

A PROPOSAL TO SIMPLIFY DUTY AND TAX COLLECTION ON IMPORTED LOW-VALUE SHIPMENTS

Joint State Initiative on MSMEs
World Trade Organisation
February 2021

Or, in other words,...



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How to make it *easy*...

**... for MSMEs to *export*
through *e-commerce*...**

and

... **efficient** for **Governments**
to **collect revenue**
on imported small parcels...

...through
simplification
and
automation.



Complex rules designed for traditional shipments are applied to low value ones

MSMEs lack the expertise to comply

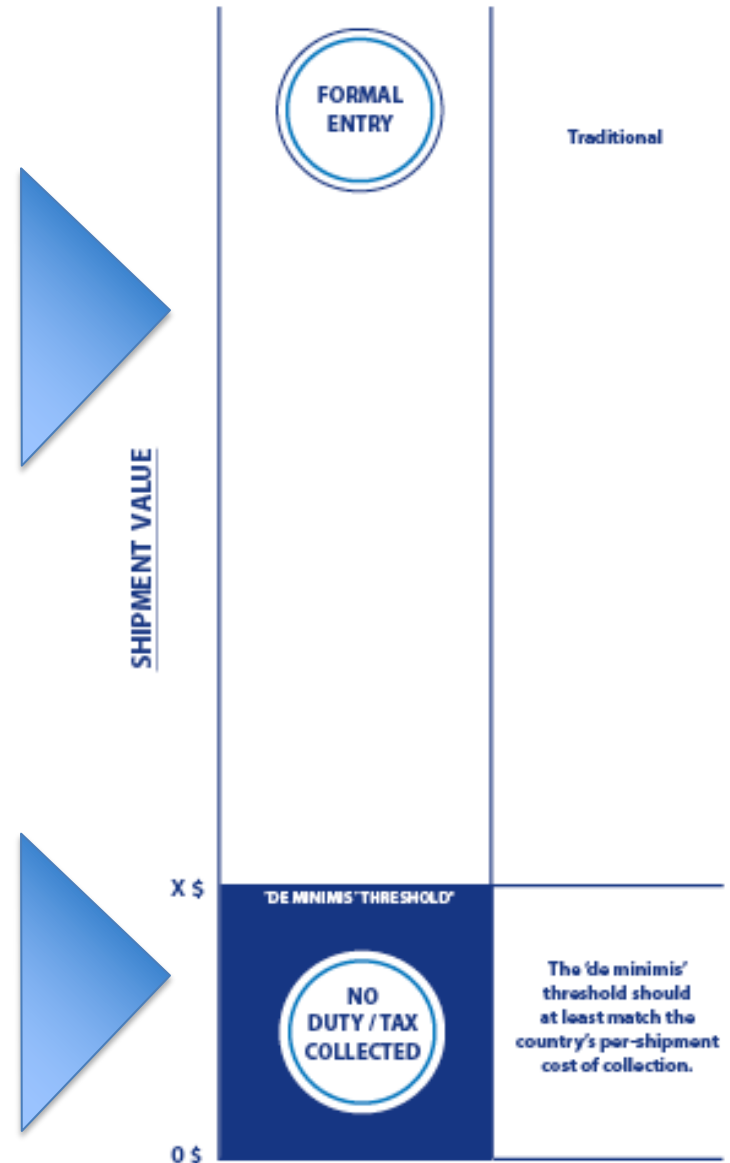
MSMEs are deterred from exporting

Less trade

Loss of potential revenue for Gov'ts

***De minimis* thresholds**

- should match collection costs (efficiency)
- should not be eliminated



This proposal is **not** about *'de minimis'*



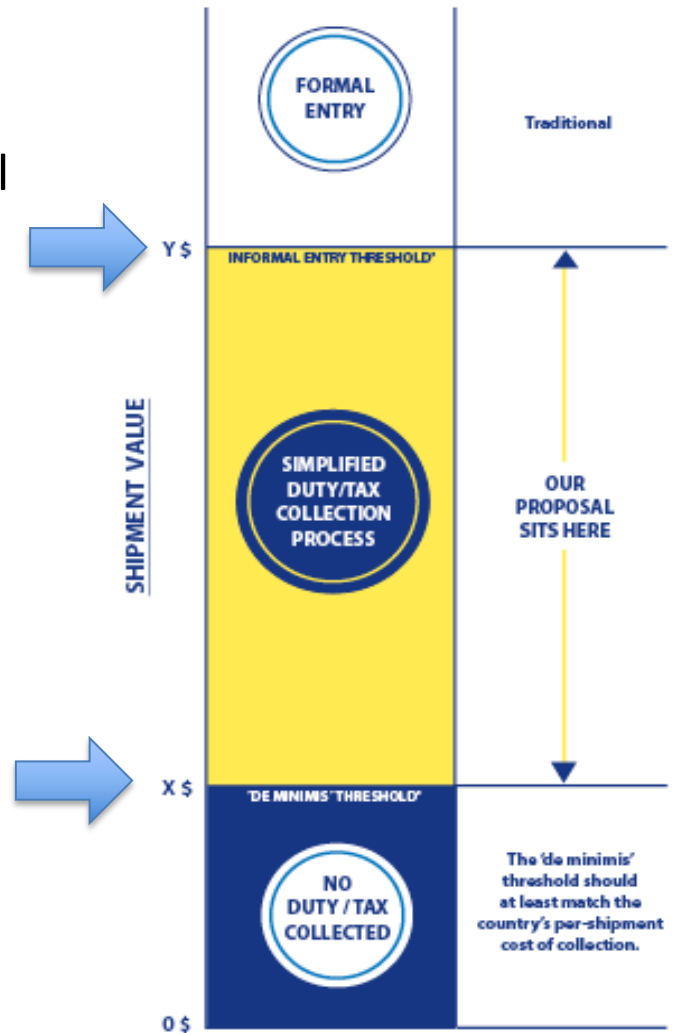
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OUR PROPOSAL

- Below a commercially meaningful Informal Entry Threshold (Y \$), and ...

SIMPLIFIED TAX/DUTY COLLECTION ON LOW-VALUE SHIPMENTS

- Above the 'de minimis' threshold (X \$) ...
- Thresholds defined by each country
- Based on individual circumstances



* The two thresholds (de minimis, under which no duty or tax is collected, and informal entry, under which the simplified collection process applies) would be for each country to set depending on their individual circumstances.



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We have examined best worldwide practices
under a *triple simplification test*

What makes it easier for ...??

1. Governments ?
2. MSMEs?
3. And carriers?

We propose:

One system

with common elements (simplicity)

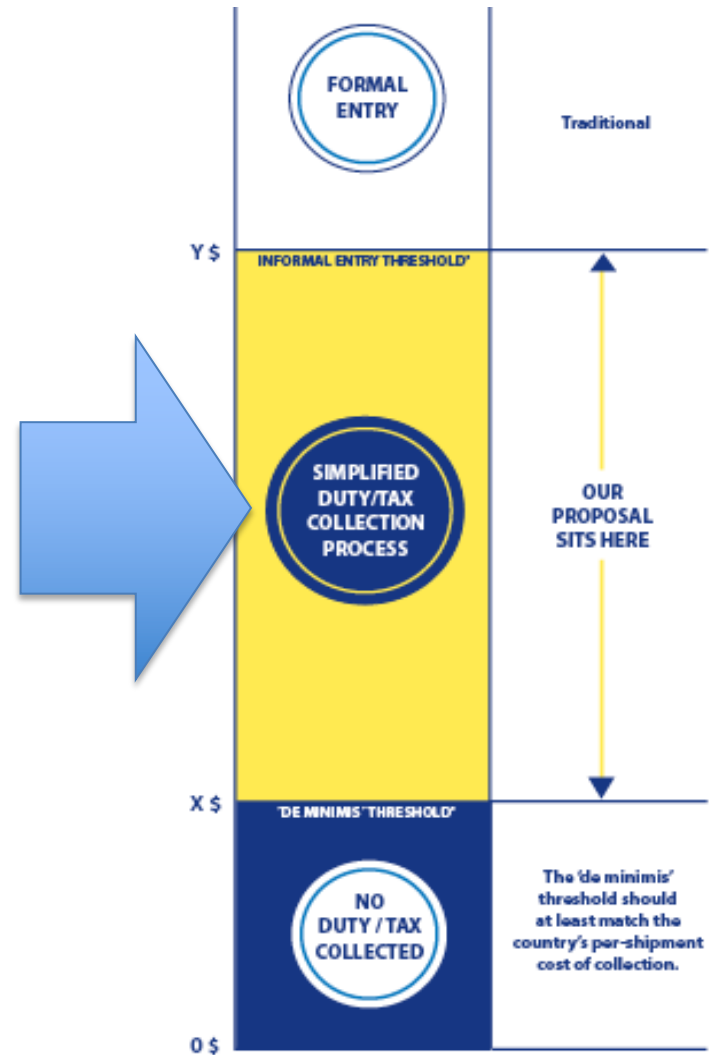
and three options (flexibility)



COMMON ELEMENTS

A set of principles:

- Low-cost, simplicity, ease of implementation
- No discrimination between foreign and domestic vendors
- Border formalities focused on health, security, safety
- Off-the-border collection



* The two thresholds (de minimis, under which no duty or tax is collected, and informal entry, under which the simplified collection process applies) would be for each country to set depending on their individual circumstances.

COMMON ELEMENTS

AUTOMATION :

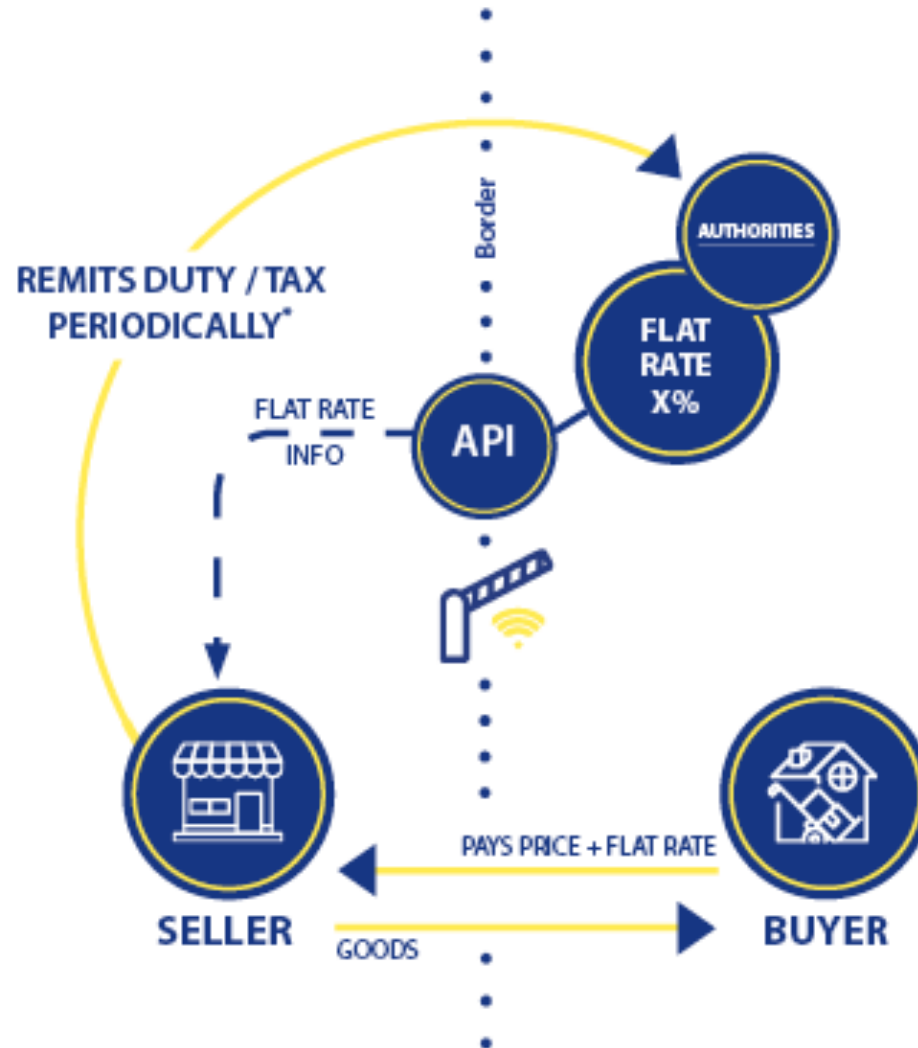
- An **API** or 'messenger' software
 - Plugs in official electronic tax/duty information at point of sale
 - Allows vendor at origin to figure out destination tax and/or duty
 - Buyer gets landed cost
- Governments get simplified and more efficient collection processes



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OPTION 1
FLAT RATE
REPLACES ALL DUTIES AND TAXES

OPTION 1 - SIMPLIFICATION THROUGH A FLAT RATE



*Either directly or through an intermediary



Canadian '3 buckets' model

ANNEX 1

Canadian General Harmonised System 2012



BUCKET 1 - HS 982515100000

Bedding / Linen / Towels / Curtains / Clothing / Apparel (excluding religious & saris)
Footwear & parts thereof (including skates) / Textiles

MFN RATE
20%

FTA RATE
FREE

BUCKET 2 - HS 9825200000

Auto Parts (excluding engine / ignition) / Beauty aids / Cosmetics / Toiletries / Wax
Travel Sets / Bicycles / Tricycles / Brushes / Candy / Chocolate, Snack Foods / CD/
DVD's (prerecorded music) / Ceramics / Cleaning / Polishing / Lubricating products /
Clock / Coffee / Tea Makers / Cookware / Kitchenware / Tableware / Golf Clubs / Balls
/ Handbags / Wallets / Hats / Instruments for writing / drawing / painting / Jewelry
(Finished/imitation) / Leather & goods thereof / Luggage / **Miscellaneous goods
not elsewhere specified** / Musical Instruments (Guitars, Keyboards, Drums etc.) /
Plastic Articles, NES / Saris / Sports Equipment (excluding downhill skis / rackets /
hockey sticks / football) / Textile floor coverings / Tools, hand held (not powered) /
Umbrellas / Walking sticks / Whips / Crops

MFN RATE
8%

FTA RATE
FREE

BUCKET 3 - HS 9825300000

Auto parts for engine / ignition / Bicycle parts / Cameras & parts / accessories thereof
CD / DVD's (blanks / unrecorded) / Computers / Laptops & parts / accessories thereof
/ Downhill skis / Hockey sticks / Racquets / Football equipment / Electrical apparatus
(Switchers / Plugs / Sockets etc.) Exercise Bicycles / Stair climbers & parts thereof /
Eyewear (Sunglasses etc.) / Machinery parts, NES / Microscopes / Motorcycle parts
Musical Instrument parts & accessories / Novelty / Festive items / Phones - Tele /
Cell Head / Ear / Micro / Power tools (hand held) / Precious gems / metal findings /
Printed Matter (Printed art / Books / Brochures etc.) / Safety Headgear / Software /
Toys / Cards / Handicrafts / Hobby crafts / Video game consoles & Electronic games /
Video / Digital cameras / Watches & Watch / Clock parts & accessories

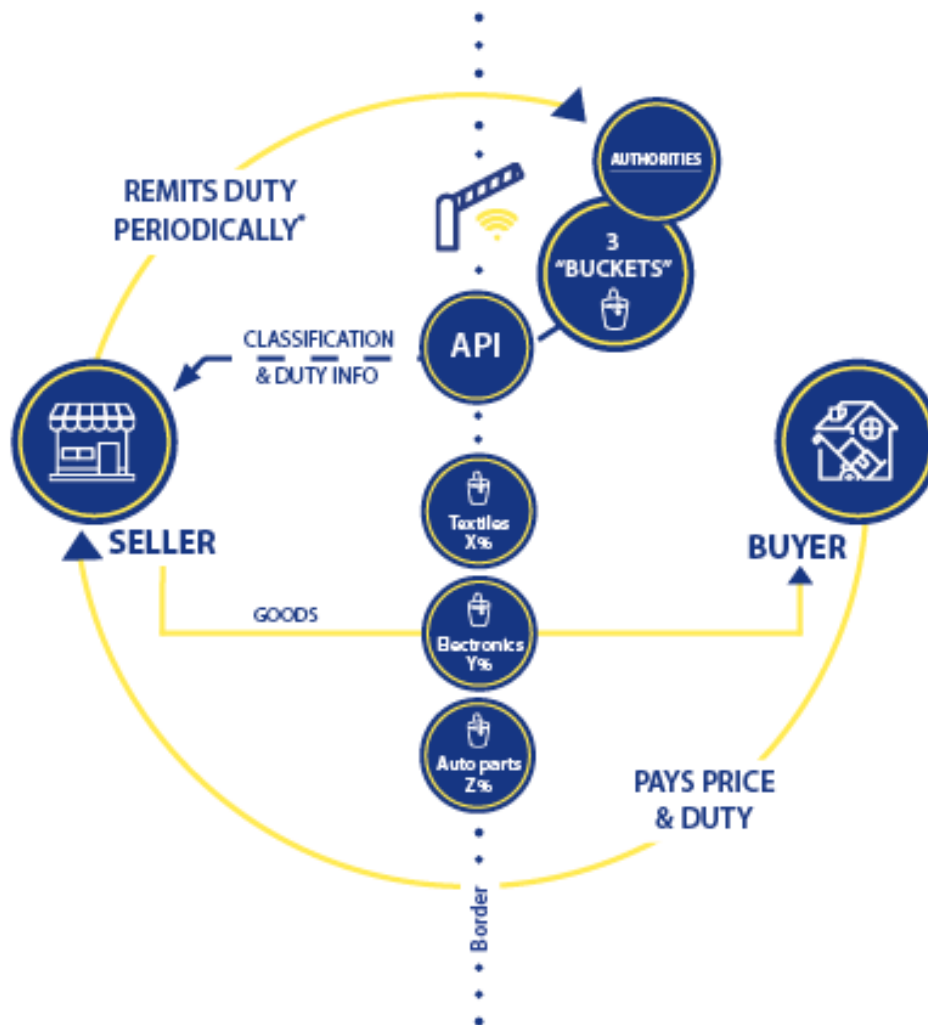
MFN RATE
FREE

FTA RATE
FREE



OPTION 2 – SIMPLIFIED DUTY COLLECTION

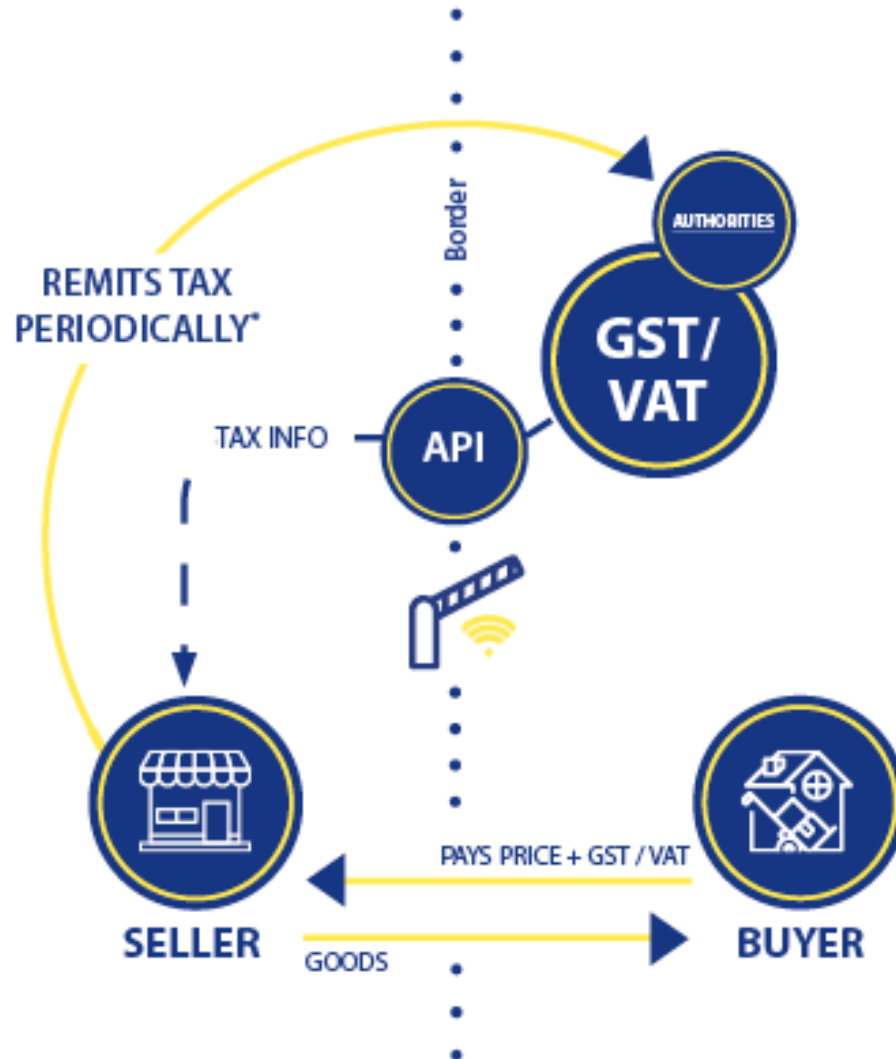
OPTION 2 SIMPLIFIED DUTY COLLECTION



Classification categories are mere examples to illustrate the model

*Either directly or through an intermediary

OPTION 3 - SIMPLIFIED VAT/GST COLLECTION



*Either directly or through an intermediary

Adoption by a *critical mass of countries* would:

- Increase MSME exports
- Capture new Government revenue
- Support economic development



JSIs on MSME, e-commerce:
Policy principles



Duty simplification,
standardization



Tax policy details

Thank you

Q & A

