

Internet Shopping Podcast – Transcript

- David Preever** More and more of us are buying goods online, and we all need to be aware that customs duty and VAT might be charged on goods that we buy from outside the EU. I'm David Preever, and I'm here with Jan Marszewski from HM Revenue & Customs to get more information about internet shopping. Hello Jan.
- Jan Marszewski** Hello.
- David Preever** When do shoppers have to pay customs duty and VAT?
- Jan Marszewski** Customs duty and import VAT have to be paid on most goods that you buy from outside the EU. There are limits in place, however, that allow the duty and VAT to be waived if the value of the goods or the amount of duty is below a certain limit.
- David Preever** So what is that limit?
- Jan Marszewski** Currently, you won't have to pay either duty or VAT if the value of the goods is £18 or under. If it's over £18, then you are liable – currently liable – to both.
- David Preever** And is that amount changing?
- Jan Marszewski** Yes. From 1 December 2008, the import duty limit is changing to £105. But the VAT limit is staying at £18.
- David Preever** Why do shoppers actually have to pay customs duty and VAT, at all?
- Jan Marszewski** Customs duty is charged on most goods when they are brought into the European Union. This is an EU requirement – that every member state must charge duty on imported goods. Also, all goods brought into the EU are also subject to import VAT. And this is charged at the same rate that applies to identical goods sold in the UK. So, if something would be charged at 17.5 per cent in the UK, you would be charged 17.5 per

cent when you import that particular goods. And this is charged to protect our UK businesses from cheaper foreign imports.

David Preever

And is it true that sometimes shoppers have to pay the Royal Mail as well, when the goods are delivered?

Jan Marszewski

Yes. When Customs charges need to be paid on goods arriving in the UK, Royal Mail and the other couriers will charge a handling fee. These are charged as a contribution to cover their costs for handling your package in the first place, carrying out customs formalities, paying the charges on your behalf and then collecting them from you.

David Preever

Is there anyway that shoppers can bypass the system, and pay HMRC directly?

Jan Marszewski

You can, but for small value items, or for a small number of items, it's probably not worth the hassle.

David Preever

And Jan, can you tell me why some websites don't show the amount of duty and VAT due, or mention that this might be payable?

Jan Marszewski

In fact, a lot of the large internet shopping companies do provide this information on their website. However, it may not always be located in an obvious place, or it's made entirely clear that you need to look at this information before you actually agree to pay for the goods themselves. Also, every country has different import rates and, to be honest, a seller couldn't be expected to know or detail all of them.

David Preever

And some websites actually advertise that they'll put a low-value on your goods or misrepresent them in another way, so that the buyer actually avoids paying import charges – is that a good idea?

Jan Marszewski

Definitely not. Because if the declaration is found to be incorrect, it's the buyer in the UK that may be liable to financial penalties or prosecution. Also the goods might be seized. So, I'd like to emphasise here that

it's really in the buyer's interest to ensure that the sender completes the customs declarations accurately.

David Preever

And does it make a difference if you're buying the goods for yourself, or if you're sending them as a gift?

Jan Marszewski

There are slightly different rules for sending gifts. The rule there is that if the gift has a value of less than £36, we won't charge any duty or VAT, unless it's alcohol or tobacco, in which case you'll be charged excise duty. And just also, it's probably worth also explaining what a gift actually is – the technical explanation here is that it's something that's sent between two private individuals, for example, as a birthday present. But if you buy something online as a present for someone else resident in the UK, this is not a gift and duty and VAT will apply in all cases.

David Preever

Now, can you clarify what the arrangements are when I buy something from a seller based in the Channel Islands?

Jan Marszewski

The Channel Islands are considered part of the EU for customs duty purposes only. This means that goods bought and imported from there are not charged customs duty when they arrive in the UK. But for VAT purposes, the Channel Islands are not considered part of the EU, so import VAT would be charged on goods above the £18 limit. I would also say, excise duty is payable on alcohol and tobacco products from the Channel Islands. as well.

David Preever

The amount that some people who buy goods online have to pay is quite small – sometimes only a couple of pounds – why can't you just waive that amount?

Jan Marszewski

These limits are set in European law, so Customs don't have the discretion to waive either the customs duty or the import VAT once those limits are exceeded.

David Preever

I understand that the system is different for tobacco and alcohol that you buy within the EU?

Jan Marszewski

Indeed, yes. Alcohol and tobacco bought within the EU can't be sent to the UK unless specific arrangements have been made to pay the excise duty in advance. This is known as 'distance selling' and here I would recommend that, if you want to buy either alcohol or tobacco from other EU countries, by mail order or over the internet, that you look at obtaining some more information beforehand.

David Preever

So, where can customers get more information?

Jan Marszewski

Most conveniently, they can look at our internet site – www.hmrc.gov.uk – and the information will be on there.

David Preever

What if you want to speak to an individual?

Jan Marszewski

If you prefer to speak to a person, then you can ring the National Advice Service on 0845 010 9000.

David Preever

Jan – thank you very much for speaking to us.

Jan Marszewski

Thank you.