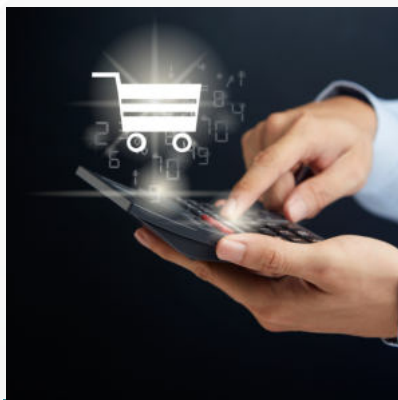


# A Practical Guide to Customs Duties on Returns

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Learn more about regulations, drawback claims, Returned Goods Relief and how to be smarter about Returns.



# Introduction & Table of Contents

TDR

**Trade Duty Refund** is a dedicated broker that exclusively focuses on reclaiming customs duties on your behalf for returned items through expert international trade and logistics consultants and working directly with customs authorities to create a customised process for quicker, more accurate results.

## 01 e-Commerce Returns Market

What is the current market landscape regarding cross-border returns and costs to global retailers

## 02 Customs Duties Strategies

Returned Goods Relief (RGR), Duty Drawback and Duty Reclaim for EU, UK and U.S. markets

## 03 Regulations Update

Upcoming customs legislation in EU, UK and U.S. regarding low value threshold and customs procedures

## 04 Sample Calculations

How much could you save or claim back in customs duties on returned items?

## 05 Glossary & Practical Tips

Key terms when it comes to cross-border returns and customs and practical tips to get started on managing the process



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Trade Duty Refund is comprised of experts and consultants in global business, customs and logistics with particular expertise in the UK, U.S. and Europe.



01

# e-Commerce Returns Market

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# e-Commerce Returns Market

## E-COMMERCE IS BOOMING GLOBALLY, BUT RETURN RATES ARE GROWING EVEN FASTER.

As digital connectivity expands and consumers become more comfortable with online shopping, e-commerce is reaching unprecedented growth.

Growth is fueled by increasing smartphone penetration, expanding internet access, and innovations in digital payments.

With the rapid rise of e-commerce, managing returns has become more significant. **On average, the global return rate for online returns hovers between 20% and 30%.**

Returns not only pose logistical challenges, but also impact profitability.

Europe has some of the highest return rates globally



Holiday season returns spike by up to 50% globally



Fashion has highest return rate, up to 40%



57% of merchants say that e-commerce returns have a negative impact on their business,

The background image is a composite. At the top, a hand is shown holding a cardboard box. Below the hand, a calculator is visible, and to the right, a portion of a shipping box with a barcode is shown. The text 'TDR' is in a teal bubble at the top. The main text is overlaid on the center. The background is a dark blue gradient.

TDR

For every **\$1 billion USD in sales**, the average retailer incurs **\$145 million USD in merchandise returns**.

# Focus on Returns Strategy

## What should I know about the market

### ✓ HIGH RETURN RATES

Online purchases, especially for categories like fashion and consumer goods, have high rates of return, and around 60% of online shoppers do so internationally.

### ✓ HIGH IMPACT ON PROFITABILITY

It's estimated that returns cost retailers over \$550 billion USD annually. This includes shipping, processing and customs duties.

### ✓ CUSTOMERS WANT FREE RETURNS

Surveys show that 79% of consumers expect free returns. Retailers who fail to offer hassle-free returns lose customers. Therefore, they often absorb return costs.

### ✓ FRAUDULENT RETURNS

Up to 10% of all returns are fraudulent and costs retailers around \$24 billion USD annually. Wardrobing, wearing something once and returning it, is the biggest case of fraud.



**The cross-border retail return industry is a growing and complex sector. Studies show that around 30% of all online purchases are returned.**

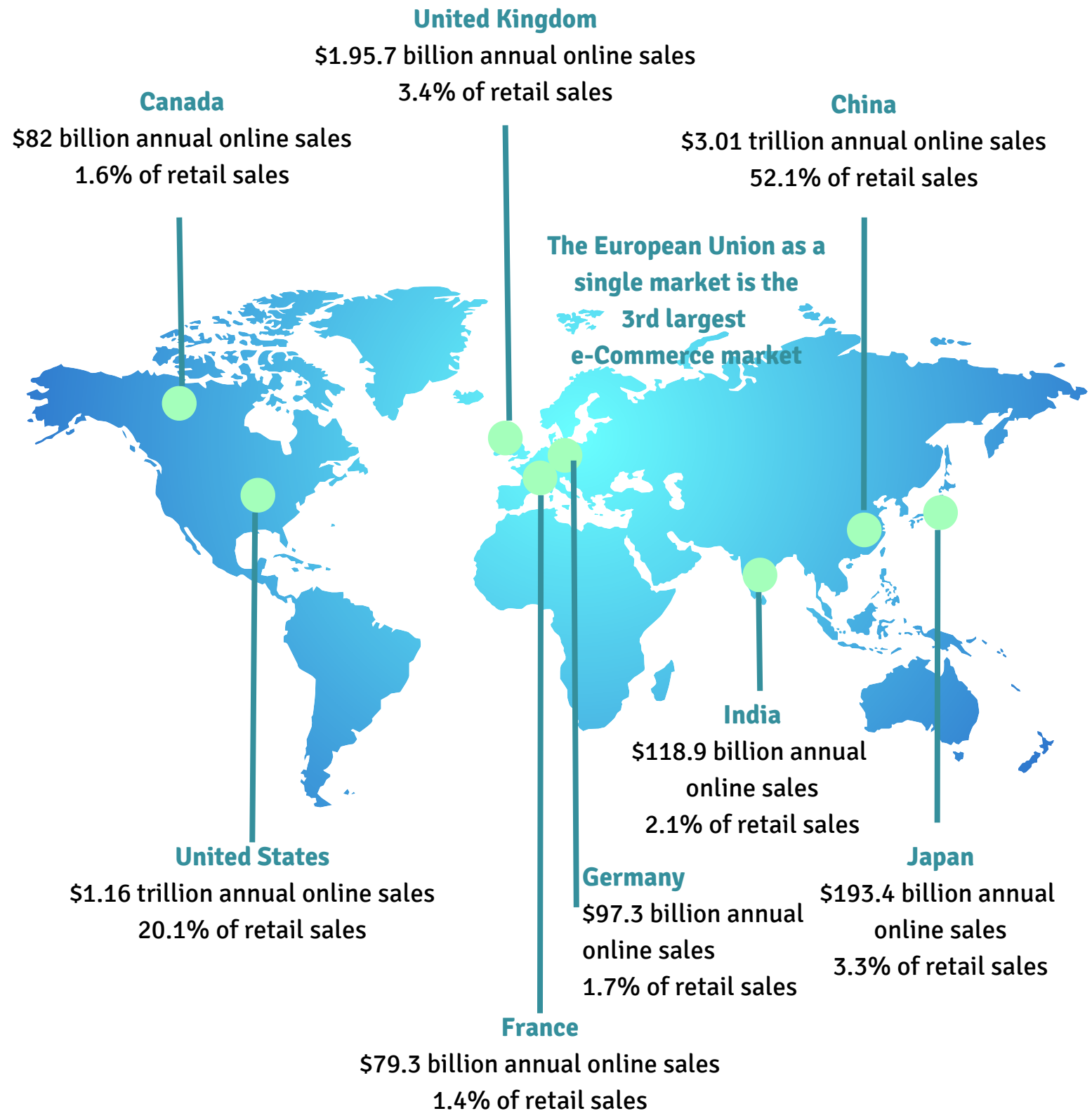
Cross-border e-commerce returns have higher shipping costs, customs duties and varying regulatory environments.

How can companies focus on balancing costs, efficiency and compliance?



# Largest e-Commerce Markets

Which countries rule global e-commerce?





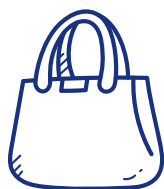
# Top Categories for Returns

Which products have the highest e-commerce return rates?

Customs duties often vary significantly depending on the product category, country or origin and destination country. Product categories are subjected to certain tariff rates depending on the country. Below are the top product categories for online returns:



**APPAREL**  
26%



**BAGS &  
ACCESSORIES**  
19%



**SHOES**  
18%



**CONSUMER  
ELECTRONICS**  
11%



**FOOD &  
BEVERAGES**  
11%



**BAGS &  
LUGGAGE**  
10%

**Global fashion retailers** face the highest rates of returns, a high percentage also being fraudulent returns. These retailers **can spend millions per year** on customs duties to return items.

# Cross-Border and e-Commerce and Returns Market

2025 Forecast

The cross-border retail returns market is expected to continue growing in line with global e-commerce expansion. As more consumers shop internationally, returns from cross-border purchases are predicted to rise substantially, with return rates higher than domestic purchases, reaching up to 40%.

**The global e-commerce market is projected to reach \$1.2 trillion USD by 2025.**



**The cost of processing cross-border returns is forecast to account for nearly 25% of the total order value by 2025.**

Retailers are increasingly adopting strategies like regional return hubs, partnerships with local logistics providers and dedicated brokers to reduce costs and improve the customer experience.



02

# Customs Duties Strategies

Returned Goods Relief, Duty Drawback  
and Duty Reclaim on Returned Goods

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# Returned Goods Relief (RGR)

in the European Union

## WHAT IS IT?

Returned Goods Relief (RGR) is a customs process that permits goods previously exported from a particular territory to be re-imported into that same territory without incurring additional customs duties or taxes.

## HOW DOES IT WORK?

According to the EU-UK Trade and Cooperation Agreement, goods sent from the EU to the UK, stored there, and then re-exported to the EU do not qualify for preferential treatment because they lack UK origin. However, under the Returned Goods Relief procedure, the EU allows Union goods that previously were Union goods to be re-imported into the EU without paying customs duties or value-added tax (VAT).

RGR is a process that is applied during import clearance. When goods previously exported from the EU are re-imported within 3 years, the EU will grant a waiver on duties to be paid.

**TDR provides RGR service in the EU, the UK and the US.**



# Returned Goods Relief (RGR)

in the European Union

## ELIGIBILITY CRITERIA

- **Time Limit:** Goods must be re-imported within three years from the export date.
- **End-Use Consistency:** If the goods were originally imported under an end-use procedure, they must be re-imported for the same purpose.
- **Inward Processing:** If re-importing goods that are compensating products previously exported under the inward processing procedure, duty will be due.
- **Condition of Goods:** Goods must return in the same condition as when they were exported, with no foreign processing or treatment. Some exceptions apply.
- **Traceability:** It must be clearly shown that the re-imported goods are the same as those initially exported from the EU.
- **Increased Value from Foreign Treatment:** If the goods' value has increased due to treatment, duty will be assessed upon re-import based on outward processing rules.

## WHAT DOCUMENTS ARE NEEDED?

Traceability is the key! Customs need to see full item history from original export from the EU to the re-importation step. Commercial invoices (sales and returns), waybill and EU export declarations details are the most common documents that EU customs will want to see.



# U.S. Duty Drawback

## WHAT IS IT?

Duty Drawback is the refund of 99% of the duties and, taxes paid to the US Customs on merchandise imported into the United States that is subsequently exported or destroyed.

## HOW DOES IT WORK?

In the United States, companies that import merchandise or components often pay customs duties, fees, and taxes to U.S. Customs and Border Protection (CBP) upon entry. However, when these companies later export the imported merchandise or export similar, "substituted" merchandise, they may be eligible for a duty drawback—a program that allows for a refund of most of the customs duties and associated fees initially paid.

Once the claim is approved, CBP issues a refund of 99% of the duties, fees, and taxes originally paid. With APP (accelerated payment privilege) status, companies can typically receive their refund within 30 days of claim submission, providing a significant cash flow advantage and helping reduce the overall cost of doing business. This duty drawback program is a valuable tool for companies engaged in international trade, allowing them to reclaim a substantial portion of import-related expenses and remain competitive in the global market.



# U.S. Duty Drawback

## ELIGIBILITY CRITERIA

To qualify for the U.S. Duty Drawback program, companies must engage in activities involving both the import and export of goods, either directly or indirectly within their supply chain. If your company imports goods into the United States and subsequently exports them—or exports similar, "substituted" goods—you are likely eligible to claim duty drawback. Even if your business only handles one part of this process, such as importing or exporting, there may still be an opportunity to benefit if these activities occur at other stages within your supply chain.

The primary requirement for drawback eligibility is that the imported goods are either exported out of the U.S. or, in some cases, destroyed under Customs supervision. This exportation or destruction forms the basis for the duty drawback claim. As long as their combined import and export activities are substantial enough to justify establishing a drawback program.

## WHAT DOCUMENTS ARE NEEDED?

For import, CF7501 entries, commercial invoices, packing lists, and inventory records. For exports, airway bills, commercial invoices and inventory records.

# Duty Reclaim on Returned Goods

## WHAT IS IT?

In the European Union (EU), Duty Refund is a customs procedure that allows importers to reclaim duties and taxes paid on goods that were imported and subsequently re-exported from the EU without being altered or used.

## HOW DOES IT WORK?

Goods that are re-exported unused from the EU are eligible for the most part to Duty and Tax refund. Goods must be imported in the EU using special clearance process and provide a comprehensive tracing record while on the EU territory in free circulation. Export clearance on returned items is also specific to Duty Drawback process and lead to a full VAT and Duty refund.

**TDR provides Duty Reclaim in the EU, the UK and the US.**



# Duty Reclaim on Returned Goods

## ELIGIBILITY CRITERIA

**Re-Export Within Three Months:** The goods must be re-exported from the EU within a three-month period from the date of their initial import. This time frame is in line with the most common e-commerce returns policy.

**Unused Goods:** The goods must remain “unused” while within the EU, meaning they cannot undergo any processing or transformation. In case of apparel, they should not be worn or altered in any ways. The only permissible activities are minimal handling necessary to maintain their condition or prepare them for re-export.

**Submission of a Duty Refund Claim:** To receive the refund, the importer must submit a formal claim to the customs authority in the relevant EU member state. This claim must include documentation proving the initial payment of duties, the re-exportation of the goods, and confirmation that the goods remained unused.

## WHAT DOCUMENTS ARE NEEDED?

- Proof of import, including invoices and import declarations.
- Evidence of duties and taxes paid at time of import.
- Export documentation, such as export declarations, that demonstrates the goods have left the EU.
- Assurance that no significant handling or usage has taken place.
- Item tracing

The background is a dark blue collage of various icons related to law, business, and technology. Icons include a pair of scales of justice, a stack of books, a silhouette of a head with a question mark, a gavel, a checklist with checkmarks, a magnifying glass over a document, a gear with an exclamation mark, a city skyline, and a large upward-pointing arrow. Two vertical teal lines are positioned on either side of the central text.

03

# Regulations Update

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# Customs Regulations Spotlight: United Kingdom



## ✓ OVERVIEW

Post Brexit, the UK has its own customs regulations regulated by the HMRC, even if there is the EU-UK Trade and Cooperation agreement in place as of 2021.

## ✓ LOW VALUE THRESHOLD

The UK threshold is **135 GBP**, which means any goods imported above that amount are subject to VAT and customs duties. Customs duty is assessed on the fair market value of imported goods.

## ✓ E-COMMERCE RETAILERS

online retailers are required to create an online account with HMRC and register for a VAT number in order to deliver e-commerce orders to the UK. UK VAT (sales tax) is set at 20%.

## ✓ UPCOMING CHANGES

The UK does not foresee any major changes to its customs regulations other than increased efforts on customs compliance by the HMRC.



**PROFILE ON:**  
**UNITED KINGDOM**

**CUSTOMS AUTHORITY**  
**HMRC: HER MAJESTY**  
**REVENUE & CUSTOMS**

**WORLD ECONOMY**  
**RANKING**  
**6TH**

**E-COMMERCE MARKET**  
**RANKING**  
**3RD**

# Customs Regulations Spotlight: European Union



## ✓ OVERVIEW

The European Commission regulates customs for all 27 EU member states as a single point of entry. The EU is strict on enforcing customs compliance and fining companies for evasion.

## ✓ LOW VALUE THRESHOLD

The EU threshold is **€150 EUR**. The EU then uses the international Harmonized Standard to classify products and TARIC, an EU multilingual database integrating all measures relating to EU customs tariffs.

## ✓ E-COMMERCE RETAILERS

e-Commerce platforms are set to be recognized as importers which will change what duties are due. The EU is also set to take aim at low-cost e-tailers importing from China.

## ✓ EU CUSTOMS REFORM

The EU is looking to make the biggest changes to its customs legislation in 50 years including a mandatory database for e-commerce retailers and the elimination of the low value threshold with major changes to be implemented by 2027.



**PROFILE ON:**  
**EUROPEAN UNION (27  
MEMBER NATIONS)**

**CUSTOMS AUTHORITY**  
**EUROPEAN COMMISSION**  
**TAXATION & CUSTOMS  
UNION**

**WORLD ECONOMY RANKING**  
**3RD**

**E-COMMERCE MARKET  
RANKING**  
**3RD (AS SINGLE MARKET)**

# Customs Regulations Spotlight: United States of America



## ✓ OVERVIEW

The U.S. customs regulations are highly influenced by the political majority and focus on trade agreements and protecting American workers and goods.

## ✓ LOW VALUE THRESHOLD

The U.S. threshold is \$800 USD, one of the highest in the world. Then, the Customs Duty Rate is a percentage determined by the total purchased value of the article(s) paid at a foreign country using the Harmonized Tariff System (HTS).

## ✓ TYPE 86 CUSTOMS ENTRY

Entry Type 86 is a customs entry process for shipments valued under \$800 USD per person, per day. It allows the importation of regulated goods that didn't qualify for de minimis before, streamlining the import process for eCommerce shipments .

## ✓ PENDING LEGISLATION

The new American presidency may focus on eliminating the low value threshold and/or regulating tariffs on imports from China. Stay tuned!



**PROFILE ON:**  
**UNITED STATES OF AMERICA**

**CUSTOMS AUTHORITY**  
**U.S. CUSTOMS AND BORDER PROTECTION**

**WORLD ECONOMY RANKING**  
**1ST**

**E-COMMERCE MARKET RANKING**  
**2ND**



04

# Sample Calculations

TDR



# Fancy Pants Ltd.

UK Fashion Retailer importing to EU countries

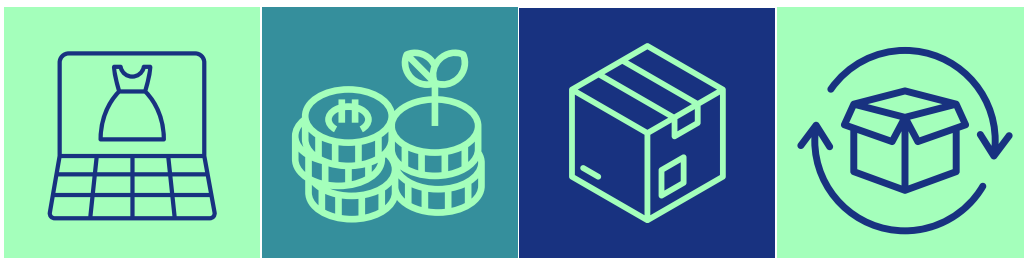
**LET'S LOOK AT AN EXAMPLE OF A  
UK-BASED FASHION  
MERCHANDISER WITH E-  
COMMERCE SALES IN THE EU  
MARKET.**

Fancy Pants Ltd. is a global fashion retailer selling high end men's and women's clothing and accessories in an online shop. One of their top markets is the European Union.

Since Brexit, the UK and the EU have separate customs authorities and regulations. Therefore, Fancy Pants Ltd. has to adhere to EU customs regulations on imports.



**Fancy Pants Ltd. imports approximately  
200,000 units of merchandise into the  
European Union annually.**



**50% of these items are dutiable because they  
exceed the European Union low value threshold  
of €150 EUR.**

*\*fictional example*





## CALCULATING DUTIES TO CLAIM BACK - WHERE TO START

Fancy Pants Ltd. pays **€5.4 million EUR** annually in customs duties to EU Customs authorities on the 200,000 units of merchandise it imports that is subject to duties.

## CROSS-BORDER RETURNS

Around 35% of dutiable orders are returned to the UK unused, and therefore subject to another round of customs duties.



## HOW MUCH CAN FANCY PANTS LTD. CLAIM BACK?

**This global retailer claims back €1.9 million EUR annually in customs duties.**

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# Dolce Vita Srl

Italian luxury fashion brand uses EU Returned Goods Relief and US Duty Drawback

**LET'S LOOK AT AN ITALIAN LUXURY FASHION BRAND THAT IMPORTS HIGH END CLOTHING, SHOES AND ACCESSORIES TO THE U.S. AND RE-IMPORTS GOODS BACK INTO ITALY.**

Dolce Vita Srl produces high end, Made in Italy clothing, shoes and accessories made of fine Italian leather, silk and other luxury materials. They import merchandise permanently into the U.S. for their luxury boutiques.

Unused merchandise ends up being re-imported to Italy, in the EU, after the latest season (4-6 months). Dolce Vita Srl can benefit from **Returned Goods Relief in the EU** and **Duty Drawback in the US**



**Dolce Vita Srl** sends around €5 million EUR of merchandise from its new collection twice per year to the U.S. so €10 million total. The average value per good is €1.300 EUR, above the U.S. and EU low-value thresholds.

50% of their merchandise returns to Italy at the end of the fashion season.

With an average value of €1300, all items coming back to the EU are dutiable. At an average duty rate of 12%, Returned Goods Relief **generates a savings of €600K of duties in the EU** on the €5M worth of returned goods

There is also an opportunity to claim back import duties in the US. At an average rate of 10%, **that's another USD 500k** that Dolce Vita can claim back from US Customs.

**\*fictional example**



05

# Glossary of Key Terms

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# Glossary of important terms

Cross-border trade and logistics is a complex sector! Make sure you know some of the key terminology and entities that regulate customs duties.

## CUSTOMS DUTY

A tax imposed on goods when they are transported across international borders. It is based on the value of the goods and is charged to regulate the movement of goods into a country.

## TARIFF

A schedule of duties or taxes imposed by a country on imports or exports. Tariffs are used to control trade and protect domestic industries.

## HS CODE

A standardized international system for classifying traded products. It is used by customs authorities worldwide to identify products for the application of duties and taxes.

## CUSTOMS BROKER

A licensed individual or company that assists importers and exporters in meeting the requirements set by customs authorities to ensure the legal movement of goods across borders.

## INCO-TERMS

A set of pre-defined commercial terms published by the International Chamber of Commerce (ICC) that clarify the responsibilities of buyers and sellers in international trade transactions.

## LOW VALUE THRESHOLD

Maximum value of goods below which customs duties, taxes, or import tariffs are not typically applied when goods are imported into a country. They are often exempt from certain customs formalities and duties.

# Glossary of important terms

Cross-border trade and logistics is a complex sector! Make sure you know some of the key terminology and entities that regulate customs duties.

## PRODUCT VALUATION

The process of determining the monetary value of goods being imported or exported which is used as the basis for assessing customs duties and taxes.

## HMRC

Her Majesty's Revenue and Customs: the United Kingdom government department responsible for administering and collecting taxes, customs duties, and other revenues.

## CUSTOMS FRAUD

Any illegal activity intended to deceive customs authorities in order to evade or reduce the payment of duties, taxes, or comply with import/export regulations.

## RETURNS FRAUD

When customers manipulate a retailer's return policy to illegally receive a refund, credit, or exchange for a product.

## CROSS BORDER E-COMMERCE

The process of buying or selling goods and services online across international borders. It involves transactions between customers and businesses located in different countries through digital channels.

## UCC

Union Customs Code: the legal framework that governs customs procedures within the European Union, designed to streamline and modernize customs practices across member states.



# Practical Tips for Getting Started

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## CHECK YOUR ELIGIBILITY

- Do you sell from abroad into the UK, European Union or United States?
- Do you have returned items exported from UK, EU or US?
- Are all import duties paid by a single entity?

## ORGANIZE YOUR DOCUMENTATION

Make sure you can produce a list of returned items with basic customs information. If you're considering Returned Goods Relief make sure you have the necessary documentation on shipping and timelines.



## PARTNER WITH CUSTOMS EXPERTS

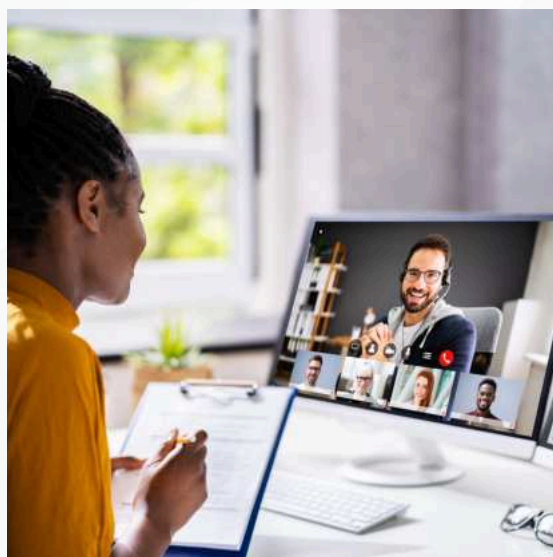
Dedicated customs brokers can help you navigate customs regulations, organize documentation and start the claims or Returned Goods Relief process. [Schedule a discovery call to get started!](#)

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# Get In Touch

**Schedule a free discovery call with Trade Duty Refund and we can help you get started on the customs duty process for Returned Goods.**

[www.tradedutyrefund.com](http://www.tradedutyrefund.com)



[contact@tradedutyrefund.com](mailto:contact@tradedutyrefund.com)

# TDR

