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STUDY ON THE EU PROPOSED CUSTOMS DUTY DE MINIMIS REMOVAL

CLIENT: SHEIN
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Copenhagen Economics

In May 2023, the European Commission proposed an EU Customs Union reform, which includes removing the import duty de minimis exemption. Currently set at EUR 150, this threshold would be reduced to zero. This change is expected to significantly impact e-commerce markets, customs authorities' workload, logistics processes, and EU consumers.

Good imported into the EU (incl. VAT and delivery fees)

BEFORE THE DE MINIMIS REMOVAL

Cost for consumer:

EUR 100

AFTER THE DE MINIMIS REMOVAL

Cost for consumer:

EUR 100
+ duty up to 17%

+ potential handling fee

(Calculated on the price of the good, the shipping costs and potential insurance costs)

THE COMMISSION'S IMPACT ASSESSMENT OVERLOOKS KEY ISSUES

The Impact Assessment considers the overall effect of the EU customs reform but does not assess individual measures like the de minimis removal.

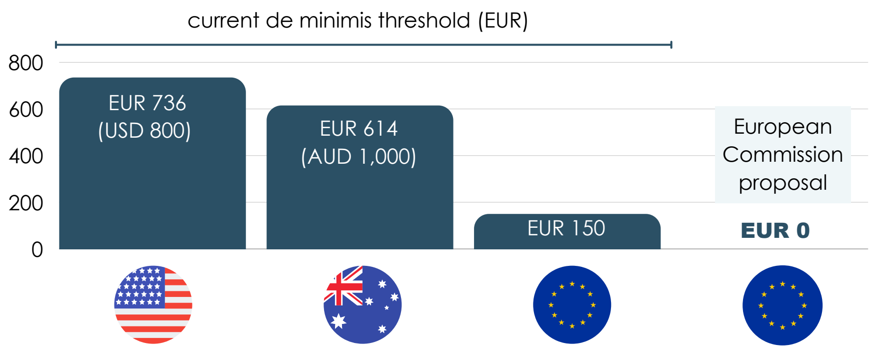
- Impact assessment lacks comprehensive tax analysis
- Elimination of threshold hurts level playing field
- Consumer protection not linked to threshold removal
- Environmental benefits not properly quantified
- Reform timing and potential delays impact effectiveness

POTENTIAL EFFECTS OF REMOVING THE DE MINIMIS THRESHOLD

- the isolated effect of removing the de minimis, without additional policy measures.

Increased admin costs
De minimis removal could raise compliance costs by
€2.3 billion

Costs for EU consumers
each EU online shopper could pay
€62 more annually
(Including the estimated additional costs of the supply chain passed onto consumers)



duty de minimis threshold can facilitate low-value item trade by ensuring no customs duties are collected on items below a certain value

For further information, see the full study at www.copenhageneconomics.com

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PREFACE

In May 2023, the European Commission published its proposal for the reform of the EU Customs Union. The main arguments backing the reform include protecting EU citizens from non-compliant and dangerous goods, protecting European companies from unfair competition, and simplifying and modernising customs procedures.

The measures concern rationalisation, governance, data management for the EU Customs Union, but also the removal of the long-standing import duty de minimis exemption.

The de minimis is the threshold below which items can be shipped into the EU without customs duty liability. While the EU de minimis threshold is currently set at EUR 150, the EU Customs Reform proposal would take this down to zero.

The directly related policy question is thus whether and to what extent this specific proposal of removing the de minimis (not the whole customs reform package) would be impactful for the functioning of e-commerce markets, logistics processes – as well as ultimately for EU consumers.

Against this background, SHEIN group asked Copenhagen Economics to zoom in on the specific proposal to remove the de minimis threshold and unpack the evidence in the Impact Assessment presented by the Commission, reviewing its key assumptions, and estimate the impact of removing the customs de minimis, in the current regulatory framework, i.e., assuming everything else remains unchanged.

Our research evaluates the proposed removal of the duty de minimis threshold by gathering, structuring and analysing existing evidence in the relevant literature on de minimis along with input collected through a purpose-designed expert interview process. The latter sought and gathered input from industry experts (postal and logistics operators) from different EU member states. Moreover, our study appraises the Impact Assessment presented by the Commission and provides a quantitative estimate of the isolated additional costs associated with the removal of the customs de minimis, all else equal.

As such, this study is relevant to policy and industry decision makers in the postal, delivery and trade sectors, as it offers an updated and focused understanding of the impact that this removal could have on the e-commerce, postal and delivery value chain and on EU businesses and consumers.

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INTRODUCTION AND EXECUTIVE SUMMARY

In May 2023, the European Commission published its proposal for the reform of the EU Customs Union. Amongst several measures concerning rationalisation, governance, and data management for the EU Customs Union, the reform includes the removal of the long-standing import duty de minimis exemption.

The duty de minimis threshold refers to a minimum value or amount of goods below which no customs duties are collected. As such, the de minimis threshold may be considered a relevant trade facilitation provision for low value items: if the value of the shipment is below the de minimis threshold, it can be cleared without additional administrative procedures to determine and collect the applicable customs duties.

While this de minimis threshold is **currently set in the EU at EUR 150**, **the Custom Reform would take this down to zero**. This proposal is expected to be highly impactful for the functioning of e-commerce markets and logistics processes, as well as ultimately for EU consumers.

De minimis thresholds are prescribed by the World Customs Organization (WCO) Revised Kyoto Convention (RKC) and encouraged by the OECD, and the International Chamber of Commerce (ICC). According to international trade organisations, de minimis thresholds have a significant, positive impact on **time to trade, customs administration and economic operators' complexity and costs**.

Historically, de minimis threshold regimes are designed and intended to **achieve an ideal balance between the costs of collecting customs duty and the revenue raised**. Digital customs declarations have significantly reduced collection costs and enabled new cost structures, where fixed costs and investments in technological solutions prevail and ongoing variable costs can be reduced, making costs of collection less salient. However, insofar as variable collection costs exist, the removal of the de minimis threshold would entail additional complexity for **business operators and customs authorities**, as collecting duties for low value goods unavoidably requires additional resources, personnel, and time. The additional complexity related to import procedures is particularly relevant as the revenue collected on each low value shipment is, by its nature, very low.

In this report, we assess the role of the de minimis threshold in the EU and its impact on **customs authorities, business operators**, **international trade, businesses, and consumers**, relying on relevant literature and input collected through a purpose-designed expert interview process. We zoom in on the analysis presented in the Impact Assessment ('IA') and review the key assumptions in the analyses conducted by the Commission. In doing so, we focus on the isolated impact of the proposed reform of the de minimis threshold, thus on those relevant costs directly linked with the removal of de minimis.

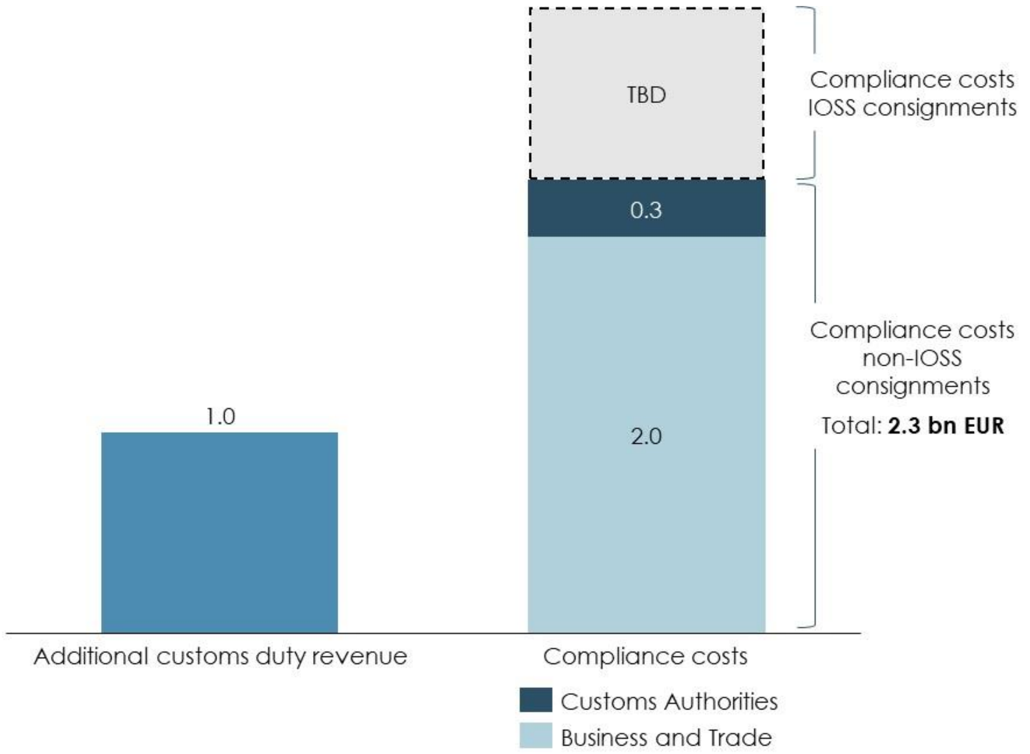
In **Chapter 1**, we present essential background information on the impact that de minimis threshold removal could have on EU businesses and consumers, drawing insights from both economic theory and supporting empirical research. We find that de minimis regimes enable imports of low value items to enjoy customs duty-free treatment, thus expediting border processes and keeping trade costs low. As such, **de minimis thresholds facilitate trade,** providing value to business and consumers that can enjoy fast and duty-free deliveries. We review the key arguments of the IA and find that the Commission has not touched upon relevant matters in its analysis. *First*, the IA lacks a comprehensive analysis including key elements of effective tax design, such as the tax efficiency and incidence. *Second*, we find that the impact on EU consumers is not thoroughly assessed. Ultimately, economic theory and literature indicate that this additional duty resulting from the removal of the de minimis exemption and the passed-on compliance costs would fall onto consumers who might suffer significant welfare losses due to higher prices, fewer choices, and less efficient markets. *Third*, we discuss the European Commission's aim of establishing a level playing field and provide evidence indicating that the elimination of the de minimis threshold will have adverse effects on this goal.

In **Chapter 2**, we zoom in on the empirical analyses presented in the IA and review the Commission's key assumptions. We find that the IA does not present an isolated analysis of the impact of removing the de minimis threshold (nor any of the other elements of the Customs Reform). Instead, it shows the aggregate impact of the reform, merging several initiatives and changes together. We assess the isolated costs of de minimis removal. Concretely, we assess the impact on businesses, traders, and customs authorities of removing the customs de minimis in the current regulatory environment, i.e., without the other policies that are part of the proposed customs reform. Using a similar approach as the IA, we estimate the isolated effect of the de minimis removal **could potentially cause a 2.3 billion EUR increase in the compliance cost for businesses and custom authorities**, assuming everything else remains unchanged. We note that the costs could possibly be even higher. In fact, in this estimate, we assume conservatively that only one part of the low value consignments' flow would incur higher costs related to customs duty declaration and collection. Our calculation assumes that there will be no additional operational changes (and thus cost impact) on the majority of low value consignments, those that today flow through highly automated processes, enabled by the electronic one-stop shop portal IOSS[1]. Our estimate only considers those low value consignments that today do not undergo this streamlined process, i.e., those that do not flow through IOSS.

Today, IOSS is used to collect VAT, and the IA assumes that this system can be extended to handle the customs duty collection of low value consignments, following the Reform. However, we cannot rule out that i) the current IOSS system would not be fit for purpose and ready to enable automated customs duties collection, especially if de minimis is removed before these systems are properly updated, and ii) there would be anyway some additional costs related to customs duty collection using IOSS. Thus, we cannot exclude that there will be changes (and cost increases) needed to modify the IOSS system to be able to calculate and collect duties. Figure 1 summarises these findings.

[1] The IOSS is an electronic portal created to centralize the declaration and payment of VAT for distance sales of imported goods (with a value not exceeding 150 EUR) for overseas-based sellers. It simplifies the process of declaring and paying VAT for imports into the EU.

Figure 1
Removing de minimis threshold in the current regulatory framework could entail high compliance costs for businesses and trade operators and customs authorities
Billion EUR



Note: Compliance costs on IOSS consignments are not quantified in our assessment due to high uncertainty, hence they are indicated with a dotted line. We evaluate and estimate additional compliance costs only on low value goods that currently are not imported through IOSS as the Reform suggests that IOSS' scheme currently used to collect VAT will be extended to cover the collection of customs duties. However, we cannot exclude that there will be changes (and cost increases) needed to modify the IOSS-system to be able to calculate and collect duties. The sensitivity of cost impacts is high due to the very high number of low value consignments being processed via IOSS. For instance, if the operational cost is 10% instead of 2%, the additional costs for businesses and traders would be 464 million EUR annually.
Source: Copenhagen Economics

Moreover, we estimate that these increased costs could fall on EU consumers and could result in **increased annual prices by 62 EUR per EU online shopper per year**.

In **Chapter 3**, we outline additional considerations stemming from the analysis of the IA. We focus on two important benefits unlocked by the Customs Reform: **enhanced consumer protection and environmental sustainability**. *First*, we show that **the goal of strengthening consumer protection by improving security and safety controls is not linked to the removal of the de minimis threshold**. *Second*, we highlight that the **Impact Assessment does not properly quantify the channels and magnitude of the anticipated environmental benefits**. *Lastly*, we explore the timing of the expected reform and emphasise that **potential implementation delays in the IT upgrade and accompanying simplification measures** set out in the Customs Reform **could affect its effectiveness**.

In **Chapter 4**, we explore recent customs reforms in other countries such as Australia, New Zealand, the United States, and Canada. *First*, we find that these **countries managed to reform their low value import regime, while maintaining a de minimis threshold, or raising it, as in the case of the US**. Moreover, we find that the Productivity Committee in Australia explored in depth the impact that eliminating the de minimis could have on prices and consumers welfare. Finally, we present some considerations based on the experiences of these and other countries and on the impact that de minimis removal could have on EU firms' competitiveness. We find that **the IA leaves unanswered important questions related to the impact of removing the de minimis threshold**, specifically related to the **trade frictions that this policy could generate** and that could in turn provide incentives to other economies to move backwards from trade liberalisation.

The findings of this report provide valuable insights for policymakers and industry leaders on the potential impact of removing the de minimis threshold on EU businesses and consumers. To assess this policy measure, several areas are probably deserving of additional research.

First, it is relevant to further research the effectiveness of the tax design, considering the efficiency and incidence of the removal of de minimis. Authorities and policy makers should be informed of the broader consequences on economic incentives that follow the removal of de minimis.

Second, it is essential to consider the isolated impact of each policy measure when assessing such an impactful and complex reform. While we acknowledge that efficiencies and positive spillovers across different elements of the reforms might exist, we underline that understanding and assessing the isolated impact of de minimis removal is essential for good policy making.

Third, it is important to consider that de minimis removal *per se* does not directly contribute to some relevant objectives that the Customs Reform aims to achieve. Ensuring a level playing field, strengthening consumer protection, and achieving environmental sustainability benefits are all relevant objectives of the Customs Reform, but removing the de minimis threshold is not a measure that will unlock these benefits.

Fourth, a key area of focus should be the impact on consumers, that will ultimately bear the costs of the removal of the de minimis. Our report contributes to this objective by highlighting the channels of impact on consumers and estimating potential annual cost increase for EU consumers shopping online following the removal of the de minimis threshold. Further research on the distributional impact of the reform will also be beneficial.

Fifth, it is relevant to view the EU Customs Reform within the larger framework of international trade. The removal of duty de minimis would be a divergence by the EU from the current thresholds in comparable non-EU countries such as Australia and the United States. A key question is then to what extent removing the de minimis threshold in the EU would increase trade frictions that would in turn provide incentives to other economies to move backwards from trade liberalisation.

This report contributes to the debate surrounding the removal of de minimis threshold and underscores the importance of further analysis and research before considering the elimination of this trade facilitation measure, highlighting critical areas that need to be addressed to fully understand the implications of such a policy change.

CHAPTER 1

SETTING THE SCENE

In this chapter we set the scene by providing readers with essential background information on the impact that the de minimis threshold removal could have on EU businesses and consumers. We do this by drawing insights from both economic theory and supporting empirical research. We start by recapping the role of de minimis thresholds as trade facilitation measures providing value to businesses and consumers that can enjoy fast and duty-free deliveries (Section 1.1).

We then review and summarise the economics of public finance and taxation. This includes key elements of effective tax design, such as the tax efficiency and incidence, which the European Commission has not touched upon in its Impact Assessment ('IA') (Section 1.2).

We then focus on the impact on EU consumers and explore the channels through which consumers can be affected by the removal of the de minimis (Section 1.3).

Finally, we discuss the European Commission's aim of establishing a level playing field and provide evidence indicating that the elimination de minimis threshold will have adverse effects on this goal (Section 1.4).

1.1 DE MINIMIS THRESHOLDS FACILITATE TRADE AND PROVIDE VALUE TO BUSINESSES AND CONSUMERS

International agreements and national legislation frequently refer to de minimis thresholds as trade facilitating provisions. De minimis regimes enable duty free imports of low value items which reduces administrative burdens, clearance times at borders, and costs of trade. This creates value for businesses and consumers in the EU. A removal of the de minimis threshold will, therefore, hinder trade by making the import procedure more complicated for low value consignments.

1.1.1 Several economic studies document that de minimis thresholds facilitate trade

De minimis thresholds are among the trade facilitation provisions cited by the WTO Agreement on Trade Facilitation.[2] Moreover, the International Chamber of Commerce (ICC) considers the processing of low value and low-risk shipments at the border as "a significant barrier to international trade".[3]

Indeed, de minimis thresholds enable low transactions costs, higher speed, and predictability, that are all ingredients to a good international trading system. As such, their removal can be interpreted as the removal of a trade facilitation provision.

The OECD emphasises the role of an appropriate de minimis threshold as a trade facilitation provision on various occasions. In two recently published reports[4], the OECD highlights how removing de minimis threshold is "likely to be counter-productive", with customs authorities having to control more consignments and creating secondary knock-on effects on other functions. In fact, increasing controls on low value imported goods might result in reduced capacity to carry out other critical border protection and trade facilitation functions.[5]

Additionally, the OECD investigates the role of de minimis thresholds in relation to the rise in e-commerce. In its report "Measuring the Digital Transformation: A Roadmap for the Future"[6], it underlines how increased cross-border trade has made de minimis threshold increasingly important, especially for Small and Medium Enterprises (SMEs) and individuals buying online. The OECD argues that efficiency and management of customs procedures are particularly salient as trade costs (e.g., custom clearance, brokerage fees, delivery costs etc.) can represent a sizeable share of the value of small consignments.

2 (WTO, 2017), "Trade facilitation covers the full spectrum of border procedures, from the electronic exchange of data about a shipment, to the simplification and harmonisation of trade documents."

3 (ICC, 2015)

4 (OECD, 2019a) and (OECD, 2022)

5 "Reducing the administrative costs of collection for governments and relieving customs authorities of the burden of the traditional collection framework for VAT on imports of low-value goods. This strategy allows customs authorities to focus on important security and public protection matters" (OECD, 2021)

6 (OECD, 2019b)

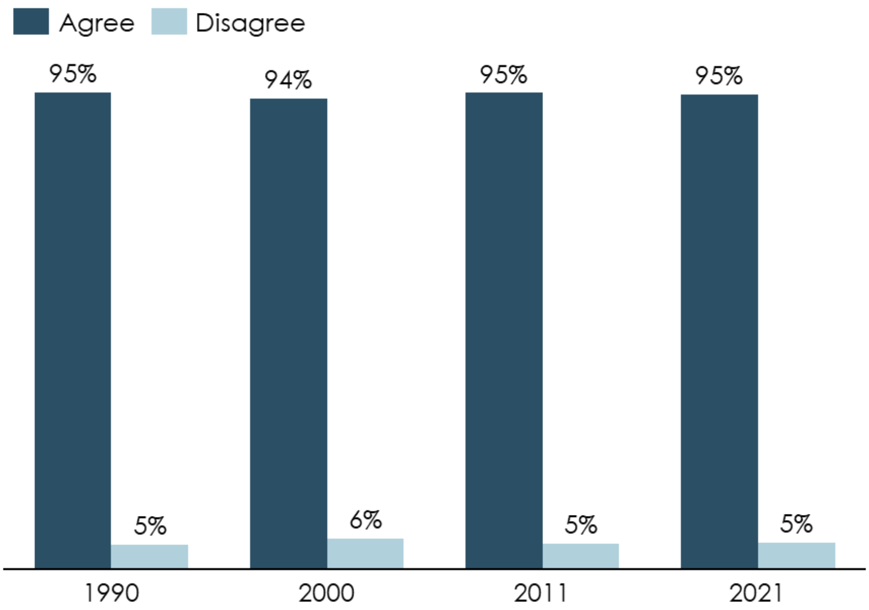
> Operation of a de minimis can reduce time and cost of customs clearance by eliminating processing steps otherwise required for payment and collection. A de minimis rule is important to support implementation of certain simplified release procedures.
>
> Source: (OECD/ World Trade Organization, 2019)

A vast economic literature demonstrates the benefits of trade liberalisation and facilitation. More specifically, the literature finds that both businesses and consumers benefit from tariff reductions. As shown in Figure 2, there has, and continues to be, a strong consensus amongst economists that tariffs generally reduce economic welfare.

In the context of de minimis, Holloway and Rae[7], who study the effect of raising the threshold in the APEC economies, find that raising the de minimis threshold results in a large net economic benefit, thanks to resource savings in government administration and a large reduction in compliance costs. Concretely, they find a net economic benefit of around 0.1% of GDP with a threshold of 200 USD, where 76% of the effect stems from resource savings in government administrations incl. customs agencies.

7 (Holloway & Rae, 2012)

Figure 2
Most economists agree that "tariffs and import quotas usually reduce general economic welfare"
Share of respondents



Note: Based on survey responses from members of the American Economic Association. The most recent survey (2021) obtained 1422 responses.
Source: (Geide-Stevenson & Perez, 2021)

1.1.2 De minimis threshold provides value to business and consumers

Economic literature indicates that businesses generally benefit from increased productivity due to lower tariffs on their inputs[8], better access to markets, and export value growth[9]. These factors collectively enhance a company's efficiency, competitiveness, and ability to innovate.

Consumers benefit from lower prices[10], a broader range of product choice[11], and faster delivery with de minimis thresholds on low value consignments. The benefits of trade liberalisation and trade facilitation measures are emphasised in many studies carried out by the European Commission. According to the DG TRADE Chief Economist Note: "Consumer benefits from EU trade liberalisation: How much did we save since the Uruguay Round?"[12], EU households have saved 60 billion euros in tariffs thanks to trade agreements reached in the last two decades. The cost savings are generated by reducing the tariffs or duties consumers have to pay for their products, where the main categories are "Food and Beverages", "Recreation and Culture" products, Clothing and footwear" etc.

8 (Ahn, Dabla-Norris, Duval, Hu, & Njie, 2016)
9 (Cruz & Bussolo, 2015)
10 See e.g. (Berlingieri, Breinlich, & Dhingra, 2018) or (Fan, Li, & Yeaple, 2015)
11 (Goldberg, Khandelwal, Pavcnik, & Topalova, 2010)
12 (Cernat, Gerard, Guinea, & Isella, 2018)

> Overall, the total annual tariff savings for all EU households (if the pre-Uruguay Round tariffs continued to apply on today's imports) amount to around 60 billion euro.
>
> Source: (Cernat, Gerard, Guinea, & Isella, 2018)

Further, research demonstrates how the elimination of these trade facilitation measures and a subsequent rise in protectionist policy can hurt consumers and businesses. A recent study[13] on the US-China trade war investigates the effect of Chinese retaliatory tariffs on the US economy. The study finds that consumption is negatively affected by retaliatory tariffs and shows that the US counties that are more exposed to the tariff increases are disproportionately hit.

1.2 REVENUES HIGHER THAN COSTS ARE NOT A SUFFICIENT ARGUMENT TO REMOVE A TRADE FACILITATION MEASURE

Customs duties are a form of tax, and, as such, the removal of the de minimis exemption can be considered as the imposition of an *ad valorem* tax on imports of low value goods. When imposing a new tax, policy makers and authorities need to carefully assess the effectiveness of the tax design, considering tax efficiency and incidence.

1.2.1 Tax efficiency cannot be sufficiently assessed by comparing revenues with cost

A mere and simplistic revenues-minus-cost exercise is not appropriate for effective tax design. A carefully designed tax system should consider other important elements, such as efficiency, effectiveness, and fairness that, ultimately, impact on growth and employment.[14] In other words, a tax cannot be deemed beneficial only because it ensures a stream of revenues. Otherwise, a vast set of new taxes would be deemed per se beneficial and introduced; or many existing tax rates would be raised ad libitum.

High costs related to tax collection have long justified the de minimis exemptions. De minimis thresholds have been introduced because of the crucial balance that every effective tax needs to achieve – the balance between the revenue collected and the costs involved in it.

---

13 (Waugh, 2019)
14 (European Commission, 2015)

The costs associated to customs duties include the obvious direct costs of collection, for instance the resources (personnel employed, IT investment and time spent) spent by customs authorities to process and clear the goods and businesses' compliance costs (more details on the quantifications of these costs are provided in Chapter 2).

However, the variable costs related to duty collection and administration are not the only ones associated to the removal of de minimis. Authorities and policy makers should also account for broader consequences on economic incentives that follow the introduction of a tax.

> The traditional justification for the exemption is that the administrative costs incurred by the trader and Customs in assessment, payment and collection would equal or exceed the amount of the duty and tax at stake. However, it would be important in setting the threshold to examine not only these administrative savings but overall economic impact, such as positive economic benefits of increased e-commerce transactions.
>
> Source: (OECD/ World Trade Organization, 2019)

1.2.2 European Commission has not touched upon key elements of tax policy design in its Impact Assessment

In its Impact Assessment (IA), the European Commission has only made the first step in assessing the impact of its proposed Customs Reform. The IA highlights that the Customs Reform as a whole would result in a net economic benefit, as it argues there would be reduced costs enabled by more sophisticated technologies combined with increase tax revenue from the de minimis removal.

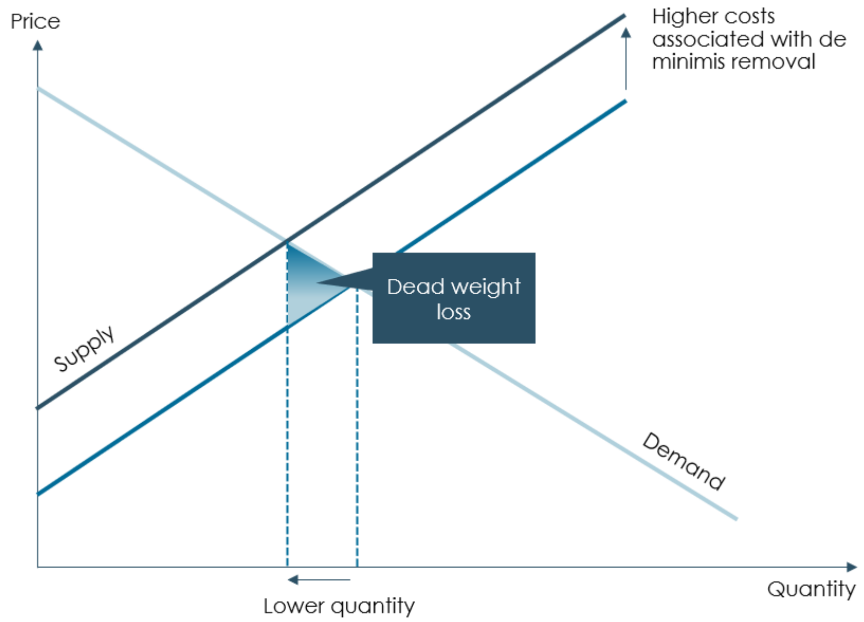
However, the IA has not touched upon the costs related to the cascading effects of the distortion of economic incentives, demand effects of taxation, and the distribution of the economic burden of the tax.

Distortive effects of taxation
The IA fails to analyse how the removal of the duty de minims threshold may have distortive effects. An important consideration in tax design is aiming for tax neutrality, meaning that taxes should avoid creating distortions that affect the decisions of economic agents. The cost of a distortive tax is in economic terms referred to as the dead weight loss of taxation. We illustrate how the de minimis removal can result in a dead weight loss in Figure 3. The reasoning for a dead weight loss is simple: it is economically optimal that the decisions of businesses and consumers are guided by their preferences and economic incentives and not by the design of the tax system, when there are not market failures.

In the book "Customs Matters", the International Monetary Fund (IMF)[15] highlights that "import tariffs are not advisable from the perspective of growth-friendliness because they distort decisions of both consumers and producers."

By design, a tax that is imposed only on imported EU goods, distort business and consumer preferences. The reason is that it introduces biases in the purchase decision in favour of non-taxed goods as these, everything else equal, would be cheaper.

Figure 3
Deadweight loss resulting from de minimis removal



Note: Illustrative
Source: Copenhagen Economics

Demand effects of taxation
The IA does not measure the impact that taxation could have on demand of imported goods. The removal will directly increase tax revenue as it widens the tax base for customs duty. However, the IA has not accounted for a potential indirect negative effect on the tax base as the higher price due to the removal of de minimis may reduce the volume of imported goods from outside the EU.

The IA (p. 105) briefly mentions that survey evidence from an exploratory consultation carried out in the context of another study indicates that a small price increase (+5%) will not change consumers' incentive to order online from outside the EU. In particular, the survey finds that "for about 40% of the respondents a price increase of about 5% will not at all change their incentive to order online from outside the EU, provided that the increase in the price can be paid at checkout." However, the IA lacks a robust analysis of elasticity of substitution, cross-price substitution, different supply elasticities, similar, for instance to the one performed by the Australian Government Productivity Commission (see Box 4 for more details).

15 (Azcárraga, Matsudaira, Montagnat-Rentier, Nagy, & Clark, 2022, page 47)

As noted by the IMF[16], the impact of a change in import tariff "may be diverse depending on the elasticities of demand for importers". Further, it is noted that such impact on demand may also negatively affect the collection of VAT.

Distribution of the economic burden of the tax
Even though the distributional aspects of a tax do not directly impact its efficiency, they can still have a significant impact of the policymaker's evaluation of a tax. The distributional effects refer to how the tax burden is distributed across different segments of the population, such as income groups, geographic regions, or other demographic categories.

The IA does not qualitatively or quantitatively estimate the distributional impact on consumers of the de minimis removal. The removal can potentially result in politically undesirable distributional outcomes particularly if it disproportionally affects low-income consumers.

Besides the distributional effects among consumers, the IA only examines the aggregated effects on all businesses, including operators, importers and logistics firms, by quantifying the costs of compliance for all businesses, no matter their role in the import value chain. However, it does not examine the distributional cost impact across these different actors. Therefore, key details that are major impact drivers, such as i) the impact across the different actors in the value chain and ii) the implications for logistics operators who may be able to pass on additional costs to consumers, are left out from the IA's analysis.

It seems clear that the IA misses several key parts of what would constitute a proper assessment of tax design, in particular the impact on consumers, that we will explore in depth in the next section. By ignoring the potential negative effects of removing the de minimis threshold on consumers, the impact assessment fails to provide a balanced and comprehensive evaluation of the policy options and their implications for the EU economy and society.

1.3 EU CONSUMERS BEAR THE COSTS OF REMOVING DE MINIMIS VIA HIGHER PRICES

EU consumers benefit from the de minimis exemption, enjoy faster and cheaper deliveries of low value goods. According to the European Commission, "thanks to all EU trade policy initiatives (multilateral, bilateral, and unilateral), currently around 76% of EU imports enter duty free, for the benefit of EU consumers across Europe."[17]

Following the removal of this exemption, consumers could be harmed through many channels: increased administrative costs borne by importing firms and passed on to consumers in the form of higher prices, increased time to delivery due to time-consuming border processing, or reduced choice. Ultimately, it could result in a decrease in consumers' welfare.

1.3.1 Higher transaction costs can translate into higher prices and reduced choice for consumers

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16 (Azcárraga, Matsudaira, Montagnat-Rentier, Nagy, & Clark, 2022)
17 (Cernat, Gerard, Guinea, & Isella, 2018)

A de minimis removal is likely to increase consumer prices through two channels. *First*, the duties might be directly transferred to consumer prices in a 1:1 ratio if the tax incidence (i.e., the economic burden of a tax) of the duties falls completely on consumers. *Second*, the higher processing costs for business operators may also be passed on to the consumers. The reason is that businesses will try to pass on the higher cost into higher consumers prices (e.g., by increasing their handling fees) to avoid a negative impact on their profit.

How much of a cost increase will be passed through to consumer prices depends on the incentive that firms have in responding to a cost increase by raising their prices. In general, the pass-through of costs depends on the competitive structure of the market, elasticity of supply and elasticity of demand.

If business operators cannot pass on all their increased cost, they may reduce their supply. This implies that consumers will face a reduced choice.

In economic terms, the higher prices and reduced choice translate into a loss in consumer welfare due to compressed demand and foregone transactions that would have happened absent the policy change, see Box 1.

Box 1 Taxation can reduce consumers' welfare

When the government decides to levy a new tax, the legal incidence can either fall on the consumer (e.g., VAT), or on the producer (e.g., a carbon tax on production). The legal incidence, however, does not always correspond to the economic incidence – who bears the actual cost of the tax. The way producers and consumers respond to the introduction of a new tax determines who bears the actual burden of the tax.

In Figure 4, we show how consumers' surplus is reduced when a tax is levied on producers. When the tax is levied, producers charge a higher price since their costs increase by the amount of the tax (the supply curve shifts up, from the solid to the dotted line). When prices rise, fewer consumers will demand the good, which leads to a reduction in the demanded quantity. Thus, a new equilibrium forms, where the market price is higher, and where the traded quantity is lower.

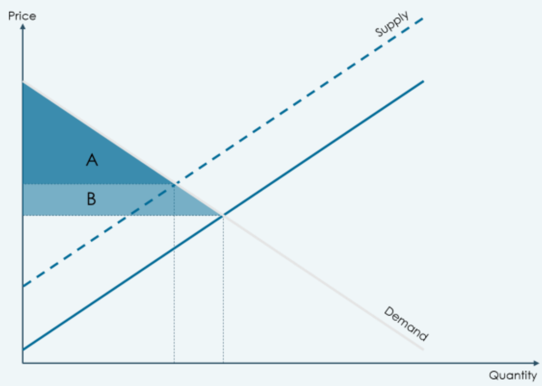
In the figure, total consumer welfare (also known as *consumer surplus*) is equal to the area **B+A** before the tax is levied. After the tax is levied, total consumer welfare is reduced in size to the area **A.** There are two primary reasons why the tax reduces consumers welfare. First, because consumers benefit from trade by acquiring goods that they value higher than the price they pay, the implementation of the tax reduces the welfare of the individual consumers. Second, total consumer welfare decreases because the demanded quantity is reduced.

Because the economics incidence of a tax depends on consumers' and producers' responses, how much consumers are harmed depends on the characteristics of the market. Below, we highlight how different market characteristics affect the effect of taxation on consumer welfare.

Elasticity of supply
The more elastic the supply (supply curve becomes relatively steeper), the more of the tax incidence falls on consumers. When supply is elastic, producers can easily reduce the quantity supplied without raising prices much, so consumers end up bearing a larger share of the tax burden.

Elasticity of demand
The more elastic the demand (demand curve becomes relatively steeper), the less of the tax incidence falls on consumers. When demand is elastic, consumers can easily reduce their quantity demanded in response to higher prices, so producers bear more of the tax burden.

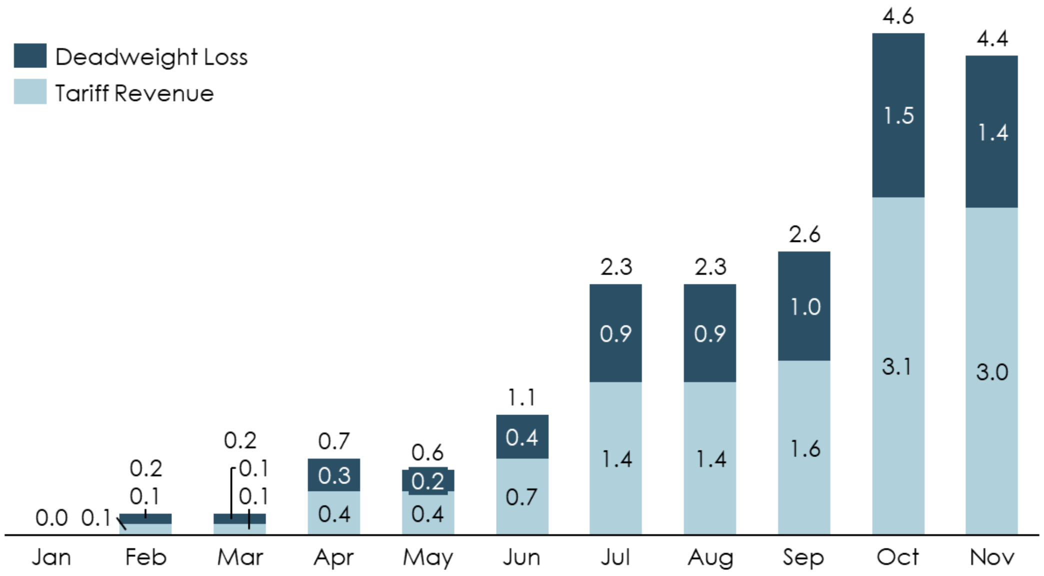
Figure 4
Consumer surplus before and after de minimis removal



Note: Illustrative
Source: Copenhagen Economics

Recent empirical literature that studies the Trump administration's tariff hikes in 2018-2019 finds clear evidence that at least some of the burden imposed by the tariff increase is borne by domestic consumers. For instance, Amiti et al.[18] find that "the U.S. experienced substantial increases in the prices of intermediates and final goods, large changes to its supply chain network, reductions in availability of imported varieties, and complete passthrough of the tariffs into domestic prices of imported goods. [...] the full incidence of the tariff has fallen on domestic consumers so far." On top of the pass-through, US consumers also experienced price increases applied by domestic firms: the paper finds that "U.S. producers responded to reduced import competition by raising their prices." In Figure 5, we report the estimated value of the deadweight losses and the tariff revenue for each month of 2018. Given that they find no effect of the tariffs on the prices received by foreign exporters, this tariff revenue is a pure transfer from domestic consumers to the government.

Figure 5
The 2018 trade war costed US consumers up to $4 billion per month in additional duties and deadweight loss (or lost income)
Tariff costs in 2018, billions of nominal US dollars



Source: Copenhagen Economics based on (Amiti, Redding, & Weinstein, 2019), Table 2

Similarly, Fajgelbaum et al. find complete pass-through of tariffs resulting in "an annual loss for the U.S. consumers and firms of $51 billion due to higher import prices".[19] Literature on trade liberalisation offer additional evidence of these findings on pass through, showing that decreases in tariffs lead to a drop in consumer prices.[20]

[18] (Amiti, Redding, & Weinstein, 2019)
[19] (Fajgelbaum, Goldberg, Kennedy, & Khandelwal, 2019)
[20] (De Loecker, Goldberg, Khandelwal, & Pavcnik, 2012)

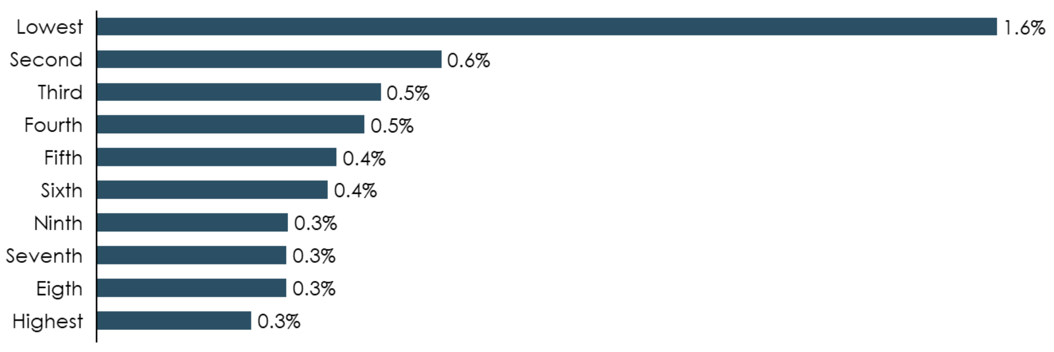
1.3.2 This price increase might affect lower income consumers disproportionately

The impact of the de minimis removal on income distribution is not discussed in the IA. However, as we discussed above, there is a strong indication that a large share of the costs arising from the proposal to remove de minimis will be passed on to EU consumers, and understanding the distributional effect of the tariff, or, in other words, how people of different income levels will be affected by the tariff, is critical.

Economic literature finds that customs duties have a negative impact on income distribution. As lower income groups spend a higher share of their incomes on consumption, an increase in customs duties is generally expected to result in higher real income inequality.[21] An empirical study conducted in 2017 in the US[22], find evidence that low- and middle-income households do, indeed, spend a higher fraction of their income and non-housing expenditure on tariffs (see Figure 6). According to the authors, “the findings indicate that tariffs act as a regressive tax on American consumers and are distortionary in their variation across products.”

A recent US study[23] finds that removing de minimis would disproportionately hurt lower-income and minority consumers. The research finds that these consumers benefit more from low-value, duty-free consignments. The authors estimate that eliminating the de minimis threshold would result in a welfare loss of 11.8-14.3 billion USD annually, primarily affecting the most economically vulnerable parts of the population. This estimation assumes complete pass-through of the tariffs.

Figure 6
Low-income households are harmed the most by increasing customs duties
Decile of before-tax household income



Source: Copenhagen Economics based on (Russ, Shambaugh, & Furman, 2017)

21 (Martinez-Vazquez , Vulovic, & Moreno Dodson , 2014)
22 (Russ, Shambaugh, & Furman, 2017)
23 (Fajgelbaum & Khandelwal, 2024)

1.4 FRAMING THE DE MINIMIS REMOVAL AS A MEASURE TO ENSURE A LEVEL PLAYING FIELD IS INACCURATE

The objective of achieving a fully level playing field is cited among the motivations that justify the removal of customs de minimis. However, it is inaccurate to frame the de minimis removal as a measure that ensures a level playing field. *First*, because removing de minimis on third countries consignments would create – all else equal – a favouring effect for equivalent goods that are manufactured inside the EU with respect to those shipped from outside the EU, *de facto* distorting the level playing field that these two categories of products are currently enjoying. *Second*, because the removal of a trade facilitation measure that is aligned with international standards and best practice is, by definition, a distortion to the level playing field.

1.4.1 The removal of the de minimis will create a disfavouring effect for extra EU goods

"Ensure a level playing field between e-commerce and traditional trade as regards customs, in line with the VAT rules" is one of the Specific Objectives (SO3) of the Customs Reform. According to the IA, the de minimis threshold is currently "providing a competitive advantage to foreign retailers as opposed to EU retailers"[24]. Moreover, it states that, as a result of its removal "e-commerce playing field is levelled with traditional trade"[25]. This is only partially true. De minimis removal will make all imported goods (in bulk and those shipped directly from outside the EU) subject to the same level of customs duties. However, this will, in turn, unlevel the playing field between EU-manufactured goods and non-EU ones.

Today, goods with an intrinsic value above 150 EUR manufactured in the EU and sold through traditional or electronic channels enjoy a beneficial treatment with respect to non-EU ones. The reason is that the non-EU ones are burdened with customs duties, which make them more expensive to the final consumer. With the removal of the de minimis threshold, this discriminatory treatment will be extended to all imported goods.

Further, imported goods are already subject to VAT (as VAT exemptions was eliminated in 2021). Thus, the EU has supported and achieved a level playing field where all goods, manufactured in the EU or not, are subject to the same level of VAT. Before the removal of the VAT de minimis, foreign competitors enjoyed VAT-free entry of their low value consignments (below 22 EUR) while goods retailed from the EU were subject to VAT no matter their value.

Differently from the VAT case, customs duties are only levied on goods imported into the EU. By design, customs duties are additional fees to be factored into the price of non-EU goods and this gives to an equivalent EU-sourced good a price advantage.

Thus, contrary to the VAT de minimis, the existence of the duty de minimis exemption helps create a level playing field between intra- and extra-EU vendors for low value goods. Consequently, the argument used to advocate for removing the VAT de minimis exemption, achieving a level playing field, does not hold in the same way in the case of the duty de minimis – its removal will put extra-EU vendors shipping low value goods to EU consumers at a competitive disadvantage, creating a more uneven playing field (see Figure 7).

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[24] Impact Assessment, Page 35
[25] Impact Assessment, Page 70

Figure 7
Customs duties and VAT exemptions do not have the same distorting effect

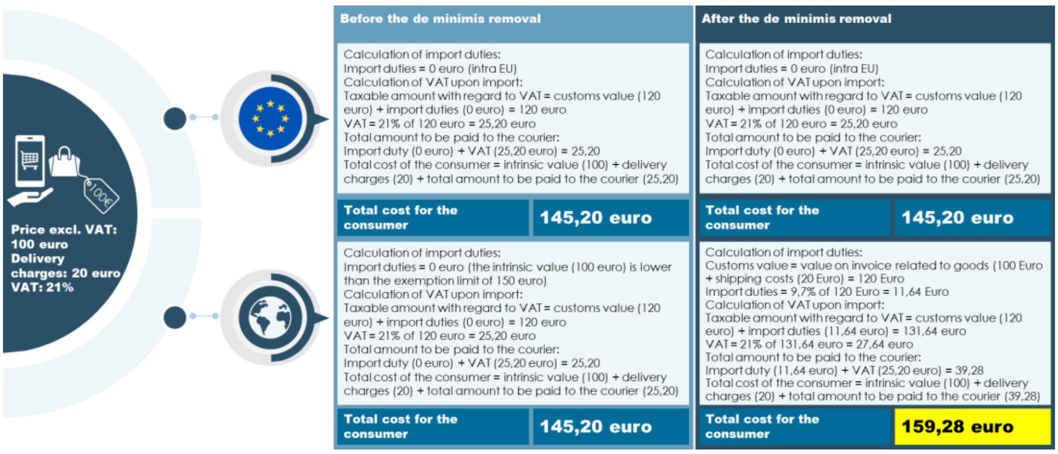
Low-value goods		Within the EU		Imported into the EU
VAT	Before removal	Cost to consumer = intrinsic value + VAT	≠	Cost to consumer = intrinsic value
	After removal	Cost to consumer = intrinsic value + VAT	=	Cost to consumer = intrinsic value + VAT
Custom	Before removal	Cost to consumer = intrinsic value + VAT	=	Cost to consumer = intrinsic value + VAT
	After removal	Cost to consumer = intrinsic value + VAT	≠	Cost to consumer = intrinsic value + VAT + duty

Note: Illustrative
Source: Copenhagen Economics

The removal of de minimis translates into higher protection of domestic producers and retailers, which deviates from the establishment of an equitable playing field for fair competition, adding barriers and costs.

From the perspective of a consumer buying goods online this translates in a distortion of the incentive to order low value goods online from outside the EU. The example in Figure 8 shows how the removal of the de minimis exemption could distort effective competition in the e-commerce market, by artificially bolstering the competitiveness of EU goods.

Figure 8
Does removing de minimis level or bias the playing field for equivalent goods from a consumer perspective?



Note: Illustrative
Source: Copenhagen Economics

1.4.2 Level playing field is about removing trade barriers

The second counterargument relates to the definition of level playing field. The 1947 General Agreement on Tariffs and Trade (GATT), which aimed at establishing a system of internationally recognised rules on trade, is based on this underlying idea: to create a level playing field for all members through the "substantial reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment in international commerce".[26]

UNCTAD echoed this approach, stating that "the establishment of an equitable playing field therefore implies a substantial reduction of agricultural and industrial peak tariffs and tariff escalation [...]. Tariff harmonization at substantially lower, commercially meaningful levels, and a genuine multilateralization and rapid increases of tariff quotas, could be main targets."[27]

It appears thus counterintuitive how the removal of a trade facilitation measure and an increase in the share and number of goods subject to customs duties could serve the objective of levelling the playing field. This is particularly relevant considering that EU manufactured goods enjoy de minimis exemptions in most of their destination markets (US, UK, and Switzerland). The removal will thus unilaterally distort competition by artificially increasing the prices of non-EU goods while protecting domestic manufacturing.

Finally, it should be also noted that the EU is endowed with an array of trade defence instruments, such as anti-dumping or anti-subsidy duties, to protect European production against international trade distortions. These instruments allow the EU to commit "to open markets and free trade"[28], and, as such, market opening should not be prejudiced by further barriers to trade and higher tariffs.

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26 (GATT, 1947)
27 (Supper, 2001)
28 (European Commission, 2024a)

CHAPTER 2

APPRAISING IMPACTS OF THE PROPOSED REMOVAL OF CUSTOMS DE MINIMIS

In this chapter, we zoom in on the analysis presented in the Impact Assessment ('IA') and review the key assumptions in the analyses conducted by the Commission (Section 2.1.1).

We then assess the costs and revenues of de minimis removal *per se* (Section 2.3.2, 2.1.3. and 2.2.). Concretely, we assess the impact on businesses, traders, and customs authorities of removing the customs de minimis in the current regulatory environment, i.e. without the other policies that form part of the proposed customs reform. Finally, in Section 2.4, we look into the impact of de minimis removal on consumers.

We find that the IA did not analyse the isolated effects of removing the de minimis threshold. Using a similar approach as the IA, we estimate the isolated effect of the de minimis removal could potentially cause a 2.3 billion EUR increase in the compliance cost for businesses and customs authorities, assuming everything else remains unchanged. Moreover, we estimate that these increased costs could fall on EU consumers, which could increase prices by 62 EUR per EU online shopper annually.

2.1 THE IMPACT ASSESSMENT DOES NOT ANALYSE THE ISOLATED EFFECTS OF REMOVING THE DE MINIMIS THRESHOLD

The Customs Reform proposed by the Commission includes many different policy measures, with the removal of the de minimis threshold being one. The IA assesses the impact of four policy options, with policy option 4 being the Commission's preferred option, see Table **1**. Policy option 4 bundles together many distinct policy changes, including the de minimis removal and other major changes such as the introduction of an EU Customs Authority, and the creation of an EU Customs Data Space.

Table 1
The IA has evaluated four different options for the Customs Reform

	Option 1	Option 2	Option 3	Option 4
In short	Focuses on simplifications and adoptions of common frameworks	In addition to the changes of Option 1, introduces a European Customs Authority	In addition to the changes of Option 1, introduces a Customs Data Space.	Combines the simplified customs process (Options 1-3), the introduction of an EU Customs Authority (Option 2), and an EU Customs Data Space.
Governance of the Customs Union	Strengthens the existing governance model based on cooperation	Introduces an EU Authority for the Custom Union	Strengthens the role of the Commission	Introduces an EU Authority for the Custom Union
Customs processes reform	A package of simplifications	As in Option 1, but an EU Customs Authority coordinates implementation (more synergies)	As in Option 1, but an EU Customs Data Space facilitates application of changes	As in Option 1, but both the Data Space and an EU Customs Authority implements changes
Customs data management	Build capacities individually in national systems	As in Option 1, but an EU Customs Authority coordinates implementation (more synergies)	Build capacitites together in a centralised Data Space	As in Option 3, but an EU Customs Authority manages the Data Space

Note: All policy options include the removal of de minimis
Source: Copenhagen Economics based on the IA

The IA does not present a point-by-point, specific analysis of the different parts of the reform. Instead, it considers the aggregate effects of the entire Customs Reform. This means that:

- It has not analysed how the increase in customs duty revenue from removing the de minimis compares to the costs of removing the de minimis threshold.
- There may be other cost effects that the IA has not accounted for which may result in a biased evaluation. For instance, following the de minimis removal, customs authorities or postal operators engaged in the customs clearance activities may need to spend more time in retrieving and filling in missing information to complete customs clearance procedures for a much larger number of consignments.

Consequently, the IA has not unbundled the different elements of the reform from each other. This makes it impossible for policymakers to make a nuanced and well documented evaluation of each element of the Customs Reform.

To address this shortcoming of the IA, we reappraise the IA's quantification of the impact of removing the de minimis threshold. We follow the structure of the IA, where we examine the compliance costs for two categories of stakeholders: (i) *Businesses and traders*, (ii) M*ember States' customs authorities*.

2.1.1 The Impact Assessment estimates aggregate compliance cost savings for businesses and traders and customs authorities, but it does not offer a detailed breakdown of the impact of each individual measure

In this section, we describe how the IA has evaluated the aggregated impact of the Customs Reform on the compliance costs for businesses and traders as well as customs authorities.

The Impact Assessment estimates that the Customs Reform as a whole would reduce compliance costs for businesses and traders by 3.6 billion EUR annually

The IA quantifies the compliance costs for businesses and traders by distinguishing between seven types of trade import and export "procedures":

- *IM standard* (standard import procedure)
- *IM simplified* (simplified import procedure)
- *IM eCommerce (no IOSS)* (import e-commerce without the use of the IOSS[29])
- *IM eCommerce (IOSS)* (import e-commerce with the use of the IOSS)
- *EX standard* (standard export procedure)
- *EX simplified* (simplified export procedure)
- *TRA standard* (standard transit procedure)

The IA does not make any distinction between consignments valued below or above the de minimis threshold of 150 EUR. Thus, the IA's analysis lacks a value dimension as it aggregates consignments below and above the de minimis threshold.

This presents a significant challenge for independent research like this study, as the IA's estimated cost savings may apply to higher-value consignments that already benefit from the IM simplified export and import procedures. In other words, we cannot exclude that these cost savings could have been achieved without altering the de minimis threshold.

Below, we describe and explain how the IA quantifies the impact of the proposed reform on the costs of complying with customs formalities for businesses and traders. Specifically, we explain the three steps involved in the IA's analysis, focusing on the calculations for the Commission's preferred

[29] The IOSS is an electronic portal created to centralize the declaration and payment of VAT for distance sales of imported goods (with a value not exceeding 150 EUR) for overseas-based sellers. It simplifies the process of declaring and paying VAT for imports into the EU.

policy option – policy option 4[30]. Our replication of the IA's calculations for policy option 4 is shown in Table 2.

Table 2
The IA estimates compliance cost savings of 3.6 billion EUR for businesses and traders from the Customs Reform with policy option 4

		BASELINE		POLICY OPTION 4			
Procedure	[A] Number of declarations	[B] Cost per declaration (EUR)	[C = A x B] Total compliance costs (b EUR)	[D] Saving in cost per declaration, relative to baseline	[E = B x (1-D)] Cost per declaration (EUR)	[F = A x E] Total compliance costs (b EUR)	[G = C – F] Estimated saving (b EUR)
IM standard	99,955,389	58.45	5.84	5%	55.53	5.55	0.29
IM simplified	206,697,268	44.20	9.14	8%	40.66	8.37	0.77
IM eCommerce (no IOSS)	58,440,000	15.21	0.89	66%	5.17	0.30	0.59
IM eCommerce (IOSS)	915,560,000	5.07	4.64	33%	3.40	3.06	1.58
EX standard	73,973,885	44.00	3.25	0%	44.00	3.25	0.00
EX simplified	89,368,201	34.00	3.04	0%	34.00	3.04	0.00
TRA standard	17,500,000	34.00	0.60	60%	13.60	0.24	0.36
Total			**27.40**			**23.81**	**3.59**

Note: The table replicates the analysis on page 227 of the IA. Unlike the IA, we did not account for the additional customs duty revenue of 1 billion EUR as a cost for businesses and traders. If this 1 billion EUR in additional customs revenue were to be included, the estimated compliance cost savings from policy option 4 would decrease to 2.59 billion EUR.
Source: IA, page 227

Step 1: Compliance costs in the present-day (pre-reform) "baseline" scenario

The IA estimates the total compliance costs to be 27.40 billion EUR in the pre-reform "baseline" scenario (column C in Table 2) for businesses and traders. The estimated cost is calculated for each of the trade procedures (IM standard, IM simplified etc.) by multiplying the number of customs declarations (column A) by an assumed cost per customs declaration (column B).

The IA's assumed costs per declaration (column B) is based on two different studies. As explained in the IA, both studies use a methodology where the cost per declaration is "based on the time needed to compile the information and fill it in, and a certain hourly rate"[31]:

- For standard import (IM standard), standard export (EX standard), and transit procedures (TRA standard), the cost per declaration stems from a Dutch government study from 2018 assessing the customs impact of Brexit on the Netherlands[32]. The cost per declaration used in the IA is 58.45 EUR for IM standard, 44.00 EUR for EX standard, and 34.00 EUR for TRA standard.

[30] The methodology is the same for the different policy options, but the assumed cost savings differ across the four policy options.
[31] IA, page 223-224
[32] (KPMG, 2018)

- For simplified import (IM simplified) and simplified export (EX simplified), the lowest cost per declaration for import and export processes from the Dutch study (same as above) is used. The cost per declaration used in the IA is 44.20 EUR for IM simplified, and 34.00 EUR for EX simplified.
- For import e-commerce without using the IOSS (IM eCommerce (no IOSS)), the cost per declaration stems from an UK government study from 2019 assessing the customs impact of Brexit[33]. Specifically, the declaration cost used in the IA for "Fast Parcel Operators" is 15 GBP (converted to 15.21 EUR). The UK government study reports that the 15 GBP cost per declaration is an "HMRC assumption", i.e. not an estimate based on actual data.
- For import e-commerce using the IOSS (IM eCommerce (IOSS)), the IA assumes that the cost is 1/3 of the 15 GBP from the UK study "because carriers charge a lower fee for declaring those goods as there is no need to collect VAT on them." Hence, the IA uses a cost per declaration of 5 GBP (converted to 5.07 EUR), without any evidence nor source to support the assumption that costs are reduced by two thirds (from 15 to 5 GBP) due to IOSS.

Step 2: Compliance costs in the post-reform "policy option 4" scenario

The IA estimates that the Customs Reform would result in a compliance cost of 23.81 billion EUR (column F) in the policy option 4 scenario. The cost savings stems for the IA's assumed cost saving per declaration for the different customs procedures (column D). This results in a lower cost per declaration in policy option 4 (column E) compared to the baseline cost per declaration. Moreover, the IA assumes an unchanged number of declarations (column A), i.e., the number of consignments is assumed to be the same in the baseline scenario as in the policy option 4 scenario.

The cost savings per declaration attributed to the reform are the Commission's own assumptions. The assumptions do not seem to be supported by any quantitative evidence in the IA, but purely by qualitative argumentation. For instance, the 60% saving for transit declarations (TRA standard) in policy option 4 is explained as follows: "The possibility to safely follow the movement of the goods in the EU through the Data Space under the Authority coordination should further reduce the need for transit declarations, with a saving of 60%."[34]

Step 3: Calculate savings by comparing costs before and after the reform

The IA estimates that policy option 4 of the Customs Reform reduces the total annual compliance cost by 3.59 billion EUR (column G). This corresponds to the difference between the total compliance costs in the baseline (column C) and the total compliance costs in the post-reform scenario (column F).

The IA estimates that these annual cost savings could be achieved when the reform is fully implemented in Y9 and thereafter.

33 (HMRC, 2019)
34 IA, page 225

The Impact Assessment estimates that the Customs Reform as whole would reduce the costs for Member States' customs authorities by 94 million EUR annually

The IA quantifies the change in costs for Member States of each policy option in the proposed Customs Reform. It does this by considering two main cost impacts: (i) the cost of building (one-off) and maintaining (recurrent) the customs IT systems and (ii) staff costs.

Data on IT costs related to customs procedures differ greatly across Member States, as well as the share of these costs on national budgets, i.e., IT costs can be directly attributed to customs authorities or to other national agencies. The IA estimates the baseline scenario departing from a 2008 study, which depicted the UCC customs processes, mapped the IT systems necessary to automate them and provided input on the potential cost by assigning a number of staff (full-time equivalent – FTEs) to develop them. In option 4, the IA estimates a decrease in total investment in new IT by 3,090 million EUR compared to the baseline and a decrease in the recurrent cost of maintaining the national customs IT environments by 18 billion EUR with respect to the baseline.

Cost savings on IT investment are generally attributed to Member States' budget. On the other hand, the IA provides a breakdown of the costs directly attributed to Member States' customs authorities focusing on customs staff. We focus our analysis on this part of the assessment.

Data on staff cost is quantified by comparing the estimated required FTEs in MS customs authorities in each policy option, for different function categories, to the number of FTEs employed in MS customs authorities in the present-day baseline scenario.

For the baseline, the IA uses "aggregated EU 27 figures for national customs authorities' staff taken from the 2021 data on Customs Union Performance."[35] To convert FTE numbers to cost estimates, the IA uses "the most recent Eurostat Total Labour Cost figure of €46,928".[36]

For each of the policy options, the Commission then estimates how the reform will affect the required number of FTEs in eight different customs authority function categories.

Below, in Figure 9, we illustrate how the IA estimates the compliance costs for customs authorities based on FTEs for policy option 4. To estimate the 1,993 reduction in EU customs authorities' FTEs under policy option 4, the IA evaluates how the reform would affect staffing needs across eight different customs functions. In total, the IA estimates that 80,706 FTEs are required if policy option 4 is implemented. This, compared to the baseline number of FTEs – 82,699 – gives the 1,993 reductions in FTEs.

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35 IA, page 216

36 IA, page 218

Figure 9
The IA calculates Customs Authorities' compliance costs by monetising FTEs

Source: Copenhagen Economics, based on page 217-218 of the IA

2.2 THE REMOVAL OF DUTY DE MINIMIS ALONE COULD RESULT IN A 2.3 BILLION EUR COST INCREASE AMONG BUSINESS OPERATORS AND CUSTOMS AUTHORITIES

In this section, we assess the isolated cost effects of a removal of the duty the minimis threshold in two steps, if no other policy change is implemented. First, we qualitatively assess how the cost associated with the customs processing and clearance of low value consignments may increase for business operators and customs authorities following the de minimis removal. Second, we quantitatively estimate the change in business operators and customs authorities' compliance cost following the de minimis removal.

2.2.1 Following de minimis removal, the cost of processing and clearance of a low value consignment might increase

In this section, we qualitatively assess how the cost of processing and clearance of a low value consignment might increase if the duty de minimis threshold is removed and no other policy change is implemented. We first evaluate the cost for business and traders. We then evaluate the cost for customs authorities.

The compliance costs for businesses and traders are likely to increase

A removal of de minimis is likely to increase the compliance cost for business operators if no other policy changes are introduced. The reason is that low value consignments below 150 EUR today benefit from a simplified declaration process as no duties are needed to be calculated and collected. Absent the de minimis threshold, we expect that low value consignments would need to go through more complex and costlier declaration procedures as more information about the consignment is needed when duties must be calculated and collected.

Current customs declaration procedures

Consignments imported into the EU go through three main types of customs declarations before they are released for free circulation within the EU. The three main types are H1, I1, and H7. The type of declaration depends, among other things, on the value of the consignment:

- **H1 customs declarations** can be used for all consignments, irrespective of the value of the good. The H1 requires an extended data set.
- **I1 customs declarations** can be used for all consignments, irrespective of the value of the good. The I1 is a simplified declaration (SD), tailored to the needs of traditional commercial transactions, but requires the declarant to have an SD authorisation.
- **H7 customs declarations** can only be used for low valued goods below the de minimis threshold of 150 EUR. The H7 only requires a simplified ("super reduced") dataset (SRDS)[37].

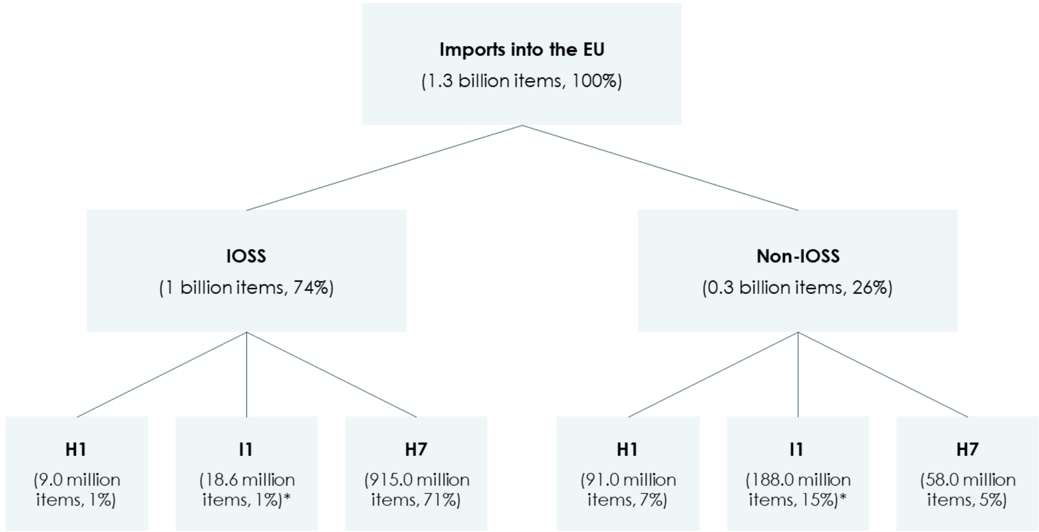
The import procedure also depends on whether the consignments go through the Imported One Stop Shop (IOSS) system.[38] The purpose of the IOSS system is to simplify the collection, declaration and payment of VAT on low value e-commerce imports into EU.[39] Importantly, the IOSS system can only be used for consignment with a value not exceeding 150 EUR.

The three types of customs declarations can be used with and without the IOSS system. This implies that consignments coming into the EU can be grouped into six declaration categories, see Figure 10.

The majority of imported consignments are declared through the H7 customs declaration through the IOSS system. In 2021, these types of imports accounted for 71% of all imported consignments into the EU.

37 New form of customs declaration for low value consignments
38 Under the IOSS scheme, online platforms provide or make available to customs the information on the goods, calculate and collect the applicable VAT at the moment of sale.
39 https://vat-one-stop-shop.ec.europa.eu/index_en

Figure 10
The majority of imported consignments are declared through the H7 procedure utilising the IOSS system



Note: *For I1, we assume that 9% use IOSS. This is the same share we use for H1, reported in the 2022 DG TAXUD report. Percentages are calculated as a share of the 1.3 billion total.
Source: Copenhagen Economics' calculations, based on page 227 of the IA and DG TAXUD, "Evaluation of the EU VAT e-commerce package" page 5.

The H7's super reduced data set does not contain the relevant information to calculate and collect duties

Following a removal of the de minimis threshold, it is unclear whether low value consignments could still be able to use the H7 customs declaration, everything else equal. The reason is that the H7's super simplified data set (SRDS) does not contain all the relevant information needed to calculate and collect duties on low value goods.

Importantly, H7 SRDS does not include the 8-digit CN code for product classification. This product code is instead required in more complete declarations such as H1 and I1. The 8-digit CN code consists of the 6-digit Harmonized System (HS) code plus a 2-digit code of EU-specific details.[40] These two extra EU specific digits are used to determine the EU duty rate for the product and can play an important role in today's duty rate system as some products with the same 6-digit code might have two different duty rates based on the 8-digit CN code.

Tariff codes are crucial for applying the correct duty rate and ensuring accurate customs duties collection; they can vary significantly within the same product group. For instance, the customs duty rate on shoes, a common online purchase, can range from 3.5% to 17%.[41] Properly specifying the subcategory is essential to avoid unfair surcharges. A pair of shoes valuing 100 EUR, post-de minimis removal, could cost an additional 3.5 EUR to 17 EUR to an EU online purchaser buying from

[40] (European Commission, 2024b)
[41] (Belgian Federal Public Service Finance - Customs and Excises, 2024)

outside the EU. Specific cases like ankle boots in leather may see an 8% duty if for men and 5% if for women (see Table 3). These differences are accurately applied only with complete tariff codes, not currently present in H7 declarations.

Table 3
Duty rates are currently based on an 8-digit CN code and can vary across the same HS6

HS classification		CN classification		DUTY RATE
6-digit HS code	Product	8-digit CN code	Product	
6403 – 91	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather, covering the ankle	6403 – 91 – 96	For men	8.0%
		6403 – 91 – 98	For women	5.0%

Source: Copenhagen Economics based on data retrieved on the European Commission's TARIC Consultation website (European Commission, 2024c)

In contrast to the duty-free items using the H7 declaration, dutiable consignments must be declared using either the H1 declaration or the I1 declaration, which contain three times more information than H7, including the needed 8-digit CN-code.[42] Thus, the process and costs related to low value consignments that today go through the H1 or I1 declaration would probably be less impacted if duty de minimis is removed.

Dutiable consignments go through a more complex and costly declaration and logistics process

Dutiable consignments undergo a customs clearance process which entail higher complexity and higher operational costs for all actors in the value chain. The higher cost occurs as operators need to gather additional information for the customs clearance process to proceed with the payment of customs duty. In addition, postal operators may experience additional warehousing costs as they need to store the consignments in the period it takes to gather useful information to get customs clearance.

The higher costs for postal operators are especially salient in the cases with missing or incomplete data needed to be able to calculate and collect the duties. When there is no electronically transmitted information on the consignment's contents and/or the information appears to be incomplete or incorrect, operators responsible for customs formalities (postal operators or couriers) cannot process the shipment for clearance. *First*, the postal operator would need to transport and store the consignment, while they wait for the consignment to be cleared for free circulation. *Second*, the missing data would need to be collected. Operators have at their disposal a set of technologies, such as Optical Character Recognition and video encoding systems to read parcel labels and extrapolate the correct information, but, when these fail, they need to notify the recipients, to collect the information and proceed with physical data entry. This process is extremely costly, as it entails longer

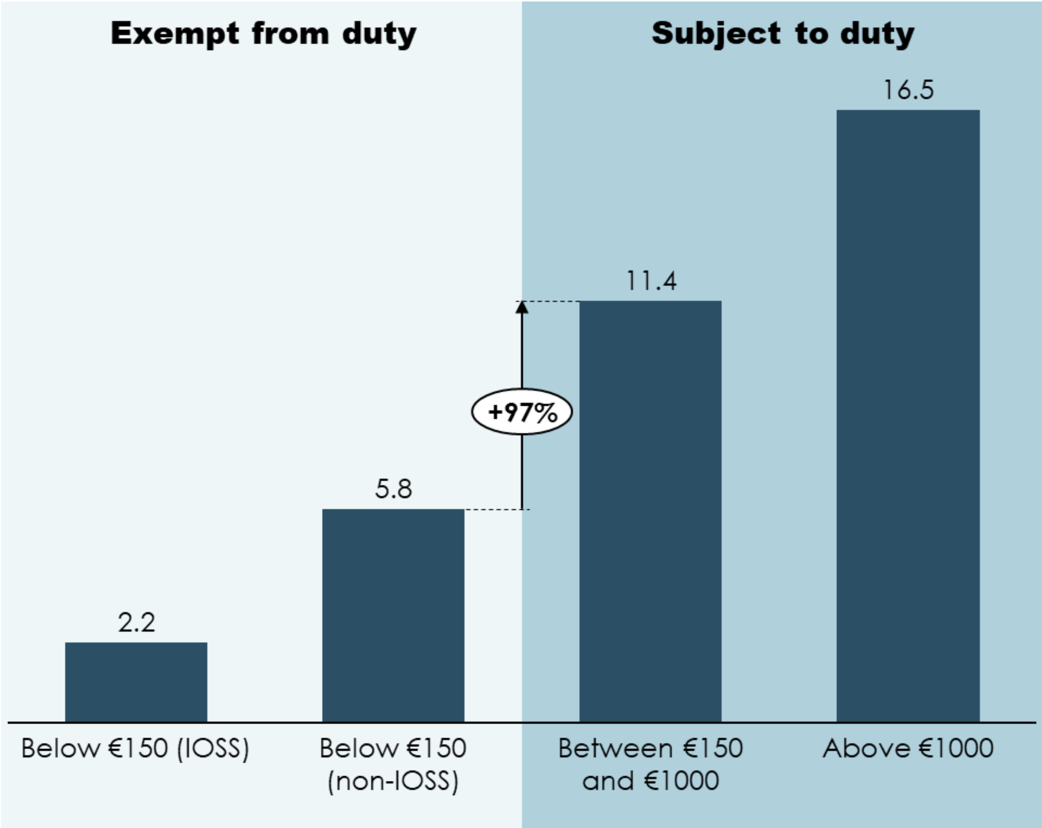
42 Appendices 21A, 21F and 21H from https://www.gov.uk/government/publications/appendix-21-import-declaration-category-data-sets

storage time, costs to contact recipients and manual data entry (either performed by the recipients themselves or by operators, depending on the country).

Whether the extra time and cost falls more on customs agents vs operators/brokers vs consumers, it all implies greater costs for society, which should be clearly identified and measured as part of a comprehensive impact assessment of the de minimis removal.

The higher compliance costs for dutiable items for business operators are evident from the additional fee that postal operators charge the recipient for dutiable consignments. On average, EU postal operators charge the recipient an additional fee of 11.4 EUR for customs formalities regarding dutiable consignments above 150 EUR but below 1,000 EUR (the average fee is 16.5 EUR for goods valued more than 1,000 EUR). This is almost the double the size of the average of 5.8 EUR for duty-free consignments without the IOSS (the average is 2.2 EUR for duty-free consignments with the IOSS). The higher fees for dutiable consignments charged to recipient are likely to reflect the underpinning differences in the costs incurred.

Figure 11
Postal operators' customs formality fee is on average twice as large for consignments above the de minimis threshold
Postal operators' customs formality fee, EUR



Note: We exclude operators with missing information in one or more of the fee categories. Only 9 operators out of 22 charge a handling fee for IOSS consignments. For operators who charge multiple different fees for different customs-related services, we add these fees together. In **Figure 23** in the Appendix, we show the difference in fees below and above the de minimis threshold for all 22 operators included in our analysis.
Source: Copenhagen Economics, based on information gathered by the European Commission in June 2022, available here: https://taxation-customs.ec.europa.eu/document/download/b18f2be3-076f-4eb6-9fa2-368461e91d11_en?filename=Information%20postal%20fees%20for%20publication%20final.pdf

The exact operation for the customs clearance process does, however, differ between different postal operators across the European Union. In some countries, postal operators have a very active role in the customs clearance process, where they submit the customs declaration and advance their duties on the behalf of the recipient (charging a service fee). In other countries postal operators might redirect consignments to a customs office and notify recipients that are then responsible of complete clearance themselves. This also implies that the average fees cover large differences between individual EU postal operators. While some charge an additional fee of up to 32 EUR (or up 50 EUR if we consider consignments valued more than 1,000 EUR), other postal operators do not charge any additional fee for the customs formalities regarding dutiable consignments. In **Figure**

23 in the Appendix, we show the differences in fees for each of the 22 operators included in our analysis.
The expectation that dutiable consignments incur higher compliance costs for business operators is also corroborated by the IA's own evaluation. The IA implicitly assumes that the compliance cost for business operators for dutiable consignments are around 30-50 EUR higher than duty free consignments. As explained above, the H1 and I1 are the two current declarations used for dutiable items, where the IA assumes a cost per declaration for H1 of 58 EUR and 44 EUR for an I1 declaration, see Chapter 2.1.1. In comparison, the IA assumes a cost per declaration 5-15 EUR for duty-free consignments using the H7 declaration.

We note that the IA's assumed cost per declaration is estimated among all actors in the value chain. Thus, the IA's additional cost for dutiable consignments of 30-50 EUR cannot directly be compared to the additional fee of 6 EUR postal operators charge the recipient.

The compliance costs for customs authorities are likely to increase following the removal of de minimis

Similar to business operators, customs authorities are likely to incur higher compliance costs for dutiable consignments compared to duty-free consignments. The reason is that customs authorities face a more complex revenue collection (i.e. duty or tax) schedule when verifying customs declaration, when consignments are dutiable. A large part of the verification process is implemented by IT systems. However, the maintenance cost of these IT-systems will, everything else equal, be higher as they need to be able to handle more complex data sets, up to three times the size of the data sets used for duty-free items. Moreover, some verifications concerning missing or incomplete information may also require manual inspections, which would also increase the cost for customs authorities.

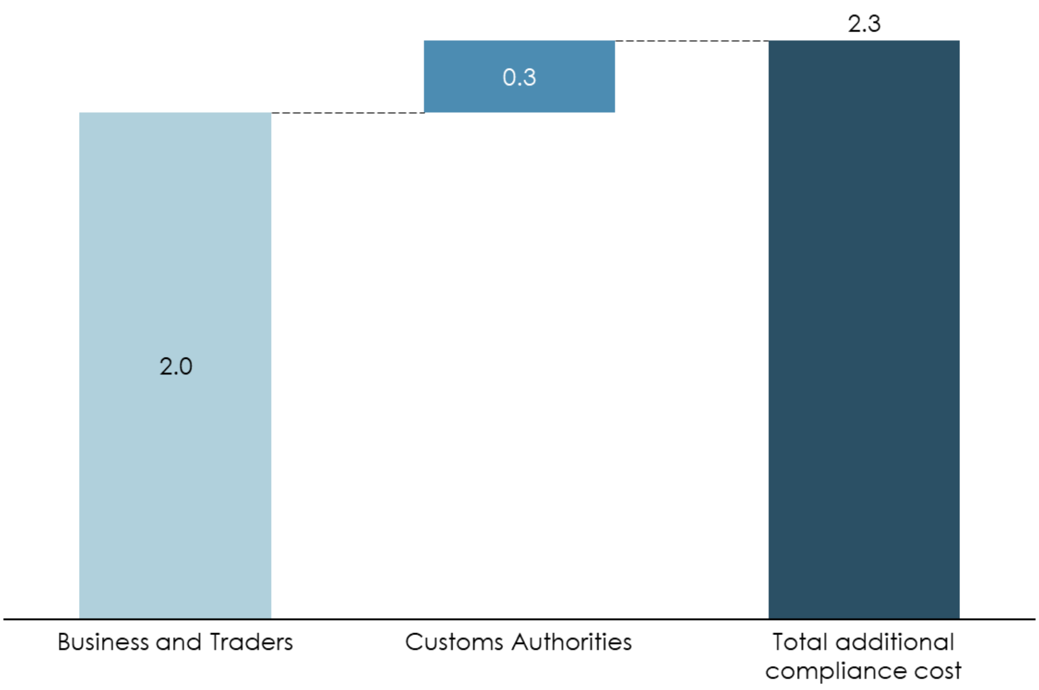
2.2.2 We estimate an increased operational cost for business operators and customs authorities of 2.3 billion EUR from de minimis removal

In this section, we quantitatively assess the potential change in business operators and customs authorities' compliance cost following the de minimis removal if no other policy changes are implemented. Specifically, we model the costs impact under the assumption that it would no longer be possible to use the H7 declaration to declare non-IOSS consignments as the H7's SRDS does not contain the necessary information to calculate and collect duties. Instead, we assume that these consignments would need to use the H1 or I1 declarations instead.

We estimate an increased operational cost for business operators and customs authorities of 2.3 billion EUR from de minimis removal without any other policy changes, see Figure **12**. The cost among businesses operators is estimated to increase by 2.0 billion EUR annually, while it is estimated to increase by 0.3 billion EUR annually for customs authorities. We note that these estimates and the share of costs between business operators and customs authorities might vary greatly across EU member state. The reason is that each member state may make different operational changes in its customs declaration process if all consignments are dutiable, as processing of customs declarations is implemented differently across the EU[43] .

The estimated cost effects are likely to be a significant burden for business operators. To put the estimated cost effect into perspective, the 2.0 billion cost increase for business operators corresponds to 10 percent of the IA's assumed total baseline compliance cost for import procedures of business operators. Similarly, the estimated cost increase of the de minimis removal corresponds to 55 percent of the IA's estimated cost savings from the entire policy reform in option 4.

Figure 12
Removing de minimis may cause additional costs for 2.3 billion EUR for businesses, traders, and customs authorities
Billion EUR



Source: Copenhagen Economics

We note that the estimated cost effect for business and traders are driven by the IA's assumed higher average cost per I1 and H1 declaration of 31-45 EUR compared to the average H7 cost of 15 EUR per declaration without IOSS. The cost difference can to some extent be explained by the fact that low value consignments can be released on the basis of a "consolidated declaration" as no duties are needed to be calculated. In contrast, dutiable items must be declared individually.

43 (European Parliament, 2022)

In the Appendix, we present additional estimates for a more conservative scenario and a less conservative scenario, considering the extreme cases of adopting either I1 or H1 procedures for all non-IOSS H7 consignments, respectively.

The costs could possibly be even higher than the estimated cost of 2.3 billion EUR. In this estimate, we take a very conservative step of assuming that there will be no operational or data changes needed (and thus no cost impact) for the current H7 declaration under the IOSS system. IOSS is a highly automated digital system that requires upfront digital customs declaration, and it is premised on sufficient data for the current VAT compliance purposes. However, it is not demonstrated that the current IOSS system is fit for purpose to enable automated customs duties collection.

In other words, it is uncertain if and how IOSS will facilitate customs duty collection. Thus, we cannot exclude that there will be changes (and cost increases) needed to modify the IOSS-system to be able to calculate and collect duties.

Even considering a very small increase in the cost per IOSS H7-consignment, it would still result in a high total cost due to the significant (and increasing) volume of IOSS H7 declarations, amounting to 915,560,000 declarations in 2021 according to the IA.

To estimate the potential cost increase, we follow the IA's approach of assuming a relative change in the cost per declaration. For instance, the IA assumes that the cost per declaration for an IM-standard procedure would decrease by 2% in its cost estimate for policy option 1, which is their most conservative cost saving estimate. Applying a similar conservative cost change, we estimate that businesses and traders would incur additional costs of around 100 million EUR if all IOSS H7 would undergo a 2% operational cost increase.

The sensitivity of cost impacts is high due to the very high number of low value consignments being processed via IOSS. For instance, if the operational cost is 10% instead of 2%, the additional costs for businesses and traders would be 464 million EUR annually.

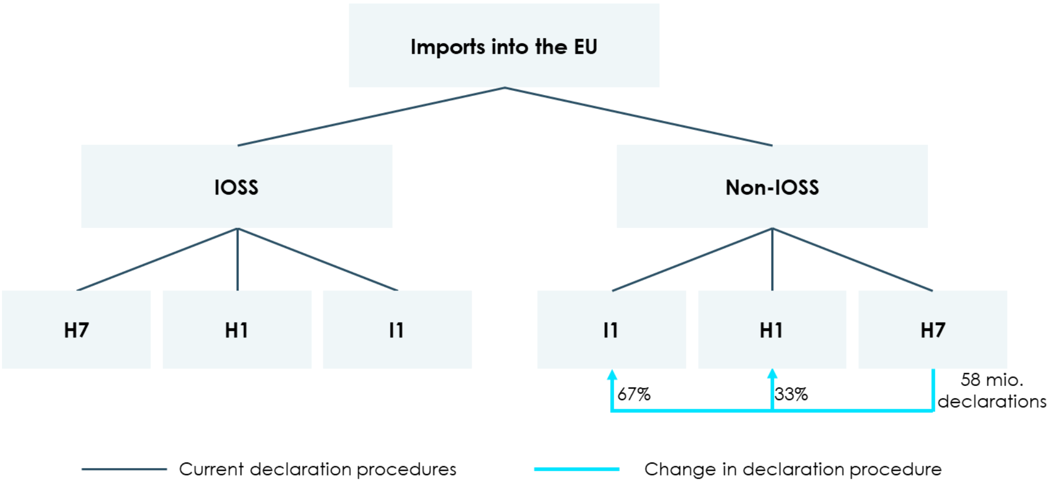
We finally note that the estimated cost effects are to be considered while keeping everything else equal, meaning without any other elements of the Customs Reform. The IA argues that these elements will reduce the cost for business operators and customs authorities due to efficiency gains. If these efficiency gains ease the customs declarations for low value consignments, these could potentially reduce the cost of removing the minimi. However, the IA provides insufficient information to assess how and to what extent low value imports, taken alone, would be impacted by these gains. For this reason, we focus our attention and analysis solely on the impact of de minimis removal.

In the rest of the section, we detail the methodology and inputs behind our cost estimates for business operators and customer authorities, respectively.

We estimate a 2.0 billion EUR increase in compliance costs for businesses and traders

To estimate the increased annual compliance costs for businesses and traders from de minimis removal without any other policy changes, we model a scenario where non-IOSS H7 declaration would change to the more detailed H1 and I1 declarations, see Figure **13**. This scenario is referred to as the hypothetical counterfactual scenario. The hypothetical counterfactual scenario serves the purposes of being able to identify the isolated effect of the de minimis removal, when no other policy changes are implemented.

Figure 13
The removal of the de minimis threshold could imply that non-IOSS H7 declaration would be replaced by H1 and I1 declarations if no other policy changes are implemented



Note: Illustrative. The graph illustrates the theoretical impact of de minimis removal on current declarations.
Source: Copenhagen Economics

To estimate the cost effects of removing the de minimis, we compare the compliance cost between the current scenario today with the compliance cost in the hypothetical counterfactual scenario. The change in the total compliance costs directly corresponds to the cost effect of removing the de minimis, as this is the only difference between the current situation and the hypothetical counterfactual scenario.

To estimate the total compliance cost in the two scenarios, we apply the IA's assumed cost per declaration for the different types of declaration procedures through three steps.

Step 1: Match IA "procedures" with customs declarations to get unit cost per declaration type

The IA's classification of import procedures differs slightly from the six overall types of declaration procedures. To apply the IA's assumed cost per declaration, we match the *IA "procedures"* with customs declarations*:*

- "IM standard" corresponds "H1"
- "IM simplified" corresponds "I1"
- "IM eCommerce (no IOSS)" corresponds "non-IOSS H7 declarations."
- "IM eCommerce" corresponds to "OSS H7 declarations."

Based on this matching, we obtain an estimate for the unit cost for the different types of declarations, see Table 4. The IA does not distinguish "IM standard" and "IM simplified" between IOSS and non-IOSS. In our model, we therefore assume that the cost per H1 and I1 declaration is the same for IOSS and non-IOSS.

Table 4
Number of declarations and costs per declaration from the IA

Import procedure	Declaration type	The IA's assumed unit costs (businesses and traders) (EUR)
IM standard	H1	58.45
IM Simplified	I1	44.20
IM eCommerce (no IOSS)	Non-IOSS H7	15.21
IM eCommerce	IOSS H7	5.07

Source: IA, page 223-227

Step 2: Calculate number of non-IOSS H7 declarations that will use H1 or I1

In 2021, there were 58,440,000 non-IOSS H7 declarations. In our expected scenario following the removal of the de minimis, these declarations will be either H1 or I1.

We assume that non-IOSS H7 declarations will move to using either H1 or I1 declarations according to the relative proportions of H1 and I1 declarations today. According to the IA, in 2021, the number of H1 declarations was 99,955,389 while there were 206,697,268 I1 declarations.

Thus, we estimate that 33% (approx. 19 million declarations) of the non-IOSS H7 declarations that will use the H1 and 67% (approx. 39 million declarations) will use the I1 declaration, see Figure 13.

Step 3: Calculate additional compliance costs

As the final step, we calculate the estimate compliance cost for businesses and traders between the two scenarios for the current number of non-IOSS declarations:

- **Current scenario**, we estimate a compliance cost for non-IOSS H7 declarations of 0.9 billion EUR (#58 million declarations × 15.21 EUR per declaration).
- **Counterfactual scenario**¸ we estimate a compliance cost of the previous non-IOSS H7 declarations of 2.9 billion EUR (#19 million declarations × 58.45 EUR per declaration + #39 million declarations × 44.00 EUR per declaration).

Calculating the difference in compliance cost between the two scenarios, we estimate an increase in compliance costs for businesses and traders of 2.0 billion EUR if the de minimis threshold is removed without any other policy changes.

We note that the estimated cost effect builds on the IA's assumed unit cost per declaration for H1 and I1 of 44-58 EUR per declaration.

We estimate a 0.3 billion EUR increase in compliance costs for customs authorities

To estimate the increased annual compliance costs for customs authorities from de minimis removal without any other policy changes, we follow the same approach as for business and traders. We model a hypothetical counterfactual scenario where non-IOSS H7 declaration would change to the more detailed H1 and I1 declarations.

That IA does not include any cost per declaration for customs authorities, but an aggregate cost estimate for the total cost of customs authorities in the current scenario. We use this aggregate cost estimate to model the customs authorities cost for each type of declaration by assuming that the relative size of the cost for each type of declaration is the same for customs authorities as for business operators.

Based on these extrapolated costs per declaration type, we can estimate the total compliance cost for the non-IOSS H7 procedures in the current scenario compared to the hypothetical counterfactual scenario.

Below, we describe how we calculate costs per declaration for customs authorities.

Step 1: Calculate ratio between total costs between customs authorities and businesses operators

We consider the status quo and calculate the ratio between the total compliance cost for customs authorities compared to business operators by estimating the total compliance cost in the current situation:

- **Customs authorities**: we estimate a total compliance cost of 3.9 billion EUR in the baseline scenario. This corresponds to the total FTEs employed in EU customs authorities in the IA's baseline scenario (82,699) multiplied by the annual average labour cost used in the IA to monetize FTEs (49,928 EUR per FTE).
- **Businesses and traders:** We use the IA's total compliance cost estimate in the baseline scenario of 27.4 billion EUR.

Thus, we estimate a cost ratio of nearly one to seven (3.9 billion EUR / 27.4 billion EUR = a ratio of 0.14) between customs authorities and businesses operators' compliance cost in the current scenario.

Step 2: Use cost ratio to calculate costs per declaration for customs authorities

We use the cost ratio of 0.14 to scale proportionately the unit costs for businesses and traders to get the unit cost per declaration for customs authorities, see Figure **14**. For example, we estimate that customs authorities' unit cost for a non-IOSS H7 declaration will be 2.2 EUR under the assumption that corresponds to 0.14 of the unit cost for business operators.

This approach builds on the assumption that the costs per declaration follow the same pattern for businesses and traders as for customs authorities. For instance, we assume that H1 declarations are around four times more costly than non-IOSS H7 declarations for customs authorities. Importantly, it should be noted that the relative scale of costs for businesses and customs authorities may vary greatly from country to country, depending on the allocation of responsibilities in relation to customs declarations and customs formalities, especially with missing or incomplete information.

Figure 14
Costs per declaration for customs authorities

Source: Copenhagen Economics

Step 3: Calculate additional compliance costs

As the final step, we calculate the estimate compliance cost for customs authorities the two scenarios for the current number of non-IOSS H7 declarations as described under the cost for business operators:

- **Current scenario**, the IA estimates a compliance cost for non-IOSS H7 declarations of 0.1 billion EUR (#58 million declarations × 2.2 EUR per declaration).
- **Counterfactual scenario**¸ we estimate a compliance cost of the previous non-IOSS H7 declarations of 0.3 billion EUR (19 million declarations × 8.3 EUR per declaration + 39 million declarations × 2.2 EUR per declaration).

Calculating the difference in compliance cost between the two scenarios, we estimate an increase in compliance cost for customs authorities of 0.2 billion EUR if the de minimis threshold is removed without any other policy changes.

2.3 THE IMPACT ASSESSMENTS LIKELY OVERESTIMATES THE NET REVENUES FROM DE MINIMIS REMOVAL

In the IA, the Commission estimates the additional revenue from removing the duty de minimis threshold. We find that net revenues' estimates from de minimis removal could be overestimated as 1) the IA employs two different forecasts on number of declarations to compute costs and revenues and 2) specific additional compliance costs are overlooked in the IA.

The IA does not compare costs and revenues using the same number of declarations which result in biased evaluation of the net revenue

The IA gives the following description of how it calculates the additional revenue collected if the de minimis threshold is removed:

"*The calculation of the revenue collected is based on the projection of e-commerce evolution included in the Impact Assessment of the Commission proposal on the VAT in the Digital Age where the* ***total value of cross-border e-commerce consignments*** *from third countries is projected to increase from EUR 14 billion in 2014 to EUR 37 billion in 2029. The average customs duty rate considered in the estimation is 2.92% according to Commission data (Surveillance). Thus, 37 billion per 2.92% yields a collection of approximately EUR 1 billion per year, which is applied in all the options from the point in time when the system is in place to start the collection.*"[44]

By using a 2029 estimate, the IA accounts for the fact that e-commerce is expected to increase in volume. This contrasts with what is done in the analysis of costs for businesses and traders where the data on number of declarations used for calculation of projected costs is from 2021. Similarly, costs for customs authorities are estimated using annual average labour cost dating back to 2021 and do not consider salary increases in the timeframe considered.

As such, the IA is overestimating the net benefits of de minimis removal when comparing a smaller number of consignments on the cost side and a larger number of consignments on the revenue side of the equation. It is also unclear whether this increase in volume is factored in the calculations of the costs borne by customs authorities. The IA lacks sufficient detail to determine the volumes used for assessing increased customs clearance activities and other variable costs.

The IA has not compared the cost and revenue effects for the individual elements of the Customs Reform

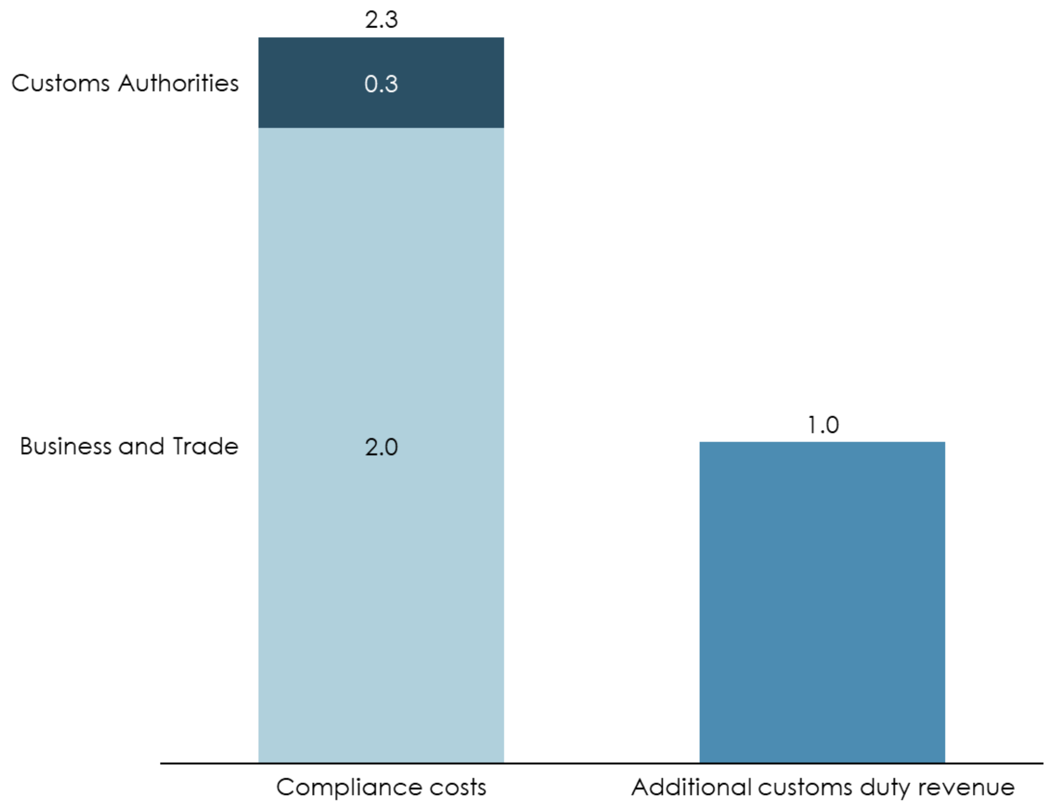
The IA lacks a direct comparison between costs and benefits directly linked to de minimis removal. The IA presents net revenues as "revenues from de minimis removal – overall costs of the entire policy package". As put forward at the beginning of this chapter, this is a significant shortcoming of the IA as it prevents from having a clear view of the net benefits (or costs) of this relevant policy measure.

[44] IA, page 53

We provide below (Figure 15) a direct comparison between the estimated costs associated with the de minimis removal and the corresponding expected revenues. Based on this comparison, we find that the net impact of removing the de minimis will be negative as the cost effects are higher than the revenue effects.

As mentioned in Chapter 1, the evaluation of a tax policy cannot be limited to the comparison of cost and revenues. This comparison does, however, indicate the de minimis removal itself does not contribute to the IA's estimated net cost savings of the entire policy reform. In other words, the cost savings of the Customs Reform are likely to be achieved even without the removal of the de minimis. On the contrary, this latter could potentially lead to higher costs.

Figure 15
Removing de minimis threshold in the current regulatory framework could entail high compliance costs that could potentially exceed the estimated revenues
Billion EUR



Source: Copenhagen Economics

2.4 THE IA FAILS TO QUANTIFY THE ADDITIONAL COSTS THAT WILL BE PASSED ON TO CONSUMERS

In Chapter 1.3, we show that economic literature indicates that EU consumers are likely to incur increased costs if the duty de minimis threshold is removed. *First*, due to the cost increase directly associated to the customs duty to be paid on low value consignments. *Second*, upstream businesses (e.g. e-commerce platforms, carriers, postal operators) are likely to pass some or all of increase in compliance costs they face on to consumers if the de minimis is removed. *Third*, imports being subject to customs duty could weaken the competitive pressure domestic businesses face, which would allow them to increase prices.

The IA does not quantify the costs for consumers if the duty de minimis threshold is removed. According to the Commission, this crucial part of the impact analysis is not considered because "A robust quantification of the baseline is not possible in this domain as the charges are not systematically published, and the underlying patterns have been temporarily distorted by the COVID 19 pandemic. Consequently, no specific cost estimate is prepared for citizens and consumers."[45]

This is a significant shortcoming of the analysis, made even more salient by the fact that the IA recognises that removing the duty de minimis threshold may lead to increasing, but undetermined, costs for consumers: "The removal of the EUR150 customs duty threshold may create a slight upwards price pressure for consumers of goods worth below that amount."[46] The IA adds that, according to survey evidence, for 40 percent of respondents "a price increase of about 5% will not at all change incentive to order online from outside the EU, provided that the increase in the price can be paid at checkout".[47] Nevertheless, these statements are not further developed in the IA and the evolution of prices and consumption patterns are not examined by the Commission.

In the rest of this section, we explore the potential impact on consumers from removing the duty de minimis threshold. We estimate the burden that this reform could have on EU consumers and present the findings from similar studies and analyses.

Customs duties on low value goods will be paid by EU consumers via higher prices on imported goods up of to 19.1 EUR per item

Following the removal of the duty de minimis threshold, EU consumers buying online and thus receiving low value consignments from abroad would need to pay (directly or indirectly) customs duty on all goods. Under the assumption that the increase in duties from removing the duty de minimis is passed through fully to consumers, we estimate that **European e-commerce consumers**, who purchase goods from outside the EU, **could face an average annual cost increase that could go from 10.6 to 19.1 EUR**. The calculation is summarised in Figure **16**.

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45 IA, page 231
46 IA, page 105
47 Ibid.

Figure 16
Having to pay customs duty on low value goods will increase prices for EU e-commerce consumers

Note: To calculate the number of EU e-commerce consumers who purchase goods from outside the EU, we multiply the EU27 population (449 million) by the share of individuals who report to have purchased goods online from sellers either of non-EU (11.6%) or unknown origin (9.4%). We note that these estimates consider only EU consumers purchasing online as those affected by the removal of the de minimis threshold. They do not account for consumers receiving low value consignments through other channels.

Source: Copenhagen Economics based on Impact Assessment and Eurostat data

Our assumption that the costs are passed through fully to consumers is supported by the economic literature, where several papers have demonstrated complete pass-through of duties to import prices.[48] The Australian Government Productivity Commission's report on extending GST to low value imported goods[49], assumed that the tax burden would have been passed on entirely to consumers. Following the extension of GST, which is a 10% value-added tax, to low value goods, the Productivity Commission expects that "Australian consumers will face prices for low value imported goods that are around 10 per cent higher." Thus, they expect that consumers will end up paying all of the additional customs duty levied on low value goods.

To calculate the additional costs for EU e-commerce consumers, we use the IA's estimate for the additional customs duty revenue if the de minimis threshold is removed, amounting to 1 billion EUR annually. The IA calculates these "revenues from de minimis removal" by multiplying an estimate for the total value of e-commerce in the EU by 2029 – 37 billion EUR – by the average customs duty rate – 2.92%.[50]

Then, we calculate the additional cost per e-commerce consumer by dividing the 1 billion EUR by the number of EU consumers who purchase goods from outside the EU online. To calculate the number of EU e-commerce consumers who purchase goods from outside the EU, we multiply the EU27 population (449 million[51]) by the share of individuals who report to have purchased goods online from sellers either of non-EU (11.6%) or unknown origin (9.4%)[52]. Due to the way the survey results are presented, we cannot simply add together these two shares. We therefore calculate a range of values for the number of EU e-commerce consumers who purchase goods from outside the

48 See for instance (Ahn, Dabla-Norris, Duval, Hu, & Njie, 2016), (Fajgelbaum, Goldberg, Kennedy, & Khandelwal, 2019).
49 (Productivity Comission, 2017)
50 IA, page 53
51 EU27 total population in 2023, 448,735,823, from Eurostat (demo_pjan).
52 Percentage of EU27 individuals who purchased online by origin of seller, 2023, Eurostat (isoc_ec_ibos).

EU. In particular, we use 11.6% as the lower bound, and the sum of 11.6% and 9.4% as the upper bound. In this way:

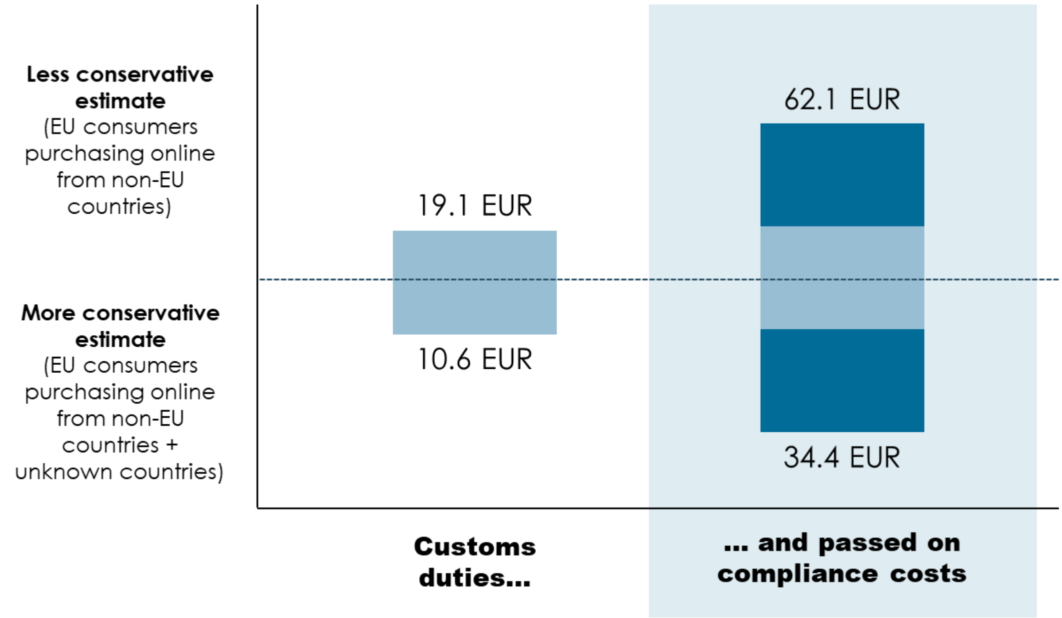
- We include the unknown category to ensure that our estimate is conservative – if a large part of the "unknown origin" sellers are outside the EU, leaving the category out would lead us to underestimate the number of EU e-commerce consumers who purchase goods from outside the EU.
- Because some individuals may have reported that they had purchased goods both from a non-EU seller, and from a seller of unknown origin, we use the range to account for the fact that double counting may have occurred.

EU consumers might experience annual price increases of 62.1 EUR, insofar as increased operational costs are passed on to them

Customs duties are the most visible cost factor that would impact consumers receiving a low value consignment from outside the EU. However, the final price could further increase to the extent that actors in the value chain might pass on to consumers the higher operational costs they would incur. The recent surge in inflation with rising input costs (fuel, electricity, fertilizers, costs of shipping) has demonstrated to EU consumers how increasing costs throughout the value chain can translate into higher prices on store shelves. Similarly, increasing costs borne by vendors, postal operators, couriers, and customs authorities caused by more burdensome customs formalities might be passed on to consumers, in the form of higher prices, services fees or general taxation to cover public services.

Figure **17** illustrates the potential annual increase in the final price paid by EU consumers for online purchases from third countries, factoring in the rise in value chain costs. If the additional compliance costs of 2.3 billion EUR, which we estimated in Section 2.2, were to be fully passed on to 52 million consumers, prices could rise to 62.1 EUR.

Figure 17
De minimis removal could entail price increases amounting to 62 EUR per EU online shopper per year



Note: The "Customs duties" part of the figure only considers the increase in final price related to the customs duty to be paid by consumers. The second part of the figure, "… and passed on compliance costs" further adds the increased compliance costs incurred by business operators and customs authorities due to increased complexity in customs clearance process (see section 1.2.1 and Figure 1). In the Appendix, we present a lower bound (more conservative) and upper bound (less conservative) option, depending on whether we consider as impacted consumers only those who reported buying from non- EU countries, or those who reported buying from non-EU + unknown countries.

Source: Copenhagen Economics based on Impact Assessment and Eurostat data

These estimates are in line with evidence presented in the recently published paper "The Value of de minimis import" by Fajgelbaum and Khandelwal.[53] Looking at the US market, Fajgelbaum and Khandelwal find that eliminating the de minimis would reduce aggregate welfare by 11.8-14.3 billion USD, yielding a consumer loss of 35 USD per person. Moreover, the study finds that removing de minimis would disproportionately hurt lower-income and minority consumers. Box 2 below provides a short overview of the study. A closer examination of the impact of the removal of the de minimis threshold and inequality is beyond the scope of this study, but, as anticipated in section 1.3.2., it should be pivotal for policymakers to be informed on the tax incidence.

[53] (Fajgelbaum & Khandelwal, 2024)

Box 2 Recent study on the US market finds that de minimis removal would reduce consumer welfare and hit disproportionately lower-income and minority consumers

In “The Value of De Minimis Imports” Fajgelbaum and Khandelwal examine the economic and distributional impacts of removing de minimis in the US utilising data from global carriers and US Customs.

The research finds that low-income and minority consumers disproportionately benefit from low-value, duty-free consignments. These consumers tend to make more frequent use of de minimis imports, leveraging the savings on tariffs and cheaper prices that stretch their purchasing power.

The authors estimate that eliminating the de minimis threshold would result in a welfare loss of 11.8-14.3 billion USD annually, primarily affecting the most economically vulnerable parts of the population. This estimation assumes complete pass-through of the tariffs following the findings of recent literature on tariff pass-through rates.

In conclusion, Fajgelbaum and Khandelwal's analysis underscores the importance of de minimis imports in the modern economy, particularly for low-income consumers. The authors find that consumer costs in the poorest zip codes would rise 24.8% more that the aggregate.

The findings suggest that maintaining the current de minimis threshold is crucial for preserving the economic welfare of these consumers and avoiding significant welfare losses that would result from policy changes.

Source: (Fajgelbaum & Khandelwal, 2024)

Our assessment is limited to the direct costs that could fall on EU consumers and thus provides conservative estimates of the overall impact as it does not quantify other relevant channels through which consumers might be negatively affected following the removal of de minimis. For instance, a reduced competitive pressure on domestic retailers, might fuel further increases in prices. A recent paper published by the Commission, stresses the importance of openness to trade to maintain the competitiveness of domestic businesses and to keep markups low (and thus lower prices).[54]

Finally, it is important to note that EU consumers have seen rising prices and their purchasing power reducing in the past four years. The European Central Bank[55], focusing on the impact of inflation estimated that in 2021-22 the welfare losses suffered by the median euro area household amounted to roughly 4% of disposable income – more than in a typical recession. A study prepared by Allianz[56], estimated that food inflation would cost the average European consumer an extra 243 EUR in 2022.

EU consumers value international trade because it gives them access to lower prices and better choices. Evidence from the latest Eurobarometer[57] suggests that Europeans place increasing (relative to pre-Covid and pre inflation crisis)[58] importance to wider choice and greater affordability of imported products. Eliminating de minimis would make international trade costlier for consumers and could significantly reduce their welfare.

54 (European Commission, 2024d)
55 (Pallotti, Paz-Pardo, Slacalek, Tristani, & Violante, 2024)
56 (Allianz, 2022)
57 The Eurobarometer is the polling instrument used by the European Commission, the European Parliament and other EU institutions and agencies to monitor regularly the state of public opinion in Europe on issues related to the European Union as well as attitudes on subjects of political or social nature.
58 In 2024, 55% of respondents indicated "wider choice for consumers" as reason why they benefitted from international trade, 40% indicated "imported products are cheaper". These shares were 54% and 36% in 2019, respectively. (European Commission, 2024e)

CHAPTER 3

BROADER AND ADDITIONAL CONSIDERATIONS ON THE IMPACT ASSESSMENT

In this chapter we outline additional considerations stemming from the analysis of the Impact assessment. We focus on two important benefits unlocked by the Customs Reform: enhanced consumer protection and environmental sustainability.

First, we show that the goal of strengthening consumer protection by improving security and safety controls is not linked to the removal of the de minimis threshold (Section 3.1). Second, we highlight that the Impact Assessment does not properly quantify the channels and magnitude of the anticipated environmental benefits (Section 3.2). Lastly, we explore the timing of the expected reform and emphasise that potential implementation delays in the IT upgrade and accompanying simplification measures set out in the Customs Reform could affect its effectiveness. (Section 3.3).

3.1 DE MINIMIS REMOVAL *PER SE* DOES NOT DIRECTLY CORRELATE WITH ENSURING AND STRENGTHENING CONSUMER PROTECTION

One of the most important goals of the proposed Customs Reform is strengthening consumer protection by improving controls on goods entering the EU. According to the European Commission, the reform will enable customs to be "better equipped to protect the security and safety of all EU citizens".[59] A number of measures related to cross-border and cross-authority cooperation, implementation of advanced digital solutions is set to be employed to support achieving this important goal.

We note, however, that the removal of the de minimis threshold is not per se linked to this objective. **That is the removal of the de minimis threshold does not directly result in better options to ensure and strengthen consumer protection**.

According to the IA, "customs are the 'first line of defence' to protect EU citizens against non-compliant, dangerous, or counterfeit goods from third countries".[60] The IA also notes that "a systematic EU-wide improvement in the detection of harmful supply chains" will contribute to a better and more visible protection.[61]

For this reason, "improving detection of non-compliant imported products" is one of the objectives that is expected to be closely monitored following the reform using two indicators of success:

- Number of supervision strategies with other authorities (in charge of e.g. antifraud, market surveillance, food, animal and health protection, product safety)
- Number/value of seizures

It is important to note that some commentators have loosely linked the de minimis threshold to the safety of products and customs inspections.[62] However, the presence of the de minimis threshold does not grant a "control-free" process for low value consignments. Customs authorities already rely on risk management techniques to perform inspections aimed at ensuring consumer protection, targeting goods that threaten security and safety, regardless of the intrinsic value of the consignment.

While the Wise Person Group report states that "evidence also suggests that the probability that small consignments will contain non-compliant or dangerous goods is very high"[63], the IA and Proposal for regulation do not consider this evidence nor link the value of consignment or the level of the threshold to inspection and consumer protection. Further, we note that the Wise Person Group report does not include any source of quantitative evidence to support the above statement.

PostEurop, in its Position Paper on the EU Customs reform[64], commented "the Proposal wrongly justifies the proposed removal of the customs duty de minimis of EUR 150, on the basis of a lack of

59 (European Commission, 2023a)
60 (European Commission, 2023a), page 6.
61 (European Commission, 2023a), page 105.
62 (Reuters, 2024)
63 (Wise Person Group on the Reform of the Customs Union, 2022)
64 (PostEurop, 2023)

compliance. This is completely misleading". The paper adds that customs authorities apply multiple risk criteria, which allow them to detect fraudulent shipments, and that, de minimis is not the remedy to ensure compliance.

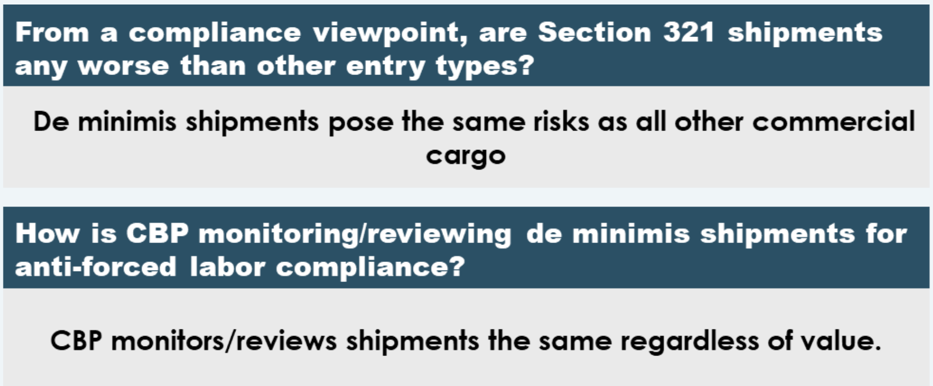
Moreover, the US experience appears to corroborate the lack of evidence in this regard (see Box 3).

Box 3 The experience of the US shows that de minimis does not lead to low levels of compliance

In the United States, statistics from the Customs and Border Protection (CPB) on de minimis shipments for the years 2018-2021[65] showed that de minimis shipments do not contribute significantly to the flow of illegal goods entering the United States: in 2021, just over two in every 10,000 de minimis shipments were either abandoned, returned to the sender, or seized due to the goods being illegal.

More recently, the CBP confirmed that de minimis shipments are inspected at the same rates as higher-value shipments (see Figure **18** below).

Figure 18
Inspections and compliance are not linked to de minimis exemptions



Source: CBP, "De Minimis Webinar Frequently Asked Questions (FAQs)." July 18, 2023, questions 11 & 16.

[65] (U.S. Customs and Border Protection, 2022)

The Customs Reform is expected to boost existing inspections techniques, favouring collaboration between customs authorities at the EU level, allowing them to pool resources and expertise and exchange information in real-time, for more efficient controls at the EU's border. National authorities will have access through the EU Customs Data Hub to comprehensive, real-time information, which allow them to focus inspections and actions where it is needed most.

Reducing complexity of the customs clearance process is the first step to free up resources and allow customs authorities to focus on their critical functions, such as:

- anti-fraud activities
- addressing product safety and intellectual property violations; and
- supply chain security.

The de minimis exemption helps reduce red tape significantly, by making the customs clearance activities less complicated and burdensome. This helps freeing up resources for higher impact interventions aimed at ensuring consumer protection. In contrast, the removal of the minimis could take time away from staff at the customs authorities if they need to spend more time checking the intrinsic value of consignments. Time the staff otherwise could have spent and stopped unsafe, illegal, and dangerous goods from entering the EU.

Many of the proposed measures in the Customs Reform will drive an enhanced, more efficient and more effective inspection process that will benefit European consumers. However, **removing de minimis is not part of these measures and is not linked to an improvement in border control.**

3.2 ENVIRONMENTAL SUSTAINABILITY BENEFITS ARE NOT QUANTIFIED IN THE IMPACT ASSESSMENT

The Customs Reform cites, among the benefits of the reform package, the environmental sustainability benefits. The goal is meritorious, but we identify two logical flaws. *First* (as in the case of the consumer protection aim) most of the benefits are not linked to de minimis removal. *Second*, for the benefits that the IA links to the de minimis removal, there is no documented evidence of the drivers nor quantification of the scale of the impact.

The IA refers to high-level environmental benefits that the customs reform is expected to enable: “The reformed customs processes including potential new requirements on environmental compliance could foster the transition towards a green economy and investments in the circular economy, such as making transport infrastructure networks sustainable so as to drastically reduce greenhouse gas emissions and reduce the dependency of the transport sector on fossil fuels.”[66] These advantages are related to the bundle of measures and reforms, and cannot be specifically attributed to the removal of the de minimis threshold per se.

Additionally, the IA underlines that the removal of de minimis could have positive impacts on sustainability by providing an incentive to reduce splitting of consignments. The IA states that “This

66 IA, page 110.

conclusion was in line with the recommendations of the Wise Persons Group that claimed in its report that the EUR 150 threshold provides the wrong incentives both in terms of trade (unfair competition) and of environmental sustainability (higher emissions footprint due to splitting of consignments), and therefore proposed its removal", and further adds that "Finally, the removal of the EUR 150 duty exemption will put an end to the practice of splitting orders of a high value into several consignments lower than EUR 150 to profit from the duty exemption, with the consequent positive environmental effect on transport emissions."[67]

However, the IA does not provide evidence or data of the estimated magnitude of the "splitting consignment" phenomenon, nor evidence of the impact on environmental sustainability (e.g., higher emissions footprint), nor evidence on the share of splitting consignments that can be linked to duty exemptions (e.g., products ordered may come from different fulfilment centres and warehouses).

In previous Impact Assessments that the Customs Reform's IA takes as reference, the ones related to the Toy Safety Directive and the Ecodesign Directive, the European Commission provides a quantification of the direct benefits related to, in the first case, the reduction of harmful chemicals and the reduction of non-compliant toys on the market[68], and, in the second case, achievable reduction in emissions and resource use thanks to the extension of the Ecodesign scope.[69]

The Commission leverages the results from the Toy Safety and Ecodesign impact assessments to quantify the benefits of the "harm-reduction" enabled by enhanced consumer protection and security and safety checks. This means that the IA links environmental and societal benefits directly to consumer protection, a primary objective of the overall reform.

At the same time, the IA lacks a quantification of the environmental and societal benefits that may be achieved by the de minimis removal. Thus, even though the IA claims that there are "[…] positive environmental effects on transport emissions"[70] from removing the de minimis threshold, the absence of a quantification leaves much to be learned about the drivers and magnitude of these supposed positive environmental effects.

3.3 THE TIMING FOR THE IMPLEMENTATION OF THE IT UPGRADE MIGHT NOT BE REALISTIC

The removal of the customs de minimis threshold is only one out of many changes in the proposed customs reform. However, the expected revenues from the removal of the duty de minimis play a

67 IA, page 54.

68 In the Commission's Impact Assessment on Toy Safety, the social and economic benefits attributed to improvements in human health are evaluated and quantified. Building on the results of an extensive analysis, the Toy Safety Impact Assessment concludes that banning harmful substances in toys (specifically endocrine disruptors) "[…] would have considerable health benefits (EUR 240 million to EUR 1.2 billion per year) in terms of avoided health damage." (European Commission, 2023b), page 42.

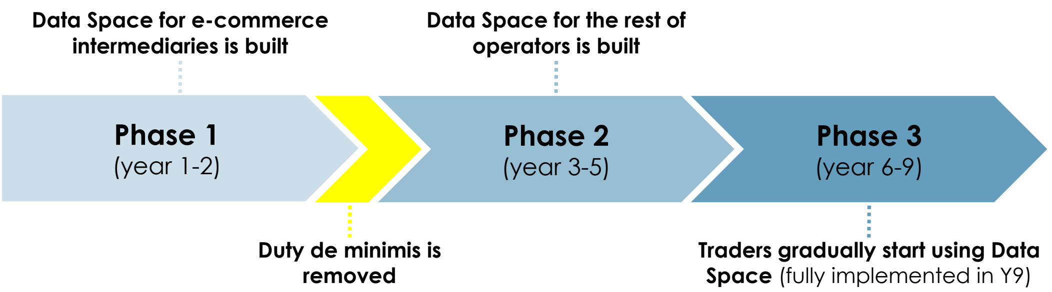
69 In the Commission's Impact Assessment on Ecodesign requirements for sustainable products, the Commission quantifies the environmental impacts of the proposed initiatives, both in terms of the reduction of GHG emissions and the associated monetary value. For instance, under what they deem "optimistic assumptions", the initiatives "[…] would reduce GHG emissions by around 475 Mt CO2e. Assuming a shadow price of EUR 100 per tonne CO2e, the GHG savings would have a monetary equivalent of around EUR 47 billion per annum." (European Commission, 2022a), page 472-473.

70 (European Commission, 2023c), page 54.

critical part in the Commission's plans for the implementation of the reform. As 75 percent of the revenues from customs duties accrues to the EU's budget, duties on low value consignments are a source of revenue for the EU to unlock other costly measures of the Customs Reform.

In essence, the Commission plans to finance the implementation of central parts of the reform, such as the EU Customs Data Space and the EU Customs Authority, using the additional duty revenue expected to accrue to the EU budget when the de minimis threshold is removed. Naturally, this creates a strong incentive to remove the de minimis threshold as quickly as possible such that the centrepieces of the reform – the Data Space and the EU Customs Authority – can get to deliver their many benefits to European consumers, businesses, customs authorities. Therefore, as seen in Figure 19, the Commission plans to remove the duty de minimis threshold as soon as it has built "the seed of a Data Space for e-commerce" and undertaken "some preparatory activities to form the EU Customs Authority"[71]. The "rest of operators"[72] are expected to wait for as long as six years before they too can benefit fully from the large reductions in administration costs expected to be brought about by the EU Customs Data Space.[73]

Figure 19
Timeline for the implementation of the EU Data Space in Policy Option 4



Source: Copenhagen Economics based on page 71 of the IA.

This timeline could have notable impacts on e-commerce clearance process across the value chain. First, the meaning of "seed of a Data Space for e-commerce" is unclear, raising a potential risk that consignments below 150 EUR may need to be processed without significant improvements or simplifications in customs procedures. This might affect e-commerce operations for some time.

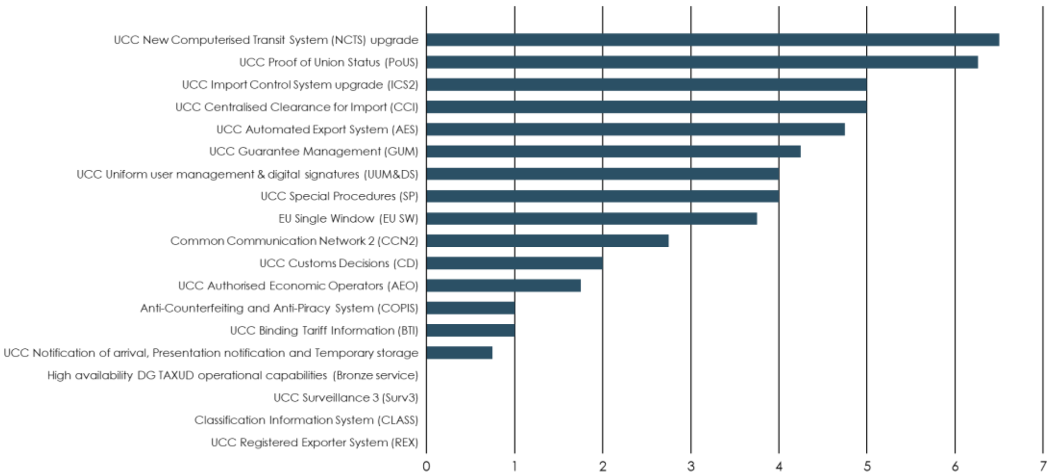
Second, because the Commission plans to remove the duty de minimis threshold before the EU Customs Data Space is fully implemented, non-e-commerce operators run the potentially very costly risk of having to deal with the full costs brought about by the de minimis removal for a long time should the Data Space be delayed.

71 (European Commission, 2023c), page 71.
72 This is the wording used in the IA. By the "rest of operators", the IA refers to non-ecommerce intermediaries. Thus, the "rest of operators" refers to operators such as non-e-commerce traders, logistics operators, postal operators etc.
73 This is seen on page 227 of the IA where, for policy option 4, the declaration costs for non-e-commerce reaches the full reduction in Y9, six years after the increase customs duty revenue (due to the de minimis removal) starts flowing into the EU budget in Y3.

The special report by the European Court of Auditors in 2018, "A Series of Delays in Customs IT Systems: What Went Wrong?"[74], provides evidence that this concern is well-founded. In a thorough analysis of key IT systems required by the Union Customs Code, the report finds that many of the IT projects will be delayed. Out of the 17 systems required for the full implementation of the UCC, the report finds that "seven of these IT systems will be fully delivered only after the 2020 deadline" and that "the delayed projects include key systems for the operation of core customs procedures (import, transit and export), or their upgrades."[75]

Figure 20 shows that most of the reviewed IT projects are delayed, many by several years. This naturally raises the concern the EU Customs Data Space – an IT project of extraordinary complexity – could be subject to the same large delays experienced in most of the recent EU customs IT projects.

Figure 20
EU customs IT projects are often delayed by several years
Years of delay compared to the initial planning



Source: (European Court of Auditors, 2018), Annex II

The IA foresees only three years for the IT upgrade necessary to run an effective customs processing and enable the removal of the de minimis threshold. However, this timing is not backed by evidence of previous IT upgrades requiring the same time. Conversely, evidence shows that such IT upgrades have been systematically subject to significant delays, that risk jeopardising the implementation of other measures, including the de minimis removal.

In conclusion, the IA does not consider alternative timeline options that could be more resilient to the risk of delays in the transformation of customs processes. This risk has already been identified by the European Court of Auditors in the very comparable setting of VAT reform implementation.

74 (European Court of Auditors, 2018)
75 (European Court of Auditors, 2018), page 15.

While the timeline might theoretically be considered secondary to the decision of whether to remove de minimis, its practical impacts can be significant.

CHAPTER 4

POLICY CONSIDERATIONS

In this chapter, we explore recent customs reforms in other countries such as Australia, New Zealand, the United States, and Canada. First, we outline how Australia has reformed its low value import regime, while maintaining a de minimis threshold (section 4.1). Then, we describe the increase in the de minimis threshold in the US (section 4.2). Finally, we present some considerations based on the experiences of these and other countries and on the impact that de minimis removal could have on EU firms' competitiveness (section 4.3).

Customs and trade policy for low value shipments is a potentially powerful tool to enable consumers in countries with high production costs access to low-cost imports. These high-cost countries may be incentivised to resort to trade-restrictive policies that limit imports to protect their high-cost manufacturers.

Following this logic, one would expect to see countries with high import shares from low-cost countries decrease their de minimis thresholds to decrease the competitive pressure their domestic producers face. However, in practice, we observe the contrary. Rather than decreasing their de minimis thresholds, countries such as Australia, New Zealand, the Unites States, and Canada, all characterised by a high import penetration from foreign low-cost competitors, have all either maintained or raised their duty de minimis thresholds in recent years.

The fact that such large, open economies, which are in many ways similar to the EU, have chosen to follow a completely different path in their customs policy demonstrates an important point: Lowering the de minimis threshold is not the only available way to achieve fair competition.

4.1 AUSTRALIA HAS REFORMED ITS LOW VALUE IMPORT REGIME, MAINTAINING A DE MINIMIS THRESHOLD

In July 2018, Australia reformed its low value imported goods (LVIG) regime, removing the Goods and Service Tax (GST) threshold on imported low value goods, while **keeping at 1,000 AUD the de minimis threshold for customs duties**. The reform was accompanied by a redesigned collection model that allows to streamline collection of GST and lowers the administrative burden. In its report "Collection Models for GST on Low Value Imported Goods" from 2017[76], the Australian Productivity Commission performed a thorough and solid analysis of the impact that this reform could have on prices and consumers. The analysis highlights that consumers bear the incidence of extending the GST on low value import, and that this measure can result on price increases that could go beyond the mere tax component, if the collection model entails significant compliance costs across the value chain.

The newly implemented 'vendor registration' or 'vendor collection' model imposes the obligation to collect and remit GST on the overseas vendors, rather than on the point of import. It achieves the stated objective of "improving tax neutrality between imported and domestically retailed low value goods"[77] by removing the GST low value threshold, while keeping costs of collection relatively low. In practice, foreign e-commerce vendors, re-deliverers, and electronic distribution platforms (EDPs), such as Amazon or eBay, collect the GST of 10% by goods below 1,000 AUD ordered by consumers in Australia. Only vendors that make sales in Australia for at least 75, 000 AUD a year need to register and charge GST, but, if foreign vendors below that threshold sell through EDPs, these latter must register for and collect GST on all taxable supplies made through their platform. Hence, no involvement by customs authorities is needed and collection costs are dramatically reduced.

This streamlined administrative process achieves the objective of tax neutrality and increased revenue collection and benefits the consumer as it minimises disruptions and burdens. [78] However, the commission also warned of consumers facing price increases equivalent or greater than the amount of the tax for low valued goods.

76 (Productivity Comission, 2017)
77 (Productivity Comission, 2017), page 2.
78 In 2021, a report prepared by the Board of Taxation reviewed the 2018 reform and concluded it to be a success in terms of GST revenue collection, and take-up of the LVIG by stakeholders (The board of Taxation, 2021)

> The legislated model should improve tax neutrality between imported and domestically retailed low value goods, and avoid major disruption for consumers when importing goods. However, the revenue collected is likely to be modest and will depend on the rate of compliance, for which no precise estimates are possible. Foreign suppliers will incur significant costs in complying with the legislated model and, as under any collection model, consumers will face higher prices.
>
> Source: (Productivity Comission, 2017), page 13.

Differently from the European IA, the Australian Government Productivity Commission's report from 2017[79] emphasized the impact on consumers, which was also analysed in detail in a previous assessment, conducted in 2011 (see Box 4). The 2017 report clarifies that "imposing GST on low value imported goods **inevitably leads to detrimental effects for consumers of those goods**"[80].

In the report, the Productivity Commission states that, as a direct consequence of extending the GST (10 percent tax) to low value imported goods, "Australian consumers will face prices for low value imported goods that are around 10 per cent higher." Hence, the Productivity Commission seems to suggest that the tax burden will be passed on entirely to consumers.

On top of this, the Productivity Commission adds that consumers could be further burdened by an increase in the prices of competing domestic products, which would benefit from reduced competition with imports.

Moreover, the Productivity Commission notes that another factor that could drive prices up is the increased complexity of compliance: higher compliance costs for the value chain (additional administrative complexity or border delays) would fall on consumers in the form of price increases.

79 (Productivity Comission, 2017)
80 (Productivity Comission, 2017), page 38.

Box 4 The Australian Government Productivity Commission carried out a thorough economic analysis of the impact of de minimis threshold removal on consumption patterns and prices

Back in 2011, the Australian Government Productivity Commission delivered a report on the "Economic Structure and Performance of the Australian Retail Industry".

What type of analysis was conducted?

In its analysis, the Productivity Commission models the impact of changing the de minimis threshold that applied to taxes and customs duties on demand and supply for imported goods destined for consumers and their domestic substitutes, as well as the revenue implications for the Australian government.

In the Productivity Commissions model, consumers choose between a range of goods (imports with a value below the de minimis threshold, domestic substitutes to these low value good, and other consumption) to maximise their utility while being subject to an expenditure constraint. The impact of price changes, resulting from changing the de minimis threshold, on consumer welfare is calculated as what is known as compensating variation – the amount of additional income that consumers require to reach their initial level of utility.

To ensure that the model captures the actual preferences of Australian consumers, the utility function is calibrated to the observed expenditure on the three types of goods: low value imports, domestic substitutes, and other consumption.

What were the results?

To ensure the robustness of the analysis and of the conclusions reached, the calculations were repeated for different levels of thresholds (AUD 0-500), different degrees of the elasticity of substitution, cross-price substitution, different supply elasticities, and different levels of collection costs per item (AUD 0-50).

Based on this extensive analysis across a large range of model parameters, the Productivity Commission concludes that **"[…] the modelling highlights that total collections costs are very large, especially when compared with the potential gains from lowering the LVT [de minimis threshold]"** (Appendix H, page 12), and that **"The net welfare effects of lowering the LVT [de minimis threshold] are usually negative, in large part due to the collection costs."** (Appendix H, page 12).

Source: Productivity Commission 2011, *Economics Structure and Performance of the Australian Retail Industry*, Report no. 56, Canberra. (https://www.pc.gov.au/inquiries/completed/retail-industry/report/retail-industry.pdf)

A key relevant feature of the above reform is that this joined-up customs and taxation reform package allows Australia to retain the de minimis threshold for duties, which avoids unduly adding frictions and inefficiencies to low value imports and does not impose additional burdens on the supply chain and final consumers. This choice is in line with the approach followed by the Australian Productivity Commission: "Competition from international retailers can be important in driving efficiency in the Australian retail industry."

Similarly to Australia, New Zealand has recently decided to implement a vendor collection model on GST, while simultaneously increasing its duty de minimis threshold.

Box 5 New Zealand increased its duty de minimis threshold from NZD 60 to NZD 1,000

New Zealand followed Australia in making overseas businesses who sell to consumers in New Zealand liable for registering for, collecting, and returning GST on low valued goods while simultaneously raising the duty de minimis threshold from NZD 60 to NZD 1,000. The aim of the reform, which entered into force 1 December 2019, was to streamline trade flows, reduce the administrative burden of the customs authority and ensure tax neutrality between domestic and foreign suppliers. The reform applies to overseas businesses, online marketplaces and re-deliverers who expect to provide supplies worth more than NZD 60,000 to consumers in New Zealand during a 12-month period.

Prior to the reform, in 2018, the New Zealand Inland Revenue Department assessed the impacts of changing the GST de minimis threshold in the report "Regulatory Impact Assessment: GST on low value imported goods"[81].

In the assessment, the benefits and costs for different parts of the economy are considered. For instance, in its assessment of the impact on consumers, the report finds that some of the tax burden would fall on consumers: "Consumers would likely pay more for imported goods that are currently below the de minimis. […] NZD 278m of additional GST imposed on NZ consumers over the forecast period (not discounted)." (page 37), and further notes that consumers might be burdened with the costs of compliance and reduced choice: "Suppliers' compliance costs may also be passed on to consumers in the form of higher prices (over and above the amount of the tax itself). There is also a risk that consumer choice may be adversely affected if suppliers cease to offer shipping of goods to delivery addresses in New Zealand." (page 3).

Lastly, it is worth mentioning that the assessment considered and compared two alternative de minimis thresholds, NZD 400 and NZD 1,000, and estimated for each of the two options the net revenue impact as well as their marginal impact on a range of criteria, including efficiency of compliance, fairness and equity, sustainability and neutrality, and certainty and simplicity.

Source: (Government of New Zealand - Inland Revenue, 2022)

[81] (Inland Revenue, 2018)

4.2 THE UNITED STATES HAVE A $800 DE MINIMIS THRESHOLD

In 2016, the US raised its de minimis thresholds for import duties and taxes from $200 to $800 as part of the Trade Facilitation and Trade Enforcement Act of 2015[82]. This increase was largely motivated by various ways in which de minimis would streamline administrative processes, reduce the burden on the US government and thereby stimulate the US economy.[83] More precisely, the benefits include:

- Balancing revenue from tariff imposition with the administrative costs of collecting duties;
- Reducing the burden imposed on small companies by customs regulation;
- Simplifying the customs entry process and cutting the red tape in various parts of a good's value chain;
- Leaving more administrative resources for investigating so-called high-risk trade.

> Higher thresholds for the value of articles that may be entered informally and free of duty provide significant economic benefits to businesses and consumers in the United States and the economy of the United States through costs savings and reductions in trade transaction costs
>
> Source: Trade Facilitation and Trade Enforcement Act of 2015, section 901 (a) (2)

Before the enactment of the reform, in their comprehensive policy paper, Hufbauer and Wong (2011)[84] provided a first estimate of the annual net gain from increasing the de minimis threshold from $200 to $800 to amount to $17 million. The forgone tariff revenue from a de minimis thresholds increase from $200 to $800 would be more than compensated by it providing savings in transaction costs for consumers, businesses, and authorities. The red tape costs with handling the entries in the $200 to $800 range alone constitute $33 million annually, according to their estimates. These estimates are in line with the US government's objective of reducing its administrative burden with a de minimis thresholds increase.

Finally, the Congress stated that raising the de minimis threshold of the United States has also the ambition of encouraging other countries to follow the US' example and strive towards an improved trade facilitation: "It is the sense of Congress that the United States Trade Representative should encourage other countries, through bilateral, regional, and multilateral fora, to establish

[82] (US Congress, 2016)
[83] (Nakao, 2021)
[84] (Hufbauer & Wong, 2011)

commercially meaningful de minimis values for express and postal shipments that are exempt from customs duties and taxes and from certain entry documentation requirements, as appropriate”.[85]

4.2.1 The United States are currently considering reforming their de minimis tax exemption

In the past year, the de minimis threshold has come under heightened scrutiny in the US. There are currently three pending legislative measures in the 118th Congress that would reform the scope of the de minimis exemption and enhance information requirements:

1. **Import Security and Fairness Act (S. 2004 and H.R. 4148)**[86]
This bill would exclude from the de minimis exemption goods that originate in countries that are nonmarket economies and that are listed on the Office of the United States Trade Representative’s Priority Watch List (only China and Russia currently meet both criteria). In addition, the bill would require CBP to collect a range of additional information on all the shipments that are subject to the de minimis exemption, including the classification of goods, the identity of the shipper and of the importer, country of origin of the article, and country from which the article is shipped.

2. **De Minimis Reciprocity Act of 2023 (S. 1969)**[87]
This bill would maintain the $800 cap but would allow to apply lower thresholds with countries on the basis of reciprocity, but it would specifically prohibit goods from China and Russia from being imported via de minimis exemption. The bill would preclude use of the de minimis exemption for imports of goods from other countries designated by the Secretary of the Treasury, based on (i) violations of the Uyghur Forced Labor Prevention Act of 2021 (UFLPA); (ii) transshipment of goods from countries on the list; (iii) exportation of counterfeit goods; and (iv) lack of commitment to human trafficking, drug trafficking and terrorism enforcement. Similar to the Import Security and Fairness Act above, the De Minimis Reciprocity Act would also enhance information requirements.

3. **Customs Modernization Act of 2023 (S. 3431)**
This is a more comprehensive piece of legislation that proposes several amendments to the Tariff Act of 1930 to “strengthen the authorities of U.S. Customs and Border Protection to enforce the customs and trade laws of the United States, and for other purposes”. The bill would enable CBP to collect more information on low value shipments.

More recently, in early September 2024, the Biden-Harris administration announced new actions[88] to address the issues with the current US de minimis policy, with the goal “to protect American consumers, workers, and businesses by cracking down on de minimis shipments with unsafe, unfairly traded products”. Specifically, the administration plans to:

85 (US Congress, 2016)
86 (US Congress, 2023a)
87 (US Congress, 2023b)
88 Biden-Harris administration announcement, September 13 2024

- exclude all shipments containing products covered by tariffs imposed under Sections 201, 301, and 232 from the de minimis exemption, targeting products like textiles and apparel;
- require additional information for de minimis shipments, including the 10-digit tariff classification number and the person claiming the de minimis exemption;
- and require importers to electronically file Certificates of Compliance for consumer products, even for de minimis shipments, to block unsafe or non-compliant goods.

The proposal would thus require importers to adopt a classification of goods at the ten-digit level of the Harmonized Tariff System (HTS). This could potentially entail additionally complexity on the value chain, as explained in Chapter 2.

According to a recent article published by Baker McKenzie, it is clear that de minimis is an issue that has captured the attention of Congress: "Lawmakers have grown to perceive the de minimis threshold as a "loophole" used by importers to bypass import restrictions and bans on non-compliant goods, including contraband, goods violating product safety measures, and those violating intellectual property rights."[89]

We note that two out of the three pending legislative measures focus on changing the threshold target against a few targeted countries (China and Russia). Thus, the measures differ from the EU customs reform, where the de minimis is proposed to be removed from all countries.

On the other hand, businesses associations claim the de minimis threshold is "an essential component of America's economic health and supply chain efficiency"[90] and underline that the discussion around de minimis has so far neglected the impact on inflation and export competitiveness as restricting de minims could trigger retaliatory measures from American business partners.

Importantly, it has been clarified that de minimis does not inherently exempt those flows from customs enforcement activities, as stated by the Trade Policy and Programs Directorate.

> "There's a misconception that we don't target or screen de minimis -- it's not true. De minimis is not a loophole."
>
> Source: Brandon Lord, executive director of the Trade Policy and Programs Directorate, in an interview with International Trade Today at the CBP Trade Facilitation and Cargo Security Summit, April 2023.

89 (Dement & Linskens, 2024)
90 (US Chamber of Commerce, Consumer Technology Association, Express Association of America (EAA), National Association of Manufacturers, National Foreign, Trade Council, Tech-Net, U.S. Chamber of Commerce, 2024)

It remains unclear how these modifications will materialise in practice. As set out in Section 3.1, de minimis thresholds *per se* are not linked to stronger border controls on safety and compliance and other measures needs to be put in place to ensure strengthened border controls. US' neighbour, Canada, for instance, has recently started transitioning to a larger-scale pilot of an automated inspection system, the E-Commerce Low Value Inspection System, "with the aim of enhancing risk targeting in the courier low value stream, using automation and analytics to intercept contraband, and facilitating legitimate trade".[91] Box 6 provides more details on the Canadian approach to low value imports.

91 (Government of Canada, 2024)

Box 6 Canada retains a de minimis threshold while streamlining border clearance and enhancing screening and inspections

In Canada, the de minimis level is set at 20 Canadian dollars. This level is raised to 150 (for customs duties, 40 dollars for taxes), for shipments from the US or Mexico, in accordance with the Canada-United States-Mexico Agreement (CUSMA).

In a report published in 2017[92], the Auditor General of Canada to the Parliament of Canada finds that the Canada Border Services Agency (CBSA) determined that for many low value imports, it costs more to collect the customs duties than the amount of duties collected.

While keeping its de minimis threshold, Canada has put in place some measures that allow to streamline border clearance and ensure safety and consumer protection.

Since 2012, Canada has operated a Generic Harmonised System (GHS) for shipments under 500 Canadian dollars. This simplified tariff classification process allows to classify shipments falling below this value threshold under three "dummy" HS codes (or "buckets") which replace the nearly 5,400 HS codes used to classify goods above that value. Each "bucket" is then assigned a rate depending on whether the goods are imported from a country having a Free Trade Agreement with Canada or not (e.g., for US goods the rate would be zero).[93]

The use of GHS is optional and enables the foreign vendor to easily calculate the duties facilitating the processing of low value shipments. Classification mistakes are virtually eliminated, making implementation easier for both vendors and government authorities and making it easier for the latter to forecast revenue.[94]

More recently, the CBSA has launched a larger-scale pilot of the E-Commerce Low Value Inspection System. This technology-enabled solution is expected to be operational in March 2025, and will enhance CBSA's ability to process large volumes of transactional data and manage the rapid growth in volume of low value shipments.[95]

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92 (Office of the Auditor General of Canada, 2017)
93 (Global Express Association, 2020)
94 (WTO, 2021)
95 (Government of Canada, 2024)

4.3 AN OPEN TRADE REGIME FAVOURS EU FIRMS' COMPETITIVENESS

An open trade regime has historically favoured global and EU's economic growth. Cross-border trade between Member States and countries outside the EU has been an important driver of development and prosperity for businesses and consumers in the EU.

As described in Chapter 1, the economic literature shows that de minimis thresholds and simplified customs clearance processes translate into reduced complexity and lower prices that increase welfare for consumers and businesses.

Cost savings enabled by de minimis regimes have been central in the recent assessments and reforms of the United States and Australia.

The 2011 Australian report notes that low value consignments are not only destined to consumers: "many businesses currently receive goods which enter Australia under the LVT [low value threshold]. Longer delays or unnecessary charges associated with processing such imports will also hinder those businesses and there will be very limited additional revenue collected".[96]

De minimis exemptions and trade facilitation are crucial for helping domestic firms that rely on imported inputs remain competitive in the market. In this sense, the recent abolition of industrial tariffs in Switzerland is exemplary (see Box 7).

[96] (Productivity Commission, 2011), p. 190.

Box 7 The abolition of industrial tariffs in Switzerland is expected to deliver higher competitiveness and lower prices to consumers

In February 2022, the Federal Council of Switzerland communicated its decision to abolish import duties charged on Swiss industrial products. The decision followed an amendment to the Customs Tariff Act, which was passed in the parliament in October 2021, with the abolition becoming effective from the beginning of 2024. With the broad classification of industrial goods under Swiss legislation, only agricultural and fishery products are left outside this abolition.

This decision is motivated by a change in the international trade environment, says the Swiss government. **Industrial tariffs**, once put in place to protect domestic production, no longer serve that purpose as they **have led to higher prices for inputs procured abroad**. This has resulted in Switzerland standing out from its neighbouring countries in being relatively, and notably expensive**. For businesses, the abolition brings with it a benefit in decreasing production costs, which enhances Switzerland's international competitiveness**. As Switzerland has become more deeply integrated in global value chains, the abolition of industrial tariffs is said to add to the country's competitiveness by also making trade ties more efficient. Swiss consumers stand to gain from various imported goods (such as cars, bicycles, and clothes) becoming less expensive as a result of the abolition[97].

The rationale behind the decision is supported by investigations initiated by the Swiss State Secretariat for Economic Affairs (SECO) on the extent of industrial tariffs in Switzerland and on potential effects of their abolition on the Swiss economy. Moser and Werner (2015)[98] have distinguished between two sources of economy-wide gains: i) the relief on importing companies and consumers which stems from the elimination of customs payments and ii) the simplification of the customs procedure and related formalities in general. The welfare gain for companies and consumers is estimated be higher than the foregone tariff revenues for the state (in 2014, the tariff revenue from industrial goods amounted to CHF 485 million, 42,7% of Switzerland's total customs revenue).

A series of impact assessment studies examined the effect of the abolition of these tariffs, finding overall welfare gains that could amount up to CHF 860 million. In their study, Moser & Werner (2015) report that the positive welfare effect would stem specifically from reducing the non-tariff costs associated with customs duties. These costs, which include customs formalities, waiting times and proof of origin for imports from countries with which Switzerland has a free trade agreement (FTA), were seen as cumbersome by industry representatives interviewed by the authors.

97 (Switzerland Federal Council, 2022)
98 (Moser & Werner, 2015)

The global consensus around de minimis regimes as essential trade facilitation measures does not only favour importing firms and consumers, but also exporting firms, that enjoy similar regimes by their international trading partners. Trading systems that grant mutually beneficial access to global markets are key to preserve and deepen trade openness.

In fact, we observe that among the reasons that led the United States to raise its de minimis threshold in 2018 there was the ambition of encouraging other countries to follow the US' example and strive towards an improved trade facilitation[99].

Similarly, we suggest that the EU considers which signals the proposed removal of customs de minimis will send and how other countries will react. It is notable that, while VAT (where de minimis threshold on imports has been removed) concerns the application of a domestic tax, the matter of customs duties concerns, by definition, commerce between economic blocks and therefore international trade relations.

A key question is then to what extent removing the de minimis threshold would increase trade frictions that would in turn provide incentives to other economies to move backwards from trade liberalisation. PostEurop commented that "the removal could have a significant impact on trade, including on trade relations with 3rd countries, and lead to potential retaliation".[100]

Europe remains a clear winner in the system of open international trade. As EU statistics report, in the past 10 years, from 2013 to 2023, the EU has recorded an increase of 43% in exports of manufactured goods to extra-EU countries.[101] In 2023, the EU achieved a surplus of EUR 35 billion. Of course, customs duties and therein, the treatment of low value consignments, is only one of several aspects of international trade policy.

Recent disruptions in global supply chains exposed by Covid-19 pandemic and the exit of the UK from the EU Single Market have made it evident to businesses and consumers how increased trade frictions or barriers negatively affect their operations and welfare. Thus, there is a clear unanswered question in the IA: whether and to what extent can the removal of de minimis threshold on duties represent a drag on the EU competitiveness and be detrimental to the welfare of its citizens and businesses. Without appraising and, if so, mitigating such risks, the removal of the EU customs de minimis brings a liability to the EU economy.

99 "It is the sense of Congress that the United States Trade Representative should encourage other countries, through bilateral, regional, and multilateral fora, to establish commercially meaningful de minimis values for express and postal shipments that are exempt from customs duties and taxes and from certain entry documentation requirements, as appropriate". (US Congress, 2016)

100 (PostEurop, 2023)

101 (Eurostat, 2024)

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APPENDIX

A: Additional cost estimates in alternative post-removal scenarios

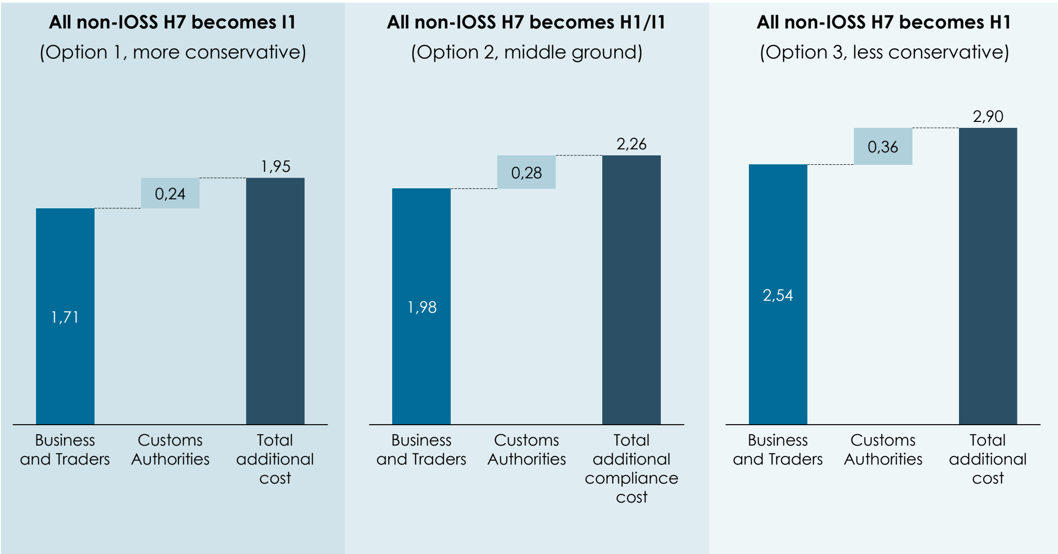
Due to the uncertainty around the additional information required to calculate customs duty for low value consignments, and the associated additional compliance costs, we calculate a range of estimates. The "middle ground" estimate is the one presented in the report.

- **Most conservative:** In our most conservative cost estimate of 1.7 billion EUR annually, we assume that all non-IOSS H7 declarations can move to using the simplified declaration with the I1 dataset. The I1 declaration has a lower cost per declaration than the H1 (45 EUR compared to 58 EUR). Although the I1 dataset is simplified compared to the full H1 dataset, its use is still more burdensome than using the H7 dataset. In the Commissions guidance document on the import and export of low value consignments, it says that: "It is important to note that the SD dataset is tailored to the needs of traditional commercial transactions and contains way more data elements than the CD with H7 dataset. Thus, its use could be a burden for both declarants and customs authorities (including the obligation to send data to SURV)."[102]
- **Middle ground:** In our middle ground estimate, we assume that non-IOSS H7 declarations will move to using either H1 or I1 declarations according to the relative proportions of H1 and I1 declarations today. We use the number of H1 declarations (99,955,389) and I1 declarations (206,697,268) from the IA to calculate the share of non-IOSS H7 declarations that will use the H1 or I1 declaration (32.6% and 67.4% respectively).
- **Least conservative:** In our least conservative estimate, we instead assume that all non-IOSS H7 declarations will have to use the full H1 dataset instead, which, according to the Commissions, contains "three times more data elements than the customs declaration with H7 dataset".[103] The H1 declaration has a higher cost per declaration than the I1 (58 EUR compared to 45 EUR).

Following the same methodology presented in the main text, we find the three different estimates seen below in Figure **21**. The "middle ground" estimate is the one we present in the report.

[102] (European Commission, 2022b), page 33
[103] (European Commission, 2022b), page 32

Figure 21
Additional operational costs stemming from de minimis removal could range from 1.95 to 2.90 billion EUR
Billion EUR

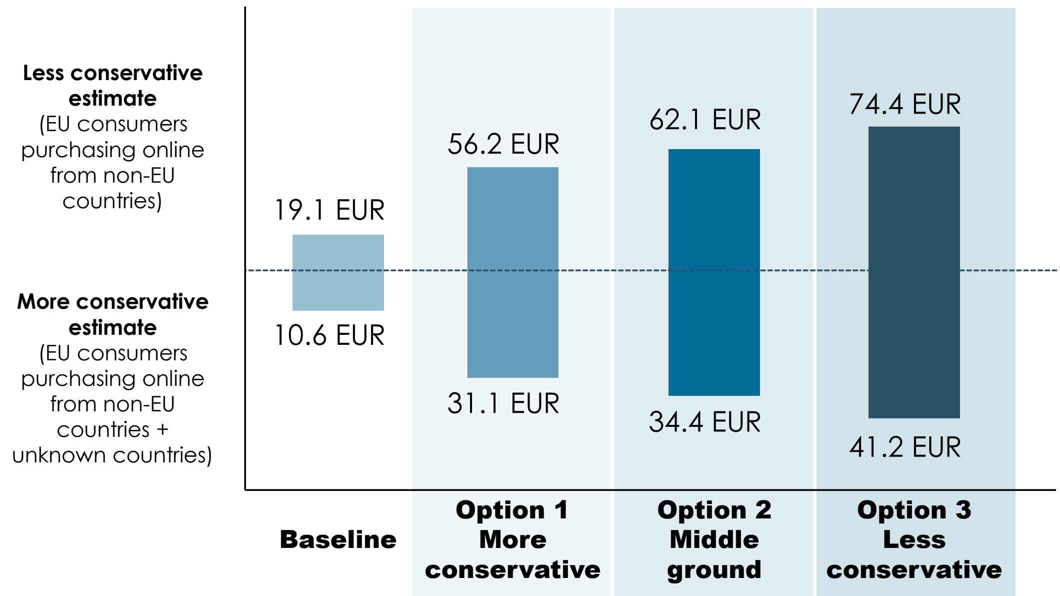


Source: Copenhagen Economics

B: Costs for consumers – additional scenarios not considered in the main text

Below, in Figure **22**, we show the potential costs for EU e-commerce consumers in the scenario we present in the main text of this report (option 2, middle ground), as well as a more conservative (option 1), and less conservative (option 3) scenario. The three estimate corresponds to the three different estimates for the compliance cost for business operators and customs authorities presented above in Appendix A.

Figure 22
De minimis removal could entail price increases up to 74.4 EUR per EU online shopper



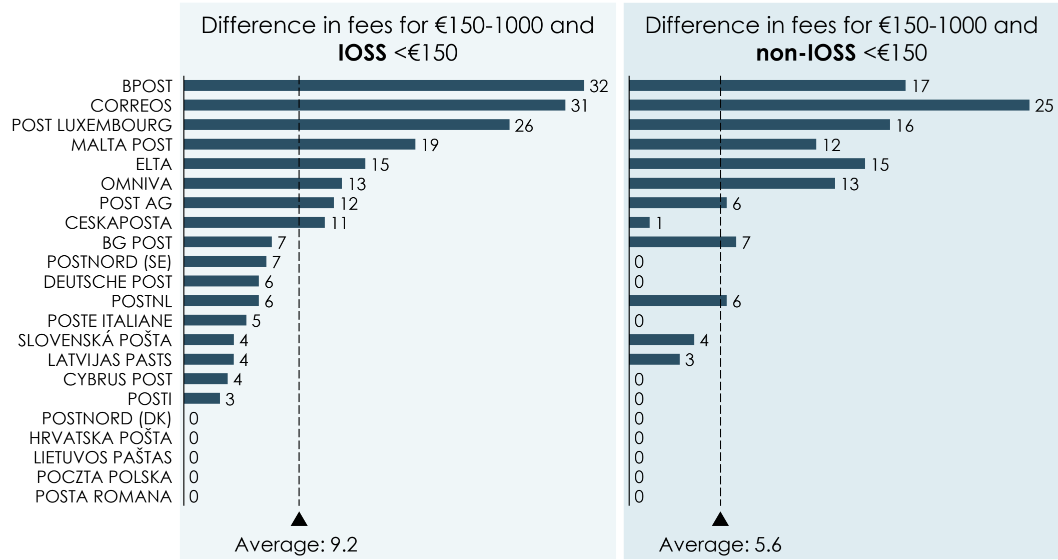
Note: Baseline option only considers the increase in final price related to the customs duty to be paid by consumers. Options 1, 2 and 3 add, on top of the baseline, the increased compliance costs incurred by business operators and customs authorities due to increased complexity in customs clearance process (see section 1.2.1 and Figure 1). For each scenario we present a lower bound (more conservative) and upper bound (less conservative) option, depending on whether we consider as impacted consumers only those who reported buying from non- EU countries, or those who reported buying from non-EU + unknown countries.

Source: Copenhagen Economics based on Impact Assessment and Eurostat data

C: Postal operators' fee for dealing with customs formalities

Below, in Figure **23**, we show the difference in postal operators' fees for dealing with customs formalities. Specifically, in the left-most part of the figure, we show the difference between the fee charged for consignments valued between EUR 150 and 1,000, and the fee for consignments valued below EUR 150 that use IOSS for VAT. In the right-most part of the figure, we show the same, but for consignments that do not use IOSS for VAT.

Figure 23
Many European postal operators charge a higher customs formality fee for consignments above the EUR 150 threshold
EUR



Note: We exclude operators with missing information in one or more of the fee categories. Only 9 operators out of 22 charge a handling fee for IOSS consignments. For operators who charge multiple different fees for different customs-related services, we add these fees together.

Source: Copenhagen Economics, based on information gathered by the European Commission in June 2022, available here: https://taxation-customs.ec.europa.eu/document/download/b18f2be3-076f-4eb6-9fa2-368461e91d11_en?filename=Information%20postal%20fees%20for%20publication%20final.pdf