



Press Release

Luxembourg, 5 July 2018

EU Auditors to examine VAT and customs duties in e-commerce

The European Court of Auditors is conducting an audit to find out how effectively the EU is addressing the challenges posed by e-commerce in terms of VAT and customs duties. They will examine the European Commission's regulatory and control framework for e-commerce and cooperation between Member States to ensure that VAT and customs duties on e-commerce transactions are collected in full. The auditors have today published a Background Paper on the collection of VAT and customs duties on e-commerce as a source of information for those interested in the subject.

The European Union encourages e-commerce to ensure that businesses and consumers can buy and sell internationally on the internet just as they do in their local markets. However, e-commerce is still susceptible to irregularities concerning VAT and customs duties. This directly affects Member States' budgets and indirectly affects the EU budget since it reduces Member States' customs duties and VAT-based contributions. The European Commission estimates overall VAT losses in cross-border e-commerce resulting from the exemption of low-value consignments to be as high as €5 billion per year.

"Up to now, the collection of VAT and customs duties in cross-border e-commerce has been prone to irregularities. In particular, the current arrangements are open to abuse by suppliers from outside the EU. This puts EU traders at a severe disadvantage and leads to lost revenue for the EU," said Ildikó Gáll-Pelcz, the Member of the European Court of Auditors responsible for the audit.

While the single market abolished border controls for intra-EU trade between Member States, customs controls are still applied at the Union's external borders and all non-EU goods entering each Member State are subject to them. Services provided digitally from outside the EU represent a particular risk in this regard; because they do not physically cross any border, they are not subject to the same controls as goods entering the EU.

The audit includes visits to the Netherlands, Austria, Germany, Ireland and Sweden. The report is expected to be published in mid-2019.

The purpose of this press release is to convey the main messages of the European Court of Auditors' Background Paper. The full paper is available at eca.europa.eu.

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