E-COMMERCE

WCO Framework of Standards on Cross-Border E-Commerce
Measuring Cross-Border E-Commerce

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Introduction

The growing trade* in cross-border electronic commerce (E-Commerce) has changed the way businesses and consumers market, sell, and purchase goods, providing wider choices, advance shipping, payment and delivery options. It has also opened up economic opportunities to micro, small and medium enterprises (MSMEs) providing access to overseas markets due to reduced costs of online transactions.

This fast evolving trading environment pose challenges and requires comprehensive solutions from all stakeholders, including Customs authorities, to manage growing volumes, and to address associated risks.

The lack of global standards for effective management of cross-border E-Commerce has an impact on trade facilitation, safety and security, compliance and on how data is collected.

Customs and other border agencies play a crucial role in the flow of E-Commerce shipments and as such, there is a need for a strategy to secure the legitimate movement of global E-Commerce trade with minimum intervention.

* Business to consumers e-commerce is expected to grow by 27 % between 2018 and 2019
Cross-Border E-Commerce
- Essential elements to consider in defining e-Commerce

The term refers to buying and selling goods and services and to the transfer of money using the internet.

- Online ordering, sale, communication and, if applicable, payment
- Cross-border transaction/shipment
- Destined to a consumer (B2C and C2C)
- Physical goods

This Framework sets standards mainly for B2C and C2C transactions. However, Members are encouraged to apply the same principles and standards to Business-to-Business (B2B) transactions.
Challenges faced by Customs Administrations

Trade facilitation and security
- High number of low-value* small shipments
- Ensuring speed and efficiency in the clearance process
- Managing risks posed by limited knowledge on importers and supply chain (occasional shippers and buyers)
- Ensuring data quality (accuracy and adequacy of the data received)
- Role and responsibilities of operators to assist governments need to be properly defined

Fair and efficient collection of duties and taxes
- Identifying abuse or misuse of de minimis thresholds
- Splitting of consignments, under-invoicing and misdeclaration
- Classification and origin

Society Protection - Criminal exploitation of e-commerce
- Illicit trade and smuggling
- Drug trafficking
- Counterfeited and pirated goods
- Illicit financial flows & Money laundering

* Low-value definition varies from country to country
Outlines eight guiding principles of cross-border E-Commerce:

- **PRINCIPLE I** - Advance Electronic Data and Risk Management
- **PRINCIPLE II** - Facilitation and Simplification of procedures
- **PRINCIPLE III** - Security and Safety
- **PRINCIPLE IV** - Revenue Collection
- **PRINCIPLE V** - Measurement and Analysis
- **PRINCIPLE VI** - Partnerships
- **PRINCIPLE VII** - Public awareness, outreach, capacity building
- **PRINCIPLE VIII** - Legislative Frameworks
Framework of Standards: Key Elements and structure

To guide administrations in developing strategic and operational frameworks for E-Commerce, the WCO developed a Framework of Standards on Cross-Border E-Commerce as well other guidance materials further enriching the Framework.

Based on the 8 Principles (Luxor Resolution) sets out 15 Standards
E-Commerce Package

23 August 2018

The E-Commerce Package includes the Framework of Standards on cross-border e-commerce as well as documents supporting its implementation.

The Framework of Standards on cross-border e-commerce

- WCO Framework of Standards on Cross-Border E-Commerce | pdf | 261.97 kb
- WCO Framework of Standards on Cross-Border E-Commerce - Arabic Version (translation by Saudi Arabia Customs) | pdf | 8.71 Mb
- WCO Framework of Standards on Cross-Border E-Commerce - Spanish Version | pdf | 271.29 kb
- Resolution on the Framework of Standards on Cross-Border E-Commerce (June 2018) | pdf | 69.15 kb

Tools supporting the implementation of the Framework

- Technical Specifications | pdf | 192.66 kb
- Definitions | pdf | 7.08 kb
- E-Commerce Business Models | pdf | 34.72 kb

Standards

2.1. Standard 1: Legal Framework for Advance Electronic Data

A legal and regulatory framework should be established for requiring advance electronic exchange of data between relevant parties involved in the E-Commerce supply chain, and Customs administrations and other relevant government agencies to enhance facilitation and control measures, taking into account applicable laws, inter alia, those related to competition (anti-trust), and data security, privacy, protection, ownership.

2.2. Standard 2: Use of International Standards for Advance Electronic Data

Relevant WCO and other international standards and guidance should be implemented in accordance with national policy, in an effective and harmonized manner, to facilitate the exchange of advance electronic data.
Advance Electronic Data

- The use of advance electronic data for effective risk management is essential for trade facilitation, security and safety, revenue collection and measurement and analysis.

- Customs administrations, in close co-operation with relevant parties involved in the E-Commerce supply chain, should regulate a data set required to conduct an appropriate risk assessment and to ensure the collection of duties and/or taxes.

- Stakeholders in the E-Commerce supply chain who are in the best position to provide that data should be identified.

- Customs administrations should clearly stipulate the data required, the purpose, the method for collecting the data, the length of time the data is required to be retained, and which parties the data may be shared with.
<table>
<thead>
<tr>
<th>CONSUMER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Place Order</td>
</tr>
<tr>
<td>Online/Lodge declaration</td>
</tr>
<tr>
<td>III</td>
</tr>
<tr>
<td>Prepare Commercial Documentation for shipping</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VENDOR</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Place Order</th>
<th>Online/Lodge declaration</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Order</th>
<th>Vendor</th>
<th>Consignee</th>
<th>Goods</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>Trading platform/marketplace Name</td>
<td>Name</td>
<td>Description of Goods</td>
<td>Currency</td>
</tr>
<tr>
<td>Date of Order</td>
<td>Address</td>
<td>Seller Article (Item) Number/ Name</td>
<td>Unit Price</td>
<td></td>
</tr>
<tr>
<td>Phone Number</td>
<td>Country of Origin</td>
<td>Total Price</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity</td>
<td>Weight in Kg</td>
<td>Freight Charges</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number</th>
<th>Date</th>
<th>Name</th>
<th>Consignee</th>
<th>Goods</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parcel Number</td>
<td>Date of Arrival at Place of Discharge</td>
<td>Name of Logistics Provider</td>
<td>Name</td>
<td>Brief cargo description</td>
<td>Currency</td>
</tr>
<tr>
<td>Conveyance Reference Number</td>
<td>Date of shipping</td>
<td>Fulfillment Provider Name</td>
<td>Address</td>
<td>Number of packages</td>
<td>Freight Charges</td>
</tr>
<tr>
<td>Carrier Identification</td>
<td>Phone Number</td>
<td>Total gross weight</td>
<td>Other fees (insurance, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Net Weight in Kg</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Country of Origin</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Country of departure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Type of Package</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Quantity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V</td>
<td>Transmit Consolidated accounting Data to Customs administrations</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>LOGISTIC INTERMEDIARIES Express, Postal Operator, Customs Broker, etc</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number</th>
<th>Date</th>
<th>Order/Consignor/Consignee</th>
<th>Transport</th>
<th>Goods</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parcel Number</td>
<td>Date of Arrival at Place of Discharge</td>
<td>Name</td>
<td>Means of transport</td>
<td>Seller Article (Item)</td>
<td>Currency</td>
</tr>
<tr>
<td>Conveyance Reference Number</td>
<td>Date of shipping</td>
<td>Address</td>
<td>Port of entry</td>
<td>Number of packages</td>
<td>Unit Price</td>
</tr>
<tr>
<td>B/L Number</td>
<td>Date of Declaration</td>
<td>Phone Number</td>
<td>Conveyance Reference Number</td>
<td>Total gross weight</td>
<td>Total Price</td>
</tr>
<tr>
<td>Order Number</td>
<td></td>
<td>Ships/Flight Number</td>
<td>Net Weight in Kg</td>
<td>Freight Charges</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Voyage</td>
<td>Country of Origin</td>
<td>Other fees (insurance, etc.)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Quantity</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Number (HS Code) | | | | | |
This WCO–UPU Postal Customs Guide is a joint WCO–UPU information source for Posts and for Customs Administration staff dealing with postal customs clearance.

The UPU Convention and the Regulations to the Convention have many references to customs issues.

**WCO–UPU Postal Customs Guide**

April 2018
### Type of information for small packets/parcels

<table>
<thead>
<tr>
<th>Regulatory basis</th>
<th>Small packet</th>
<th>Parcel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letter Post Regulations</td>
<td>Small packet</td>
<td>Parcel Post Regulations</td>
</tr>
<tr>
<td>Customs declaration</td>
<td>CN 22 – optionally CN 23</td>
<td>CN 23 (may be part of CP 72 manifold set)</td>
</tr>
<tr>
<td>Weight</td>
<td>0–2 kg</td>
<td>0–20 kg (optionally to 30 kg)</td>
</tr>
</tbody>
</table>

#### Standard 9

When all the information required by the Customs is available from the CN 22 or CN 23 and supporting documents, the form CN 22 or CN 23 shall be the Goods declaration, except in the case of:

- goods having a value exceeding an amount specified in national legislation;
- goods which are subject to prohibitions or restrictions or to export duties and taxes;
- goods the exportation of which must be certified;
- imported goods intended to be placed under a customs procedure other than clearance for home use.

In these cases, a separate Goods declaration shall be required.

According to International Post Corporation survey, 84% of cross-border goods bought online are classified as small packet and 83% of total packets transported are valued under 100 USD.

This standard clarifies that the CN 22 or CN 23, and accompanying documents, such as a commercial invoice, are all that is required for postal customs clearance, except in the circumstances outlined, when a separate Goods declaration should be required. Guidelines specify that a Goods declaration may be a national document which is the same as that prescribed for other means of transport or it may be specially designed for postal clearance. Alternatively, some Customs Administrations accept an international document such as an ATA carnet for temporary admission.
Customs officials to use the postal forms CN 22 and CN 23 for customs purposes. Data could be transferred by using EDI (Electronic Data Interchange).

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**CN 22 (Back)**

**Instructions**

To accelerate customs clearance, you must complete all applicable fields, and fill in this form in English, French or in a language accepted by the destination country. If the value of the contents is more than 300 SDR, you must use a CN 23 form. You must give the sender’s full name and address on the front of the item.

For commercial items, it is recommended that you complete the fields marked with an asterisk (*), and attach an invoice to the outside, as it will assist Customs in processing the items.

Select a reason for export. (*Gift:* is not an acceptable reason for export for commercial items.)

1. Give a detailed description (generic descriptions such as “clothes” are not acceptable), quantity and unit of measure for each article, e.g. two men’s cotton shirts.

2. Give the weight and value with currency for each article, e.g. CHF for Swiss francs.

3. The HS tariff number (6 digits) is based on the Harmonized Commodity Description and Coding System developed by the World Customs Organization.

4. Country of origin means the country where the goods originated, e.g. were produced, manufactured or assembled.

5. Give the total value and weight of the item.

6. Your signature and the date confirm your liability for the item.

Note: It is recommended that designated operators indicate the equivalent of 300 SDR in their national currency.
At its 35th meeting, in October 2015, the WCO–UPU Contact Committee agreed in principle to update the CN 22 and CN 23 customs declaration forms. The changes were formally endorsed by the relevant UPU and WCO governing bodies in 2016. The amended forms entered into force on 1 July 2017.

The CN 23 customs declaration form is also used in letter post items and has the same business purpose as the CN 22 but makes it possible to include more optional information, as indicated in the diagram below. The elements that do not appear on the CN 22 are indicated:

CN 23 form is to be used for high-value items – where the value is over 300 SDR*

* Special Drawing Right is a monetary unit used by Posts with code XDR

300 SDR ~ 412 USD
Electronic advance data flowchart (Global Postal Model)

1 - CN 23 data

4 - Assessment complete/Referral

5 - Dispatch data

7 - Consignment data (including EAD flag)

8 - Manifest

Destination Territory

6 - Receptacle ID and Item ID list

3 - Assessment complete/Referral notification

CUSRSP (or local equivalent)

2 - CN 23 data to border agency

CUSITM (or local equivalent)
4.1. Standard 5: Simplified Clearance Procedures

Customs administrations, working in coordination with other relevant government agencies as appropriate, should establish and maintain simplified clearance formalities/procedures utilizing pre-arrival processing and risk assessment of cross-border E-Commerce shipments, and procedures for immediate release of low-risk shipments on arrival or departure. Simplified clearance formalities/procedures should include, as appropriate, an account-based system for collecting duties and/or taxes and handling return shipments.
Standards

6.1. Standard 7: Models of Revenue Collection

Customs administrations, working with appropriate agencies or Ministries, should consider applying, as appropriate, various types of models of revenue collection (e.g., vendor, intermediary, buyer or consumer, etc.) for duties and/or taxes. In order to ensure the revenue collection, Customs administrations should offer electronic payment options, provide relevant information online, allow for flexible payment types and ensure fairness and transparency in its processes. Models that are applied should be effective, efficient, scalable, and flexible, supporting various business models and contributing to a level playing field for and among the various E-Commerce stakeholders.

6.2. Standard 8: De Minimis

When reviewing and/or adjusting de minimis thresholds for duties and/or taxes, Governments should make fully informed decisions based on specific national circumstances.
Standards

VII. Measurement and Analysis

13. Introduction

An accurate measurement of cross-border E-Commerce is the key for well-considered policy and business decisions. In addition, this could be useful for better risk management by identifying trend, patterns and emerging dynamics.

14. Standards


_ Customs administrations should work with relevant government agencies in close cooperation with E-Commerce stakeholders to accurately capture, measure, analyse and publish cross-border E-Commerce statistics in accordance with international statistical standards and national policy, for informed decision making._
The main sources for the measurement of data include Customs', logistics providers', postal and express operators' and e-vendors/platforms/marketplaces' systems. Depending on national laws, some of these systems may not be readily available in all countries.

In collecting statistics on E-commerce goods, different methods can be used depending on national policies, and the types of transactions involved.

Customs administrations are encouraged to develop an interoperable measurement system and collect data according to the WCO Data Model to ensure high-quality, reliable and comparative statistics across all countries.

Customs administrations are also encouraged to collect data for statistical purposes and policy analysis, without creating an additional burden on E-commerce stakeholders.

The measurement of cross-border E-Commerce goods should follow the international standards for merchandise trade statistics as outlined in International Merchandise Trade Statistics: Concepts and Definitions 2010 (IMTS2010), to the extent possible. Use customs records as the main and normally preferred data source (para. 8.2).
The WCO has carried out a short survey to collect Members’ current practices and ongoing and/or future initiatives on cross-border low-value e-commerce. As of August 2016, 48 Members had responded to the survey.

- Sometimes, occasional buyers and sellers are not aware of the rules and regulations of exporting and importing countries because the information is not readily available in an electronic environment.

- The declarations for e-commerce goods which are reported are often lacking information, with implications to risk assessment and statistics.

- Numeric fields like the HS are not always compulsory fields in the Customs declaration.

- Data exchange with postal operators is even more challenging because postal operators lack the necessary information technology to allow for the electronic exchange of information.
Duties and taxes are collected on goods with a value above the specified \textit{de minimis} threshold. A majority of Members indicated that a simplified declaration and clearance process is provided for goods below the \textit{de minimis} thresholds. The simplicity of this method of importing low-value goods has also contributed to an increase in such shipments and associated challenges in terms of revenue collection.

Due to lack of resources Customs focus control in goods above \textit{de minimis} thresholds*.

These thresholds have given sellers and buyers an incentive to undervalue or misdeclare consignments. E-commerce shipments are often claimed to fall below \textit{de minimis} thresholds in order to avoid paying any duties and taxes.

Many consignments are sent from the commercial consignor as “gifts” even if they are normal sales/purchases.

Focus on Value rather than in identifying goods.

Different \textit{de minimis} thresholds.
# De minimis thresholds

<table>
<thead>
<tr>
<th>Country/ de minimis</th>
<th>Customs Duty</th>
<th>Taxes (VAT/GST)</th>
<th>Gift</th>
<th>Commercial Samples</th>
<th>Simplified Declarations</th>
<th>Goods exempted from de minimis threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>$1 000</td>
<td>$1 000</td>
<td>$1 000</td>
<td>$1 000</td>
<td>Below $1000, SAC</td>
<td>Excise goods</td>
</tr>
<tr>
<td>Bhutan</td>
<td>$100</td>
<td>Sales tax levied on FoB</td>
<td>$100</td>
<td>Current law is silent on commercial samples</td>
<td>Declaration is the same as for any other normal import and export procedures</td>
<td>Gifts only twice a year</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>150 EUR / 45 EUR</td>
<td>Above 22 EUR</td>
<td>45 EUR</td>
<td>N/A</td>
<td>Consignments below de minimis</td>
<td>Excise goods</td>
</tr>
<tr>
<td>Canada</td>
<td>$20</td>
<td>$20</td>
<td>$60</td>
<td>$1</td>
<td>$2 500</td>
<td>Excise goods</td>
</tr>
<tr>
<td>Chile</td>
<td>No de minimis value</td>
<td>No de minimis value</td>
<td>No de minimis value</td>
<td>No de minimis value</td>
<td>N/A</td>
<td>No de minimis value</td>
</tr>
<tr>
<td>China</td>
<td>No Customs duty will be collected for import goods that fall into the category of “cross-border e-commerce retail goods”. VAT and GST will be collected with a lower rate</td>
<td>Cross-border e-commerce retail goods do not include gifts</td>
<td>N/A</td>
<td>Manifest Clearance</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Colombia</td>
<td>N/A²</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Croatia</td>
<td>150 EUR / 45 EUR</td>
<td>Above 22 EUR</td>
<td>45 EUR</td>
<td>N/A</td>
<td>Consignments below de minimis</td>
<td>Excise goods</td>
</tr>
<tr>
<td>Denmark</td>
<td>150 EUR / 45 EUR</td>
<td>Above 22 EUR</td>
<td>45 EUR</td>
<td>N/A</td>
<td>Consignments below de minimis</td>
<td>Excise goods</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
<td>FOB value of 200 to 2000 USD</td>
<td>Restricted goods</td>
</tr>
</tbody>
</table>
HS is a base classification, and widely used from UNSD sources.
### Some problems related to measurement

<table>
<thead>
<tr>
<th>Problem Description</th>
<th>Limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>HS amendment is a formal process</td>
<td>“Simple” Statistical needs may not be accommodated or would take too long</td>
</tr>
<tr>
<td>HS national codes (more than 6-digits) are not comparable</td>
<td>Loss of comparable global statistical information</td>
</tr>
<tr>
<td>Current hierarchical structure is insufficient</td>
<td>The need to create custom aggregates based on HS sub-headings</td>
</tr>
<tr>
<td>HS amendments may break time series</td>
<td>Merging of codes should be minimized or handled differently</td>
</tr>
<tr>
<td>The use of chapters 98 and 99</td>
<td>May differ across countries. Need for additional analysis</td>
</tr>
<tr>
<td>No single line descriptor</td>
<td>Can mislead users</td>
</tr>
</tbody>
</table>

Limitation of HS (Statistical Perspective)

From UNSD sources
WCO and the future of the Harmonized System

- At the 30th anniversary of the HS, the WCO started consultations with various stakeholders, including UNSD for the Strategic Review of the HS.

- On 2 - 3 May 2019, the World Customs Organization (WCO) hosted the Global Conference on the future of the Harmonized System (HS), which gathered over 300 participants from Member Customs administrations, partner international organizations, industry associations, trade professionals, import/export companies and academia.

- The WCO Conference on the future of the Harmonized System recognised that the HS is an essential tool for the global trade system and plays a central role in trade and statistics.

- While expressing the view that the HS was still relevant and “fit for purpose”, the Conference also endorsed the idea that there was room for improvement to ensure that the HS remains compatible with current trade, changes in technology and the needs of users.
WCO and UNSD

- During the last 2 Review Cycles (10 years), involving more than 580 set of amendments, no changes were proposed for official statistical purposes (although some arose from industry’s desire for data).

- The WCO would welcome input from UNSD into the Harmonized System Committee’s current negotiations for the 2027 edition of the HS if changes to headings or subheadings are required for statistical purposes.
Thank you