



Securing VAT/GST revenues from low-value imported goods

Insights from a business perspective
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Guiding principles for success

A business perspective

The expansion of online B2C trade has presented significant challenges for VAT/GST collection, and business welcomes the work done by OECD to develop consistent approaches to solve these challenges

Businesses have partnered with governments on development of 10+ regimes to date

Key principles for success:

- **Channel neutrality** of design to foster level playing field – include retailers and marketplaces
- **Legal certainty** for all players – ensure clear rules and obligations for all participants
- **Simplicity** of regime design to promote high levels of compliance
- **Proportionality** of regime design to reflect realities of digital trade
- **Effective enforcement** – consider need for additional measures to enforce compliance
- **Adequate lead time to prepare** - for businesses, customs agents and government agencies

Business Commitment: We remain engaged partners in developing practical, effective solutions that drive high levels of compliance while maintaining operational efficiency



Key aspects of OECD guidance for business

Regime Planning

- ✓ **Sequenced rollout** - implement for services/intangibles first, then expand to imports of low-value goods
- ✓ **Cross-agency coordination between VAT and Customs** – critical due to interaction between VAT and Customs law/administrative practice
- ✓ **Stakeholder engagement** – consultation with all impacted players (e.g. retailers, marketplaces, express carriers, postal operators, customs brokers/agents)
- ✓ **Lead-time** – OECD guidance generally recommends 12 to 18 months

Regime Design and Execution

- ✓ **International consistency** - seemingly minor divergences from OECD best practices can add disproportionate complexity e.g. treatment of shipping charges within threshold calculation, per package weight limits, differing treatment depending on transport mode, specific mandates on how to ship items
- ✓ **Simplified administrative requirements** - VAT registrations and returns, billing obligations, customs documentation, refund procedures (e.g. in cases of double taxation)
- ✓ **Clear guidance** - comprehensive guidance, combined with shorter FAQs can drive simplicity of implementation, fostering high levels of compliance



Emerging challenge: Securitization of vendor VAT collection regimes

Challenge: Vendor VAT collection regimes for imported goods have been very successful in collecting additional VAT revenues on low value imports and helping to support a playing field; some jurisdictions have reported misuse

Business Position: To foster a level playing field and drive the highest possible levels of compliance, businesses support ongoing work to explore securitization options to enhance regime integrity and minimize potential for misuse

Potential Solutions: The EU is exploring validation mechanisms linking VAT-paid status to unique packet identifiers at the border. Business is working with the EU Commission to evaluate solutions that:

- strike the right balance between security and operational simplicity across the commerce and logistics ecosystem
- are future-proof to accommodate evolving commerce and logistics models, as well as future regulatory changes



Emerging challenge: Impact of global trade dynamics

Challenge: Global trade dynamics are prompting governments to consider lowering or removing customs de minimis, with duty continuing to be due at the border

Current State: OECD VAT vendor collection models are designed to work below the customs de minimis as this allows for the simplest operation model while still addressing the largest volumes of cross-border trade

Key emerging issues: It is likely that we will need to consider in more detail how a vendor collection model can operate in jurisdictions that have no, or low duty thresholds. For example, key challenges will arise in the following areas:

- How to ensure effective interaction of customs and VAT valuation rules
- How to deal with timing differences e.g. VAT due at checkout, duty due at border clearance
- How to maintain a good customer experience and efficient border clearance



Thank you!

Business at OECD remains a fully engaged partner in developing practical, effective solutions and is always happy to support further work