



POSITION PAPER

The Impact of a harmonised de minimis value threshold

When it was adopted in 1999, the WCO Revised Kyoto Convention (RKC) acknowledged and foresaw that rising numbers in e-commerce transactions would create an increasing number of smaller consignments. A provision to address this trend was then introduced to promote the legislator's consideration for facilitation through exemptions from tax and excise formalities on very small and low value consignments, the so called "de minimis".

The concept of de minimis in relation to trade as defined by the ICC Customs Guideline (#11) is the valuation ceiling for goods, including documents and trade samples, below which no duty or tax is charged and clearance procedures are minimal.¹ According to Transitional Standard 4.13 of the RKC, Customs administrations shall specify a minimum value or minimum amount of duties and taxes below which no duties and taxes will be collected referring to a de minimis threshold.²

In many cases, the cost borne by governments for processing low value shipments is greater than the revenue collected by Customs administrations, even without consideration for the costs borne by traders. For governments this means that the additional revenue gained is sadly offset by the increase in their internal costs. For the private sector this is a direct cost that also implies indirect additional expenses.

Administrations that had implemented a de minimis regime also applied the WCO Immediate Release Guidelines (IRG), which provided for immediate release of the goods on the basis of a consolidated declaration which could be a manifest, waybill, cargo declaration or inventory of such items.³ Such practices normally provide additional facilitation to traders in cross border operations.

Studies have shown that harmonising de minimis levels would have a significant positive impact on the global economic recovery and would help invigorate economic growth, particularly for Small and Medium Sized Enterprises (SME), especially in markets such as e-commerce and fast-moving consumer goods.

According to a 2003 paper by the Organization for Economic Cooperation and Development (OECD), which argues in favour of adopting de minimis thresholds, firms with fewer than 250 employees face trade transaction costs that are 30 to 45 percent higher than those incurred by

¹ <http://tfig.unece.org/contents/de-minimis.htm>

² http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/conventions/pf_revised_kyoto_conv/kyoto_new/gach4.aspx

³ http://www.wcoomd.org/en/topics/facilitation/resources/~/_media/D0F3EA60B983435EABE3C63DC23636C6.ashx

larger firms.⁴ Such costs become more evident during times of economic turmoil, when SMEs become even more exposed to cost with difficult recovery.

The research suggests that SMEs would benefit largely from facilitated Customs procedures mainly because they deal with the bulk of low-value shipments and face a variety of burdens when completing Customs forms. A harmonised de minimis threshold would streamline this process for SMEs allowing them to focus on other facets of their business and expand their enterprises to stimulate regional economic growth. Other sources suggest that States with a soundly implemented de minimis regime can expect to experience economic benefits by refocusing public revenue collection on more efficient revenue streams, therefore reducing the costs borne by traders, and accelerating the delivery of goods to market.

Recent economic studies conducted among Asia-Pacific Economic Cooperation (APEC) economies concluded that raising the baseline de minimis threshold to 200 USD would generate net economic benefits equivalent to almost 30.3 Billion USD.⁵ Studies in the U.S. have shown that raising the de minimis level from 200 USD to 800 USD would lead to net gains of 17 million per year.⁶

FIATA acknowledges that adopting a de minimis regime provides the opportunity for streamlined border clearance processes by exempting extremely low customs value consignments from Customs duties (and other taxes levied at borders). This would certainly facilitate trade whilst injecting efficiency in the economy. FIATA sees merit in incorporating a reasonable de minimis regime in national border management procedures, as national economic conditions would benefit from such savings through improved resource allocation. In turn traders would garner greater facilitation and efficiency in their operations.

International research has indeed shown that certain benefits accrue from an increased de minimis threshold, but it has also revealed that, even limiting the analysis to examples where savings amply outnumber the fiscal intake, threshold values vary considerably across economies for a variety of reasons, thus proving that a “one size fits all” approach is not feasible in terms of setting a standard de minimis value across the board.

While FIATA shares the aspiration toward standardisation and harmonisation of de minimis thresholds as much as possible, there still remains the vexatious aspect of setting the “right” value in a global economy where very wide differences still exist. In trying to achieve a certain degree of global standardisation, Special Drawing Rights (SDR’s), as defined and maintained by the International Monetary Fund could be referenced instead of real currencies as a form of reserve for foreign exchange. This may prove auspicious in allowing for a solution that could ensure better harmonisation among regional partners.

The 2011 APEC Summit attempted to establish harmonised de minimis values in Asia Pacific economies that would exempt low-value shipments from customs duties and streamline entry documentation requirements. The aim was to increase and harmonise de minimis thresholds in the entire area, which would allow APEC economies the opportunities to reach 10 percent improvement in supply chain performance by 2015.

⁴ http://vi.unctad.org/files/studytour/strussia10/files/12%20April/Hoffmann%20UNCTAD/OECD_Quantitative%20Assessment%20TF%20benefits.pdf

⁵ http://www.worldcustomsjournal.org/media/wcj/-2012/1/Holloway_Rae.pdf

⁶ <http://www.iie.com/publications/pb/pb11-07.pdf>

Results from the APEC Summit in 2011 witnessed 10 APEC members agreeing to implement a de minimis value of at least USD100, offering others the chance to adopt the initiative when ready. The threshold of USD100 was deemed an appropriate threshold based on a study, conducted by the Conference of Asia-Pacific Express Carriers (CAPEC). The study indicated that setting a de minimis threshold of USD100 could amount to cost savings of USD19.8 billion per year in the APEC region.⁷ The benchmark had then been set. This would have the potential to encourage other countries to adopt a similar threshold to enhance cost savings throughout the region.

According to estimates from the Asian Development Bank, the direct and indirect costs associated with border procedures and documentation represents 7-10 percent of global trade. The streamlining of these procedures through increased and harmonised de minimis thresholds would assist in making such costs obsolete.⁸ This study revealed that the States need to establish threshold levels at a level where they would not incur losses in collecting tax revenues.

In February 2011, Vietnam raised its de minimis level from USD 48 to USD 60 leading the way for other South East Asian countries to join in its efforts. The reality is that most APEC economies currently have a de minimis regime. However, the main issue is that these thresholds range from under USD 1 to more than USD 1000, and eligibility criteria vary.⁹

In the U.S. Congress's favour towards increasing the de minimis threshold is gaining traction. The current USD 200 de minimis threshold on goods crossing the border in the U.S. was established in 1993 and has not been adjusted in twenty years. Raising de minimis thresholds in the US to USD 800 would free Customs officers to focus on higher priority security concerns and better allocate the limited resources available. Legislation addressing de minimis thresholds has been introduced in the Senate (S. 489).¹⁰

FIATA is aware that the feasibility of a fully harmonised de minimis threshold is compounded by differing levels of development, throughout the different economies. However, harmonising de minimis levels, taking into account the variety of different economies, could certainly have a positive impact in many regions and eventually at global level. A baseline level needs to be discussed among States, firstly at the regional level and secondly striving to later achieve global harmonisation.

FIATA embraces the principles of simplified, harmonised Customs and border management, whilst encouraging States and Customs administrations to renew their efforts in the implementation of the RKC also by adopting de minimis regimes as may be required by their economic conditions and to approximate the threshold levels of those already in existence.

FIATA encourages governments and regions to study the benefits of harmonising de minimis thresholds so that objective policy decisions can be made to determine values and processes which promote fiscal viability, provide economic stimulus and facilitate trade.

For more detailed information please contact the FIATA Secretariat (next page).

⁷ http://www.apec.org/Press/Features/2012/0103_deminimis.aspx

⁸ http://ec.europa.eu/enterprise/policies/international/cooperating-governments/usa/jobs-growth/files/consultation/regulation/23-european-express-association_en.pdf

⁹ http://www.apec.org/Press/Features/2012/0103_deminimis.aspx

¹⁰ <http://owens.house.gov/news/documentsingle.aspx?DocumentID=323833>

Marco Sorgetti, Director General

E-mail: sorgetti@fiata.com

www.fiata.com

Istanbul, 15th October, 2014

About FIATA

FIATA, the International Federation of Freight Forwarders Associations was founded in Vienna, Austria on May 31, 1926. It is a non-governmental organization that today represents an industry covering approximately 40,000 forwarding and logistics firms, employing around 8-10 million people in some 160 countries. FIATA has consultative status with the Economic and Social Council (ECOSOC) of the United Nations (inter alia ECE, ESCAP, ESCWA), the United Nations Conference on Trade and Development (UNCTAD), and the UN Commission on International Trade Law (UNCITRAL). It is recognized as representing the freight forwarding industry by many other governmental organizations, governmental authorities, private international organizations in the field of transport such as the European Commission (through CLECAT), the International Chamber of Commerce (ICC), the International Air Transport Association (IATA), the International Union of Railways (UIC), the International Road Transport Union (IRU), the World Customs Organization (WCO), the World Trade Organization (WTO), etc.