

ARTICLES

Cross-border Retail E-Commerce and De Minimis: The Case of Kazakhstan

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The development of international e-commerce has expanded opportunities for business and consumption in Kazakhstan and worldwide. However, these rapid changes have challenged the governments' regulation of the flow of cross-border goods, ranging from clearance to customs duty and taxes collection. Among concerns is the flow of low-value consignments, the impact of which had previously been seen as beneficial. This paper examines whether cross-border e-commerce and the de minimis threshold are advantageous in Kazakhstan based on context, description, cause-and-effect and statistical analysis. The findings show a partial impact of de minimis threshold changes on the increase in retail e-commerce goods imported and on the decrease in the value of mis-declared goods; however, in Kazakhstan the consequences from the import of mis-declared low-value goods on the tax revenue are insignificant. Misuse of the de minimis threshold in Kazakhstan is confirmed by the study. Government actions for solving this problem involve giving higher priority to people's access to higher quality and/or cheaper personal use goods. Also, the potential for further improvement of statistics on cross-border e-commerce is identified.

1. Introduction

The rapid development of e-commerce across the world has resulted in policy actions in many countries, as well as discussions around its advantages and disadvantages. Among these concerns is the impact of cross-border retail e-commerce on national economies and the countries' wellbeing. The bottom line is issues such as taxation and customs duties for government revenues and fair competition among domestic and foreign retailers, the increasing burden for customs offices due to the growing number of low-value parcels and the purchasing power of the population (KPMG International, 2017; Mitchell & Mishra, 2017; Nakao, 2021; Organisation for Economic Co-operation and Development, 2019c). The impact of the listed issues, however, may differ between developed and developing countries (KPMG International, 2017).

As part of the world economy, Kazakhstan is vulnerable to international e-commerce spillover effects. Retail e-commerce in the internal market is both part of the domestic and the international online market. This article discusses how retail cross-border e-commerce influences Kazakhstan's economy. It focuses on the impact of the *de minimis* threshold for personal use goods.

The paper is structured as follows. First, a brief background to the current national customs regulation of cross-border e-commerce is given. Then, the literature review critically reflects the main inferences of previous studies on this subject. The next sections describe the methodology and data used to analyse the impact of cross-border e-commerce on the national economy. Finally, results and recommendations based on this analysis are outlined.

2. Background

In Kazakhstan, the development of retail e-commerce has increasing potential. In the 2020 United Nations Conference on Trade and Development (UNCTAD) B2C E-commerce Index, the country was placed sixtieth out of 152 countries with an index value of 68.2 (UNCTAD, 2021a) while in 2016 it had been eighty-eighth out of 137 countries with an index value of 35.5 (UNCTAD, 2017). The increase in this ranking could also result from the country's trade logistics data, where in 2017–2019 the three indicators were higher relative to the world average (UNCTAD, 2021b). More people were engaged in distance shopping in Kazakhstan (94% had mail delivered at home compared with 86.7% for the world) with a higher postal reliability index (64.4% versus 43.4% for the world) and faster customs clearance (7.2 days for clearance of direct exports against the world average of 7.6 days) (UNCTAD, 2021b).

This, in its turn, shows developments in the national customs administration. Signing up to the *SAFE Framework of Standards to Secure and Facilitate Global Trade* (SAFE Framework) (World Customs Organization (WCO), 2005) and the *Framework of Standards for Cross-Border E-Commerce 2018* (E-commerce Framework) (WCO, 2018), Kazakhstan has adhered to these fundamental international standards and ensured safe and favourable conditions for the flow of retail goods across the border. Both the *Code of the Republic of Kazakhstan on Customs Affairs in the Republic of Kazakhstan 2010* (Customs Code of Kazakhstan 2010) and the *Code of the Republic of Kazakhstan on Customs Regulation in the Republic of Kazakhstan 2017* (Customs Code of Kazakhstan 2017) declare *de minimis* for cross-border retail personal goods and from 2018, for that of e-commerce, among other enhancements (*Code of the Republic of Kazakhstan on Customs Affairs in the Republic of Kazakhstan, 2010*; *Code of the Republic of Kazakhstan on Customs Regulation in the Republic of Kazakhstan, 2017*; President of the Republic of Kazakhstan, 2023). This is in line with the *Customs Code of the Eurasian Economic Union* (EAEU Customs Code) as well being part of the membership obligations of the country.

An important step in the implementation of the agreements in Kazakhstan was the adoption of the Order of the Council of the Eurasian Economic Commission '*On Particular Issues of Conducting Pilot Project (Experiments) in the Field of Foreign E-trade in Goods in the Member States of the Eurasian Economic Union*' of 2021 (e.g., Eurasian Economic Union (EAEU), 2021d). The project is ongoing (e. g., EAEU, 2021a, 2021b, 2021c).

Moreover, Kazakhstan as a member of the EAEU has been actively involved in the harmonisation of the union's legislation on customs administration with the fundamental international standards of the E-commerce Framework with special consideration given to the customs administration specifications within the framework of cross-border e-commerce (WCO, 2018). It should be noted that factors significantly affecting these specifications, established in the 2018 E-commerce Framework, are the explosive growth in the supply of low-value parcels and the formation of international chains. As a result, the need for an e-commerce operator to facilitate goods flow through Customs is confirmed.

Currently, amendments to the EAEU Customs Code are being developed to improve customs administration related to e-commerce goods while applying the EAEU's technical regulation norms as well as increasing the competitiveness of the national producers of the member countries (EAEU, 2022c). This includes the introduction of the concept of an e-commerce operator and a declaration for e-commerce goods. Kazpost JSC, the national postal operator and a few express carriers are under consideration as the e-commerce operator.

3. Literature review

The challenges raised by e-commerce in general are due to its digital nature, the features and implications of which have not been fully identified and reflected in regulatory documents in many countries, including Kazakhstan. The use of digital e-commerce for cross-border trade, however, was not uncommon even at the start of the year 2000. As Lopez-Bassols and Vickery (2001) highlight, international retail purchase was not as common as trade among businesses themselves because of low confidence in internet use and online shops, as well as lack of internet access.

It is claimed that the biggest trigger for individuals becoming more active in cross-border online shopping was the coronavirus pandemic; an assertion generally supported by many recent studies (e.g., Congressional Research Service, 2022; World Customs Organization, 2022). This is particularly true for developing countries. The unexpected necessity for social distancing during the 2020 pandemic left people with almost no choice but to move to online shopping. For instance, PricewaterhouseCoopers (PwC) Kazakhstan's survey among e-commerce retailers shows a 1.8 times increase in the domestic retail e-market in the national currency in 2020, or a 1.7 times increase in US dollars (PwC, 2021).

Governments were forced to accelerate ongoing programs to ensure internet access to almost everyone. For instance, in less-developed countries within ongoing and new government strategies, governments 'implemented support measures to facilitate B2C e-commerce' (UNCTAD, 2021a, p. 13). Support for these programs was enabled by improvements in the online sales processes used by the retailers and intermediaries, such as payments and delivery (PwC, 2021). This provided customers with practical experience

in gaining skills in navigating online sales platforms as well as giving them confidence in the reliability of online shopping, including cross-border shopping.

The digital transformation has affected not only trading methods, but also the very definition of e-commerce, to reflect the diversification in the technology used. If in earlier studies e-commerce was defined as trade conducted via telephone or fax, in later studies the online platform is recognised as another possible method for purchases and sales (e.g., see OECD, 2002, 2019c, 2019a, 2019b). For this paper, however, the latter definition of e-commerce is used as it serves our objectives on the analysis of the impact of cross-border e-commerce.

As Blegen (2020) and Huria (2019) note, at this stage of customs administration development, tangible goods are the only subject of border clearance. Additionally, imported goods bought for non-commercial use and of low value have been treated as those not worth subjecting to standard customs and taxation procedures since the costs outweigh the benefits (Hintsä et al., 2014; Holloway & Rae, 2012). They are treated as being within the *de minimis* and their thresholds are identified and established by each country on their own regarding the purposes to be served and estimated cost-benefits.

However, the increase in the quantity of imported goods because of e-commerce's rapid development has sparked discussions on whether this approach remains valid (Blegen, 2020; European Commission, 2020; Usman, 2019). First, owing to such advantages as the shortened consignment delivery time, availability of comparatively cheaper and better-quality consumer goods, among others, the more low-value tax-free consignments that pass the border the more alternative costs for the national economy (Nakao, 2021). The forgone benefits for the economy could be expressed in lower sales to the taxpayer retailers (e.g., Harbolt, 2019), redirecting their purchases from wholesale to direct cross-border e-commerce purchases to save on tax differentials (Shi et al., 2019) and even in moving the business abroad to win on tax exemption on goods that have now become imports (Nakao, 2021); and thus, doubling the losses in tax revenue for the governments. More to the point, Nakao (2021) refers to the governments' concerns on job losses due to decreases in sales by domestic suppliers. Then the very possible consequence is an undermined purchasing power of the people.

Secondly, misuse of the simplified clearance is identified in some papers. One way this is done is via mis-declaration. WCO (2017) and Li (2019) refer to cases when commercial consignments are declared as non-traded goods for personal use only. Another method of misuse as a means of tax avoidance as discussed in WCO (2017), Shi et al. (2019), Li (2019) and Nakao (2021) is the purposeful lowering of the consignments' value by vendors. This leads to incorrect tariff classification and duty and tax avoidance in lowering the payable amount.

Harbolt (2019) holds a contrary view on the subject; tax avoidance is asserted to take place when customers opt for cheaper foreign goods. Based on previous studies and his empirical research, Harbolt argues that online cross-border purchases from the other countries with lower sales taxes are the responses of consumers not wanting to bear the burden of higher domestic sales taxes, provided the tax differentials outweigh travel costs related to the purchase. In connection to cross-border retail e-commerce it could be added that the tax differentials should outweigh transportation costs for customers, if only expenses are considered.

When comparing these three different approaches on tax avoidance (misdeclaration, lowering of value and opting for cheaper goods), the subject is a customer only in the latter, rather than a seller and/or a customer in the first two, and the method is e-commerce itself, not the changes in a parcel's metrics or purposes. What is common is that tax avoidance, along with the foreseen growth of international e-commerce, will cause further rocketing of the number of low-value consignments passing through Customs. However, if in the first two cases there is a necessity for overseeing fraud risks (Li, 2019; Nakao, 2021), the latter case could not be considered as fraud provided the goods pass the border legally. So, it is worth noting that not all means of tax avoidance should be considered misuse.

Furthermore, the sales tax burden is the customer's regardless of who transfers taxes on goods to governments — a customer or a vendor (see e. g., Nakao, 2021). Therefore, it is arguable that a customer purchasing goods abroad could be viewed as a tax evader. Alternatively, some papers express positive views on this preference by consumers. UNCTAD (2019) and Eurostat (2022) highlight the benefits for consumers as 'greater choices and lower prices' (UNCTAD, 2019, p. 2), which are given by 'the smooth functioning of the single market for e-commerce' (Eurostat, 2022). Even when there is no time-savings on customs clearance, direct online retail cross-border purchases offer a wider 'range of product choice' (Li, 2019, p. 25).

Returning to discussions on the merits of simplified customs clearance procedures for low-value consignments, it is argued that security concerns, such as drugs and transportation of other illegal items, remain, and will possibly grow with e-commerce (e.g., Huria, 2019). Therefore, even under the simplified clearance procedures the increase in consignments adds to the workload of the customs office (Nakao, 2021). Nonetheless, Nakao further argues that the declared benefits of increased customs efficiency due to simplifications in clearance for low-value consignments are not applicable to developed countries with already relatively efficient customs procedures. Nakao's statement is supportive by KPMG International (2017) that points out the differences in the impact of e-commerce among developed and developing countries.

The arguments outlined above have provoked reconsiderations of the previous policy on international retail sales by some governments (see e.g., Shi et al., 2019 and Nakao, 2021). For example, Austria, China and the European

Union (EU) lowered their *de minimis* thresholds with Australia and the EU introducing a foreign suppliers' obligation to collect taxes from consumers and transfer these to the resident country of the purchaser of the goods. For instance, from 1 July 2021, previously tax-free non-postal consignments of no more than EUR22 crossing the border into the EU are now subject to VAT (WCO, 2022). As declared by the WCO (2022), 'This is to ensure fairness among EU producers and to curb fraud among traders which is estimated at €7 billion a year' (p. 46).

The opposite position was taken by the United States (US). The US raised the threshold and negotiated with its trade partners to do so for goods imported from the US (Nakao, 2021). According to Nakao, this is because the US taxation system is different from those of the other three countries (Austria, China and the EU) in that it obliges a consumer to be the source of the sales tax accrual and payment.

As our review shows there is room for further discussions and policy actions on the advantages and disadvantages of cross-border retail e-commerce. We agree with Huria (2019) in that 'the cost-benefit analysis should not be just from the perspective of revenue but also the wider economic impact of lowering consumer prices through e-commerce and providing access to cheaper imported inputs' (p. 38). Therefore, opting for cheaper foreign goods due to tax differentials, with higher quality and wider choices, is rather an exercise in free choice by the customer, provided the entire process of acquiring the goods is legal. The establishment of this legal framework considers the competition conditions for businesses and the costs and revenue for the public budget, and even creating opportunities for customer choice.

4. Methodology and data

To obtain theoretical and empirical insights of *de minimis* policy implemented internationally and in Kazakhstan, peer-reviewed papers, analytical reports and research papers from international organisations such as the WCO, OECD, KPMG and PwC, and legislative documents of Kazakhstan, the EAEU and WCO, were analysed. However, from an empirical viewpoint this study is characterised by the limited availability of statistics on cross-border low-value goods purchases of both traditional and e-commerce goods by Kazakhstani residents and non-residents. Data for cross-border retail e-commerce, cross-border retail e-commerce for personal use goods and cross-border traditional purchases for personal use in terms of the number, weights, values and time taken for parcels to flow through the border are not available on the websites of the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan and the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan (SRC). There is no separation in the official data on the taxes and Customs collected between cross-border e-commerce and traditional purchases, and no available statistics on misuse and security issues related to the *de minimis* threshold.

To overcome this limitation in data, consideration was given to the fact that cross-border e-commerce goods delivery is usually by one of two general ways in Kazakhstan — postal or cargo-express delivery. Both use aeroplanes, railways, ships and automobiles as intermediaries. Therefore, data on overall imports by different modes of transport from the SRC was used in the analysis to obtain a broad picture of the situation. Data for the period 2015—2021 were used, as follows.

Data and information on limitations of the *de minimis* threshold were obtained from the Customs Codes of both Kazakhstan and the EAEU (Customs Code of Kazakhstan 2010; Customs Code of Kazakhstan 2017; EAEU, 2017; 2022a; 2022b; 2022c). Data on government revenue were obtained from the SRC's website and data for mis-declared trade of goods were derived from the information provided to the authors by the National Bank of the Republic of Kazakhstan (National Bank) through the online platform, 'E-otinish' (National Bank, 2022), developed for submitting and receiving citizen's appeals to government bodies.

Therefore, the main research method applied was descriptive. That is, quantitative and qualitative observations were employed to identify patterns in certain aspects of the research objectives such as the relationships between the *de minimis* threshold, retail e-commerce imports of personal goods, public revenue, tax and duty collection, and customs administration workload.

Simple correlation analysis was conducted to evaluate the impact of *de minimis* policy change in Kazakhstan on the value of imported purchases. Statistics on the changes over the years in imported goods by all modes of transport (obtained from the SRC website, see Table 3), the changes in the *de minimis* threshold value of purchases delivered by modes other than air, as well as changes in the limits on the threshold-use frequency (see Table 1), were used. The data on *de minimis* threshold weight did not produce any results and therefore were excluded from the correlation analysis. Also, since there were no changes in limitations on the threshold-use frequency on any mode of transport other than postal and cargo-express deliveries, the correlation analysis was conducted to estimate the relationship between the changes in applying the limitations and in imports by post only.

To investigate whether the change of the threshold had any impact on government revenue, data on budget income, total tax revenue and its components were used for statistical comparative analysis. Correlation and comparative statistical analysis of the impact of the *de minimis* threshold on the import value of retail goods and public revenue were performed.

Context analysis of documents such as '*Development Plan 2023–2027*' (Ministry of Finance of the Republic of Kazakhstan, 2024) helped strengthen the study and allowed us to draw some inferences on such issues as the misuse of the *de minimis* threshold, and government objectives and actions in implementing *de minimis* policy.

Along with the methods above, the cause-and-effect method was applied in the interpretation of the results. Thus, singular aspects of the study, for instance, misuse of the threshold, were identified and then factors that triggered those singular aspects were investigated, for example, the pandemic, the threshold change and the development of e-commerce.

It should also be noted that the issue of multi-currency was solved by using the official exchange rates published on the official website of the National Bank. All currency units were converted into US dollars. It should be highlighted, though, that *de minimis* thresholds stated in official documents in euro were first converted into the national currency (tenge) and then the tenge equivalents were converted into US dollars. This was done because the source of the data was the official exchange rate provided by the National Bank and was in the national currency.

5. Analysis and results

Prior to 2018 in Kazakhstan, there was no tax and duty for import of e-commerce retail goods. Since 2018 these goods are subject to regulations similar to consignments for personal use transported by a carrier or by post: that is, the same thresholds, the same uniform rates of customs duty and tax, and the same limitations are applied. Thus, it makes no difference to a carrier or a post office whether a consignment is the subject of e-commerce or not.

Since then, the *de minimis* threshold has been gradually decreasing regardless of the mode of transport, except via air (Table 1). Notably, the change for delivered purchases favoured mainly cheaper goods because it extends to the value of the imported good not its weight. What is more, in 2020 the limits on the threshold-use frequency were removed (EAEU, 2017). This reflects the policy concerns of ensuring access of the population to higher quality and relatively cheaper consumer goods.

Simple correlation analysis shows that overall changes in the value and weight of imported goods have some correlation with those of the *de minimis* threshold (Table 2). The results suggest that, on average, there is a positive correlation (relationship) between changes in *de minimis* threshold and the value of imports via air, and between changes in *de minimis* threshold and in the weight of imports via rail and post. That is, the decrease in the level of the threshold tends to lead to an increase in purchases of more expensive goods delivered via air and of heavier goods delivered via rail and by post.

Furthermore, there is a weak relationship between the limits on the threshold-use frequency and the changes in imports by post. This may reflect the relatively lower cost of delivery by post as well as the previously mentioned common approach for cross-border e-commerce goods delivery — postal and cargo-express delivery. It should be noted that the postal service wins by its infrastructure, which gives it the ability to deliver to remote destinations within the country with relatively cheaper delivery costs.

However, caution should be observed when interpreting the correlation results. Examination of the input data on changes in imports shows that in 2019, for example, the year of a twofold decrease in the threshold in value,

Table 1. *De minimis* threshold for personal use goods in Kazakhstan 2015–2021.

Year(s)	Exchange rate	value, weight, limitations (per parcel)	By all modes of transport, except air in accompanied and non-accompanied luggage and by post	By cargo-express delivery/post		Payment for the value/ weight above the threshold	By air in accompanied and non-accompanied luggage
				Offline purchases	Online purchases		
2015–2017	USD/KZT exchange rate - 326.00 EUR/KZT exchange rate - 368.32	Customs value (US dollars)	1,695	1,130	---	30%	11,298
		Weight (kg)	50	31	---	USD4.5 per kg	50
		Limitations	Per month	Per months and per recipient	---	rate of payments for goods for personal use* is applied	Per month
2018	USD/KZT exchange rate - 344.71 EUR/KZT exchange rate - 406.66	Customs value (US dollars)	1,770	1,180	1,180	30% (minimum USD4.7)	N/A
		Weight (kg)	50	31	31	USD4.7 per kg	---
		Limitations	Per month	Per month and per recipient		rate of payments for goods for personal use* is applied	Per month
2019	USD /KZT exchange rate - 382.75 EUR/KZT exchange rate - 428.51	Customs value (US dollars)	1,120	560	560	30% (minimum USD4.5)	11,196
		Weight (kg)	50	31	31	USD4.5 per kg	50
		Limitations	Per month	Per month and per recipient		rate of payments for goods for personal use* is applied	Per month
2020	USD /KZT exchange rate - 412.95 EUR/KZT exchange rate - 471.44	Customs value (US dollars)	856	228	228	15% (minimum USD2.3)	11,416
		Weight (kg)	35	31	31	USD2.3 per kg	50
		Limitations	Per month	No limitations		rate of payments for goods for personal use* is applied	Per month
2021	USD/KZT exchange rate - 426.03 EUR/KZT exchange rate - 503.88	Customs value (US dollars)	591	237	237	15% (minimum USD2.4)	11,827
		Weight (kg)	25	31	31	USD2.4 per 1 kg	50
		Limitations	Per month	No limitations		rate of payments for goods for personal use* is applied	Per month

Note:
*Payments for goods for personal use include: Total customs payment and Unified rate of customs duties and taxes

Source: Customs Code of Kazakhstan 2010; Customs Code of Kazakhstan 2017; EAEU (2017); EAEU (2022a); EAEU (2022b); EAEU (2022c); National Bank of the Republic of Kazakhstan (n.d.); Ministry of Finance of the Republic of Kazakhstan (2015)

there were increases in all import groups (Table 3). As mentioned in the methodology section, cross-border e-commerce personal use goods delivery is usually via either postal or cargo-express delivery. Here air, rail and road

Table 2. Correlation coefficients of import indicators.

	Changes in purchases delivered								Changes in <i>de minimis</i> threshold value limitations (YES/NO)
	by air, weight	by air, value	by post, weight	by post, value	by rail, weight	by rail, value	by automobile, weight	by automobile, value	
Changes in <i>de minimis</i> threshold value	0.4212	0.7075	0.5782	0.4001	0.6996	-0.1133	0.1306	0.1315	1
limitations (1- yes, 0 - no)	Not applicable		-0.1994	-0.3344	Not applicable				1

Source: State Revenue Committee of the Republic of Kazakhstan (n.d.).

Table 3. Trend in the changes in import indicator and weights relative to the previous year, and limitations on the threshold use.

Year	Transport mode								<i>De minimis</i> threshold value	Limitations on the threshold use (YES - 1, NO - 0)
	Air		Post		Rail		Road			
	weight	value	weight	value	weight	value	weight	value		
2016	0.89	0.89	0.95	1.18	0.82	4.28	0.84	0.81	1.00	1
2017	1.18	1.15	0.65	0.64	1.04	1.14	1.19	1.12	1.00	1
2018	1.09	1.09	0.13	0.08	1.01	1.04	0.99	1.08	1.00	1
2019	1.27	1.02	2.74	1.62	1.07	1.03	1.59	1.22	0.50	1
2020	1.03	1.09	0.33	0.93	1.02	1.10	0.64	0.88	0.40	0
2021	1.26	1.28	2.84	1.59	1.24	1.15	1.16	1.08	5.00	0

Source: State Revenue Committee of the Republic of Kazakhstan (n.d.)

transportation are intermediates for such deliveries. Given that these data on import are the sums of values or weights of the import for commercial and non-commercial use, including for personal use, the discrepancy could result from an overlap with the effects of the larger part of the 'not-for-personal-use' part of the import. The statistics used for the analysis do not allow us to separate the deliveries, firstly, of personal use goods from the other types of imported consignments and, secondly, into the two transport groups (postal and cargo-express).

Nevertheless, the correlation results offer an overall picture of the possible directions of the *de minimis* policy impacts. Decreasing *de minimis* as well as removal of limits on the threshold-use frequency tend to increase the flow of cross-border low-value goods via air and railway check points rather than automobile check points.

From the figures in Table 4 for the period 2016–2021, most of the budget revenue is from taxes collected. In their turn, these taxes are mainly from internal activities and only 11–12 per cent are from imports. At the same time, the taxes and duties from purchases for personal use did not reach 1 per cent of the total tax revenue for the entire period 2015–2021. Thus, it

Table 4. Government revenue for 2015–2021, in US dollars x million

	2015	2016	2017	2018	2019	2020	2021
Budget income (change)	23,355	18,855	21,944	23,812	25,313	23,620	26,687
Total tax revenue	22,026	17,604	20,892	22,889	24,080	20,733	25,173
including							
Total customs duty and taxes	5,645	4,130	5,282	5,840	5,876	3,852	5,391
including							
Receipts from imports, excluding payments for goods for personal use* (share of total tax revenue)	2,465 (11.19%)	2,063 (11.71%)	2,443 (11.69%)	2,591 (11.31%)	2,704 (11.22%)	2,396 (11.55%)	2,864 (11.37%)
Payments for goods for personal use** (share of total tax revenue)	4 (0.018%)	1 (0.005%)	1 (0.004%)	1 (0.004%)	3 (0.012%)	2 (0.009%)	2 (0.007%)
Customs duties*** (share of total tax revenue)	58 (0.26%)	58 (0.32%)	76 (0.36%)	77 (0.33%)	54 (0.22%)	38 (0.18%)	62 (0.24%)
Receipts from exports (share of total tax revenue)	3116 (14.14%)	2008 (11.40%)	2761 (13.21%)	3170 (13.84%)	3121 (12.96%)	1423 (6.86%)	2469 (9.80%)
USD/KZT exchange rate	221.73	342.16	326.00	344.71	382.75	412.95	426.03
Note:							
* Receipts from imports include Import customs duty, Protective customs duty, VAT on imported goods (general), Excise taxes on imports, Distributed import and freight duties;							
** Payments for goods for personal use includes: Total customs payment and Unified rate of customs duties and taxes;							
*** Customs duties is shown separately because the official data does not separate that from exports and imports.							

Source: State Revenue Committee of the Republic of Kazakhstan (n.d.); National Bank of the Republic of Kazakhstan (n.d.)

could be said that the changes in the threshold value did not greatly affect the revenue collected from foreign and domestic activities, and therefore, the decrease did not negatively affect the sales of the internal market.

Based on the data on adjustments made in the value of imports by individuals provided by the National Bank for 2017–2021 (Table 5), we conclude that the number of mis-declared imports is decreasing, even though the shuttle import adjustments made by the National Bank were decreasing in 2020–2021. Here caution should be given to the fact that the sharp reduction and the subsequent low trend in shuttle trade in 2020 is from the second quarter. Restrictions due to COVID-19 were implemented from March 2020 in Kazakhstan and about the same time in China, one of Kazakhstan's main trading partners. Therefore, some effects on the decrease in value of shuttle trade might be attributed to the COVID-19 response (National Bank, 2022).

In contrast to shuttle trade, the adjustments for e-commerce imports by individuals are increasing (Table 5). This inference is also supported by the following observations. In line with the information from Table 1, from March 2022 the *de minimis* threshold was increased to its 2018 level (EUR1000); but the relative value of mis-declared e-commerce imports increased. Moreover, according to the SRC, the *de minimis* increase of 2022

Table 5. Adjustments in the value of imports by individuals made by National Bank in US dollars x million

Type of adjustment	2017	2018	2019	2020	2021
Adjustments for e-commerce imports by individuals	169	283	348	491	749
Shuttle import adjustments	2,246	2,221	2,264	285	196
Overall	2,415	2,503	2,612	776	945
Total lost tax revenue from mis-declared imports by individuals, 12% VAT	289.8	300.4	313.4	93.1	113.4
Including lost tax revenue from e-commerce imports by individuals, 12% VAT	20.3	34.0	41.8	59.0	89.9
Lost tax revenue, %	1.4	1.3	1.3	0.4	0.4

Source: National Bank of the Republic of Kazakhstan (2022)

led to a decrease in ‘the number of issued customs receipt orders for e-commerce parcels with the cost and weight exceeding the limit’ relative to 2021, that is, by 35 per cent, reaching 15,109; ‘nevertheless, the amount of collected payments has increased by 26.5 per cent’ (SRC, 2023). This might suggest that *de minimis* policy change encouraged the growth of the cross-border e-trade but had lesser effects on mis-declared e-commerce.

Nevertheless, the figures for both shuttle trade and overall mis-declared imports suggest an overall decreasing trend in mis-declared imports. Therefore, our theory on the possible effect of the threshold change on cross-border purchases, including mis-declaration of traditional cross-border purchases, is reasonable.

In addition, lost public revenue for 2017–2021 due to mis-declared trade was calculated using a taxation rate of 12 per cent VAT to estimate the amount of possible tax received from these activities (Table 5). The customs duty of 20,000 tenge (USD48.4, according to a USD/KZT exchange rate of 412.95 for 2020), import duty of 0–15 per cent and antidumping duty, which depends on the type of goods imported, were disregarded (*Code of the Republic of Kazakhstan: On taxes and other obligatory payments to the budget (Tax Code)*, 2017). Also, an assumption was made that these mis-declared purchases were taxable in full. The results show the increasing share of lost tax revenue from e-commerce imports by individuals in the total lost tax revenue from mis-declared imports by individuals (Table 5). The impact for the public revenue, estimated by adding the total lost tax revenue from mis-declared imports by individuals to the total tax revenue and taking its share from this sum, is within the range of 0.4 per cent of the potential revenue from total customs duty and tax in 2020 and 2021, to 1.4 per cent of that in 2017 (National Bank of the Republic of Kazakhstan, 2022). Thus, the negative impact of mis-declared cross-border purchases by individuals appears to have decreased since 2020.

One of the sources of these mis-declarations of imports stems from the *de minimis* criteria. There were four criteria before 2019 and three since (EAEU, 2017). They are purpose, value and weight of the cross-border purchases for personal use, and frequency of the *de minimis* threshold use (EAEU, 2017). Since adjustments of the National Bank are made within the national balance

of payments and assuming that all imports clear Customs, mis-declaration of the value of imports should be considered first. That is, to some extent, misuse of the *de minimis* threshold was confirmed.

Analysis of the strategic document entitled '*Development Plan 2023–2027*' (Ministry of Finance of the Republic of Kazakhstan, 2024) shows that malpractice with another criterion is also occurring: there are issues with incorrect statements regarding the purpose of imported low-value goods. Thus, to overcome this issue the *Strategic Plan of the Ministry of Finance of the Republic of Kazakhstan* aims to digitalise customs administration to track goods from Customs to the consumer and ensure fair and transparent business (Ministry of Finance of the Republic of Kazakhstan, 2024).

To better combat illicit trade, the WCO proposes the development of international cooperation in this area (WCO, n.d.). An example of such cooperation is the initiative of the EAEU on regulation of e-commerce. This will provide a framework for the regulation of imports through direct delivery from the seller to the purchaser via postal or express delivery and through customs warehouses for storage of imported goods (EAEU, 2021a). In the former case, as was mentioned previously, the single national operator in Kazakhstan is KazPost, which will be the only authorised trade facilitator in parcel delivery (EAEU, 2021a). What is more, KazPost and the SRC of Kazakhstan have already begun cooperating on sharing of import data by KazPost through data systems integration (EAEU, 2021a); thus the initiative will allow extension of this cooperation to express delivery. Overall, the initiative is aimed to optimise customs declaration and reduce mis-declaration, as well as reduce the time of delivery of e-commerce purchases.

However, the impact of *de minimis* policy change on Customs in terms of workload is not obvious. First, there is some reduction in one type of registration of customs documents and some increases in other types. Second, the increase in payments from the increase in e-commerce imports suggests that increased border flows might also be due to the development of e-commerce itself in Kazakhstan, and increased involvement of more individuals in e-commerce. Third, there are no statistics available on the number of low-value goods crossing the border.

The analysis shows that even though there is only weak evidence of the dependence of the import of personal use goods on the *de minimis* threshold, some inferences can be made on the partial impact of the *de minimis* threshold changes on the increase in retail e-commerce goods import and the decrease in the value of mis-declared goods. The threshold and the overall import of goods for personal use have no effect on the amount of total tax and duty revenue. Also, some misuse of the *de minimis* threshold occurs in practice. However, whether the workload of Customs has been affected by the *de minimis* policy changes is not obvious.

6. Conclusions and recommendations

There are ongoing concerns on the value of simplifying customs clearance for low-value goods flow. Among these are whether the *de minimis* threshold should be decreased, how to balance the business environment for both internal and foreign retailers, whether it is opportunity or tax avoidance when consumers purchase cheaper goods abroad, and whether cross-border e-commerce negatively affects public revenue.

E-commerce in Kazakhstan is gradually introducing customers to international networks and is supported by legislative facilitation of the clearance of low-value goods through Customs, including establishing favourable *de minimis* thresholds. Therefore, we conclude that retail e-commerce of personal use goods is an opportunity to provide the domestic market with higher quality and/or cheaper goods.

As the study indicates, there are gaps in monitoring these processes, such as the absence of statistics on retail e-commerce flow across the border. These restrict the empirical analysis of the advantages and disadvantages of cross-border retail e-commerce and the actions taken by the government. Therefore, the introduction of separate indicators and data collection of the value and quantity of cross-border e-commerce, retail e-commerce and retail e-commerce of low-value parcels, as well as the frequency of threshold use, are suggested as further improvements in data management for Customs.

This paper makes some inferences on the relationships between the *de minimis* threshold, retail e-commerce imports of personal goods, public revenue, tax and duty collection and customs administration workload. Nonetheless, outside the scope of our analysis are exchange rates and other indicators that characterise internal market development and dependence on external markets, as well as security concerns such as illicit drugs and the transportation of other illegal items. These are possible topics for further research.

This paper also touched upon issues of *de minimis* misuse. However, it should be noted that the objective of the policy of ensuring people's access to foreign goods of higher quality and/or lower prices prevails over the objectives of combating tax avoidance in retail personal use import. It focuses more on soft and systemic measures to prevent the intentional mis-declaration of the purpose of imported low-value goods, and to a lesser extent on the intentional mis-declaration of their value, through digitalisation of Customs. The government's initiatives to solve *de minimis* misuse involve the use of big data. In this regard we support the WCO recommendations on using technologies related to data analysis (WCO, n.d.). That is, increasing the potential of Customs and staff to use and analyse big data should be considered during the initial stages of any government initiatives.

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