



The VAT rules for international e-commerce

- Experience from Sweden and Denmark

Copenhagen Economics May 10 19

postnord

PostNord Danmark at a glance

postnord



- The postal service in Denmark was founded in 1624
- Since 2009, Post Danmark has been part of PostNord – a joint company owned by Sweden and Denmark
- The ownership is divided between Denmark (40 %) and Sweden (60 %)
- PostNord Danmark is currently undergoing the biggest transformation in its history – let alone any postal company in the world.

In 2017, PostNord Danmark delivered 350 mill. Letters and 50 mill. Parcels to 2.7 mill. households and divided on 251 delivery days. At the highest the company handled 1,6 bill. letters

Growth in international ecommerce

postnord

- In the past 5 years, we have seen an explosive growth in international ecommerce
- The growth has primarily concerned postal packets originating in Asia.
- Between 2016 and 2017 the growth exceeded 70 % and postal packets now constitute roughly 50 % of the total inbound ecommerce volume to DK.
- The growth is driven by a few big players such as Wish and Alibaba
- Danish e-consumers are primarily interested in buying low value, light weight goods, which Wish and Alibaba offer at a significantly lower price than available on the local market
- The shipments are delivered to Denmark as postal packets without T&T. China Post is the leading distribution agent, but other operators increasingly seek to exploit the new marked opportunity.



Gửi cả niềm tin



Level playing field is critical!

- We trade postal packets on the basis of the UPU Convention
- Even though the Istanbul Congress in 2016 did decide to raise the payment for packets significantly (app. 65 %), the increases are done from a very low starting point
- The payment is still not covering our costs and there is a huge mismatch between what postal operators pay us and what we charge domestic customers.
- Along with most other western countries, we therefore continue to work hard to raise the prices within UPU so that we obtain a larger degree of level of playing field – domestically and internationally - in the market
- The UPU is however not a fast decision making body and we therefore urge politicians to help facilitate improvements



Customs is the new black!

- Today, PostNord Denmark has an obligation to collect VAT for items that comes from a non-EU countries worth more than 10 EUR
- No VAT is charged for shipments with a value under 10 EUR (The EU de minima standard is 22 EUR)
- A new EU legislation will come into force in 2021 leading to the abolishment of the VAT threshold (throughout the hole of EU) - however, this is supposed to be supported by the MOSS (mini-stop shop System) where shippers must prepay VAT before commodities are imported into the EU
- E-commerce traders in Denmark argue that the de minimas rules are distorting competition on low value goods – As VAT is a significant part of total cost on such goods.
- Ecommerce traders have therefore argued that we should implement this solution faster than envisaged by the EU – like done in Sweden

POST **Told / Douane**
CN 22

Kan åbnes rutinemæssigt /
Peut être ouvert d'office

Denne del bruges ikke, hvis der følger en
tolddeklaration med forsendelsen.

Sæt ét eller flere krydser / Cocher la ou cases appropriées

Gave / Cadeau Vareprøve / Echantillon commercial

Dokumenter / Documents Andet / Autre

Antal og detaljeret beskrivelse af indholdet / Quantité et description détaillée du contenu (1)	Vægt / Poids (2)	Toldværdi / Valeur (3)

HS Tarifrnr. og oprindelsesland / N° tarifaire du SH et pays d'origine des marchandises (4)(5)	Totalvægt / Poids total (6)	Totalværdi / Valeur totale (7)

Undertegnede attesterer rigtigheden af denne deklarations oplysninger og at forsendelsen ikke har farligt indhold, der er udelukket fra postbesørgelse.

Dato og underskrift

Experience from Denmark

- The growth in small packets from Asia has presented a number of problems for us as postal operator and for society as a whole.
- As a company we need to handle the high volume and produce it in a way to minimize financial losses and operationally the parcels are horrible to handle
- In terms of customs clearance, we are working on methods to automate the process and in general preparing for the new situation in 2021 – among other things enabling the use of electronic customs data.
- We also try to get agreements with the major senders so that the VAT is collected in advance and from the sender (DDP)
- From a societal angle, misuse of traditional de minimis rules to obtain unintended VAT exemption, consumer goods security, counterfeit goods etc. have to be addressed



Experience from Sweden

- In Sweden, the customs legislation now demands that VAT has to be collected from the first EUR.
- Before the change of the VAT rules, we got more than 100.000 small packets from Asia to Sweden per day
- It was therefore a major challenge for both PostNord and customs authorities to change the procedures to collect VAT on all these items
- Within 6 weeks, a new IT system was developed and deployed, many, many new employees were hired, a new production site was established. All in order to make sure that the rules were followed
- After 6 weeks with the new regime in place, the number of small packets from Asia has indeed dropped significantly
- The number of items that has to be returned has similarly grown dramatically because the consumer does not want to pay the VAT
- The implementation has been financially and resource-wise straining on PostNord as well as it has been difficult for the consumer to understand
- The hard experience is that you have to prepare a change in the rules well in advance before implementation.



VAT on 3rd country consignments in Sweden



Foto: Markus Jordo

- 1.4 million consignments have been handled by the Customs Warehouse in Örebro since the implementation March 1st.
- An imminent deadline caused unavoidable teething problems, but as of last week we are back in the race.
- All time high of stock level was reached first week of April with 825 000 consignments, a number now steadily diminishing.
- During last week, on a daily basis approximately
 - 21 000 consignments arrived
 - 30 000 notifications of payments were sent
 - 36 000 consignments were delivered.
- 62 % of the consignments have been paid for since the start. Remaining will be returned according to UPU regulations.

- The increase in international ecommerce and especially small packets from Asia presents a number of problems from both an operator and societal perspective
- The problems primarily concerns
 - A. Sustainability of the postal operator that suffers losses due to the low payment imposed by the UPU Convention.
 - B. Broader societal issues such as distortion of competition for local ecommerce business due to low clearance pricing, outdated customs rules that facilitate misuse of traditional de minimis rules to obtain unintended VAT exemption, questions of consumer security and counterfeit goods due to difficulties controlling imports etc.
- In PostNord opinion, there is not *one* quick fix to cope with the growing e-commerce from Asia.
- Rather, the problems needs to be addressed from an EU community perspective and as a totality not country to country

