

**2021 Executive Council**

**Report of the Physical Service and E-commerce Working Group**

**Report by the Co-Chairs (Australia and China(People’s Rep.))**

<b>1 Subject</b>	<b>References/paragraphs</b>
Report of the online meeting of the Physical Service and E-commerce Working Group held on 23 <sup>rd</sup> June 2021	§1 - 21
<b>2. Decisions expected</b>	
The EC is invited to take note of:	
- Update on the progress of the work streams relating to this WG in the context of UPU and related Congress proposals that will be submitted to the 27 <sup>th</sup> Congress.	§3
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- Update on the progress on the work of the IPP in the context of UPU and Congress proposals relating to IPP that will be submitted to the 27 <sup>th</sup> Congress.	§4 - 8
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- Update on the progress on the work of the IRP in the context of UPU and Congress proposals relating to IRP that will be submitted to the 27 <sup>th</sup> Congress.	§9 - 11
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- Update on the new EU VAT policy effective from 1 July 2021 and its impact on postal business.	§12-14
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- Comments from member countries in the discussion on IPP & IRS proposals.	§15 - 19

**I. Opening of the meeting and adoption of the agenda**

1. The meeting of the Physical Services and E-commerce Working Group was held online on 23rd June 2021 as part of the APPU-EC meeting. The Bureau of APPU headed by the Secretary General Mr. LIN Hongliang participated in this meeting.
2. China(People's Rep.), one of Co-Chair of the WG and one of the POC C2 Co-Chairs, opened the meeting and confirmed the meeting agenda which was duly approved.

**II. Update on the progress on the related work streams in the context of UPU**

3. China(People's Rep.) updated on the progress of the related work streams in the context of UPU, mainly focusing on the latest updates of the Integrated Product Plan (IPP) and the Integrated Remuneration Plan (IRP), important RIG activities, QSG decisions concerning handling of force majeure related to COVID-19 pandemic and updates of UPU GMS Technical Design, QLUG future proposals relating to the future organization or allocation of QLUG activities, as well as the adoption of the UPU multilateral data sharing agreement and the EAD progress and recommended way forward. In addition, China(People's Rep.) kindly reminded all members to pay attention to the amendments approved to the Convention Regulations in the POC Session(S9) during April 2021, referring to the IB Circular 84/2021.

**III. Update on the progress on the work of the IPP in the context of UPU**

4. Australia, the other Co-Chair of the WG and Co-Chair of POC C2 PSDEIG, presented an overview of the work progress of this group and the Congress document relating to the Integrated Product Plan for 2022–2025 (Congress–Doc 35. Rev 1), the associated proposal of a general nature and related draft proposals to amend the Convention.
5. It was noted that the Integrated Product Plan (IPP) for the period 2022–2025 aimed at developing, rationalizing and modernizing international postal products in line with market changes and developments, to better sustain and increase the market share and quickly respond to customer needs and market demands. In accordance with the Integrated Product Plan work this cycle, several key changes have been proposed to the UPU Acts and key activities have been taken. The Working Group was informed of 18 IPP recommendations which were derived from market trends research, the IPP review survey and EAD requirements of UPU members.
6. During the presentation a number of proposals relating to the IPP were introduced. These proposals included amending the Convention on the Tracked delivery service, where there

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are currently two proposed options for Congress to review. The Congress can choose to approve either of these options or reject both.

7. The proposal of a general nature which instructs the POC to ensure that the UPU keeps pace with changes by modernizing the products using an integrated approach was also introduced and this will develop and implement POC activities driven by product definition in line with customer, market and supply chain needs; Ensure close coordination between the UPU bodies in providing a roadmap for implementation of EAD; Ensure the ongoing review of the IPP with a view to submitting an updated version to the 28th Congress; and also instructs the CA to ensure issues of government policy and regulatory issues are properly addressed, discussed and decided in relation to the IPP.
8. All APPU member countries were urged to carefully review Congress Document 35.Rev1 and understand the implications ahead of the 27th Congress.

#### IV. **Update on the progress on the work of the IRP in the context of UPU**

9. Singapore, as Co-Chair of POC C2 RIG, presented an overview of the recap of the Remuneration Proposals to the UPU (Congress Doc 36.Rev2 ), summarized the overview of all related POC/CA proposals concerning remuneration to be submitted to the 2021 Congress:
  - Integrated Remuneration System (IRS) for 2022-2025: Proposals to amend the Convention and Convention Regulations including Terminal dues, Inward Land Rate, supplementary rates for registered/insured letter-post items, remuneration for tracked delivery items and remuneration for returned undeliverable letter-post items;
  - Integrated Remuneration Plan (IRP) for 2022-2025: Proposal of a general nature concerning the implementation of the IRP in the 2022-2025 cycle;
  - Other proposals to 2021 Congress resulting from the work of RIG;
  - Proposals to amend the Convention and Regulations concerning the implementation of self-declared rates and consequential to proposals amending the Convention.
10. It was also informed of the recent work carried out by RIG, so as to prepare for the next Congress Work Cycle as well as address new issues concerning Convention Regulations.
11. Singapore also briefly introduced the change or adjustments made to the Congress Doc 36. Rev2 and related proposals on IRS:
  - Amendments on the S10 barcode penalty to be implemented from 2022 instead of 2021 (due to postponement of the 27<sup>th</sup> Congress);

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- Amendments on the proposed new implementation date of mandatory tracked delivery service from 2023 instead of 2022, but the remuneration date for tracked delivery service will be implemented from 2022;
  - Proposal for extending the grace period for group IV until 2024 to receive 0.40 SDR for all tracked delivery items for which it provides an EMD scan; and
  - Amendments to give a clear mandate to the POC to fix remuneration for EAD and returned undeliverable letter-post items.

## **V. New EU VAT policy effective from 1 July 2021 and its impact on postal business**

12. Following the introduction to the work by the related UPU WG, the APP briefed members on the new VAT policy in the EU from 1 July and explained some new terms.
  - From 1 July 2021, the VAT rules on cross-border business-to-consumer (B2C) e-commerce activities will change.
  - The VAT exemption at importation of small consignments of a value up to EUR 22 will be removed.
  - The Import One Stop Shop (IOSS) scheme for distance sales of low goods was created to simplify the declaration and payment of VAT.
  - Online sellers registered in one EU Member State and this will be valid for the declaration and payment of VAT on all distance sales.
  - When registering to the IOSS, online sellers receive an IOSS VAT number. This IOSS VAT number is used to declare goods upon importation to the customs authorities. Customs authorities verify the validity of the IOSS VAT number and then the package can be delivered to the customer. Nothing simpler than that!
  - The deemed supplier is the electronic interface who is treated as if it is the actual supplier (the so-called underlying supplier) of the goods for VAT purpose.
13. APP further analyzed the customer's new needs and gave advice accordingly. Customer thus will have the needs of calculation and payment of the taxation and tariff as well as the registration.
14. As key players in the transport and distribution of goods we are in the frontline. We must get informed and advise, and where possible offer solutions to our customers on how to adapt to the new process.

## **VI. Discussion on work streams, IPP & IRS Proposals and the VAT change in EU**

15. After presentations by China ( (People's Rep. ), Australia, Singapore and APP, a discussion was conducted from the floor under the moderation by China (People's Rep.).

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16. During the discussion, comments, observation and views were expressed concerning the proposals relating to the IPP and IRP. India took the floor to make comments on the proposals for the remuneration plan worked out at UPU level. India expressed its concern about the increase to rates and what this may do to the future of the remuneration of letter-post service, especially the postal product that is in response to the requirements of the cross-border eCommerce market by taking the case of the cap rates of the E format items increasing by 10% annually from 2022 to 2025. Further more India shared his idea to broaden the participants' mindset about exploring a simple reduced remuneration system in our region to sustain and gain the market share.
  17. China (People's Rep.) Australia and Singapore stressed that the IPP and IRP proposals are the compromise package proposal which have been fully discussed within POC and CA related working group and committees and approved by both POC and CA. China (People's Rep.) and Singapore echoed India's comments on the needs of commercial mindset to deal with the severe competition in the cross-border eCommerce market. Australia further shared more information on the way that UPU developed the proposal as well as the careful consideration on all factors. China ( (People's Rep.) called on the regional members in the next cycle to be more active in the UPU regulation work that is crucial to secure our business .
  18. Concerning the VAT new policy in EU, Singapore raised a question about the IOSS treatment to the magazine or journal under the new policy. APP responded in two aspects. Unofficially in his understanding when the magazine and journal is declared to EU Customs it is liable for VAT and IOSS procedure while officially it is the EU Authorities who are in the position to explain and clarify the VAT rules.
  19. Taking above comments into account, the Working Group took note of the presentations, and noted that Congress proposals relating to IPP and IRP will be submitted to the 27<sup>th</sup> Congress.

## **X . Closing**

20. In conclusion, Australia, as the Co-Chair of the Working Group, closed the online meeting with the urge for member countries to remain engaged in the work of IPP/IRP and to be prepared for the coming 27<sup>th</sup> Congress.