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The Internet is a potential channel for consumers to buy cross border as it gives them the chance to deal directly with foreign businesses without the need to visit the country.

Internet Shopping Growth:

In 2005 Verdict estimated that consumers bought £8.2bn of goods online, equivalent to 3.1% of total retail spending. This means that sales of online retailers are now not far short of the £9.4bn total sales achieved by department stores. (Source: Hiddenwires)

Last year overall retail spending grew by just 1.5%, the slowest rate of modern times, yet spending online surged ahead by 28.9%, at over 15 times the pace of all retail. Indeed rather than slow down, the growth of online spending actually accelerated from the 27.4% achieved in 2004. This means that of the extra £3.9bn spent by consumers on retail in 2005 compared with 2004, almost half (£1.8bn) went to online retailers.

Customs Duty & VAT Implications:

With more people than ever before buying over the Internet, Customs have warned of the extra costs that many online shoppers face from import duties and VAT on purchases that are delivered from abroad.

In recent years, Customs officers have seen a dramatic rise in the number of packages on which Customs duty and import VAT is due. This reflects increasing levels of Internet shopping - particularly from suppliers in the United States - and has led to complaints from the public, who are either unaware of the VAT and duty implications of Internet purchases costing more than £18, or mistakenly assume that the £145 'passenger's allowance' applies.

If you purchase goods over the Internet you may be liable to pay Customs import duty and VAT when the goods enter the United Kingdom:

Customs duty - if the amount of duty is £7 and over; and
VAT - if the value of the goods is £18 and over.

These must be paid whether:

You purchase the goods or receive them as a gift;
The goods are new or used; or
The goods are for your private use or sale.

Charges are raised at the Customs Postal Depot where the goods are imported. The Customs charge levied will depend on the type of goods imported. Customs duty is not payable on goods bought from countries within the EU. However, VAT may be payable either in the EU country of purchase, or in the UK if the EU supplier is UK VAT registered. In addition, special rules apply to excise goods such as cigarettes, tobacco and alcohol.

Special Scheme for Goods purchased from traders in Jersey and Guernsey:

Customs has in place with the Jersey and Guernsey Customs and Postal authorities a special scheme that allows many of their traders to collect and pay to UK Customs import VAT on sales they make to UK customers. These traders, who are approved by the Jersey and Guernsey authorities, are allocated a unique authorisation number and this should be stated on the outside of your package. Under these arrangements you will be asked to pay import VAT, if applicable, at the time you make your purchase, and will not have to pay any additional costs such as import VAT, or the Royal Mail handling fee when you receive goods.

Duty & Tax Collection:

People are often unaware that although the foreign sender may have completed the customs declaration form on the parcel, the purchaser is regarded as the importer of the goods. If anyone purchases goods over the Internet and the declaration is found to be false or misleading, s/he may be liable to financial penalties or criminal prosecution and the goods themselves will be liable to forfeiture. The declaration includes a description of the goods, their value and whether they are gifts or commercial items.

The Post Office may charge you for clearing your package through Customs. They handle packages for Customs examination and, if required, open and re-pack them. The Post Office will also store packages if Customs need to make enquiries; for example, when the contents have not been declared properly by the sender. The Post Office fees are collected at the same time as Customs charges but are completely separate and Customs cannot reply to queries about them.

A charge label, showing the amount of customs charges to pay as well as any Royal Mail fee applicable, is affixed to the package at the Customs Postal Depot. Usually Post Office collects charges on delivery.

Sometimes you may be sent a declaration form, which you must complete and return to the Depot before a Customs package can be delivered. You should not send any payment of Customs charges with the form unless you are asked to do so.

This Newsletter provides information for general guidance only. It is not intended to replace specific professional advice and we would always recommend that you seek appropriate professional advice before acting on any information provided here.

We appreciate and value your feedback very much. Let us know how we can help make this communication vehicle and the learning resource more valuable to you.

You can always e-mail us at resources@saboosolutions.com or call at 1-646-435-7887(USA) or 020 7993 8870(UK) or 91 33 2236 5173 (India).

Sincerely,

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