European Union: Study published on low value consignment relief

On 22 May 2015, the European Commission published a new study (and executive summary) assessing the VAT exemption for the importation of small consignments (known as low value consignment relief (LVCR)).

The current EU VAT directive (implemented by the 28 member states) obliges member states to exempt all business-to-consumer commercial importations of consignments with a value not exceeding EUR 10 from import VAT, although member states can increase this amount up to EUR 22 (and most member states have set their LVCR thresholds at, or close to, EUR 22). The directive allows member states to exclude “mail order” transactions from the relief, but few have chosen to do so. Of those that have excluded mail order transactions from the relief, some have reversed their decision after finding that the administrative cost exceeded the revenue generated.

The study carried out for the commission provides an overview of the legal framework and procedures in place in all member states, and contains an economic analysis of the low value consignments market from 1999 until 2013, including an estimate of the potential VAT foregone by tax authorities due to this exemption. The LVCR has been subject to considerable discussion because the concession for foreign exporters is considered to adversely impact domestic suppliers in respect of their supplies to the EU market, which generally are subject to VAT.

The abolition of LVCR is among the options being considered by the European Commission in its strategy for the EU digital single market (for prior coverage, see World Tax Advisor, 22 May 2015. Among other things, the Commission’s strategy also contemplates extending the single electronic registration and payment mechanism (the “mini one-stop shop” that currently allows businesses supplying certain e-services to consumers in other member states to account for their intra-EU supplies through an electronic portal in their “home” country) to intra-EU and third-country online sales of tangible goods to private consumers, and considers a range of other “nontax” issues that the Commission believes may be obstacles to cross-border trading. Although some of the proposals contained in the Commission’s publications may be relatively uncontroversial, others could prove to be contentious and gaining approval from all 28 member states to the ideas outlined in the Commission’s papers may be difficult and time consuming.


— Richard Vitou (London)
Partner
Deloitte United Kingdom
rvitou@deloitte.co.uk