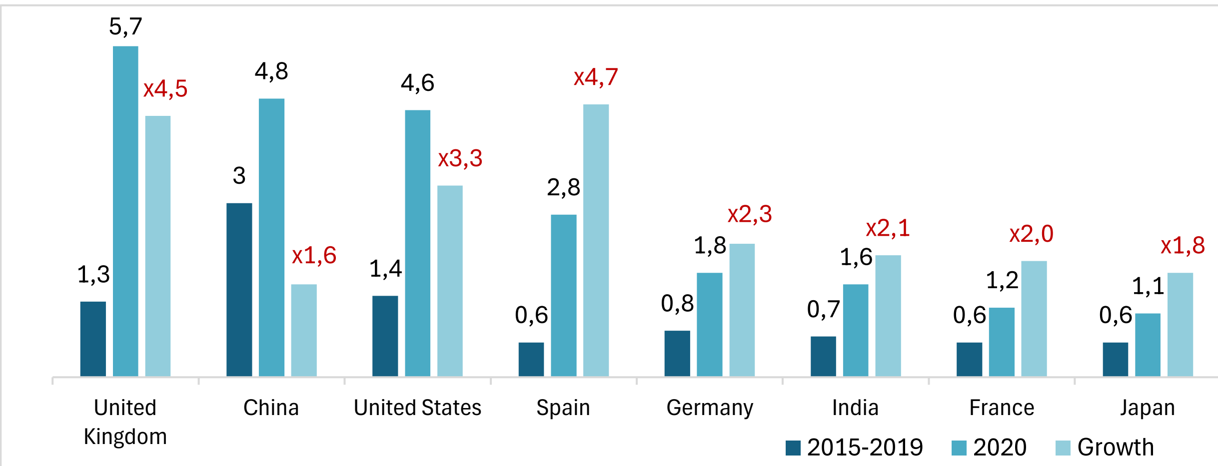
# "Europe is divided over the imposition of new taxes on Chinese e-commerce giants"[1]

*Brussels has been analyzing how to apply taxes to products considered to be of low quality and price, which generally come from China and reach Europe through e-commerce with the Asian giant. The EU is specifically targeting fashion retailers like Shein, and e-commerce giants like AliExpress and Temu, with a proposal to impose import duties: eliminating the 150-euro threshold under which goods are exempt from customs duties. Under this regulation, European suppliers and merchants who typically collaborate with these Chinese brands would not be included, at least initially. However, since the summer, there have been no further details on this issue, which continues to generate controversy and uncertainty.*

## Analysis of the Fundación Valenciaport

In the last decade, **e-commerce** has experienced significant **growth** in the European Union (EU), making it easier for consumers to access a wide variety of products from the comfort of their homes. This **trend** was further **accelerated** by the **COVID-19** pandemic, which established **online shopping** as the **primary method** of **purchasing** for many people (Figure 1). This surge in digital trade has brought several **challenges** for **European customs,** particularly due to the increasing influx of small, low-value packages, **especially from Asia**

*| Figure 1. E-commerce evolution before and after the COVID-19 pandemic (change in %)*




*Source: Own elaboration based on data from McKinsey&Company*

[1] Original news published by "El Mercantil" and available at: *https://elmercantil.com/2024/10/17/europa-se-divide-ante-la-imposicion-de-nuevos-impuestos-a-gigantes-del-ecommerce-chino/*

With this, there is no doubt that **e-commerce** continues to **transform** the **global retail landscape**, representing **19.5%** of **total retail sales**, reaching **5,358 million euros** in 2023. According to the BlackStats 2024 report, the markets of East Asia and North America have been the primary drivers of this growth. **China**, on the other hand, plays a **crucial role** in this **sector.** If China were excluded, online retail sales would account for only 12.2% of the global total. In 2023, China generated 2,757 million euros in sales, a 9.3% increase compared to the previous year, capturing 45% of the global e-commerce market. It is projected that by 2028, this share will rise to 54.7%.

Within the Chinese e-commerce market, and on a global scale, the most prominent categories are **electronics** and **automobiles**, with electronics leading sales and generating 675,920 million euros in 2023. **Constant innovation** and the **diversification** of e-commerce **platforms** have been **key** drivers of this expansion. In this regard, for example, **Alibaba** reported sales of 1,145,860 million euros, with an annual growth rate of 4%. Other platforms like **Pinduoduo**, focused on social commerce, reached 475,640 million euros, while **Douyin** (the Chinese version of TikTok) saw a 60% increase in sales, reaching 210,560 million euros. **JD.com**, in turn, stands out for its logistics and direct sales model, generating 491,620 million euros in 2023 thanks to its speed and reliability in deliveries, supported by strategic alliances in financial technology. On the **global stage**, cross-border e-commerce, facilitated by **Chinese platforms** like **AliExpress, Shein,** and **TEMU**, has been a key factor in the flow of Chinese products to international markets, particularly Europe.

The **exponential growth** of **cross-border e-commerce** has led the EU to recognize the need to adapt its regulations to ensure fair competition and protect consumers. In this regard, the **Customs Union** is a **cornerstone** of the **Single Market**, as it **guarantees** the **security** of the **EU's borders**, protects citizens from prohibited and dangerous goods—such as weapons, drugs, unsafe toys, and environmentally harmful products—and facilitates trade with the rest of the world. In this line, the EU has sought to **strengthen** its **VAT** and **customs control** regulations to **reduce unfair competition** and **protect local businesses.**

In this context, the **2021 VAT reform** proposed by the **European Commission** introduced the **requirement** that all packages entering the EU include an **individual customs declaration**. This measure aimed to ensure the collection of taxes on imports and prevent tax evasion, although it has overloaded the customs system, resulting in approximately one billion customs declarations for low-value goods in 2022. This has pushed the **customs services** of several European countries to the **limit** of their **operational capacity**.

Moreover, the exemption from customs duties for packages valued under 150€ has **incentivized** many sellers to **split large shipments** into **multiple smaller packages**, fostering **unfair competition** and **increasing packaging use**, as well as the **associated emissions.**

In fact, in 2022, approximately 2,300 million items with values below this threshold were imported, with China being the main supplier, accounting for 20.5% of European imports.

This situation has highlighted the need for and **importance** of continuing to **reform regulations** to **adapt** to the realities of **e-commerce** and ensure a more equitable and sustainable market. In this regard, on **May 17, 2023**, the European Commission approved a proposal to **modify Regulation (EU) No. 952/2013 of the European Parliament and Council,** dated October 9, 2013, which establishes the **Union Customs Code (UCC).** This proposal introduced an ambitious reform plan for the EU customs system, representing the **most profound digital transformation** since the **creation** of customs in 1968.

This reform responds to President Von der Leyen's commitment to "**take EU customs to the next level"** and is based particularly on the recommendations of the **High-Level Group** on the **Future of Customs**, presented in **2022**. The legislative proposals will now be sent to the European Parliament and the Council of the European Union for approval, as well as to the European Economic and Social Committee for consultation.

The proposal suggests a **unified information system** to **facilitate data exchange** among Member States, through the implementation of advanced technologies like artificial intelligence and system interoperability. The **main objectives** of the **reform** include:

- **Simplifying customs obligations** and **processes,** enabling significant cost savings in compliance for businesses and customs authorities.
- Introducing **EU-level risk management**, improving the ability to enforce security standards and supporting priorities such as combating climate change.
- **Optimizing** the **collection** of **fiscal and customs revenues**, thereby strengthening the financing of public budgets and services.
- **Reducing high levels** of **fraud** in e-**commerce,** while promoting greater transparency and security for consumers.

Based on the objectives outlined above, the reform proposes a new partnership with businesses, a smarter approach to customs controls, and a more modern way of addressing e-commerce (Table 1).

*Table 1. Main changes contemplated in the customs reform compared to the initial situation"*

| Initial situation | Customs reform |
| --- | --- |
| The EU consumer is considered liable for all customs obligations linked to their online purchases from outside the EU ✗ | The online platform itself will be considered the importer and takes care of all customs formalities ✓ |

| | |
|---|---|
| Consumers cannot be sure that their purchases comply with stringent EU safety and security standards, or prohibited and restricted goods legislation ✗ | Platforms will need to show that the goods they are selling into the EU comply with all of our standards and legislation on imports, reassuring EU consumers that their goods are safe and sustainable ✓ |
| Consumers can be hit by hidden charges such as unpaid customs duties when the parcel arrives ✗ | Online sellers will need to charge customs duties up front so buyers can be sure that there won't be any surprises on delivery ✓ |
| Hundreds of millions of parcels coming into the EU each year are undervalued so that they can take advantage of a custom duty exemption of €150 ✗ | Fraudsters will no longer be able to sell their goods at lower prices undercutting EU businesses, while legitimate traders can opt into a simplified duty system that avoids unnecessary red tape ✓ |

*Source: Own elaboration based on data from the European Commission*

*A new partnership with businesses*

The reform proposes the creation of an **EU Customs Data Hub**, which will serve as an **advanced digital platform** to **simplify** and **centralize customs information**. This hub, powered by artificial intelligence, will reduce or even eliminate the need for individual customs declarations for each shipment, without compromising the required level of detail. Importers will be able to submit full product information through a single digital portal, creating a true **"single window"** for customs.

This system will be available for e-commerce starting in 2028, and by 2032 it will be accessible to all importers, becoming mandatory in 2037.

As part of this partnership, the reform introduces a new category of **trusted operator** called **"Trust and Check Trader."** This status is inspired by the Authorized Economic Operator (AEO) model and targets those operators with full transparency in their supply chains. To qualify, companies will need to meet the current AEO standards, as well as provide real-time access to their operations for customs authorities.

In return, these operators will be able to import goods without active customs intervention, conduct self-assessments on product compliance, and pay customs duties periodically without the need for an individual declaration for each shipment.

The reform also **revises** the **current AEO status**. It establishes mandatory triennial reviews to ensure compliance with requirements and eliminates the category of "AEO for Customs Simplifications" (AEOC). Starting in 2032, operators will be able to apply for the "Trust and Check Trader" status, and AEOC applications will no longer be accepted.

By 2035, this AEOC subcategory will disappear entirely, and operators will need to decide whether to adapt to the new "Trust and Check Trader" model or lose their AEO status if they do not meet the new requirements.

This initiative strengthens **collaboration** between **businesses** and **the EU customs administration, promoting** a more efficient and **secure environment** that **benefits** both **trade** and the **protection** of **EU borders.**

*A smarter approach to customs controls*

The reform proposes the **creation** of the **EU Customs Authority,** a **decentralized agency** designed to **coordinate knowledge** and **resources** between **Member States** and **the European Commission**. This central authority will manage risk assessments at the EU level, using continuously updated data from the **EU Customs Data Hub.**

With **real-time access** to information provided by this hub, all Member States will be able to **monitor data flows** uniformly using artificial intelligence tools. This will allow customs authorities to focus their efforts on enforcing environmental and quality standards, as well as ensuring the safety of goods, harmonizing risk management systems and reducing "border shopping," where certain traders choose customs with less stringent controls or lighter penalties for their goods.

The EU Customs Authority will be implemented gradually, assuming its functions on January 1, 2028.

*A more modern approach to e-commerce*

The customs reform introduces a **renewed approach** to **e-commerce** in the EU by placing **direct responsibility** on **online platforms** for **complying** with **customs obligations** for products sold in the European market. This fundamental shift introduces the concept of the **"Deemed Importer,"** making platforms **responsible** for **paying customs duties** and **VAT at the time of purchase**, relieving consumers from customs procedures and additional charges typically applied by courier companies. In addition to handling fiscal compliance, platforms will be required to **ensure** that **products meet EU safety, quality, and sustainability regulations.**

One of the **key measures** of the reform is the **removal** of the **150€ threshold**, which previously exempted lower-value shipments from customs duties. This modification aims not only to **increase transparency** and **ensure fair tax collection** but also to discourage the artificial splitting of shipments, a common tactic used to avoid customs charges.

This change responds to the growing practice of underreporting goods, as data shows a significant rise in e-commerce imports.

More than 20% of import invoices under 150 euros come from China. In this regard, it is estimated that in 2023, around 2,300 million low-cost items entered Europe, representing approximately 65% of the packages entering the EU, according to recent estimates.

To simplify the calculation of import duties on low-value items, the reform will implement a **simplified tariff classification system**, with only **four duty categories** (5%, 8%, 12%, and 17%) **based on the product type**. This model, similar to the one used in countries like Canada, will reduce administrative burdens for both platforms and customs, allowing for faster and more efficient processing of low-value shipments. Overall, these changes are expected to generate additional revenues of approximately 1 billion euros annually, strengthening the EU's ability to manage e-commerce and improving security and transparency for European consumers. These reforms are set to take effect on March 1, 2028, providing platforms and operators with time to adapt and ensuring European consumers benefit from a more transparent and secure customs system.

There is no doubt that the **reforms** being **implemented** by the European Commission will have a **significant impact** on e-commerce, especially for **major Chinese platforms** such as *AliExpress*, *Shein*, and *Temu*. The removal of the 150€ threshold, which currently exempts lower-value goods from customs duties, represents a crucial change that will require these companies to adapt to new regulations. However, these reforms are still **under debate** in the European Parliament, raising **concerns** and **doubts** about their effectiveness and their potential impact on EU-China trade relations.

In this context, **trade agents** and **representatives** from **various sectors** have expressed **concern** about the lack of clarity regarding the implementation of the reforms.

Moreover, the **current backdrop** of **trade tensions** between **China and Europe adds further risks**, with fears that **China might respond** to these measures with **tariffs** on **EU products**. In this context, the European Parliament has urged the Commission to clarify how low-cost suppliers like *Temu* and *Shein* will be required to meet the same safety standards as European suppliers.

What is undeniable is the fact that the **implementation** of **new taxes** accompanying these reforms could **influence** the **volume** of **goods** coming from **China**.

While the tax is expected to be absorbed into the retail price, the retail industry anticipates that this could result in higher prices, potentially slowing the flow of imports from China and benefiting European brands.

The **reforms** the EU seeks to implement are **primarily** aimed at establishing **greater control** over the **declaration** of **goods** and **improving customs control** at the entry of products into the bloc. However, it is important to consider that **EU-China relations** have **historically been shaped** by a **comprehensive approach** that combines **partnership, competition,** and **systemic rivalry**. This **framework** has **allowed** both parties to **cooperate on key areas** such as **trade** and **sustainability**, while **competing** in **technology sectors** and **managing** global **influence rivalries**.

The **EU's firm** stance on **economic security** and the **protection** of its **strategic industries** has driven the **implementation of various measures**, such as the recent imposition of tariffs on **electric vehicles** (EVs) imported from China. These tariffs, which took effect on October 30, 2024, with rates ranging from 7.8% to 35.3%, are the result of an investigation into state subsidies that benefit Chinese manufacturers. With these actions, the EU seeks to protect its automotive industry, but this **decision** has created **internal divisions**. While countries like France, Italy, and Poland support the measures, Germany and Hungary have expressed opposition, complicating efforts to reach a unified response.

**China's response** has been **swift**, filing a **complaint** with the **World Trade Organization (WTO)** and suggesting the application of a minimum price for EVs across the EU, which contrasts with Europe's preference for specific prices by model. In **retaliation,** China has implemented temporary **anti-dumping measures** on European brandy, mainly affecting French brands, and suggested the possibility of imposing tariffs on pork and large vehicles, which would directly impact German manufacturers.

Furthermore, **China** has **expressed interest** in **establishing industrial and logistics hubs** in Spain as part of its **strategy** to **bypass** EU tariffs on electric vehicles. During the First Sino-Spanish Summit, Chinese representatives highlighted that they see Spain not only as a key market but also as a potential **production platform** to **serve European demand** and **reduce tariff-related costs**. Despite European tariffs potentially hindering the arrival of electric vehicles, **Asian manufacturers** are **planning to diversify their offerings with hybrid and combustion vehicles** if necessary to meet European demand. Additionally, logistics centers have been set up in places like Guadalajara and Azuqueca de Henares to ensure the availability of spare parts and improve the supply chain, demonstrating their commitment to the Spanish market.

With all this, the situation is further complicated by the **political fragmentation** arising from **the European Parliament elections** in June 2024, which have influenced the EU's stance toward China, creating a more **diverse and less predictable political environment**. This could affect the formulation of a cohesive position and generate uncertainty for businesses and markets on both sides. In order to avoid an escalation of tensions, **both parties** have **opted** for **diplomacy**.

In this context, Chinese President Xi Jinping met with European leaders on October 29, 2024, to discuss potential areas of cooperation in ecological transformation and digital economy. In this regard, both the **EU** and **China** share an interest in avoiding a **"trade war"** that would impact key sectors of their economies.

As both powers navigate a rapidly evolving international landscape, it will be **crucial to find mechanisms** to **manage their differences and foster mutually beneficial areas of collaboration.** In this context, the **EU** faces the c**hallenge of balancing the protection of its strategic industries, adapting to internal political changes**, and **managing an increasingly deep economic interdependence** with its Asian partner.

In **conclusion,** the accelerated **growth** of **e-commerce** in the **EU,** partly **driven** by the **pandemic**, has **reshaped the commercial landscape** but has also presented **significant challenges** in terms of regulation and customs control. In response to an increase in the import of low-value products, especially from Asia, the EU has introduced reforms aimed at modernizing its customs system, removing the €150 threshold for customs duties, and introducing new categories of trusted operators, with the goal of improving tax collection, ensuring a fair competitive environment, and enhancing consumer security.

These reforms are being developed within the **context of trade tensions** with **China,** as evidenced by unilateral measures and economic responses that highlight the **complexity** of this **interdependent relationship**. In this context, the **EU's ability** to **manage** both its internal **reforms** and its **trade** relationship **with China** will depend on **finding a balance** between **competitiveness and collaboration**, with the **goal** of **fostering fair** and **sustainable trade** while **strengthening** its **position** in the **global market.**