



Ever Changing Cross-border Regulations and Carriers' Competencies

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It does not constitute legal advice - please consult with your own legal counsel for such advice.

Do not rely on this information without performing your own research.



Meet our Speakers



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Introduction

CH/EU VAT updates

Brexit Regulatory changes EU/CH Summary

Seamless Shipping to the EU & the UK

Q&A



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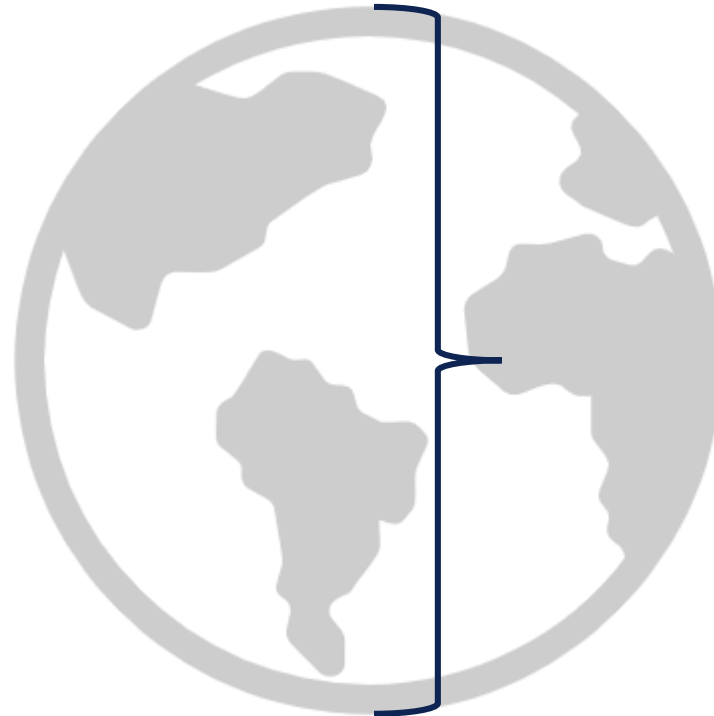
Seamless Shipping to the EU & the UK

Q&A

Megatrends

Events

1. Covid-19 and its impact on Customs & Trade
2. After Brexit...
3. Trade tensions & opportunities



Drivers

1. Moving to Smart Borders
2. E-commerce & Technology as game changers
3. Green Deal
4. Data, data, data

Background and future situation

Retail disadvantage

- As traditional retailers pay duties and taxes for their imported bulk shipments, domestic retailers face a disadvantage on B2C shipments below de minimis threshold as they are exempt through the online purchase channels versus purchasing the items in a local retail store.
- Challenges collecting VAT from marketplaces
 - Hundreds of thousands of e-commerce shops and marketplaces around the world
 - Reassigning centrally paid VAT to end customer/user at destination member state

Future situation

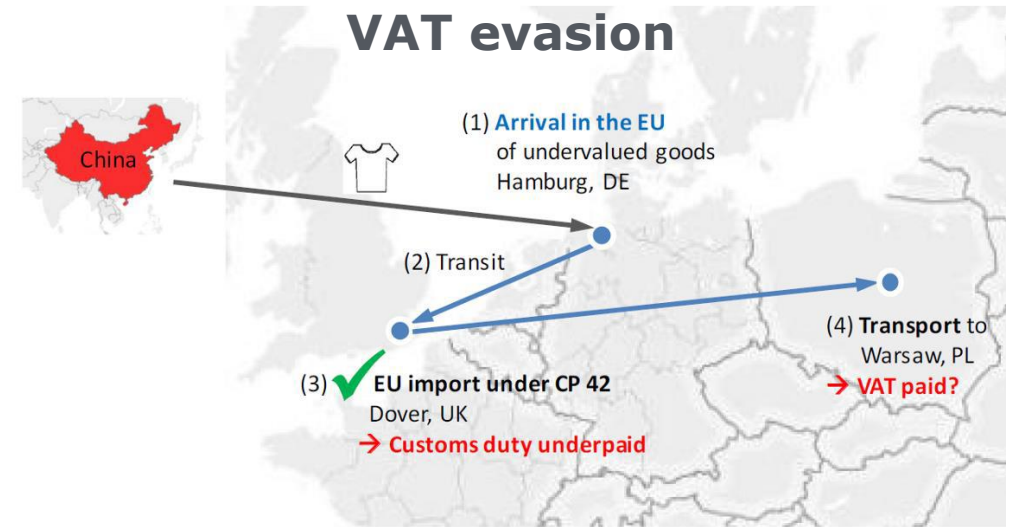
- It is essential any new model of customs treatment for low value consignments (LVC) ensures consistency and mutual reinforcement of other rules governing customs processes, as well as effective collection of duties and taxes and customs control. In addition, new rules should also:
 - enable comprehensive implementation of customs and VAT legislation and
 - ensure a level-playing field between all economic operators with comparable business activities

Risks involved considering valuations and authenticity of goods

VAT foregone in a year valuation:

Below 22 Euro: 570 million Euro

Between 22-150 Euro: 2.2 billion Euro



Intellectual Property Rights

- more than 27 million articles suspected of violating intellectual property rights.
- almost 70 000 detention cases were registered by Customs.
- value of the equivalent genuine products is estimated to be over 740 million euro.

Customer Experience of the Importer

Cost of Purchase

It will be **significantly more expensive** for those who trade / import online for private use:

- Risk of double taxation. Paid to the distant seller, but upon arrival buyer may be charged VAT or taxes unexpectedly
- Increase of purchase price, now including items as of 0 to include collection fees and VAT

Consumer Protection

A **better level of consumer protection** will be achieved through:

- Enhanced safety and market conformity e.g. CE marking
- Reducing/eliminating illicit trade, counterfeit and illegal items

Market Access

Wider **market access**:

- e-commerce is changing the entire international trade environment including cross-border flow of goods.
- It will be easier to access global markets, particularly for small and medium size businesses.

What's in it for Marketplaces

Marketplaces to perform new role collecting and remitting VAT on behalf of the merchants, but clean **all-in check-out** is a clear advantage

Key priority is **optimal customer experience and green channelling**

Critical to ensure delivery and customs clearance go without undue delays or issues

Returns of goods will be facilitated by a simplified processes

Marketplaces keep a log of returns, customs process to enable **positive customer experience**

EU IOSS facilitating **first point in the EU release** avoiding customs procedures at destination in a patchwork of 27 Member States

UPS managing end-to-end transaction flow: **Relaxed way of doing business**

- Early adopters get a head-start with customers, offering a feature others might not be using
- Seamless flow, Marketplace to collect VAT, UPS facilitates transport & customs clearance
- Trusted partnership with customs authorities



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EU VAT package for e-commerce – What are the changes?

Currently

- Shipments with an intrinsic value below 22 Euro are:
 - exempt from VAT
 - released through a declaration by any other act (manifest)

As of
July 1st 2021

- **VAT exemption is abolished for all shipments with an intrinsic value below 22 Euro**

- For shipments with an intrinsic value below 150 Euro (B2C), a new process will be implemented:

- Responsibility for the shipper to register and process VAT payment
- Declarant on import will process shipments at the first Point of Entry through a super reduced data set

VAT collection on imports of low value goods – 2 Options

Together with the removal of the import VAT exemption for low value goods, the new VAT rules introduce two possibilities to collect the import VAT (neither mandatory):



- Use the special scheme for distance sales of goods imported from third countries/territories: **Import Scheme, Import One Stop Shop (IOSS)**.



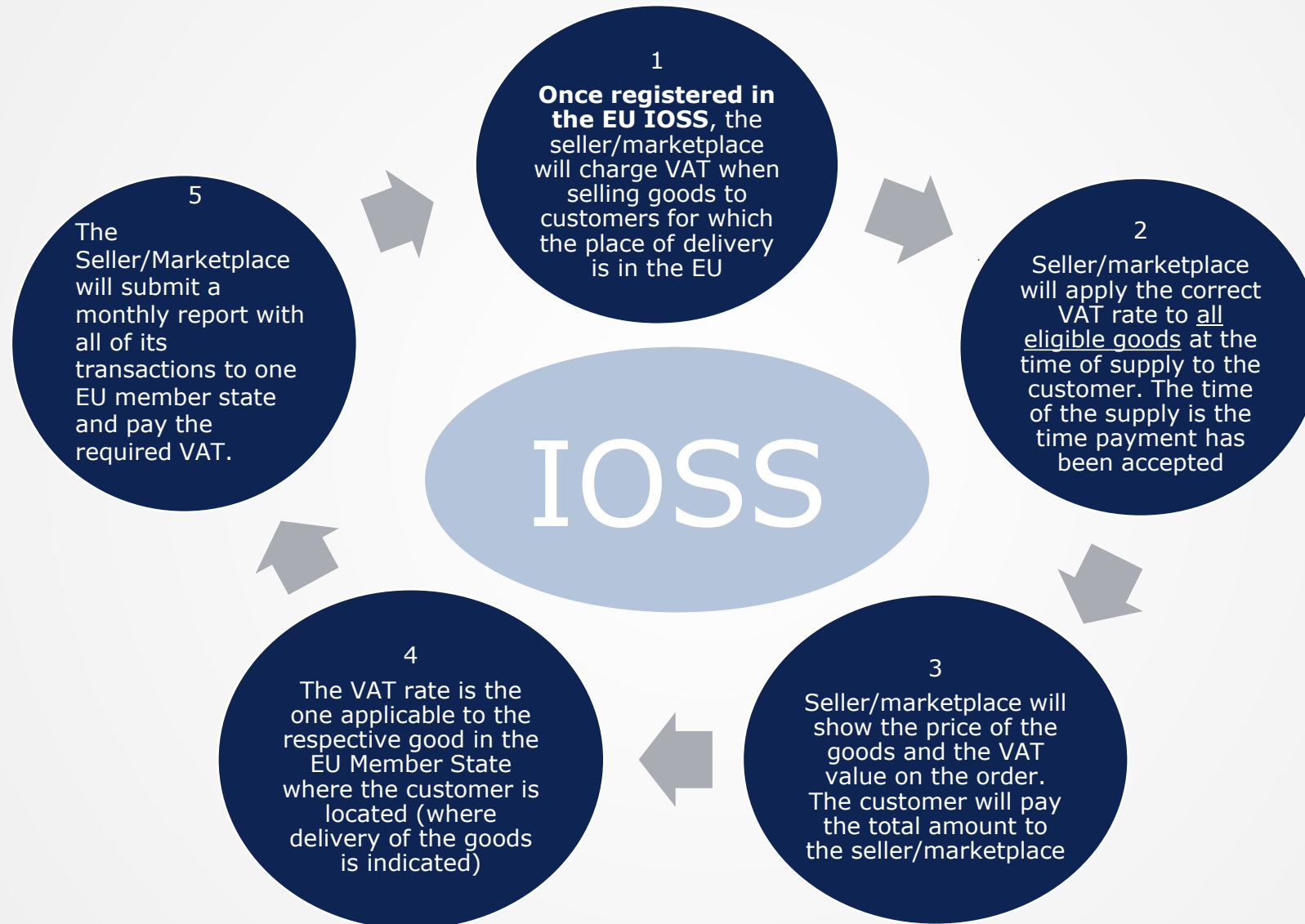
- Use the **special arrangements for declaration and payment of import VAT**. Available to declarants for imports of low value goods destined to consumers in the EU. Can be applied when IOSS is not and is typically designed for postal or courier operators.

EU VAT Reform changes

Value of goods	Before 1 July 2021		After 1 July 2021	
	VAT	Customs duties	VAT	Customs duties
Goods < 22 EUR	Exempt from VAT	Exempt from customs duties	VAT due in EU	Exempt from customs duties
Goods ≤ 150 EUR	VAT due in EU	Exempt from customs duties	VAT due in EU	Exempt from customs duties
Goods > 150 EUR	VAT due in EU* VAT applied on (value of goods + customs duties)	Customs due in EU Customs duties applied on the value of goods	VAT due in EU* VAT applied on (value of goods + customs duties)	Customs due in EU Customs duties applied on the value of goods

The implementation of the VAT e-commerce package required amendments to the customs legislation UCC-DA and UCC-IA to set up the same rights and obligations for all declarants. (i.e.Art.143a of UCC-DA & column H7, Annex B)

EU Marketplaces: Import One Stop Shop (IOSS) – How does it work?





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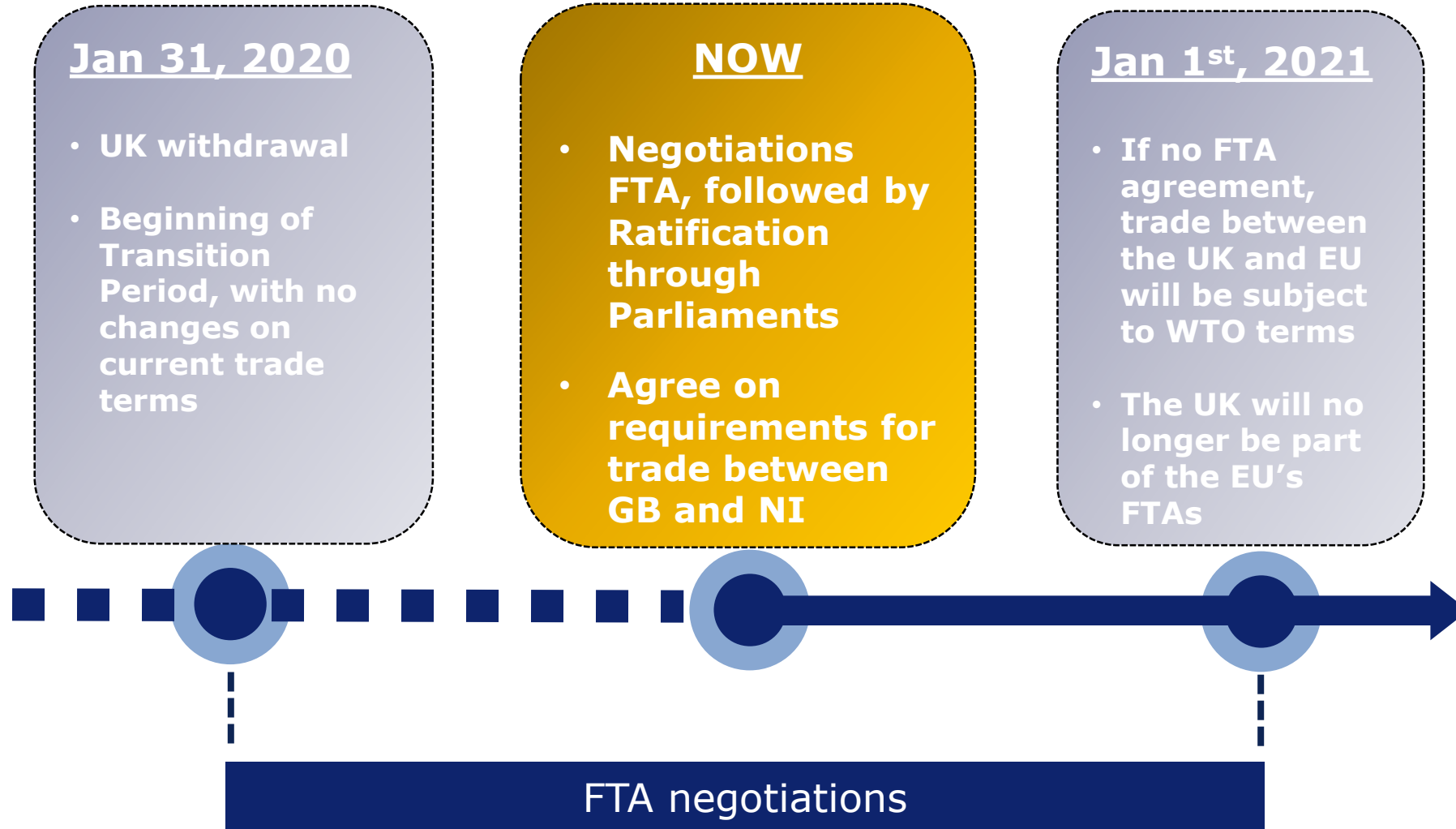
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Brexit Key Dates and Updates



What changes on January 1st, 2021

Current



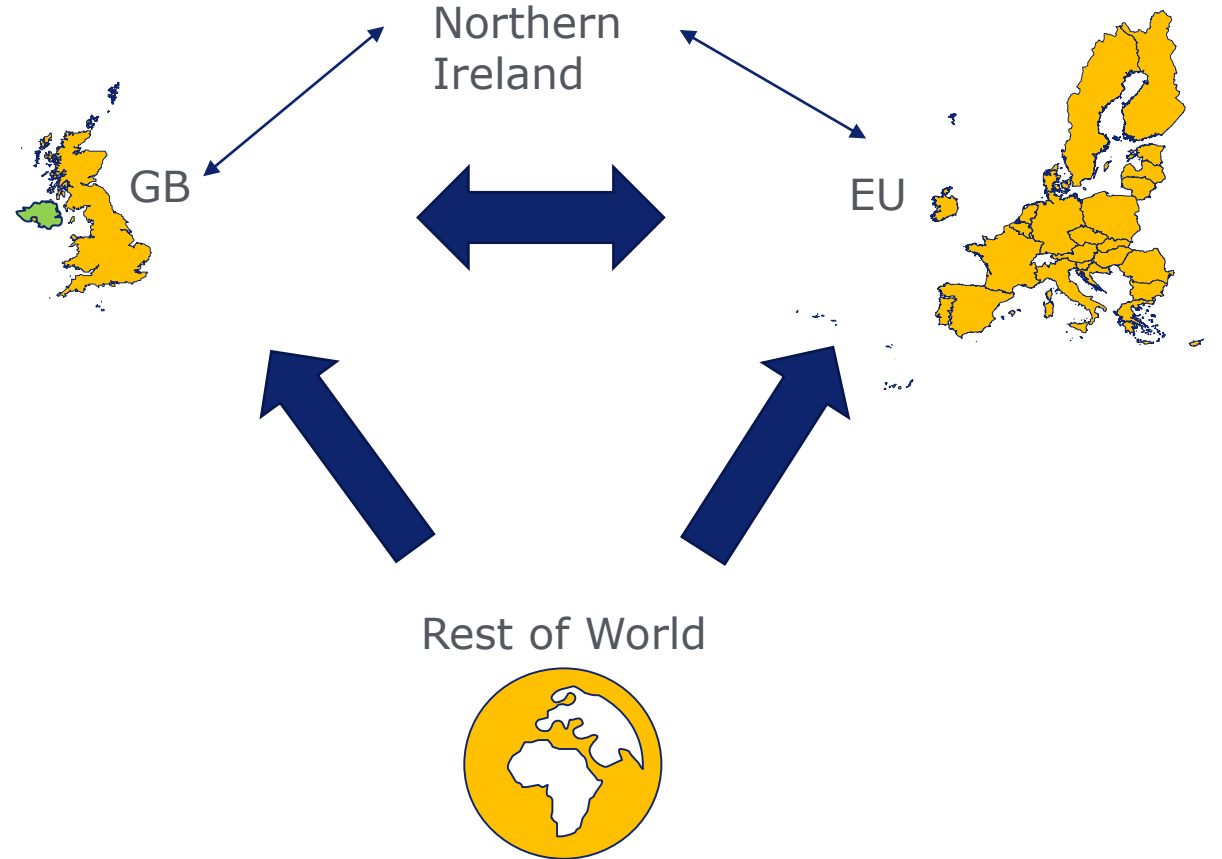
EU and UK



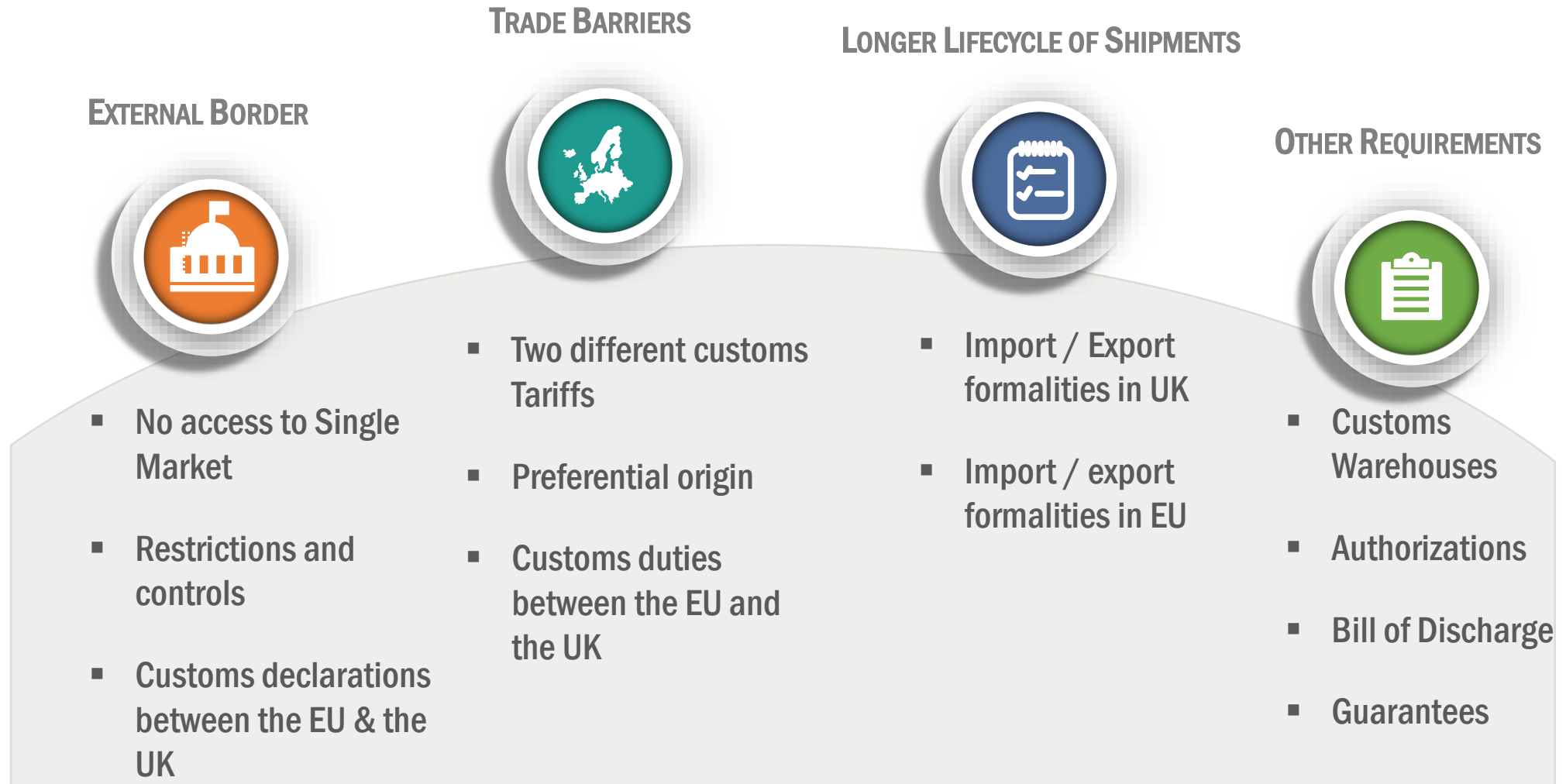
Rest of world



As of Jan. 1st, 2021



The Situation on January 1st 2021



Importing into the UK - the UK will apply a specific tariff to imported goods, called the UK Global Tariff - UKGT

- ❑ Replaces the EU's Tariff
- ❑ Values in UK pounds instead of Euros
- ❑ Offsets costs increase of in customs admin



- ❑ Simplifies over 6,000 tariff categories and rates
- ❑ Foresees a lower tariff regime than the EU's Common External Tariff
- ❑ Supports specific industries considered strategic for the UK

Importing into the UK – Phased Implementation



From Jan 2021

- ❑ Traders importing standard goods will need to
 - Prepare for basic customs requirements
 - Consider how they account for and pay VAT on imported goods.
 - Complete customs declarations within 6 months.
- ❑ Payments can be deferred until the customs declaration has been made.
- ❑ UK Safety and Security declarations will not be required on imports for the first six months.



From Apr 2021

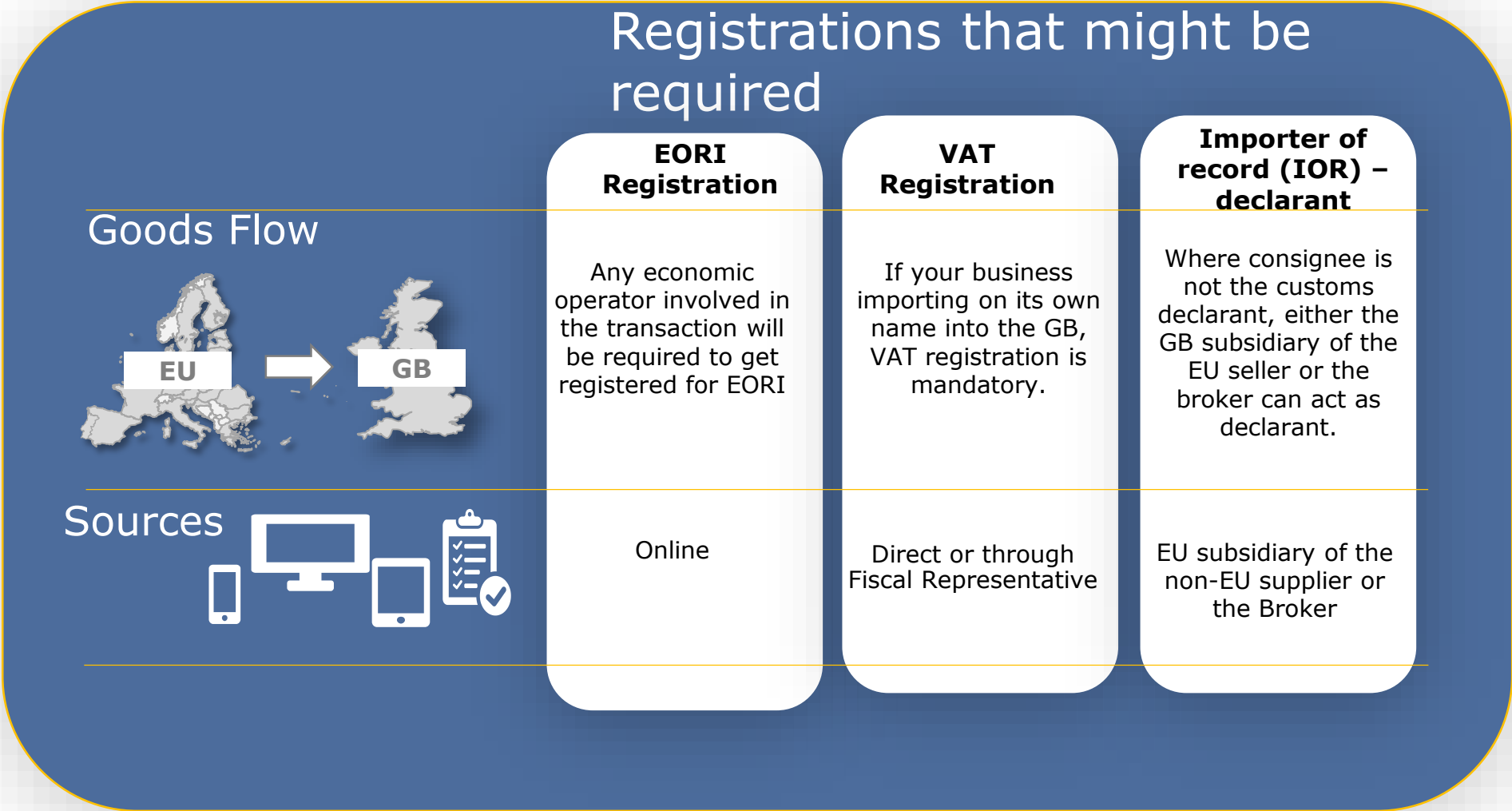
- ❑ All products of animal origin (POAO) and all regulated plants and plant products will require pre-notification and relevant health docs
- ❑ Any physical checks will continue to be conducted at the point of destination until July 2021



From Jul 2021

- ❑ Traders will have to make full customs declarations at the point of importation and pay relevant tariffs.
- ❑ Full Safety and Security declarations will be required, while for commodities subject to sanitary and phytosanitary (SPS) controls, these will have to be presented to be BCPs
- ❑ SPS checks for animals, plants and their products will take place at GB Border Control Posts and not at destination

Importing into the UK – EORI and VAT Registration



UK-Switzerland Free Trade Agreement - State of Play

What the agreement covers?

The agreement will form the basis of economic and trade relations between the UK and Switzerland after the UK has left the EU

What does the UK-Switzerland agreement cover?

- trade in goods
- geographical indications
- government procurement

When does the agreement takes effect?

January 1, 2021

Swiss-UK relations post Brexit



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Federal Department of Foreign Affairs FDFA
Directorate for European Affairs DEA

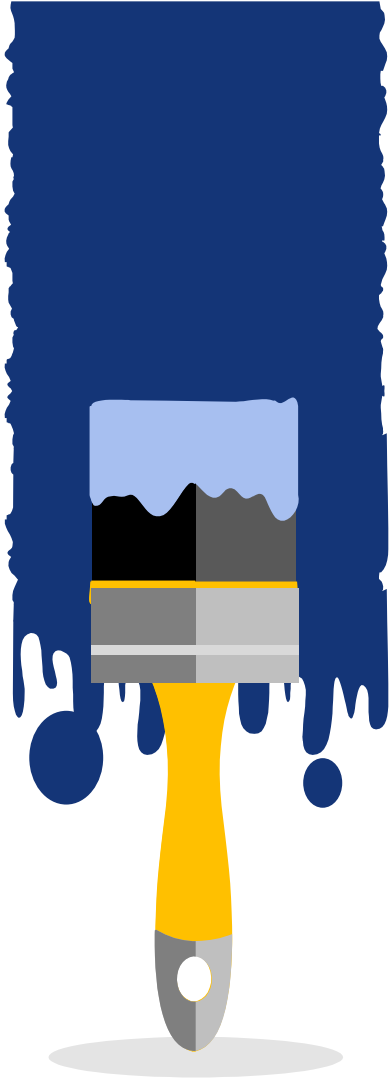
- Prepare for changes when the UK leaves the EU after the Transition Period, January 1st 2021
- Review and test your supply chain:
 - Remove UK when assessing EU origin of goods in your supply chain. No cumulation, no triangulation.
 - New IT systems to adapt to
- UK stays part of the CTC the Common Transit convention
- New UK Global Tariff (UKGT) in place. HMRC have simplified (rounded down or banded) and liberalized (reduced to Zero) many tariffs on goods imported into the UK

Tariffs (11830 Commodities)	Total 0% Tariffs	Liberalised/no change in Tariffs
EU TARIC	2608	22%
UKGT	4612*	40%

*Inc 2611 UK No changes at 0%

UK VAT Reform changes

Abolishment of *de minimis* threshold as of 1st January 2021



The Taxation (Cross-border Trade) Act 2018 (TCTA 2018),

☐ Received Royal Assent on 13 September 2018,

☐ Introduces, among others, the power to make provisions to any:

- Customs duties,
- VAT
- Excise

in consequence of or connected with the UK's withdrawal from the EU.

Low Value Consignment Relief (LVCR) removal

New VAT model for goods arriving into Great Britain from outside

- To ensure that goods from EU and non-EU countries are treated in the same way
- To ensure that UK businesses are not disadvantaged by competition from VAT free imports.
- To improve the effectiveness of VAT collection on imported goods and
- To address the problem of overseas sellers failing to pay the right amount of VAT on sales of goods that are already in the UK at the point of sale.

Note: This does not cover matters specified in the Northern Ireland protocol

VAT: What are the known changes so far?

To ensure VAT can be collected on goods from overseas, HMRC is exploring shifting the liability for imports away from the end consumer and using online marketplaces (OMPs) where present to collect VAT.

Where goods are sold directly to consumers outside an OMP, Swiss sellers will be required to register for VAT themselves.



Achievable Objectives:

- Abolishing Low Value Consignment Relief: Duties and Taxes dues from 0 GBP
- Replacing import VAT with domestic supply VAT
- Vendor Collect Model

Impact on importers:

- Supply of goods <£135, the OMP will be deemed to be the supplier & liable to register and account for the VAT in the UK to HMRC
- No de minimis on VAT results in additional declarations
- Postponed accounting

Duty and VAT Scenarios

Intrinsic value	B2C	B2B
0-135 GBP	Shipper charges VAT on invoice	Shipper charges VAT on invoice
+135 GBP	Customs duties and import VAT through customs declaration	<ol style="list-style-type: none"> 1. Importer pays VAT through postponed accounting 2. Importer pays duties through deferment account 3. Importer chooses to pay import duties through customs declaration


Consolidate your shipments



TIP 1

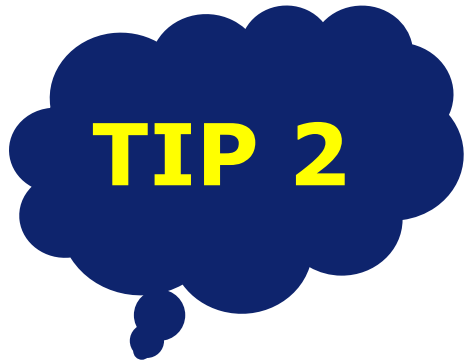
UPS World Ease® simplifies customs clearance by grouping several shipments destined for the UK or the entire European Union into a single shipment.

- Minimizes financial risk to enter the global marketplace
- No time spent on typical startup logistics
- Shortened supply chain
- Simplified paperwork
- Reduced Customs
- Enhanced cash flow
- Reduced inventory cost
- Full-visibility tracking



...And do it as soon as possible.

Use Paperless Invoice

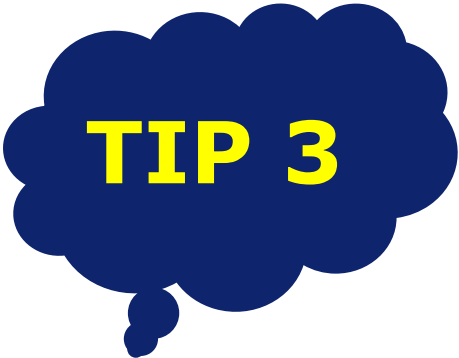


UPS Paperless™ Invoice

enables customers to upload the commercial invoice/invoice data or other documentation for international shipments (while creating the shipping label) in order to **streamline the customs clearance process.**

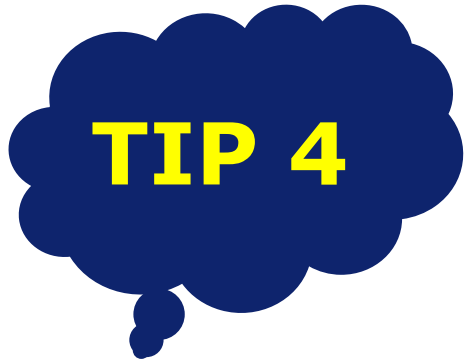


Assign HS codes to your products



- Reducing time span customs release
- Reduced risk of hold
- Ensuring correct duty and taxes are calculated
- Harmonized Tariff Code System
- Skill of the broker is of utmost importance

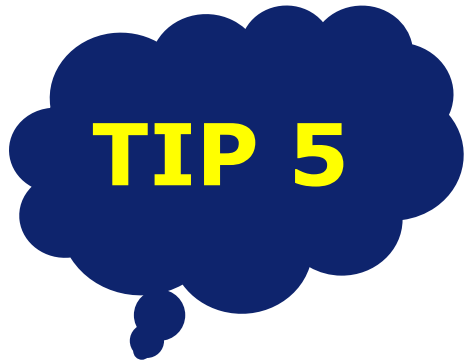
Acceptable goods descriptions



✘	✔
Phone	Apple iPhone-8, 4.7 Inch display 256 GB, Gold sprint
Clothes	Men's Pima Cotton Crew Next T-shirt
Auto Parts	Automobile Brakes, Windshield Glass for Automobiles
Equipment	Oil Well Equipment, Poultry Equipment
Gifts	Remote Control Cars
Sanitary goods	Towels, Buckets, Detergents, Tooth brushes

Delays can be avoided if paperwork is correctly prepared

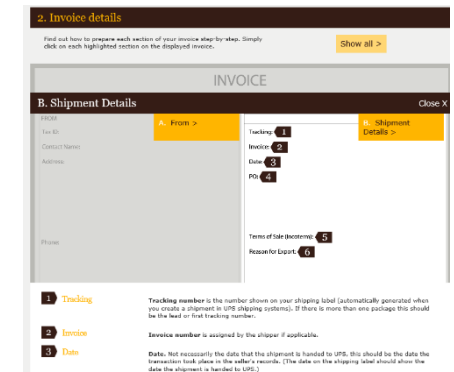
...and that all starts with the commercial invoice



The commercial invoice:

- Is a single point of reference
- Is the basis for customs declaration
- Clearly shows the parties involved in the transaction, origin and destination, product tariff

...click [here](#) to access UPS's free interactive guide to completing your commercial invoice.





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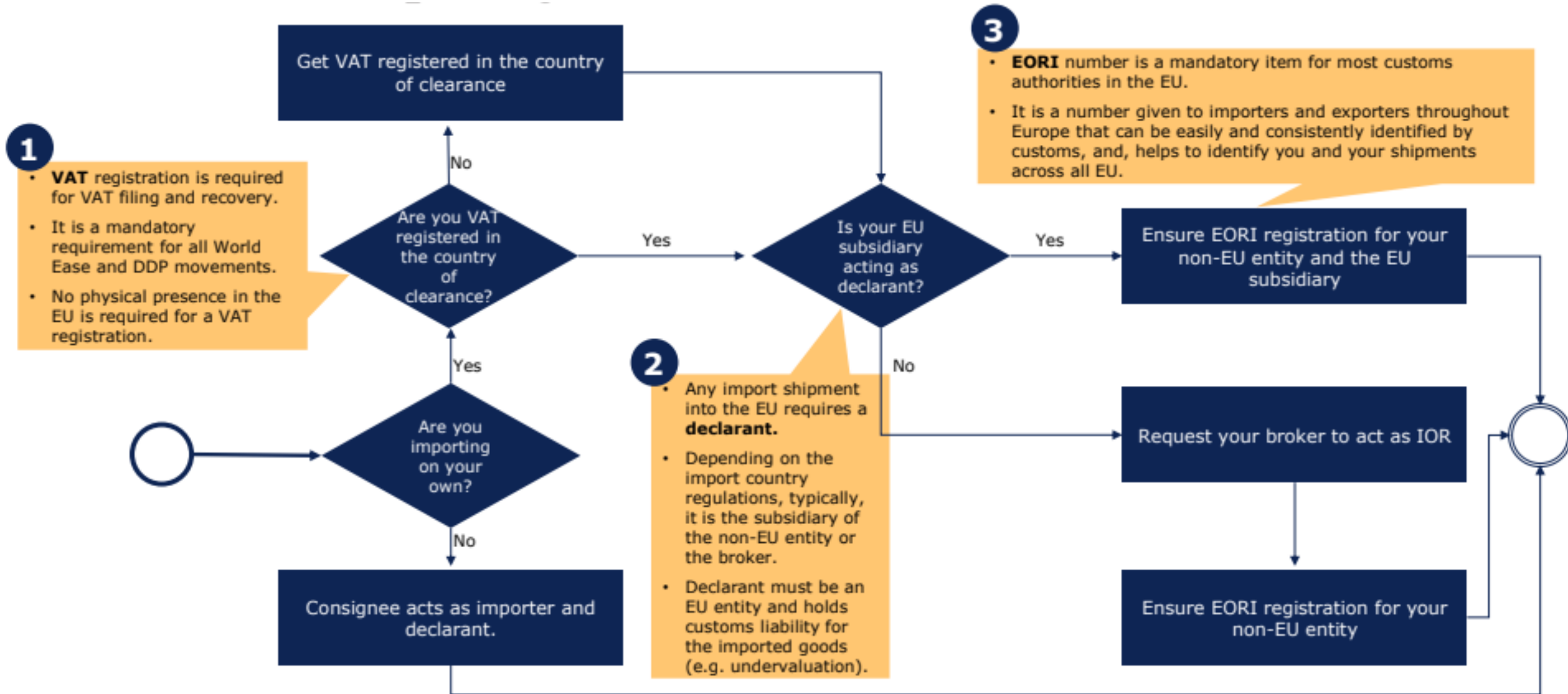
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Determining customer requirements for non-EU suppliers when importing into the EU



Shipping to the EU including to the UK – Effect of Brexit (B2C)



Designer shoes company

Advertising via Instagram

Shipping to Europe
(including UK)
through web shop

Current state:

- UPS consolidated clearance in DE where UPS is the IOR
- Point of entry DE, 16 % VAT

UPS Solution

Future State: 2 possibilities

1. B2C- Import Clearance in UK where swiss shipper pays everything
2. Swiss shipper as an IOR in UK

Note: Destination non-UK will remain the same.

Multiple border clearance options – Effect of Brexit (B2B)



**An internationally active
Swiss group of companies
specializing in
measurement technology**

UPS consolidated
clearance in DE for
B2B shipments
CPC 4000, 4200

Current State:

- All shipments are custom cleared in Germany and reaching their final destination consignees across EU member states with VAT deferment via CPC 4200

UPS Solution

Future State:

- For UK, own entity to act as IOR (with EORI number and VAT registration)

Shipping to the EU – Effect of the EU VAT change



Company based in Romandie selling electronic goods

Customer started with single shipments – free domicile

UPS consolidated clearance in FR for B2C for EU

Current State:

- Subsidiary in France as IOR and onwards B2C distribution in Europe
- Benefiting from postponed VAT accounting (90 day deferment) for import VAT

UPS Solution

Future State: 2 possibilities

1. IOSS process (below 150 Euro)
 - French entity needs to register themselves for IOSS
2. No change (above 150 Euro)

Global experience, global network

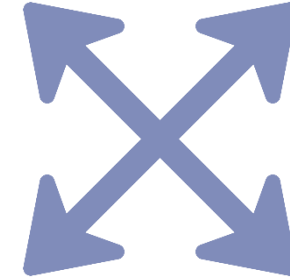
Reduce your risk and your costs through UPS customs brokerage offerings



Expertise



Consistency



Scalability



Customization



Technology



Cost Optimization



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THANK YOU

Please reach out to your UPS Account Manager for further support or chmarketing@ups.com