

A reminder about the need for accurate and comprehensive order data for continued seamless International ecommerce delivery from January 1st 2021

This document provides a brief guide to some significant changes that will affect your international ecommerce parcel exports from January 2021, along with some advice on how to prepare for these changes – Please read it carefully and take steps to act on these things if you have not done so already.

THIS IS NOT A MARKETING MESSAGE

OVERVIEW

January 1st 2021 is the effective date for two very significant but unrelated changes to the delivery mechanism for some International ecommerce orders.

UNTRACKED WORLDWIDE POSTAL DELIVERY

The body which governs International Postal distribution regulations, The Universal Postal Union, announced the requirement for parcel data provision as early as 2013. The final deadline for compliance is January 1st 2021. All parcels containing “goods” must be accompanied by comprehensive electronic data supporting and enhancing the existing CN22 and CN23 declarations. Data must be provided on export ecommerce postal parcels to all overseas destinations including parcels destined to customers within the European Union.

Royal Mail has published some useful and detailed guidance on this topic explaining the need for data for parcels shipped internationally through the postal system from January 2021. Please note that the Royal Mail guidance explicitly states that “failure to comply may result in delays, destruction or the return of mail”. The Royal Mail guidance on this topic can be found here;

<https://www.royalmail.com/business/international/guide/electronic-customs-data>

BREXIT

The United Kingdom left the European Union on January 31st 2020 and the transitional period for the negotiation of future trading conditions expires on December 31st 2020. From January 2021 cross-border procedures will need to be completed with electronic data submissions on all goods for Customs clearance. Accurate and comprehensive data is necessary for the correct processes to be followed and the assessment of local taxes.

In the absence of a trade agreement, The United Kingdom will trade on World Trade Organisation (WTO) terms. This means all orders with a value over €22 will incur VAT and those with a value over €150 will additionally incur duty. For the correct application of tariffs accurate data including HS codes, Country of Origin information and full product descriptions are necessary.

Accurate and comprehensive data provision is particularly important for EU destinations due to the potential absence of a trade agreement and a low tax threshold. In other major ecommerce markets such as the USA and Australia, tax thresholds are far higher so a far larger proportion of orders complete cross-border formalities using simplified procedures as there is no revenue involved.

DATA COMPLIANCE

If you are trading with us through a platform (like Shopify) or carrier management system (like Metapack) then the mechanisms for sending us the data in the correct formats are in place. All that's needed is a quick check to ensure that all the data elements (particularly 10 digit HS codes, Country of Origin and product description) are up-to-date, complete and accurate.

If you ship with us to the EU and don't currently provide data, we will provide templates and integration options to quickly ensure compliance.

WHO PAYS ANY TAXES?

For postal delivery, only DAP/DDU incoterms can apply. This means that the consignee picks up any local taxes and the associated handling charges for collecting them. There is no mechanism for taxes to be paid by the shipper (DDP). The lack of a DDP mechanism is a legacy issue because data has not been available so Post Offices have been unable to associate taxes with shippers. This may change now data is required but as things stand postal delivery is DAP/DDU only.

For commercial tracked delivery, DDP is possible allowing the retailer to pick up all costs including taxes for a seamless delivery. OCS provides many commercial delivery options, mainly by transporting goods by commercial flights to the country of destination and completing cross-border processes directly before releasing parcels to the last-mile partner for delivery.

For B2C (Business to Consumer) delivery all DDP costs, including VAT are unrecoverable.

For B2B2C (Business to Business to Consumer) delivery, Customs clearance is completed in the name of the business consignee, even if the parcels are individually released later for delivery. In this process the business consignee in the destination country must have local EORI and VAT registrations and the capability to manage their local VAT obligations either directly or via a fiscal representative. B2B2C is not permitted in all territories so trade advice is advised when considering this mechanism.

GLOSSARY OF TERMS

CN22 - This form is required for customs postal declarations. All shipments going outside of the EU with a value <£270 will need one of these affixed to the outside of the parcel. These will also be needed for EU shipments after the Brexit transition period ends on the 1st of January, 2021. Due to changes in customs protocols both inside and outside of the EU that also take effect from the 1st of January 2021 the information contained within customs the declaration also needs to be transmitted digitally from the shipper to the shipping provider, and from the shipping provider to the in-country customs authority in order to make it easier for customs authorities to combat miss-declarations and fraudulent imports.

CN23 – This is also a customs postal declaration form, similar to the CN22. The key difference being that this one is used for shipments with a value that is greater than £270 and greater content information is required.

IMPORT VAT – This is VAT that is applicable to imported goods and is payable to customs at the border of the destination country. From January 1st 2021 parcels to the EU with a value greater than €22 will incur VAT at the rate of the EU country where the parcel crosses the border into the EU. New EU VAT rules are planned to become effective in July 2021 which will facilitate VAT to be paid at the rate of the EU country of consumption. The "Import One Stop Shop" or IOSS facilitates submission of a single EU periodic VAT return negating VAT collection at the first EU border.

IMPORT DUTY – This is a tax imposed on goods imported from overseas. Each country has its own rules and thresholds for Duty. There are certain value thresholds and variable rates of Import Duty that may apply based upon the ‘country of origin’, ‘material composition’ and sales value of the goods. Our assumption at this stage is that a trade deal will not be agreed and in place when the transition period ends. This means that the UK will revert to trading with the EU on “WTO terms” (see definition below). In this event EU import duties will apply for goods with a value >€150.00. Typically Import Duty on ‘wearing apparel’ is around 10% but shippers should check with HMRC and/or trade advisors on the specifics that apply to their inventory.

DDU/DAP – DDU/DAP means “Delivery Duty Unpaid” or “Delivered At Place”. This is where the responsibility for the paying all applicable border taxes such as Import VAT, Import Duty and any associated fees rests with the consignee of the parcel, rather than the shipper of the goods. Where parcels containing goods are sent through the postal system (untracked or tracked) this is the only option and the parcel will not enter the final delivery channel until payment has been received. Consignees can choose not to pay in which case the parcel will be returned, or in some cases destroyed in the destination country.

DDP – DDP means “Delivery Duty Paid”. This is where the shipper takes responsibility for the paying all applicable border taxes such as Import VAT, Import Duty and any associated fees. Typically the way this works is that the logistics partner or shipping provider will pay the taxes and fees at the customs border on behalf of the shipper and then re-charge the costs back with a “Deferment Fee”. This system for the payment of Import VAT and Import Duty can only be utilised on tracked commercial (rather than postal) export procedures. DDP allows for smooth access into the delivery channel without the need for the collection of any costs from the consignee so tends to be favourable for consumers.

DEFERMENT FEE – This is a fee levied by the logistics partner or shipping provider. It can either be a fixed value / item or a % of the declared value of the goods. In a DDP scenario the shipping provider is ultimately paying the VAT and Duty at the customs border on behalf of the shipper so the deferment fee can be considered as interest on the funds.

EORI (ECONOMIC OPERATION REGISTRATION AND IDENTIFICATION NUMBER) – Currently businesses moving goods in or out of non EU countries need an EORI number. It is an ID code for Registration and tracking for customs purposes in the EU. UK businesses will need an EORI number to trade with EU countries after the transition period ends. If you do not have one you can apply for an EORI number here; <https://www.gov.uk/eori>

DUTY HANDLING / CARDING FEES (POSTAL DDU) – When a postal shipment cannot be delivered because a fee needs to be paid a card will be delivered to the consignees address to inform them that the parcel is on hold with the local customs authority awaiting payment. Payment will have to be made in order for the parcel to be released for delivery. The card will detail the process the consignee needs to take to make the payment and have the parcel released for delivery. Carding Fees vary from one country to another but within the EU they are typically between €8.00 and €12.00 / parcel. It is important to note that the Carding Fee is for processing the transaction and does not include any Import VAT or Import Duty that may apply to the transaction. The VAT and Duty elements are additional to the Carding Fee. If the consignee fails to respond or refuses to pay the Carding Fee and any applicable VAT and / or Duty then the shipment will be considered as “REFUSED” and will enter the undeliverable returns process.

HS, HTS or HARMONISATION CODES – HS stands for ‘Harmonised System’. It was developed by the WCO (World Customs Organisation) as a multi-purpose international naming system that describes the type of goods being shipped. HS codes must be used to clear every commodity that crosses any international border. Every commodity has a HS code. HS codes have been a requirement for formal / commercial customs clearance for some time. As of 2021 they are also required for postal clearance. All shippers that wish to export through postal or commercial channels from 2021 will need to classify their inventory with HS codes. HS codes can be looked up at the following websites; <https://www.gov.uk/trade-tariff> <https://madb.europa.eu/madb/euTariffs.htm>

POSTAL AUTHORITY – An organisation charged by the governing body of a country or region with the provision of postal services within that region. Normally affiliated to the Universal Postal Union (UPU). In the United Kingdom this is Royal Mail, in the US this is the United States Postal Service.

UPU – The Universal Postal Union is a [specialised agency](#) of the [United Nations](#) that coordinates postal policies and a common framework among member Postal Authorities.

WORLD TRADE ORGANISATION (WTO) – The World Trade Organisation (WTO) is the only global international organisation dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world’s trading nations and ratified in their parliaments. The goal is to ensure that trade flows as smoothly, predictably and freely as possible.

6 STEPS TOWARDS GETTING READY FOR 2021

1. Register for a UK EORI number and share it with OCS
2. Review data provision for completeness and accuracy
3. Consider if you require tracked DDP delivery (shipper pays) or untracked postal DDU delivery (customer pays) for EU orders from January 1st 2021.
4. Review EU ecommerce distance selling regulations and the implications of paying VAT at the EU border from January 2021 on B2C ecommerce parcels.
5. Investigate the IOSS VAT scheme how changes to the VAT process will affect your business from July 2021
6. Take advice as needed from independent external sources such as HMRC, overseas trade partners and business advisors.

For additional information contact your OCS Account Manager or our Customer Service team who will be happy to assist you.

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