HM Treasury

HM Revenue & Customs

Reforming the customs treatment of low value imports into the United Kingdom

Consultation response

July 2026

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Definitions

Ad valorem – applying a UK Global Tariff rate based on a fixed percentage of the value of the good imported.

Consignment – all goods moving from a single sender to a single recipient at one point in time, contained within one or potentially multiple packages/parcels.

Customs Declaration System (CDS) – an online service that supports traders to make import and export declarations when moving goods into and out of the UK.

Fiscal representative – a UK-based business – i.e. one that has a permanent place in the UK where business activities are carried out – that assumes joint and several liability for any debts incurred by an overseas seller.

Low Value Imports (LVI) relief – refers to the current full relief from customs duty available for individual consignments sent from a country or territory outside of the UK to one or more recipients in the UK with a value of £135 or less (as set out in the United Kingdom Customs Tariff: Reliefs from Import Duty document).

New LVI customs arrangements – refers to the new arrangements which will apply to imports of most consignments with a customs value of £135 or less once the relief has been removed.

Non-ad valorem – applying a UK Global Tariff rate based on quantity rather than the value of the good imported. It can be based on any quantifiable unit of measurement, such as per kilogram, tonne, square metre etc.

Seller – an actor who directly sells a good to a UK consumer. To complete the sale of an LVI, the seller, or someone on their behalf, needs to move a consignment of goods into the UK.

UK Global Tariff (UKGT) rate – the standard rate of duty as set out in the Reference Document for The Customs Tariff (Establishment) (EU Exit) Regulations 2020 - GOV.UK and applied prior to any: reductions, such as reliefs, preferences or suspensions; or increases, such as VAT, Excise and/or those applied by trade defence or sanction measures.

Foreword

Delivering economic growth and higher living standards across the United Kingdom remains the government's number one priority. As part of this, we are committed to ensuring the tax and customs system enables effective compliance, and in doing so, promotes fair competition and supports UK businesses to thrive.

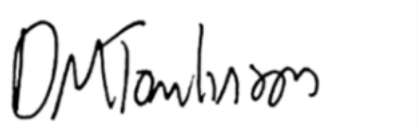
Reforming the customs treatment of low value imports is an important part of that work. The existing arrangements, including the relief from customs duty, were designed for a very different trading environment. As the volume and nature of his trade has evolved, it has become increasingly important to ensure the customs system remains fair and capable of supporting effective enforcement.

In November 2025, the government launched a consultation on proposals to reform these arrangements. A wide range of stakeholders submitted responses, which have been invaluable in helping the government understand how the current system operates in practice, the things that do and don't work well, and the potential impacts of the reforms.

This document sets out a summary of those responses and the government's position on a number of technical customs policy areas which will enable the introduction and effective operation of the new customs arrangements for low value imports. In doing so, we will move the treatment of low value imports closer to that of freight goods. At the same time, the government is clear that these reforms must be delivered in a way that is proportionate and workable for businesses.

We have carefully considered views in shaping our approach. We recognise that these changes will require adjustment from businesses across the supply chain, and the government is committed to working closely with stakeholders as we move towards implementation, ensuring that the new arrangements are clearly understood and supported by appropriate guidance.

I am grateful to all those who took the time to engage with the consultation and shared their views. Your engagement has played a vital role in shaping these reforms, and will continue to do so as we deliver a customs framework for low value imports that is fair, resilient and fit for the modern trading environment.



Dan Tomlinson

Exchequer Secretary to the Treasury

Chapter 1
Introduction

1.1 Low value imports (LVIs) are individual consignments imported into the UK with a customs value of £135 or less. Under current arrangements, importers of these consignments can claim a relief which allows LVIs to be imported without paying customs duty.

1.2 At Autumn Budget 2025 the Chancellor announced the removal of the LVI relief, making LVIs subject to customs duty, and the introduction of new customs arrangements. These new customs arrangements will be designed to collect better quality data and ensure consistent tariff treatment across all imports, exercising appropriate control while ensuring that goods continue to flow at the border. This is a crucial step in supporting improved compliance and fair competition.

1.3 This document summarises responses received to the consultation *Reforming the customs treatment of low value imports into the United Kingdom*, which ran from 26 November 2025 to 6 March 2026. The document draws feedback together thematically where respondents addressed multiple questions, and sets out the government's response where relevant. The consultation sought views on:

- The design, implementation and impacts of the new LVI customs arrangements;
- How customs duty could be applied, including whether to develop an optional simplified LVI tariff schedule;
- Whether to apply an additional fee on LVIs to fund compliance and administration activity; and
- Potential changes to VAT collection to reflect the new arrangements.

1.4 The government has carefully considered the 165 consultation responses received. Stakeholders that responded included UK consumers, businesses making use of the existing arrangements and those that have felt impacted by the arrangements. The majority of respondents were UK based. Whilst many businesses did not disclose their size, those who did were mainly large or micro businesses.

1.5 This consultation response relates only to the reform of the GB LVI customs arrangements. The Windsor Framework applies to goods moving into Northern Ireland and is outside of the scope of this consultation response.

Chapter 2

Standard import customs arrangements

Summary of the proposal

2.1 To reflect current arrangements and ensure other trade policy objectives can be maintained, the consultation proposed a defined set of circumstances and types of goods that would be excluded from the new LVI arrangements. In these limited cases, goods would continue to use standard import customs arrangements.

2.2 This included goods subject to excise duty, import restrictions, trade defence measures, non-ad valorem tariffs, as well as goods where a customs relief is being claimed or a special procedure is used.

2.3 The consultation also proposed that the new LVI arrangements would not apply to goods sent from a private individual to another private individual or business. Existing reliefs for gifts of £39 or below would continue, while goods above this threshold would be subject to standard import customs arrangements.

Summary of responses

2.4 Respondents generally supported the rationale for excluding the goods listed in the consultation (e.g. excise goods, restricted items or goods subject to trade defence measures), recognising that these goods present increased compliance risks.

2.5 However, some respondents argued that certain goods, not readily available in the UK, such as specialist, cultural, educational, medical, or niche items, should remain within the scope of the LVI arrangements rather than being excluded. Some individuals and small organisations also raised concerns that the proposed changes could make occasional imports unaffordable and discourage cross-border repair movements.

2.6 Some respondents also noted that claims for preferential rates of duty, tariff suspensions or quotas, or those using special procedures, may not be compatible with simplified arrangements. At the same time, others suggested that the new LVI arrangements should support preferential duty claims, to avoid businesses losing access to simplifications for LVIs.

2.7 In any case, respondents highlighted the need for clear guidance to enable businesses to determine whether to use the new LVI arrangements or standard import customs arrangements before dispatch.

Government response

2.8 To balance the need to support compliance while offering flexibility, the government has carefully considered the views shared and decided to retain a defined set of exclusions from the new LVI arrangements and does not intend to introduce exemptions based on specific product types or availability in the UK. These exclusions include:

- Goods above £135 in value;
- Goods subject to non-ad valorem tariff rates;
- Goods subject to a restriction on import imposed under an enactment such as the requirement for a licence;
- Goods subject to excise duty; and
- Goods subject to trade defence measures.

2.9 Where sellers, online marketplaces, parcel operators and customs intermediaries working on their behalf wish to claim a customs relief, tariff suspension or quota or use a special procedure, the standard import customs arrangements will need to be used. However, the government will explore proportionate ways to support preferential duty claims within the new LVI system.

2.10 A clear and consistent exclusions framework is needed to ensure the system remains fair, simple and enforceable. Introducing product-specific exemptions would create complexity and reduce certainty for businesses, making the system more difficult to administer and enforce.

2.11 The government will provide clear guidance to help businesses determine the appropriate customs arrangements before dispatch, and will keep the exclusions list under review while monitoring impacts.

Chapter 3

New LVI customs arrangements

Summary of the proposal

3.1 The consultation proposed the introduction of new customs arrangements for low value imports, including:

- Mandating the use of the new LVI customs arrangements for all consignments valued at £135 or less (unless otherwise specified);
- Seeking views on how the new arrangements may affect the relief available for non-commercial consignments with a value of £39 or less;
- Seeking views on how sellers and online marketplaces will facilitate quarterly payment of customs duty, with support from intermediaries and software providers;
- Exploring whether non-UK sellers should be required to appoint a UK-based fiscal representative (a UK-established entity assuming joint and several liability for customs debts);
- Proposing item-level data requirements and a system for sharing data with HMRC and other actors; and
- Proposing a reference number model to support customs clearance and data sharing across the supply chain.

Summary of responses and government response

Mandating new LVI arrangements

Summary of responses

3.2 Many businesses supported mandating the new LVI arrangements, citing:

- The need to support fair competition between high street retailers and overseas sellers (especially high-volume platforms);
- Concerns regarding undervaluation, VAT non-compliance and misuse of existing arrangements; and
- Potential gains for UK jobs, investment and tax revenue.

3.3 In contrast, individuals and small businesses raised concerns about:

- Increased consumer costs amid cost-of-living pressures;

- Reduced access to specialist or non-UK goods (e.g. hobby, medical or cultural items), with some respondents expressing concern that changes to the current arrangements, including the removal of relief, could deter certain sellers from supplying the UK market; and
- Potential reduction in consumer choice and access to overseas goods.

3.4 Across respondent groups, concerns were raised regarding system complexity, administrative burden, and the risk of small traders withdrawing from the UK market.

3.5 A minority favoured retaining flexibility to allow use of standard import customs arrangements alongside the new system, particularly where businesses require greater certainty over declarations or have existing processes that are already effective.

3.6 Stakeholders also provided views on the timelines for the reforms. Some stakeholders supported accelerating timelines to address perceived imbalances under the current arrangements, whilst others emphasised the need for sufficient lead-in time to adapt to the new arrangements.

Government response

3.7 The government intends to mandate the use of the new LVI customs arrangements for eligible consignments valued at £135 or less, ensuring consistent application, subject to the exclusions set out in Chapter 2.

3.8 Whilst the government recognises concerns that mandatory use could pose challenges to some businesses that rely on LVIs, mandating is necessary to protect the existing customs infrastructure and support improved compliance by moving the treatment of LVIs closer to that of goods imported as freight. This will in turn support fair competition and ensure goods are subject to appropriate controls regardless of how they are imported. A consistent approach across all relevant consignments will also provide greater clarity for businesses and support effective enforcement, as well as minimising risks to consumers.

3.9 The government recognises concerns about complexity and market impacts, particularly around goods with no domestic substitute. The government will seek to minimise the impacts and design the new arrangements to be proportionate, supported by clear guidance, to ensure overseas sellers are able to keep sending goods to GB.

3.10 In developing this approach, the government has considered alternative models, including voluntary or partial adoption. However, these were not considered sufficient to meet the government's objectives of protecting the existing customs infrastructure, supporting improved compliance, and moving the treatment of LVIs closer to that of goods imported as freight, thereby promoting fair competition.

3.11 The government has listened carefully to stakeholder views on timelines and has decided to accelerate the delivery by 6 months to October 2028 at the latest. In doing so, the government has sought to move at pace to address concerns about the current arrangements, while ensuring that businesses have sufficient time to prepare.

Impact on £39 non-commercial de minimis relief

Summary of responses

3.12 This question attracted significant engagement, particularly from individuals. Key themes included:

- The importance of the relief for gifts between family and friends;
- Concerns that the £39 threshold is low relative to current prices; and
- The risk that additional requirements could increase costs or make gift-sending more difficult.

3.13 Respondents also highlighted impacts on specific groups including:

- Individuals with family overseas;
- Those with cultural or religious gifting practices; and
- People relying on goods from abroad for personal or health reasons.

3.14 Many businesses considered that genuine non-commercial consignments would remain unaffected where the relief is clearly defined, although some highlighted potential behavioural responses, such as misclassifying commercial goods as gifts, undervaluing goods to benefit from the relief, or the use of informal workarounds to avoid charges.

Government response

3.15 The government intends to retain the relief for genuine non-commercial consignments with a value of £39 or less sent between private individuals, recognising its importance in supporting personal and cultural connections.

3.16 The government believes the current threshold remains appropriate. The government will maintain clear rules to distinguish non-commercial from commercial movements, monitor behavioural impacts, and keep the relief under review.

Quarterly payment of customs duty

Summary of responses

3.17 Most businesses indicated that quarterly payment of customs duty would be manageable, particularly where it could operate through processes similar to existing VAT arrangements or via agent relationships.

3.18 To facilitate the payment, many businesses indicated they would collect the customs duty at the point of sale, which was seen as improving price transparency and reducing delays or unexpected charges on delivery.

Government response

3.19 The government confirms that sellers and online marketplaces will pay customs duty quarterly, with the option to stagger payments so they align with VAT return cycles. This supports alignment with existing VAT processes, enabling businesses to manage obligations in a consistent and familiar way.

Responsibility for paying duty & fiscal representative/UK presence

Summary of responses

3.20 Many respondents recognised why the government is proposing to require fiscal representation for sellers and online marketplaces without a UK presence, noting the potential compliance benefits.

3.21 However, many respondents opposed this proposal, raising concerns about:

- High implementation costs and practical difficulty, including potentially significant costs (such as fees or deposits), with smaller businesses likely to be most affected;
- Significant financial and legal risks for fiscal representatives; and
- Limited willingness within the UK market to offer such services.

3.22 In particular, respondents without a UK presence highlighted the costs and feasibility of appointing a fiscal representative, while UK-based businesses were generally reluctant to take on this role due to the associated risks.

3.23 There was also a widespread view that the requirement could deter overseas sellers from the UK market, and reduce competition and consumer choice.

Government response

3.24 The government plans to make sellers, or online marketplaces where they facilitate a sale, responsible for the payment of customs duty on LVIs. This reflects their access to the most complete product information and existing responsibility for VAT collection. Consolidating responsibility supports compliance, improves price transparency, and enables duty to be collected at the point of sale rather than at the border, reducing disruption to goods movement.

3.25 The government intends to require sellers and online marketplaces without a UK presence to appoint a fiscal representative. The government's expectation is that it will be a UK-based business –

i.e. one that has a permanent place in the UK where business activities are carried out – that assumes joint and several liability alongside the overseas seller or online marketplace.

3.26 Requiring fiscal representation will ensure there is a UK based point of accountability to support effective compliance and enforcement, where direct enforcement would otherwise be challenging. Alternative approaches were considered but not viewed as providing sufficient assurance of compliance or enabling effective enforcement action.

3.27 The government acknowledges concerns around the market availability and potential costs of appointing a fiscal representative and is committed to ensuring requirements are proportionate.

Data requirements

Summary of responses

3.28 Some respondents confirmed they already hold many of the core data fields such as product descriptions, values and customer details. This data is typically held in structured digital formats, although there is no consistent standard across all businesses, and data quality can vary significantly.

3.29 Views on the feasibility of sharing item-level data in advance were mixed. Some respondents reported that providing data in advance would be straightforward, while others noted that existing data is often fragmented across multiple systems, reliant on third-party inputs, or not finalised until later in the fulfilment process.

3.30 Some respondents highlighted that some data, such as country of origin and net mass, may be more challenging to provide, due to the nature of their business.

Government response

Data requirements

3.31 The government confirms that sellers and online marketplaces will be responsible for providing item level data to HMRC, as they are best placed to provide accurate product information at source. This reflects the need to strengthen compliance, oversight and data integrity as information moves through the supply chain. Accurate and complete data is essential to enable HMRC and Border Force to carry out effective risk assessment, compliance checks and enforcement activity, including identifying non-compliant goods and supporting the correct application of duties.

3.32 Data requirements are being finalised and will be confirmed with stakeholders in due course. The government is working with stakeholders to develop a system that supports the continued flow of goods across the border.

3.33 Each consignment will have a unique reference number that will be used to clear LVIs once they arrive in the UK. This will either happen at temporary storage facilities, or through the Good

Vehicle Movement Service (GVMS) at roll-on/roll-off locations. The entity clearing the goods may be different from the seller of the goods, or the online marketplace that facilitated the sale of the goods.

Collecting additional data currently provided by the carrier through safety and security declarations

Summary of responses

3.34 Some respondents raised concerns about the feasibility of the model at scale. A key challenge identified was the consolidation of large volumes of reference numbers for multiple consignments. Matching multiple seller-generated references to consolidated consignments or shipments would add processing steps, potentially overwhelming existing systems and increasing the risk of errors and delays.

3.35 While the data provided for safety and security declarations often already exists in systems, some respondents considered that introducing these requirements as part of the new LVI customs arrangements could be duplicative and add complexity. Some suggested that the key challenge relates less to data availability and more to the need for effective integration across multiple border and external systems.

Government response

3.36 The government will prioritise introducing item level data requirements for the initial implementation of the new LVI arrangements. The government will not require data that will continue to be collected through safety and security declarations to be provided through the new LVI arrangements at this stage.

3.37 This approach supports delivery at scale within the proposed timeframe, while minimising complexity for businesses and intermediaries. Focusing on item level data will improve data quality and compliance, without introducing additional consolidation challenges.

3.38 However, the government recognises the longer-term benefits of collecting data currently provided through safety and security declarations through the LVI arrangements, and will introduce these changes at a later stage.

Chapter 4
Tariff treatment

Summary of the proposal

4.1 The consultation proposed that, following the removal of the LVI relief, goods valued at £135 or less would be subject to tariffs under the UK's Global Tariff (UKGT). It sought views on how these tariffs should be applied in practice (including classification requirements), and whether the potential administrative burdens associated with full UKGT classification might justify introducing a simplified tariff schedule. This would be optional, with full UKGT classification always remaining available.

4.2 The proposed simplified tariff schedule would group goods into a smaller number of tariff "buckets", using representative rates (such as the most frequent or highest rate within each UKGT Chapter).

Summary of responses

4.3 The main themes raised by respondents are set out below.

Overall approach to applying tariffs

4.4 Respondents thought that removing the LVI relief and applying tariffs would alter the economics of low value trade, and a number also raised concerns about potential increases in consumer costs.

4.5 Alongside tariff design and application, total cost (including tariff rates and administrative burdens) was identified as a key driver of trading behaviour for both businesses and individuals.

4.6 Other concerns included:

- The cumulative impact of the overall LVI reforms;
- The need for tariff systems to interact effectively with existing processes such as VAT collection, data submission and customs declarations (including increased compliance complexity where multiple systems coexist);
- The need for effective duty collection; and
- Risks such as misclassification and undervaluation.

4.7 Across respondents, there was broad recognition that any tariff approach would need to operate within existing international frameworks, such as World Trade Organisation, World Customs Organisation rules and Free Trade Agreements. Respondents also highlighted the Taxation (Cross-border Trade) Act 2018 as an important consideration.

Views on full UKGT classification

4.8 A number of respondents indicated that they were already familiar with UKGT classification and would be able to comply with a requirement for full 10-digit classification.

4.9 Additionally, many respondents noted that any divergence from full UKGT classification and offering of simplified tariffs would only be valuable if it materially reduced efforts without creating an additional cost.

4.10 Where some concerns were raised on requiring the full 10-digit classification, many of these were in regard to current lack of access to specialist support and the need for new systems or tools. To offset against this issue, some respondents highlighted existing or planned investments in systems, including the use of AI and/or automation, that are expected to further reduce classification burdens over time.

Views on tariff "bucket" approaches

4.11 The most common response to the tariff "bucket" approaches was that they would not fully remove administrative burdens, as some degree of classification would still be required, thus making widespread uptake uncertain.

4.12 Concerns were also raised about reduced classification accuracy of "buckets" and the potential for inconsistent application across traders.

4.13 While a few respondents indicated that simplified "bucket" approaches could reduce time spent on classification, this benefit was often seen as dependent on tariff rates being comparable to or lower than those under UKGT.

4.14 Of those respondents who did support the tariff "bucket" approaches, they welcomed an approach based on the most frequent tariff rate within each UKGT Chapter.

Views on other simplified approaches

4.15 A number of respondents highlighted risks associated with simplified approaches, including concerns that flat-rate tariff models could lead to uneven outcomes across goods and create incentives for traders to select the lowest-cost option where multiple routes are available. Therefore, some respondents argued that applying UKGT-only would ensure accuracy and avoid potential distortion.

4.16 Whilst some respondents suggested that flat-rate tariff models could offer a more straightforward alternative to both UKGT and "bucket" approaches, a significant number indicated that they would not be willing to accept higher tariff rates and pay more duty in exchange for reduced administrative burden.

Government response

4.17 After careful consideration of the views raised by respondents on the proposed tariff treatment of LVIs, the government has decided not to introduce a simplified tariff schedule as part of the new LVI customs arrangements.

4.18 As part of the new LVI customs arrangements, traders will be required to classify goods and apply the appropriate UKGT rate, in line with standard UK import customs arrangements.

4.19 In reaching this position, the government has taken into account:

- The benefits of having consistent tariff treatment across all imports;
- The role of tariffs in strengthening compliance and improving oversight of low value trade;
- International developments, including EU reforms, which similarly move towards full tariff classification in the long term; and
- The existing customs framework under the Taxation (Cross-Border Trade) Act 2018.

4.20 While the government recognises that some respondents supported simplified tariff arrangements, this was often linked to a preference for lower or easier-to-apply rates, with limited willingness to pay more to access simplified tariffs.

4.21 In supporting improved compliance (and thereby also fair competition), the government does not consider it appropriate to set tariff rates below the UKGT rates, which continues to apply to freight imports. A simplified tariff diverging from UKGT rates would risk uneven treatment across goods and create incentives for misclassification.

4.22 On this basis, the government does not consider that offering a simplified tariff alongside UKGT would meet the above objectives and will therefore apply UKGT rates to LVIs, as is already the case for freight imports.

4.23 This approach also ensures consistency with international frameworks and trading practices.

Chapter 5

Additional fees on LVIs

Summary of the proposal

5.1 In recognition of the unique administrative challenges LVI volumes may pose, the consultation set out that the government was considering a fee on LVIs and invited views on whether such a fee should be implemented and how it could be designed.

5.2 The fee would be in addition to the tariffs that LVIs will now be subject to. Such a fee would be limited to the approximate costs of services rendered (e.g. the administrative cost of government maintaining systems, inspecting goods, verifying documents and releasing goods using the new LVI customs arrangements). The government is aware that some of our trading partners, including the EU, are implementing an additional fee on LVIs as part of changes to their own LVI arrangements.

5.3 The consultation outlined that in line with customs duty, any fee would likely be charged to the seller, or operator of an online marketplace if they facilitated the sale, and paid to HMRC alongside the LVI customs duty. It also noted the fee could be charged on a per-consignment, per-item, or per-product type basis and sought views on which approach would be most appropriate.

Summary of responses

5.4 The main themes raised by respondents are set out below.

Views on implementing an additional fee

5.5 Responses were mixed on whether an additional fee should be introduced. Those opposed noted it would increase end consumer prices, reduce LVI volumes, and could disproportionately impact lower income consumers and smaller businesses. Some also raised that a fee would increase the operational complexity of moving LVIs into the UK.

5.6 Those who supported the fee argued it was reasonable for the government to consider recovering its spend from the increased cost of customs controls, although noted it should be easy to administer and comply with at scale.

5.7 Many respondents raised the fee rate should be proportionate to the cost of processing LVIs and that the government should be transparent about how it has factored these costs into the setting of any fee. Some respondents also pushed for the fee to be charged away from the border to minimise disruption. There were some suggestions that the fee be charged on an ad-valorem basis.

Views on how the fee should be charged

5.8 Most respondents favoured the fee being charged on a per-consignment basis. The most common reason given was it would be the simplest for stakeholders in the LVI supply chain to administer and comply with.

5.9 Charging on a per-product type basis was seen as particularly administratively complex and it was argued that end-consumers would likely find this approach opaque and confusing.

5.10 Some respondents raised concerns that the same fee rate would be charged under each of the options, meaning a consignment containing two items would be charged twice as much under a per-item approach than a per-consignment approach. They noted this would have a significant impact on the costs for end-consumers.

Views on how the fee should be designed and international obligations

5.11 Some respondents suggested the government could exempt certain items or traders from the fee, such as second-hand goods, books, and small businesses.

5.12 Some respondents also noted several international obligations the government should follow if it were to introduce a fee, such as the World Trade Organisations' General Agreement on Tariffs and Trade and the EU–UK Trade and Cooperation Agreement.

Government response

5.13 To reflect the high proportion of import volumes accounted for by LVIs and the associated administrative cost, the government will introduce an additional fee in relation to LVIs.

5.14 The government is still working through the design of the fee to ensure it reflects the cost of services rendered in relation to LVIs and is set at an affordable level. The government will provide more details in due course. When designing the fee, the government will take account of responses to this consultation. The fee will be aligned with the UK's international obligations and domestic legislation. It will also reflect relevant domestic guidance, namely Managing Public Money principles which include ensuring the fee is justified, proportionate, and linked to cost recovery.

Chapter 6

Value Added Tax

Summary of the proposal

6.1 The consultation sought views on the VAT treatment of LVIs under the new customs arrangements. This included: proposals to integrate VAT and customs duty collection within a single system, consideration of how VAT could operate where aligned more closely with customs processes, options for the point at which VAT should be collected (for example, at the point of sale or at the border) in cases where customs duty is collected on importation, the feasibility of calculating VAT on a duty-inclusive value at the point of sale, and the potential role of fiscal representatives for non-UK-established businesses.

Summary of responses

6.2 The main themes raised by respondents are set out below.

Overall approach to a unified VAT and customs duty system

6.3 Respondents generally supported the principle of aligning or integrating VAT and customs duty processes, particularly where this would simplify administration and reduce duplication. Many respondents considered that a single system could improve transparency, streamline reporting and payment processes, and reduce reconciliation burdens. This support was consistently described as conditional and dependent on system design, alignment with existing VAT processes and the avoidance of duplicate or parallel reporting obligations.

6.4 Views were mixed on the extent to which a unified system would deliver simplification in practice. Some respondents noted that operating separate systems for VAT (for wider liabilities) and LVIs could introduce reconciliation challenges and increase the risk of errors or inconsistencies, particularly where reporting cycles, data requirements, or liability frameworks are not aligned. Others raised concerns that significant IT investment and system changes would be required, particularly for high-volume businesses.

VAT registration and dual systems

6.5 Many respondents indicated that, even if a unified LVI system were introduced, they would still need to maintain a UK VAT registration for other activities. Respondents noted that this could lead to dual reporting obligations, increasing administrative burden and the risk of errors or inconsistencies unless systems are well aligned.

6.6 Some respondents suggested that allowing a single registration or integrated reporting framework covering both LVIs and broader VAT liabilities would help minimise duplication. Others emphasised the importance of clear delineation between LVI and non-LVI transactions to avoid double accounting.

Feasibility of calculating VAT at the point of sale

6.7 Many respondents considered that calculating VAT at the point of sale (including on a duty-inclusive value) is technically feasible, particularly where businesses already operate similar models or use established systems. Respondents noted that such an approach could improve price transparency for consumers and reduce friction at the border.

6.8 However, a significant number of respondents highlighted operational challenges. These included reliance on accurate customs duty calculations, the need for detailed product data (such as commodity codes and origin), and the risk of errors where duty cannot be determined with certainty at the point of sale. Respondents emphasised that the feasibility of point-of-sale VAT calculation is closely dependent on the ability to determine customs duty accurately at the same point, noting that errors in duty calculation could directly affect VAT outcomes and increase compliance risks. Some respondents also noted that calculating VAT on a duty-inclusive value could be complex where consignments are split or adjusted post-sale.

Fiscal representation

6.9 Respondents generally expressed concerns about the proposed requirement for non-UK-established businesses to appoint a fiscal representative with joint and several liability for VAT debts. The most frequently raised concern was that such a requirement could increase costs and reduce market participation, particularly for smaller overseas sellers.

6.10 Many respondents indicated that the financial and compliance risks associated with joint and several liability would make it difficult to find businesses willing to act as fiscal representatives. Respondents also noted the potential for increased fees and reduced availability of such services.

6.11 For UK-established businesses, most respondents were not willing to act as fiscal representatives due to the associated risks. A minority indicated willingness in limited circumstances, for example where the businesses are within the same corporate group.

6.12 Some respondents indicated that, taken together, these factors could lead to limited availability of fiscal representatives in practice, raising risks for the operability and effectiveness of the model.

6.13 Some respondents suggested that alternative approaches, such as strengthened marketplace liability or payment-at-source mechanisms, could improve compliance without the need for fiscal representation.

Model for VAT collection where duty is collected at the border

6.14 Where customs duty is collected at the point of importation, most respondents favoured maintaining VAT collection at the point of sale. Respondents generally considered that this approach provides greater price transparency for consumers, reduces friction at the border, and aligns with existing systems used by online marketplaces and sellers.

6.15 Some respondents also noted that point-of-sale collection reduces the risk of delivery delays, rejected parcels, and additional handling charges.

6.16 By contrast, a number of respondents raised concerns that collecting VAT at the border could increase administrative complexity, delay customs clearance, and create uncertainty for consumers regarding the final price paid.

6.17 However, a minority of respondents preferred border collection, citing reasons such as ensuring compliance, aligning with existing import VAT processes, or reducing reliance on seller-provided data.

6.18 Some respondents also highlighted challenges with hybrid models, particularly where VAT is collected at the point of sale but duty at the border, noting that this could create complexity in determining the correct VAT base.

Government response

6.19 The government has carefully considered the views raised by respondents on the VAT treatment of LVIs, and will continue to consider the role of VAT collection mechanisms as part of the development of the new LVI customs arrangements, including how different models for VAT collection interact with wider VAT and customs processes.

6.20 As part of these considerations, the government is assessing a range of potential approaches, including models that maintain alignment with existing VAT return-based accounting and those that would more closely integrate VAT collection with customs processes. These approaches raise different considerations in relation to administrative simplicity, compliance, fairness, price transparency, and operational deliverability, including the extent of system change required for both businesses and government.

6.21 The government acknowledges:

- The broad support for simplifying VAT and customs processes, while recognising the importance of ensuring that any unified system is operationally deliverable and aligned with existing VAT reporting frameworks;

- The mixed views on the feasibility of calculating VAT at the point of sale where customs duty applies, including the technical capability of some businesses and the operational challenges identified by others; and
- The range of views on collection models, with many respondents highlighting the benefits of point-of-sale collection for transparency and efficiency, alongside concerns raised about compliance and enforcement.

6.22 The government will remain engaged with stakeholders as this work progresses, particularly where further detail is required to assess the impacts of different approaches.

Next steps

6.23 The government will continue to work closely with stakeholders as the new LVI customs arrangements are developed and implemented. This includes engaging with sellers and online marketplaces, parcel operators, customs intermediaries and other delivery partners to refine system design, ensure requirements are proportionate, and support effective compliance.

6.24 Draft primary legislation is being published alongside this consultation response, and secondary legislation containing the granular detail of the arrangement will follow ahead of them coming into force.

6.25 Further detail on the operation of the new arrangements, including guidance and technical specifications, will be provided in due course to support businesses prepare for implementation.

6.26 The government will also monitor impacts and keep key aspects of the policy under review as the reforms are delivered.

Annex A

List of consultation questions

Introduction

1. If you are representing or responding on behalf of an organisation or trade body, what is the name of your organisation/trade body?
2. What type of organisation(s) are you representing (e.g. parcel operator, seller etc.)?
3. Which country is your organisation/trade body based in?
4. What is the size of your organisation? If you are a trade body, please state your membership size instead.
    - micro (0 to 9 employees)
    - small (10 to 49 employees)
    - medium (50 to 249 employees)
    - large (over 250 employees)
5. Do you currently import goods into the UK using the existing LVI customs arrangements? [Yes/No]
    a. [If yes] What categories of goods do you import using the current LVI arrangements (e.g. footwear, clothing etc.)?
    b. [If yes] What was the estimated combined value of these goods in the last financial year (2024-25)?
    c. [If yes] What proportion of your total imports into the UK use the existing LVI custom arrangements annually?
    d. [If yes] Which nation(s)/region(s) do you import from?
    e. [If no] Do you import through the standard import customs arrangements? If so, what categories of goods do you import, what is their estimated combined value annually, and which nation(s)/region(s) do you import from?

6. For sellers/online marketplaces: based on the information provided in this consultation, how long do you envisage it will take you to implement the new LVI arrangements?
7. HM Treasury and HMRC are required to have regard to international arrangements to which the government is a party that are relevant to the exercise of any functions under Part 1 of the Taxation (Cross-border Trade) Act 2018. If there are any international obligations that you consider may be relevant to the proposed changes set out in the Introduction, please identify them here.
8. The government is interested in understanding whether any particular groups might be impacted by the new LVI arrangements. Do you foresee any socio-economic impacts from the LVI changes, including the protected characteristics, as defined in the Equality Act 2010?

Chapter 2

9. Are there any goods in the proposed list of excluded goods in paragraph 2.4 that you think should be eligible to use the new LVI customs arrangements? If so, what are those goods and why?

Chapter 3

10. With respect to potentially mandating the new LVI customs arrangements, do you foresee any opportunities, challenges or impacts arising from implementing/using these arrangements?
11. If the new LVI customs arrangements are mandated, how will you meet these requirements? Are there any instances where you would want to use standard import customs arrangements for consignments of goods valued at £135 or less?
12. How do you expect the implementation of the new LVI customs arrangements to impact the use of the £39 relief for non-commercial consignments sent by one private individual to another?
13. For sellers/online marketplaces: How will you facilitate paying customs duty to HMRC on a quarterly basis? Please explain your answer.
14. For software providers/intermediaries: Would you consider providing a service to enable sellers/operators of online marketplaces to make these payments?

15. For software providers/intermediaries: Do you have any ideas for how you think any new services to make these payments would best work and/or how it would fit with the current services you offer?

16. For sellers/online marketplaces without a physical presence in the UK: If having a physical presence in the UK was mandated in order to use the new LVI arrangements, how would you meet this requirement? Would you need to appoint a fiscal representative, or would you look to establish a physical presence in the UK?

17. For sellers/online marketplaces without a physical presence in the UK: How much do you estimate it would cost you to appoint a fiscal representative?

18. For businesses with a physical presence in the UK: Would you be prepared to act as a fiscal representative under the conditions set out above?

19. For sellers/online marketplaces: What item level data do you routinely collect or generate for low value goods? For example, value, goods' description, buyer, weight etc.

20. For sellers/online marketplaces: What data type, format and structure is this held in?

21. For sellers/online marketplaces: How easy would it be for you to share the item level data with HMRC in advance of the goods being dispatched?

22. For sellers/online marketplaces: What are the opportunities and/or challenges with sharing reference numbers with parcel operators/customs intermediaries/carriers, as set out in Figure 3.A?

23. For parcel operators/customs intermediaries/carriers: With reference to paragraph 3.26 and Figure 3.A, do you envisage any opportunities and/or challenges with providing this data for LVIs through a new system?

24. For parcel operators/customs intermediaries/carriers: What are the opportunities and/or challenges from receiving multiple reference numbers from sellers/operators of online marketplaces and consolidating these to provide data for an entire shipment? How could these be resolved?

25. For parcel operators/customs intermediaries/carriers: Do you envisage any potential challenges with using these reference numbers to customs clear the goods by:

a. Including on the Goods Movement Reference (GMR) when using the Goods Vehicle Movement Service (GVMS) at roll-on/roll-off ports.

b. Submitting into the community service provider inventory system at inventory linked ports.

[If yes] How could these be resolved?

26. For community system providers: CSPs would need to call out directly to a new LVI system to validate reference numbers to clear goods from their inventory systems. What impact would this have on your operations?

Chapter 4

27. Are you familiar with the UK Global Tariff (UKGT) schedule [Yes/No]

    a. [If yes] What challenges, if any, would you face if you had to classify LVI goods to a 10-digit commodity code under UKGT?

    b. [If yes] What would the time and cost (one off and recurring) be for you to classify LVI goods to a 10-digit commodity code under UKGT? How significant would this time/cost be relative to your total time and costs to trade?

    c. [If no] What factors would impact your ability to classify LVI goods to a 10-digit commodity code under UKGT?

    d. [If no] What do you expect to be the implications of having to classify LVI goods to a 10-digit commodity code under UKGT? Please consider possible impacts on your costs, volume of LVI trade and final consumer prices.

28. If the government provided a simplified tariff schedule, would you use it? [Yes/No]

    a. [If yes] What would be the drivers behind you using this instead of UKGT?

    b. [If yes] What would the impact on your time and cost (one off and recurring) be of using a simplified tariff schedule instead of UKGT?

    c. [If yes] Would you pay a higher rate to access a simplified tariff bucket system?

    d. [If no] Why wouldn't you use it?

29. What are your views on the illustrative simplified tariff schedule set out in Table 2? What would the specific impacts of this simplified tariff schedule be for your business?

30. What are your views on the illustrative simplified tariff schedule set out in Table 3? What would the specific impacts of this simplified tariff schedule be for your business?

31. Are there any alternative simplified tariff bucket design options that the government should consider?

32. Are there any additional Chapters that you think should be included in the simplified tariff schedule?

33. When designing a potential simplified tariff schedule the government will have regard to the following factors as set out in Section 8(5) of the Taxation (cross-border Trade) Act 2018:

    a. the interests of consumers in the United Kingdom,

    b. the interests of producers in the United Kingdom of the goods concerned,

    c. the desirability of maintaining and promoting the external trade of the United Kingdom,

    d. the desirability of maintaining and promoting productivity in the United Kingdom, and

    e. the extent to which the goods concerned are subject to competition.

    Are there any additional factors which you think the government should have regard to when setting the tariff rates for the optional simplified tariff schedule?

34. If there are any international obligations that you consider may be relevant to the proposed positions set out in Chapter 4, please identify them here.

Chapter 5

35. What are your views on the concept and implementation of a handling fee on LVIs?

36. Whether you import LVIs or not, what impact would a per consignment fee of £0.50, £2 or £5 (as illustrative costs) have on your existing business operations?

37. Would the impact change if it was a per item or per "product type" fee?

38. What (if any) changes would this approach lead you to make to your business operations?

39. Are there other ways you believe this fee could be designed?

40. Are there any other international obligations that you consider relevant to the proposed introduction of a fee on LVIs?

Chapter 6

41. What impact would a unified system for accounting for customs duty and VAT on LVIs have on your business?

42. Where customs duty and VAT collection on LVIs are integrated within a single new system, would your business still need to maintain a UK VAT registration (e.g. to account for other VAT liabilities), and if so, what impact would accounting for VAT separately through two different systems have on your business?

43. Where VAT is chargeable on the value of the supply of goods, including the amount of customs duty, how feasible would it be to calculate that VAT at the point of sale (taking into account that the customs duty would also be calculated and collected at the point of sale by the same business)?

44. For non-UK-established businesses: In order to use the new LVI customs arrangements, how would a requirement to appoint a fiscal representative who is jointly and severally liable for your customs and VAT debts arising from LVIs impact your business?

45. For UK-established businesses: Would you be prepared to act as a fiscal representative of a business if that means being held jointly and severally liable for the VAT debts of that business arising from LVIs?

46. Where goods are cleared into the UK using standard import customs arrangements and subject to customs duty collection at the point of importation:

    a. What impacts on your business would there be if the UK maintained a model where VAT collection takes place at the point of sale?

    b. What impacts on your business would there be if the UK moved to a model where import VAT collection takes place at the border?

    c. How do you think the VAT due should be collected and accounted for?

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