

New EU Rules on Cross-Border e-Commerce

Significant changes are coming for everyone involved in B2C e-commerce across the borders of the European Union. On the 1st of July 2021, new EU rules on cross-border e-commerce will come into effect. The [EU wants to establish a fairer environment](#) and ensure that VAT is paid where the consumption takes place.

This should help the competitive ability of European sellers that have a hard time competing with their Asian counterparts, especially when it comes to low-value goods. Chinese merchants make use of a range of benefits that are often impossible to reach for local sellers. These include low labor costs, government support, world-class infrastructure optimized for mass production, and extremely cheap shipping services.

Furthermore, it is not only the merchants but also the local carriers that suffer from the Chinese merchants' favorable environment. Based on a universal alliance for postal services called Universal Postal Union (UPU), local postal companies mutually deliver each other's shipments in their respective networks. As the cost calculation favors underdeveloped countries, postal services in a developed country will receive less for a shipment coming from an underdeveloped country. This means that carriers in developed countries often did not get paid enough to deliver these packages. Although China has been moved up on the development scale to account for this, before that happened, [Alibaba and Aliexpress](#) have grown enough to find ways to keep the shipping and the overall prices low.

What's new?

The new rules will scratch the exemptions currently in place. According to the current rules, goods up to € 22 are freed

from VAT. Furthermore, end customers do not have to worry about customs declarations with goods up to € 150 as the transportation company typically manages this. Based on the new legislation, all orders, regardless of value, will be subject to VAT and an electronic customs declaration. This declaration can either be done by the end customer or a third-party company, such as the transportation company.

Current rules	New rules (from July 1st, 2021)
No VAT up to 22 €	VAT applies to all orders
Up to 22 € simplified customs declaration 22 – 150 € verbal or written customs declaration	Always an electronic customs declaration

What effect will the new EU rules on cross-border e-commerce have?

[Online sales have been growing](#) both within and across the borders of the EU. In the past years, online stores such as AliExpress have been widely popular among European customers, especially for inexpensive products. The amount of low-value orders will likely decline, as the added cost of VAT and the obligation to deal with customs declarations might scare some customers away. However, it is also likely that this drop will be only temporary. Sweden has previously introduced similar legislation. Initially, the number of cross-border orders to Sweden decreased by 66%. After one year, the demand started to grow again and likely returns to the original level.