT Digital Toolkits

- **Country level capacity building**
  - Project design & management
  - Technical assistance
  - Primarily on e-commerce…
  - ... and on broader VAT policy as requested/agreed

- **Guidance, data, multilateral capacity building**

**Inclusive. Consensus-based. Focus on digital economy and international trade**
Questions?
Useful links

Contact details

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