

IMAG INSIGHTS

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EU VAT CHANGES LOOM

EUROPEAN TRADE GROUPS SEEK DELAY OF EU VAT CHANGES

PostEurop, the trade association representing European postal operators, joined with other associations to petition the European Commission (EC) to delay the coming European Union's value-added-tax changes to at least January 15, 2022.

In a [letter](#) to EC Commissioner Paolo Gentiloni, the associations cite the lack of readiness of a large number of EU Member States and growing unharmonized implementation in the EU, "and the impact that this has on the preparation by trade, and consequential damage it will cause to European consumers, businesses and governments if the implementation would go ahead as planned."

A key part of the EU's new customs regulations is the cross-border ecommerce VAT program set to take effect on July 1, 2021. The new rules include the elimination of de minimis (22€) on low-value goods coming into the EU. As of July 1, 2021, for any purchase realized in a non-EU country VAT will be applicable – no matter the value of the good. That is to say, VAT will be applied on the first cent of value. (See chart next page and follow [this link](#) for slides from International Post Corp. webinar on the topic.)

The associations, which also include those representing European customs brokers, freight forwarders, and American businesses active in Europe, note that "three months from deployment and Member States still report challenges in ensuring a fully functional deployment of the VAT and customs electronic systems, required to support the measure in a timely fashion."

More time is necessary for a harmonized approach at the EU level, otherwise implementation will fail, the letter says. This will lead to significant border clearance delays, resulting in high levels of customer and consumer dissatisfaction. "Harmonization and additional time would also be needed to attract marketplaces and traders to register for the IOSS - essential for a successful implementation," the associations say.

Experts expect the VAT changes to exacerbate customs bottlenecks for cross-border ecommerce shipments. There will be a huge increase in items eligible for customs processing and every single item will now require that money be collected – both VAT and handling of surcharges from posts, putting additional burden on domestic delivery networks to collect monies. The need for storage will also put pressure on operations.

Upcoming Events

UPU Consultative

Committee Webinar: [April 28, 11:00 - 12:00 CEST \(5:00 AM ET\)](#). The second in the CC's trilogy of webinars will be "Impact of COVID-19 on e-Shopper Behaviors," Zoom link [here](#):

Meeting ID: 940 8078 3164
Passcode: 223174

National Postal Forum: [May 3-4, virtual NPF](#), includes USPS executive presentations and 16 sessions (four concurrent sessions) and access to recordings of all sessions. An international session on May 3 at 2:45 PM. Follow this [link](#) to register. Agenda can be found [here](#).

World Mail & Express

Europe 2021: [June 16-17 virtual conference](#). Call for [speakers](#) is now open. Register [here](#) to attend.

All of these changes are likely to lengthen transit and delivery times and add to the costs of an ordered good – none of which makes for a happy consumer. Major online retailers and ecommerce marketplaces are expected to take part in the common European system (IOSS, Import One-Stop Shop), where the consumer pays the VAT directly in the online store. If the VAT is paid in the online store, items can quickly move to delivery, and consumers are not required to pay handling fees at destination. However, IOSS has its shortcomings and not all online retailers are expected to sign on, at least not initially. This makes other solutions, such as a postal duties-and-delivery-paid option, attractive to online retailers and their providers.

Hence, the postal and logistics industries remain highly concerned about the EU’s fast-approaching VAT regulations deadline and the lack of apparent readiness by some countries. Among the associations joining with PostEurop requesting a delay on the EU VAT program until January 2022 are the European Express Association, the European Shippers Council, European Assn. for Forwarding, Transport, Logistics and Customs Services, and AmCham EU.

	Today (before July 1, 2021)		As of July 1, 2021	
Value of imported goods in consignments	VAT	Customs Duty	VAT	Customs Duty
≤ 22€	Exempt from VAT	Exempt from customs duty	VAT due in EU	Exempt from customs duty
> 10/22€ & ≤ 150€	VAT due in EU	Exempt from customs duty	VAT due in EU	Exempt from customs duty
> 150€	VAT due in EU	Customs duty due in EU	VAT due in EU	Customs duty due in EU

Source: IPC from European Commission Directorate-General Taxation and Customs Union, Sept. 2020

CARGO FLIGHT CONVERSIONS LIKELY TO CONTINUE

To offset the loss of revenue from passenger flights due to the coronavirus pandemic, China Airlines is focusing on moving cargo. Its strategy of prioritizing cargo over passenger flights in 2020 allowed the airline to stay profitable, ensuring it will be a focus in 2021.

China Airlines had a 77 percent drop in passenger revenue in 2020, which contributed to a year-over-year decline of 18 percent in overall net profit of \$76.3 million for the year. However, the company’s revenue from cargo rose 87 percent. China Airlines moved quickly to tap into belly-hold cargo, as well as carrying cargo in cabins. Since April 2020, the carrier has flown more than 1,000 cargo-only flights on passenger aircraft a month, [Air Cargo News](#) said.

China Airlines is expanding its international cargo lift by adding capacity to its European freight network and adding more belly-hold capacity to its North American flights. The airline is also exploring the option of scheduling regular cargo flights to Australia and New Zealand.

With [industry experts](#) predicting that airline passenger traffic will still be at less than half of 2019 levels by the end of this year, the trend of converting passenger flights to cargo is expected to continue. The [International Air Cargo Association](#) projects international passenger levels won't return to 100 percent for another three to four years.

Cargo carriers and logistics giants such as Amazon are busy buying aging passenger jets and converting them to cargo planes, according a recent [Business Insider article](#). But the

conversion process is not easy – or cheap – with only a handful of companies around the world providing conversion services. Still, the combination of explosive ecommerce growth, increased customer expectations, and the downturn in the airline industry make this a good time for logistics providers to grow their fleets.

Similarly, postal service providers are expanding their cargo networks to increase revenue. Poste Italiane’s cargo airline, Poste Air Cargo, is now scheduling weekly flights to Tel Aviv, Israel, making it the carrier’s first international destination. [Poste Italiane](#) Group’s cargo airline already has a widespread network throughout Italy, and now is moving to expand the airline’s international footprint, with the aim of strengthening its presence in the Mediterranean air cargo market, [Post & Parcel reported](#).

[UPU TASK FORCE ISSUES REPORT ON OPENING TO PRIVATE SECTOR](#)

The Universal Postal Union’s task force on opening up the UPU to wider postal sector players puts forward three overarching recommendations in its report submitted to the Council of Administration (CA) last week for consideration at the CA Plenary Session on Friday.

- **Recommendation 1:** A concrete step-by-step approach should be pursued in the next cycle and further analysis should be conducted and presented at an extraordinary congress by the CA.
- **Recommendation 2:** Consultative Committee (CC) reform –Consensus Option.
 - This includes transforming the CC by opening it to new membership categories, including delivery service providers, ecommerce platforms, and technology companies, among others.
 - Allow CC members to provide input to the work of the CA and Postal Operations Council, including through reports and recommendations and giving opinions.
- **Recommendation 3:** Opening UPU products and services (also called solutions).
 - This section envisions a deliberate process for considering how to open certain UPU products and services to private sector players.

The task force, which formed shortly after the September 2019 Extraordinary Congress, has asked the CA to approve the recommendations and to direct the UPU International Bureau to prepare the necessary documents and proposals, based on the recommendations, for submission to the UPU 27th Congress set for August.

The full [task force report is posted here](#) on the Members’ Only section of IMAG (password IM2017AG). We will report on the CA’s decision and next steps after Friday’s Plenary Session.

[SENATOR RAISES STOP ACT AT CONFIRMATION HEARING](#)

The STOP Act made a brief but noticeable appearance at the Senate confirmation hearing for three nominees to the Postal Service Board of Governors – a reminder that the senators responsible for passing the law remain engaged in seeing it fully implemented.

At last week’s Senate Homeland Security and Governmental Affairs Committee hearing, Senator Rob Portman, R-OH and ranking member, asked nominee Ron Stroman if he would commit to ensuring the STOP (Synthetics Trafficking and Overdose Prevention) Act is enforced if the Senate approved him as a governor. Stroman, the former Deputy Postmaster General of the Postal Service who was deeply enmeshed in the STOP Act in that capacity, promised he would get personally involved as a governor.

The Senate committee heard testimony and questioned the three nominees, who in addition to Stroman are Anton Hajjar, a former general counsel of the American Postal Workers Union, and Amber McReynolds, CEO of the National Vote at Home Initiative. Stroman and Hajjar are Democrats and McReynolds is an Independent. See witness testimony [here](#). By law, only five governors may be from the same political party. The nominees, if approved, would fill the three open governor seats and bring the governors to its full complement of nine. This [Washington Post](#) article provides a good explanation on the Board of Governors.

Given Senator Portman’s involvement in the [STOP Act](#), it was no surprise he seized an opportunity to ask about it. The law took full effect on January 1, 2021, with foreign posts expected to provide 100 percent AED in shipments to the United States, except for countries that Customs and Border Protection (CBP) has granted a waiver. However, CBP’s [interim final rule](#) on mandatory AED grants a grace period on compliance, allowing CBP to “show restraint in enforcing the data submission requirements of the rule” for 12 months, so long as USPS is making significant progress and a good faith effort to comply with the rule. Comments on the rulemaking are due May 15.

[In Brief](#)

- **Daily Delivery Digest** – The industry’s favorite postal and delivery podcast, Postal Hub Podcast, now offers a daily dose of delivery news straight to your email inbox. The digest includes bite-sized news, a brief analysis of a daily news item, and charts highlighting an industry trend. Get the digest [here](#).
- **E-Cig Guidance** – The Postal Service recently published a “[guidance](#)” in the Federal Register on treatment of e-cigarettes and devices in the mail. This is not the final rule, but a guidance that encourages companies to gather documents for an exception application process should the final rule ultimately allow for certain exceptions for ENDS (electronic nicotine delivery systems) in the mail. The stimulus bill signed into law in late December 2020 bans shipping of e-cigarettes and nicotine delivery devices to residential addresses as of April 26. The law directs the Postal Service to establish an exception process for wholesaler-to-retailer (B2B) shipping of ENDS. The final rule on the exception process will be out in the coming weeks.
- **Call and Response** – IMAG joined other postal-related trade associations in a letter to Postmaster General Louis DeJoy expressing concerns over the Postal Service’s 10-year strategic plan. While the strategic plan focuses on domestic issues, IMAG’s long-standing policy in support of pricing stability was a key reason to join with the industry groups. You can find the industry letter [here](#) and the PMG’s response [here](#). The full 10-year plan is available [here](#).
- **Brexit Pain** – At the 100-day mark, Brexit is proving disastrous [for many British exporters](#), which are now asking the government to take urgent action to prevent further losses, [CNN Business](#) reports. Despite the UK government touting Brexit’s purported benefits, surveys indicate that exports of goods to the EU have declined by 41 percent in January compared to same period last year. Exports bounced back in February, according to published data, but were still 12.5 percent lower than 2020, when the pandemic was taking hold in Europe. Businesses cite frustration with the enormous amount of paperwork, the lack of clarity around duties and taxes, and the high costs associated with certain goods that need government certification stamps.

About IMAG: The International Mailers’ Advisory Group’s core mission is to address barriers to the efficient flow of goods and information across borders for those who utilize postal services. Find more at www.imag.world.