

Approaches of Customs Control on Cross-border E-commerce of Goods

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Abstract

In the context of the digitalization of trade in goods and the increase in the volumes of goods ordered electronically by consumers, it is necessary to expand the functions of customs authorities to strengthen their control. Cross-border e-commerce in goods creates economic and social development opportunities and is a prerequisite for new trade patterns. The purpose of this paper is to analyse the challenges faced by customs administrations that carry out customs controls on cross-border e-commerce of low-value goods, and to identify accepted standards applied as tools to enhance the effectiveness of the controls carried out in accordance with accepted principles and stakeholder requirements. This study can provide guidelines for a better, harmonised and coherent approach in customs control and enforcement measures to ensure compliance with the legislative framework in cross-border e-commerce of goods. The main method applied in the study is a qualitative approach, analysing the challenges and shortcomings in implementing effective customs controls for the importation and exportation of goods subject to cross-border e-commerce. The usefulness of a preventive approach of imposing multiple standards tied to the principles of customs control management is assessed. The results of the analysis show that the regulatory requirements are directly related to the strategic issues and objectives of government management of the control of cross-border e-commerce of goods.

Keywords: cross-border e-commerce, goods, customs control, customs duties

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Introduction

The globalisation of trade and supply chains, the development of e-commerce across borders of many countries are factors that have an impact on the customs activities, both at international and national level. The digitalisation of trade of goods and the raising of the volume of goods ordered electronically by consumers have made necessary to expand the functions of customs authorities to strengthen their control.

The free movement of goods is a prerequisite for faster economic growth both in the European Union and in other countries involved in international trade (Nencheva, 2021). The World Trade Organization imposes unified rules in the international trade of goods, creates prerequisites for the establishment of economic free trade agreements between countries to expand and update the mechanisms for the control of goods (Ding, Huo & Campos, 2017). The dynamic growth of trade volumes with small packages of insignificant value is a prerequisite for the emergence of various business and commercial models helping to increase the economic potential presented by e-commerce (Liu & Wang, 2020). The growing e-commerce is contributing to the development of various industrial sectors of the economy of individual countries and is causing a change in purchasing patterns and fast delivery of shipments, while at the same time e-commerce is a prerequisite for the appearance of discrepancies in the supply chain (Directive 2000/31/EO, 2000). Cross-border e-commerce of goods creates economic and social opportunities for development, as well as being a prerequisite for new commercial models based on innovations with the possibility of opening new jobs, also of new consumer demands and preferences. The integrated single market for the purchase of goods through e-commerce without borders requires Member States to cooperate more dynamically to ensure effective supervision and updating of the adopted regulatory rules.

European Union (EU) policies shape many aspects of the lives of more than 500 million

citizens, so it is extremely important that EU decisions are made as openly and as closely as possible to them. Electronic commerce is considered as the sale or purchase of goods or services carried out over the Internet or other electronic communication networks. The EU promotes e-commerce to ensure that manufacturing and trading organizations as well as consumers can sell and buy in the international online market. Available statistics provide information that in 2017 one in five businesses in the EU-28 carried out electronic sales. For the period 2008 - 2017, the percentage of enterprises carrying out electronic sales increased by 7 percentage points, and the turnover of enterprises realized from electronic sales as a share of the total turnover increased by 5 percentage points (Eurostat, 2019).

The purpose of this paper is to analyse the challenges faced by customs administrations that carry out customs controls on cross-border electronically traded goods of negligible value, and to identify the accepted standards applied as tools to enhance the effectiveness of the controls carried out in accordance with the accepted principles and stakeholder requirements. This study is useful to provide guidelines to introduce a better harmonised and coherent approach in customs control and enforcement measures to ensure compliance with the legislative framework in cross-border e-commerce of goods.

The main method applied in the study is a qualitative approach, analysing the challenges and shortcomings in the implementation of effective customs controls for the importation and exportation of goods subject to cross-border e-commerce. The usefulness of a preventive approach of enforcing multiple standards tied to customs control management principles is assessed. The results of the analysis show that the regulatory requirements are directly related to the strategic issues and objectives of government management of cross-border e-commerce control of goods.

1. Cross-border e-commerce of goods and the need for customs control

When the electronically traded goods are imported, Member States collect VAT and customs duties and they are subject to customs control and supervision (Regulation 952/2013, 2013). Any failure to collect them affects the budgets of Member States and of EU. The activities of customs administrations are aimed not only at collecting the customs duties payable when goods subject to e-commerce are brought in from third countries, but also at controlling the safety requirements of the goods to ensure that they comply with the accepted essential requirements.

Customs' strategy is linked to the application of the general principle that customs should seek a balance between customs controls and the facilitation of legitimate trade to enable the EU to prosper and develop competitive businesses (Pashova, 2012). Member States' customs authorities play a key role in balancing the need to facilitate trade and ensure security throughout the supply chain (Lutzkanova, 2017). In practice, this is done through faster and smoother import procedures and the need to enforce customs controls (in 2019, customs duties collected were worth €21.4 billion, representing 13% of EU budget revenue). The customs administration, together with other public authorities, administrations and agencies, is responsible for border and internal security at the entry and exit of goods subject to cross-border trade. The EU is dependent on the efficient flow of goods into and out of the customs union (in 2019, EU imports and exports totalled an estimated EUR 4 trillion, representing around 25% of EU GDP) (Eurostat, 2019). E-commerce is now becoming a major factor that is setting guidelines and changing the rules for the movement of goods internationally. The changes in the trading environment related to the cross-border movement of goods subject to e-commerce make it necessary to seek and plan measures to implement adequate customs controls on the entry of goods into the EU territory (Qing, Zheng & Fu, 2021). The effectiveness of the customs controls applied on the entry of low-value goods and small packages subject to e-commerce is of particular importance regarding the protection of the EU's financial interests (EC, 2020). The uniform application of customs controls by Member States is necessary to prevent fraudulent importers from declaring goods at customs offices with a lower level of control. The EU's main customs legislation - the Union Customs Code - requires the Commission to take the

necessary action, from 2016 onwards, to ensure that Member States apply customs controls in the same way to goods subject to cross-border e-commerce. In order to control and effectively manage e-commerce transactions, the customs administrations of each Member State are required to cooperate with other stakeholders to conduct the controls (EC, 2019). The integrated management of controls on goods subject to cross-border e-commerce requires the definition of uniform approaches aimed at facilitating trade on the one hand and compliance with the adopted regulatory requirements on the other. Through the implementation of customs controls, the conditions are secured to stop the introduction of unfair trade practices by multiple traders or producers of goods (Stefanova, 2022). One of the groups of goods that are subject to control is the group of goods subject to cross-border e-commerce of low-value.

There are different approaches and perspectives in defining the scope and content of e-commerce. Definitions used by various international organisations and countries include elements such as the use of information and communication technologies and the Internet as a means of communication and subsequent ordering, initiation of transactions, movement across borders from one economy to another with subsequent electronic payment. Within the scope of cross-border e-commerce controls are physical goods that are intended for consumers/buyers for the purpose of commercial transactions and non-commercial practices related to individual consumer consumption.

A sector inquiry conducted by the European Commission identified potential competition problems in European e-commerce markets, with data from around 1 800 companies active in e-commerce of consumer goods and digital content. Some 8 000 distribution contracts were analysed. The aim of the study is to outline the need to complement and update legislative requirements regarding the control and protection of goods subject to cross-border e-commerce and the protection of goods produced and traded within the EU (European Commission, 2016). It is very important to determine the scope and depth of customs control to identify the essential elements that influence the definition of electronic commerce. The key elements are the type of consignees, the volumes and the value of the goods subject to e-procurement. Cross-border transactions in e-commerce depend directly on the flows of the types of goods traded over a given period of time, on the progressive increase in the volume of different low-value goods. Another very important point is the emergence of multiple actors in the trade (multiple consignors and consignees), not least the opportunities provided for the return of goods for which the necessary customs formalities have already been carried out and completed, accompanied by the subsequent reimbursement of funds paid.

2. Challenges for customs administrations when carrying out customs control of goods subject to cross-border electronic commerce

The consequences of the effectiveness of the conducted customs control depend on the dynamic commercial electronic exchange of goods, posing a number of challenges to the customs administrations of member countries. In the context of adopted customs policies, customs administrations need to support the realization and the facilitation of the growing volume of goods and related financial transactions.

The provision of human resources for the control of large groups of heterogeneous in terms of type and content of low-value goods shipments is one of the reasons for the low level of control of goods subject to cross-border e-commerce to date on the territory of the EU (European Court of auditors, 2019).

According to Mednikarov and Lutzkanova, supporting world trade and ensuring the security of goods, which are intended for consumption in each of the member countries requires that risk management mechanisms be implemented (Mednikarov&Lutzkanova, 2021). Risks can arise from insufficient transparency and information for shippers, consignees and the entire supply chain in the dynamically growing and emerging e-commerce of goods. (Stefanova, 2022A); (Stefanova, 2022B). It can be said that many new participants appear in customs legal relations as subjects of the

customs control (new types of sellers and buyers, as well as occasional consignors and buyers). A very important point in the implementation of customs control of these goods is the determination of the role and the responsibility of the e-commerce operators aimed at supporting the activity of the control and the adequacy of the data provided by them (Stefanova, 2021). The available information from the subjects of control aims to ensure transparency for the identification and traceability of shipments subject to electronic commerce.

One of the risks of the electronic sales of goods system is that suppliers may not register in the member state of destination if the sales there exceed the relevant threshold. Another risk arises from differences in VAT rates between member states, which potentially make distance selling fraud more profitable – suppliers declare lower sales volumes to stay below the threshold and not charge the higher VAT applicable in the member state of destination. This would allow suppliers established in member states with lower VAT rates to unfairly undercut the prices of those in member states with higher VAT rates and would lead to a loss of revenue for national budgets (European Court of auditors, 2019). According to data from the report, it was found that member states do not use mutual administrative assistance agreements to exchange information with non-EU countries, determined by the lack of a specific agreement on administrative cooperation in the field of electronic commerce (Regulation (EU) 2018/1541, 2018).

Customs authorities in EU member states face the challenges of speeding up the customs clearance process for a large number of low-value and small consignments, while effectively managing the risks posed by the limited knowledge of importers, as well as the specificities of the e-commerce supply chain.

Another very important action for any customs administration is the fair and efficient collection of customs duties resulting from the import of goods subject to electronic commerce, including goods for which certain prohibitions are clear or are subject to illegal trade. Large volumes of different types of shipments of low-value goods in cross-border e-commerce make it difficult to identify and achieve compliance with the rules for tariff classification of goods and their origin.

Electronic commerce and its increasing share compared to the national traditional methods of purchasing goods necessitates the search for mechanisms to protect society from the manifestation of unfair and illegal practices in the implementation of electronic commerce. On this basis, customs administrations are faced with the need to provide resources to obtain sufficient information in an electronic environment (Pashova, 2017). The reliability and completeness of the information received is the basis to prevent or detect prerequisites for illegal practices, as well as to investigate and prosecute crimes related to customs fraud or customs violations by customs in electronic trade of goods (for example: narcotic substances, excise goods, counterfeit and pirated goods, illegal financial flows and goods subject to money laundering) (Vasileva, Yordanova, Pashova, 2017).

In order to guarantee the effectiveness of the control in the cross-border trade of goods, it is necessary to introduce uniform criteria and requirements at the regional and international level, with the strengthening of the cooperation of all participants in the control. The imposition of uniform requirements on interested parties can be implemented in practice by adopting uniform mutual legal assistance agreements. In this way, conditions and opportunities for investigation or prosecution are created when the sources of e-commerce (websites of the sellers) are outside the national territory in which the goods subject to customs formalities are received. The application of appropriate mechanisms and approaches for the implementation of customs control contribute to obtaining extensive and transparent information based on objective facts. In practice, this is feasible only if there are technological resources providing data collection and analysis both of the subjects of control and of the objects of control in the resulting legal relations. These challenges require from customs administrations planning and implementation of adequate measures through provided resources aimed at extensive and effective control of electronically traded goods.

A Deloitte study in 2019 assessed the disparity in VAT revenue from distance sales of goods in an electronic environment within the EU and outside the EU. The results obtained represent that the losses vary between 2.6 and 3.8 billion euros per year in the EU (Deloitte, 2019). The ascertained losses of income, the lack of transparency and volume of information for the participants in e-commerce necessitates the search for opportunities and solutions to deal with the ascertained circumstances, which are an obstacle to the effectiveness of the applied customs control. The study notes that VAT is charged on only 35% of imported goods arriving by post. These omissions translate directly into a loss of VAT revenue of approximately EUR 1.05 billion. Additional losses in the amount of EUR 0.25 billion have been calculated from omissions in the collection of import duties for goods in courier shipments or gift shipments between individuals. Meanwhile, according to the calculations of the European Commission already in 2016, the total losses from VAT in the e-commerce of goods resulting from the exemption of low-value shipments are in an amount reaching 5 billion euros per year (European Commission, 2016).

In 2018, a World Customs Organization (WCO) forum adopted a Framework for cross-border e-commerce based on multiple standards that sets 15 global standards for cross-border e-commerce with a view to providing pragmatic, equitable and innovative solutions while taking into account the different expectations and concerns of customs administrations and stakeholders.

The WCO resolution, developed in close collaboration with all stakeholders, outlines guiding principles for cross-border e-commerce, addressing eight critical aspects. The resolution aims to help Customs and other government agencies, businesses and other stakeholders in the cross-border e-commerce supply chain understand, coordinate and better respond to current and emerging challenges (WCO, Resolution, 2017).

The adopted standards imposed as requirements for cross-border e-commerce of low-value goods are based on the following eight guiding principles: **Advance Electronic Data and Risk Management; Facilitation and Simplification; Safety and Security; Revenue Collection; Measurement and Analysis; Partnerships; Public Awareness, Outreach and Capacity Building; and Legislative Frameworks.** The adoption and the implementation of policy and operational frameworks for the effective management of cross-border e-commerce of goods facilitates controls by clearly demonstrating mutual commitment, both by the World Trade Organization to e-commerce rules and the requirements on traders to facilitate the necessary customs controls. The adoption and the subsequent implementation of the standards is intended to establish a basis for close cooperation with all stakeholders on the basis of the above principles for cross-border e-commerce and to seek mechanisms for their implementation. In this way, it supports the activities of customs administrations in carrying out controls in cooperation with other authorities and government agencies, businesses and other stakeholders in the cross-border e-commerce supply chain.

Binding uniform requirements and criteria regarding the scope of customs control creates real and objective prerequisites for a better coordination and ability to respond to current and raising new challenges regarding the control of goods subject to cross-border electronic commerce (European Court of auditors, 2017). These are the necessary conditions in the creation of a strategy to support the control of goods subject to cross-border trade in the direction of adapting the control measures, both to guarantee the health and safety of citizens and to meet their needs, and to respond to the challenges of the dynamic and globalized twenty-first century. Adopted standards ensuring the application of customs control management principles determine the approaches that customs administrations should apply when conducting control aimed mainly at revenue collection (duties and taxes) on low-value shipments. The aim is to prevent the entry of goods for which no requirements for tax payment have been made and which can be used as a prerequisite for committing tax fraud. With the avoidance of the payment of customs duties, especially for goods subject to cross-border e-commerce entering the territory of each EU member state, the difference between the duties due and collected increases, and the same is defined in a study by the European

Parliament (EP) as “the difference between the theoretical level of the import duty to be collected for the economy as a whole and the actual duty collected” (Regulation 952/2013, 2013). Any difference between duties due and collected must be offset by higher contributions to the member states' Gross National Income and is ultimately borne by European taxpayers.

The growing volumes of cross-border e-commerce shipments of low-value goods present numerous challenges to both customs and other government agencies that are stakeholders in ensuring rapid clearance, managing safety and security risks, effective collection of revenue and statistical analysis for customs purposes.

3. Results and discussion

Under current legislation, customs administrations have important powers to inspect cargo and goods sent into, through and out of a country. They are empowered to expedite the importation, refuse the entry or the exit, authorize re-exports and refunds of duties and/or taxes. Customs administrations require information on goods being imported and often require information on goods being exported. They may, through their powers given by the relevant legislation, require that the necessary information be provided in advance electronically by the various interested parties within the scope of electronic commerce, maintaining a level playing field for the relevant interested parties (Regulation 952/2013, 2013). By adopting a number of basic standards in the management of the activities of each customs administration, the objective of synergies in the activities of customs and other relevant government agencies in developing a strategic and operational framework for e-commerce of goods can be achieved. Changes towards linking the scope of controls and requirements for the enforcement of integrated control approaches are being made to effectively meet the demands of the rapidly emerging new business models of modern trade in goods in a digital environment. By implementing the adopted standards as working approaches, effective management of the implementation of the required customs controls related to the importation/exportation of consignments subject to cross-border e-commerce is achieved.

Ensuring consumer health safety and security requires collaboration and information sharing between institutions and especially with those in the healthcare sector, guaranteed by appropriate public health protection models (Pavlova, Sidjimova, 2017).

With the imposition of uniform approaches to work defined by the introduction of global standards:

- are promoted security, predictability, transparency, safety and efficiency in the supply chain subject to e-commerce of goods;
- introduces a harmonised approach to risk assessment, clearance, revenue collection and border cooperation in relation to cross-border e-commerce of goods.
- is established a standardised framework for advance electronic data exchange between e-commerce stakeholders and customs and other relevant government agencies to facilitate legitimate shipments, providing a more level playing field for different stakeholders;
- enhance cooperation between customs administrations.

The adoption of global standards to support cross-border e-commerce of goods will contribute to national and international economic development, while at the same time providing the conditions for an appropriate level of control to protect economies, societies and the environment, including natural and productive areas in both terrestrial and aquatic environments. The standards presented in Table 1 can be seen as a basis defining the requirements for the development of uniform rules and guidelines for the operation of border commodity control when introducing high risk shipments. The rules established according to the validated requirements of the standards will support the activity of customs control in the direction of speeding up the procedures for customs clearance and facilitated declaration and release of low-risk goods. The action of the standards aims to improve efficiency and predictability in the supply chain of e-commerce of goods, for both merchants and consumers with optimal use of resources.

The operation of the standards aims to better efficiency and predictableness in the supply chain in the e-commerce of merchandises, both for traders and for all those involved in the control of securing the health of people with optimal utilization of resources (Pavlova, 2019).

Table 1. Interrelation of principles through applied standards for the management of customs control activities in electronic commerce of goods

Principles	Standards	Requirement of the standard
I. Advance Electronic Data and Risk Management	Standard 1: <i>Legal framework for advance electronic data</i>	Establish a legal and regulatory framework on requirements for the prior electronic exchange of data between relevant parties involved in the e-commerce supply chain- customs administrations and other relevant government agencies to improve facilitation and control measures, taking into account applicable laws related to competition (antitrust) and data security, confidentiality, protection, ownership.
	Standard 2: <i>Use of international standards for advance electronic data</i>	Apply the relevant standards and guidelines adopted by WCO and other international standards in accordance with national policy, in an effective and harmonized manner, to facilitate advance electronic data exchange.
	Standard 3: <i>Data quality</i>	Customs administrations should work with e-commerce stakeholders and other relevant government agencies, as appropriate, to improve the timeliness, completeness and accuracy of advance electronic data in order to maintain sound and effective risk management techniques and facilitate the legitimate trade of electronic traded goods.
	Standard 4: <i>Risk management for facilitation and control</i>	Customs administrations need to develop and implement dynamic risk management, advanced technologies that are specific to the e-commerce context to identify goods and shipments that pose a risk.
	Standard 5: <i>Use non-intrusive inspection and data analysis technologies</i>	Customs administrations should use data analysis and screening methodologies in combination with non-intrusive screening equipment across all modes of transport and operators as part of risk management to facilitate cross-border e-commerce flows and strengthen customs controls.
II. Facilitation and Simplification	Standard 6: <i>Simplified clearance procedures</i>	Customs administrations, working in coordination with other relevant government agencies as appropriate, should establish and maintain simplified clearance (formalities/procedures) using pre-arrival processing and risk assessment of cross-border e-commerce shipments and procedures for immediate release of low-risk shipments upon arrival or departure. Simplified clearance formalities/procedures should include, as appropriate, an account-based system for the collection of duties and/or taxes and the processing of return shipments.
	Standard 7: <i>Extend the concept of Authorised Economic Operator (AEO) to cross-border e-</i>	Customs administrations should explore the possibility of implementing AEO programmes and mutual recognition arrangements/agreements in the context of cross-border e-commerce, including the use of intermediaries to enable Micro, Small and Medium

Principles	Standards	Requirement of the standard
	<i>commerce</i>	Enterprises and individuals to take full advantage of cross-border e-commerce opportunities. Fair and efficient revenue collection
III. Revenue Collection	Standard 8: <i>Revenue collection models</i>	Customs administrations working with the relevant agencies or ministries to implement (depending on the specific situation) different types of revenue collection models (e.g. seller, intermediary, buyer or user, etc.) from customs duties and/or taxes. To ensure revenue collection, customs administrations should offer electronic payment options, provide appropriate information online, allow flexible payment types and ensure fairness and transparency in their processes. The implemented models should be effective, efficient, scalable and flexible, supporting different business models and contributing to a level playing field for and among different stakeholders in e-commerce.
	Standard 9: <i>De Minimis</i>	When revising and/or adjusting the minimum thresholds for duties and/or taxes, the governments of individual member countries to make fully informed decisions based on specific national conditions and circumstances.
IV. Safety and Security	Standard 10: <i>Fraud and illegal trade prevention</i>	Customs administrations should work with relevant government agencies to establish procedures for the analysis and investigation of illegal cross-border e-commerce activities with a view to preventing and detecting fraud, deterring the abuse of e-commerce channels and disrupting illicit flows.
	Standard 11: <i>Interagency cooperation and information sharing</i>	The governments of individual Member States to establish frameworks for cooperation between different national agencies through relevant electronic mechanisms, including a single window, as appropriate, to ensure a coherent and coordinated response to safety and security risks arising from cross-border electronic commerce, such as way legal trade is facilitated.
V. Partnerships	Standard 12: <i>Public-Private Partnerships</i>	Customs administrations should establish and strengthen collaborative partnerships with e-commerce stakeholders to develop and improve communication, coordination and cooperation to optimize compliance and facilitation.
	Standard 13: <i>International cooperation</i>	Customs administrations should extend customs cooperation and partnerships to the cross-border e-commerce environment to ensure compliance and facilitation.
VI. Public Awareness, Outreach and Capacity Building	Standard 14: <i>Communication, public awareness and outreach</i>	Customs administrations should make the consumers, the public and other stakeholders aware of the regulatory requirements, risks and responsibilities associated with cross-border e-commerce through comprehensive awareness-raising, communication, education and information programmes.
VII.		Customs administrations should work closely with relevant government agencies, e-commerce

Principles	Standards	Requirement of the standard
Measurement and Analysis	Standard 15: <i>Mechanism of measurement</i>	stakeholders to accurately capture, measure, analyze and publish cross-border e-commerce statistics in accordance with international statistical standards and national policy, for informed decision-making.
VIII. Use of transformative technologies	Standard 16: <i>Exploring and exploiting the technological development and innovation</i>	Customs administrations in cooperation with other relevant government agencies, the private sector and Academic community should study the impact of innovative development technologies and assess whether these developments can contribute to more effective and efficient control and facilitation of cross-border e-commerce mechanisms of goods.

The cross-border e-commerce standards in line with the principles listed in Table 1 are one of the important steps to ensure that customs administrations identify themselves as a private sector partner, together with other stakeholders, to provide opportunities in the growth of cross-border e-commerce of goods.

They are also a prerequisite for seeking guarantees in national safety and security making efforts in providing personnel for their implementation (Pavlova, 2022). They are also a prerequisite for seeking guarantees in national safety and security. With these standards, the foundations are laid that together with the dynamic growth of electronic commerce determine the rules for buying and selling between companies and consumers. The standards define the framework for the scope and direction of control carried out by customs administrations in the aim of economic competitiveness and social development of nations through revenue collection (from duties and taxes).

The cooperation of customs administrations with other government agencies ensures the implementation of national policies, legislative requirements in the direction of promoting economic prosperity through compliance and facilitation.

The standards are the criteria by which customs administrations can develop procedures and implement approaches for successful cooperation between customs administrations and stakeholders in the supply of goods subject to e-commerce by means of regulatory reform (Directive (EU) 2019/1995, 2019).

With the adoption of the VAT Package in the field of e-commerce (Directive (EU) 2017/2455 and Directive (EU) 2019/1995), from 1 of July, 2021, there is no VAT exemption threshold in the Republic of Bulgaria. Thus, all goods imported from third countries into the EU (e.g. Bulgaria) are subject to VAT, regardless of their value, and are subject to customs formalities (with a customs declaration for admission to free circulation). Postal and courier shipments from third countries go through customs control and in some cases are subject to customs taxation, although some reliefs are provided for them in European customs legislation and VAT legislation. VAT is due for goods in postal and courier shipments from third countries, which are the subject of distance sales, with a natural person recipient, which have a net value of up to EUR 150 (in Bulgaria, most goods and services are subject to VAT at the rate of 20%), and the same are exempt from customs duty pursuant to Regulation (EC) N 1186/2009. For goods in shipments with a net value of more than 150 EUR, customs duty and VAT are due at the respective rates. This ensures that goods imported from outside the EU no longer have preferential VAT treatment compared to goods bought in the EU. Under this new system, benefits will include less tax fraud, more public revenue collection as fair taxation becomes the new norm and will make trade more competitive, and EU environmental and health standards will also be protected (Customs, 2022).

According to an announcement notice from the Directorate-General for Taxation and Customs Union in the EU dated 23/05/2022, the updated revenue figures indicate a successful implementation of the new Value Added Tax (VAT) rules for online shopping, which entered into force on 1 July 2021. Once in place, the new framework is said to simplify VAT compliance for

cross-border business-to-consumer e-commerce supplies and provide greater transparency for EU buyers when it comes to pricing and consumer choice. The new regulation also contributes to a fairer and simpler system of taxation in the EU and to the modernization of VAT in line with the realities of the e-commerce market. The figures reported in an ex-post evaluation of the first six months of the implementation of the e-commerce package indicate a successful implementation of the new rules, namely: Member States collected €6.8 billion in VAT revenue through the expanded OSS portals – One-stop shop.

In addition to this €6.8 billion, over €2 billion in VAT revenue was collected on the import of low-value consignments not exceeding €150. Of this low-value shipment revenue, more than half – approximately €1.1 billion – was collected through the One Stop Shop for Imports. Almost €700 million represents new VAT revenue, equivalent to €1.4 billion a year, generated by the removal of the VAT exemption that previously applied to imports of low-value goods up to €22, which was a prerequisite for fraud. Separately, around €270 million in VAT has been collected as a direct result of the Import One-stop shop (IOSS) capacity to counter VAT fraud and losses due to under-valuation.

Conclusion

The boom in e-commerce as a result of technological advances has changed the way we trade, do business and shop goods. This trend has increased further in response to the COVID-19 pandemic and will certainly continue to grow in the future.

The imposition of requirements from the standards presented is the basis for seeking solutions to the challenges, including a more coherent and uniform application of common customs rules with the help of strengthened political and operational structures based on partnership. On the basis of better cooperation between customs and other management authorities, the conditions for effective border control and security of supply are ensured.

The application of the standards, either individually or together in line with the principles in force, ensures in practice the implementation of effective controls, the most important objective of which is the fight against fraud, the collection of applicable customs duties and VAT on the importation of these goods, where customs must at the same time support and facilitate the development of this form of trade, which brings great benefits to businesses and citizens, but also facilitate international trade through intelligent and risk-based supervision of global supply chains. The measures adopted by imposing requirements in the above standards create a basis to assist and support traders to plan and implement actions aimed at providing electronic information prior to the arrival of goods for security and safety purposes in line with legislative requirements. Cross-sector collaboration and interoperability are key requirements at the heart of any technological development.

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