

CLADEC – Position Paper re: “De Minimis”

De Minimis regimes are a long-established trade facilitation measure, included as a recommendation in the World Trade Organization’s (WTO) Trade Facilitation Agreement, as part of the provisions concerning “Expedited Shipments” in Article 7.8. and is defined as the “valuation ceiling for goods, including documents and trade samples, below which no duty or tax is charged and clearance procedures, including data requirements, are minimal”¹.

A De Minimis can apply to both customs duties and Value Added Tax (VAT), and allows government authorities to avoid incurring in expenses that may exceed the amount of revenue that would otherwise be collected, and represents a key element that provides benefits to importers, particularly to Small and Medium Enterprises (SMEs), by eliminating the need to follow burdensome procedures and unnecessary costs, as well as for duty and tax payment for low value shipments, therefore stimulating their growth, and ultimately the economy as a whole. De Minimis also enhance the ability of express companies to deliver on its on-time delivery customer commitment by getting access to streamlined customs clearance procedures.

Despite its evident benefits for both governments and traders, the De Minimis regimes are often wrongly attributed with several problems that may originate in different trade policy failures. As a result, the De Minimis regimes have been put under pressure, including in the European Union where the De Minimis for VAT was eliminated on July 1, 2021, leaving only a 150 EUR De Minimis for customs duties. Further, aiming at leveling the playing field between foreign and local vendors, some countries have adjusted their VAT policy, including in Australia (since 2018) and New Zealand (2019), where VAT now applies to foreign vendors the same way it does to national ones.

Governments in Latin America and the Caribbean have also expressed concern about the impact of a De Minimis, particularly on VAT on revenue generation, given the importance of VAT for national budgets. In another action to limit the application of the De Minimis on VAT, Colombia enacted a tax reform limiting its application only to those shipments coming from the United States in 2021.

However, various international studies show that the potential negative impacts of implementation of the De Minimis regime are relatively low compared to the benefits, including non-fiscal motivations, such as promoting foreign trade and improving the international business environment. Eliminating a De Minimis regime can clog borders even more and can negatively impact imports and exports, having the most impact on SMEs and individual consumers that will bear with significantly additional costs and burdensome procedures.

The impact on tax collection that may concern tax authorities in Latin America and the Caribbean when considering De Minimis regimes, is considered low relative to total tax collection. When analyzing the general economic impact observed in countries that have already implemented a De Minimis, an increase in the commercial activity, greater employment and, consequently, greater well-being, equates to greater benefits compared to what is not perceived in customs duties and VAT under the De Minimis threshold.

A De Minimis is an additional tool that governments have at their disposal when implementing trade facilitation measures to incentivize their country’s competitiveness in the global market.

¹ ICC Policy Statement on Global Baseline De Minimis Value Thresholds (2015)

De Minimis regimes should be evaluated along other trade facilitation alternatives to ensure these are fit for purpose and bring the expected benefits for governments, consumers, and the express industry.

The Global Express Association (GEA)² proposal on duty & tax collection on low value shipments has been adopted with this in mind. It offers a plausible alternative, and while it continues to advocate for the De Minimis, its implementation would lower per-shipment collection costs significantly, allowing authorities to lower the De Minimis or even eliminate it over time. Simplified and efficient models for low-value shipments are increasingly relevant following the exponential growth of e-commerce and the expansion of the digital economy, which has allowed companies of all sizes and from around the world to access the international markets.

As successful experiences show, including the Australia and New Zealand, implementation of these would help ensure governments collect much needed (and previously foregone) revenue while still allowing for expedited clearance for express shipment.

CLADEC (Conference of Latin American and Caribbean Express Companies) and the national express industry associations in Latin America and the Caribbean stand for and continue to advocate for the following:

- 1) Effective expedited clearance processes for legitimate commerce,
- 2) Governments to focus customs and other border control efforts on higher risk shipments,
- 3) Simplification of duty and tax collection systems and processes along the lines of the GEA proposal.

² The GEA represents the leading international express delivery carriers before international organizations whose policies affect their business