

26th Conference on Postal and Delivery Economics  
May 30 - June 2, 2017, Split

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# **The Impact of Brexit on Postal and Other Delivery Operators and their Customers**

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# The Impact of Brexit

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**On 23 June 2016 the United Kingdom voted to leave the European Union (EU).**

**On 29 March 2017 the United Kingdom served notice under Article 50 of the so-called “Lisbon Treaty”,**

**From 29 March 2019 the United Kingdom will no longer be a member of the EU, including the Customs Union and Single Market.**

**What impact will this have on postal and other delivery operators and their customers?**

# Tariff and non-tariff restrictions on trade

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## Customs duty

WTO Most favoured Nation 30,000 pages

EU Customs Nomenclature 994 pages

## Excise duty

VAT and other sales taxes

Export and import licenses

Sanctions and Prohibitions

# UPU procedures for postal operators

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**A postal item shall remain the property of the sender until it is delivered to the rightful owner UPU Convention Article 5(1)**

**Under Common Law it becomes the property of the addressee immediately on posting (Protocol )**

**Items to be submitted to customs control shall bear on the front a CN 22 customs declaration ...**

**Those items whose contents exceed 300 SDR in value must be accompanied by a CN 23 customs declaration.**

**Correspondence not subject to customs control.**

**Designated operators shall accept no liability for the customs declarations. Completion of customs declarations shall be the responsibility of the sender alone.**

# UPU procedures for postal operators

Postal operator has to collect customs duty / VAT before item delivered – but practice differs:

	FRANCE	BELGIUM	IRELAND	UK
<b>31.1 Pick up of parcel at the customs office</b>	NO	NO	YES	NO
<b>31.2 Addressee's address with collection of customs duties and taxes at the time of delivery</b>	YES	YES	YES	NO
<b>31.3 Delivery to the addressee's address after payment of customs duties and taxes</b>	NO	NO	NO	YES
<b>31.4 Over the counter at the local post office with immediate payment of customs duties and taxes</b>	NO	YES	NO	NO *
<b>* can be picked up at Parcelforce delivery depot.</b>				

# **Customs procedures for other delivery companies**

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**All items MUST be presented to customs and taxes paid before entry**

**... may perform .... on Shipper's or Receiver's behalf in order to provide its services:**

**(1) Complete any documents, amend product or service codes, and pay any duties, taxes or penalties ...**

**(2) Act as Shipper's forwarding agent for customs and export control purposes and as Receiver solely for the purposes of designating a customs broker to perform customs clearance and entry and**

**(3) Redirect the Shipment to Receiver's customs broker or other address upon request ...**

**... Shipment may be released, disposed of or sold without incurring any liability whatsoever to Shipper or anyone else, with proceeds applied against Customs Duties, Shipment charges, ... With the balance of the proceeds of sale to be returned to Shipper.**

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ALL SUBJECT to CMR (Road) or Montreal and Warsaw conventions (Air)**

# Difference in Customs procedures exploited

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**Issues with regard to use of cross-border postal services:**

**No customs declaration on letters containing merchandise (NB Books and magazines subject to customs control in many jurisdictions)**

**Undervaluation, particularly to keep item below gift or other thresholds (e.g. €22 exemption from VAT)**

**Declaring commercial items as gifts**

**But sometimes genuine gifts overvalued**

**BOTTOM LINE: VAT only collected on 35% of postal packages compared to 98% for other delivery companies; for customs duties 47% and 99% respectively (Copenhagen Economics for UPS)**

# Difference in Customs procedures exploited

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These differences distort

- the market for the provision of cross-border delivery services and
- competition for e-commerce sales, particularly between EU and non-EU countries

## EUROPEAN COMMISSION PROPOSALS to BE IMPLEMENTED 2021

- Elimination of €22 threshold for exemption from VAT on imports
- One stop shop for VAT registration (but not customs duty)
- Also open to trusted non-EU traders for items valued <€150. (Directed more at marketplace sites where goods are sold by non-EU companies but supplied from EU based fulfilment center).

But issue of distinguishing between imports where tax paid via the one-stop shop and those where taxes and duties have not been paid.



# Estimated impact of Brexit

Most operators regard statistics as commercially sensitive, but An Post publishes some great statistics that enable orders of magnitude to be determined

	UK	other EU	RoW	Total	Domestic	Grand Total	UK %
Letters	17.5	9.1	8.4	34.9	189.1	224.0	7.8%
Flats	6.2	1.1	3.0	10.3	14.1	24.4	25.3%
Packets	3.7	1.7	0.8	6.2	4.0	10.2	36.5%
Parcels	0.5	0.2	0.1	0.8	0.5	1.3	36.9%
Registered	2.1	0.1	2.0	4.2	3.3	7.5	28.0%
<b>Total</b>	<b>29.9</b>	<b>12.1</b>	<b>14.3</b>	<b>56.4</b>	<b>211.0</b>	<b>267.4</b>	<b>11.2%</b>
<b>Total excl letters</b>	<b>12.5</b>	<b>3.1</b>	<b>5.9</b>	<b>21.5</b>	<b>21.9</b>	<b>43.4</b>	<b>28.8%</b>

# Estimated impact of Brexit

An Post figures consistent with Eurostat figures on e-commerce

	EU	IE	UK	LU	RO
internet purchase in last 12 months	57%	82%	95%	80%	16%
from other EU countries	33%	38%	33%	74%	3%
of which:					
UK		61%			
China		18%			
US		8%			
Germany		4%			

# Estimated impact of Brexit

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## What does mean for the future?

- If no change in volumes number of items presented to customs, and on which duties have to be collected, will increase by up to 300%.
- Will be difficult to separate imports on which VAT has been paid thru “one stop shop” and those on which VAT has to be collected – also “one stop shop” only deals with VAT, not customs duties.
- But no increase in terminal dues and potential impact on quality of service.
- If no change in customs procedures e-retailers will be incentivised to use postal services, rather than other delivery companies.

# How will customers and e-retailers react?

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## **Buying from UK websites may become more attractive**

- **UK has most developed e-commerce sector in existing EU; 9 of top 15 companies selling online.**
- **Defacto and potential devaluations of sterling could give UK websites a competitive advantage.**
- **Prices could be quoted on a zero-rated VAT basis, but this advantage could be negated by large customs clearance charges.**
- **More reputable e-retailers may wish to avoid their customers having to pay substantial charges on delivery – duty, VAT and handling charges – and other delivery companies can be more flexible in consolidating shipments from a single sender to achieve this.**
- **Also many e-retailers have virtual or actual retail outlets in EU27 and may want to protect them (EU rules on geoblocking will no longer apply to UK)**

## **Exports to UK similarly impacted**

## How will customers and e-retailers react?

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**Will this drive an increase in e-commerce?**

**Will UK e-retailers pass on the benefits of zero-rating on exports?**

**Will it manifest itself as cross-border e-commerce or virtual domestic sales?**

**Will postal operators or other delivery companies benefit most?**

**Virtual Addresses (eg Parcel Motel and Address PAL) will need to change their business models.**

# Mitigation measures

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**Potential transition period to 31 December 2020**

**B2C e-commerce shipments present difficult issues compared to normal imports by VAT registered companies:**

- **Extension of “one-stop shop” concept to duties as well as VAT**
- **Use of “one-stop shop” to become mandatory for all B2C shipments (but C2C shipments still subject to customs control)**
- **But UK unlikely to let EU countries collect VAT on its behalf after that date**

**THANK YOU**

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