

Removing the 'de-minimis' threshold and a new flat-rate duty on low-value consignments are necessary, but not sufficient, for preventing illicit trade in tobacco and nicotine products in the EU

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There is an increasing global trend – including Australia, Norway, and the United States – to reduce concessions for low-value consignments, recognising that the de minimis exemption no longer supports modern cross-border trade.

And there are clear signs that such measures are yielding positive effects. Since the removal of its de minimis exemption, the US reported an increase in seizures of unsafe and non-compliant low-value goods by more than 80%¹.

Tobacco Europe², therefore, welcomes the European Union's (EU) decision to remove the customs duty exemption for low-value consignments and to introduce an interim flat-rate custom duty. This represents a significant step in response to the challenges posed by the rapid growth of cross-border e-commerce.

However, to properly curb illicit trade, particularly in highly regulated sectors frequently targeted by illicit operators, such as tobacco and nicotine containing products, the EU's interim flat-rate duty should be complemented by measures that:

- strengthen customs risk-based and targeted controls.
- improve the data required to complete simplified customs declarations (H7) and
- enhance deeper collaboration between authorities and stakeholders.

These complementary actions to the flat-rate duty will ensure the underlying enforcement gaps that enable illicit trade are fully addressed.

We welcome the EU's decision to remove the 'de-minimis' threshold in the EU and introducing a flat-rate duty on low-value consignments

The EU's decision to:

- remove the customs duty exemption for low-value shipments (valued below €150); and
- introduce an interim flat-rate customs duty of €3 per item within a relevant consignment ('interim duty'),

marks an important step in the ongoing reform of the EU Customs Union.

¹ [CBP collects \\$1 billion since end of de minimis loophole | U.S. Customs and Border Protection](#) [12/01/2026]

² Tobacco Europe is the European umbrella organisation representing the three largest tobacco and nicotine products manufacturers, namely British American Tobacco, Imperial Brands and Japan Tobacco International.

The interim duty will be collected through the Import One Stop Shop (IOSS) system, which was initially designed as a VAT collection mechanism for low-value consignments.

We welcome this decision aimed at addressing the rapid growth of low-value e-commerce shipments, which has led to the increased entry of non-compliant, illicit and counterfeit goods into the Single Market, while placing significant strain on customs enforcement capacities.

It aligns with global efforts to modernise customs frameworks, recognising that the 'de minimis' exemption no longer reflects cross border trade. Countries such as Australia, Norway, and the United States have revised or removed exemptions from customs duty and/or VAT/GST on imported goods. US Customs and Border Protection reported that following the removal of its de minimis threshold in 2025, seizures of unsafe and non-compliant low-value goods increased by 82%, while collecting over US\$1 billion in duties on over 246 million low-cost shipments¹.

A series of enforcement challenges mean, however, that removing the 'de-minimis' threshold in the EU and introducing a flat-rate duty on low-value consignments are not, on their own, enough to fully reduce illicit trade.

The EU interim duty will help to better manage import volumes and generate tax revenues.

It will not, however, be enough to effectively combat illicit trade on its own.

Key enforcement challenge 1: Effectively targeting non-compliant trade flows

Tobacco products are among the most regulated goods in the EU. Legitimate operators are subject to full customs procedures, excise duties, and product compliance requirements, while being excluded from simplified import schemes such as the IOSS.

But illicit and counterfeit tobacco and nicotine products often bypass compliant declaration channels and exploit weaknesses in the system through misdeclaration, concealment, or smuggling.

While the interim duty introduces a barrier for illicit trade flows moving through the IOSS, its impact on combatting illicit trade flows, particularly of excise goods, is limited without the systematic application of EU risk-based enforcement. In practice, it may shift illicit trade risks, encouraging illicit operators to move from one non-compliant import route to another.

In particular, with the interim duty in place, there is an elevated risk that illicit operators will misclassify or conceal excisable products (e.g. tobacco and nicotine products) as low value shipments, routing them through the IOSS to benefit from simplified clearance and to evade full customs and national excise obligations. This would both reduce the costs and scrutiny for fraudulent traders.

Key enforcement challenge 2: Insufficient data collection through the IOSS and H7 declarations

Initially designed to collect VAT for low-value consignments, the IOSS does not incorporate customs risk management and data collection functions needed to effectively detect misdeclaration, concealment or the movement of excisable or restricted goods.

Goods cleared through the IOSS will be required to provide a simplified H7 customs declaration, which applies minimal data requirements for low-value parcels. However, the data currently submitted for H7 declarations are not sufficient to perform efficient customs risk analyses and enforcement to prevent illicit trade.

Instead, and as a minimum, the customs tariff code (CN) at eight digits level should become mandatory for H7 declarations.

Key enforcement challenge 3: Lack of coherent and enforceable EU-wide rules

Certain tobacco and nicotine products (e.g. vapour products, tobacco free nicotine pouches) are not subject to consistent, harmonised EU excise duty or regulatory frameworks.

Consequently, Member States apply national rules governing market access and excise duties. This leads to varying fiscal requirements and levels of compliance, depending on the importing country.

Customs authorities processing high volumes of low-value parcels are often unable to consistently enforce destination-specific requirements at scale. Illicit operators exploit these resource constraints by routing consignments through jurisdictions with less stringent controls or stricter excise regimes.

The proposal to use the IOSS as an interim solution for duty collections fails to address these regulatory inconsistencies and will not, without further measures, prevent illicit products from continuing to exploit these gaps.

To properly curb illicit trade, particularly in highly regulated sectors such as tobacco and nicotine containing products, the EU's interim flat-rate duty should be complemented by a range of complementary measures.

To reduce illicit and non-compliant trade flows, while enabling compliant traders to operate competitively in the Single Market, a holistic risk-based approach is required, going beyond the interim flat-rate duty. For tobacco and nicotine products, this requires ensuring that enforcement tools target high-risk trade flows including:

- **Reinforcing risk-based customs controls targeting illicit trade patterns**, such as leveraging enhanced risk analysis to identify rerouting channels or misdeclaration opportunities, while avoiding disproportionate increases of administrative burdens on compliant operators.
- **Improve the data collection requirements to complete simplified customs declarations (H7)**, such as the mandatory disclosure of the CN customs tariff code at 8 digits level.
- **Enhancing collaboration and information-sharing between customs, tax, and regulatory authorities** at EU and national level to support effective enforcement of rules across the Single Market.

- **Driving engagement and open dialogue with legitimate industry players**, recognising the important role compliant operators can play in identifying emerging risks, and in effectively enforcing measures.

Tobacco Europe underlines that, to meaningfully reduce illicit trade, the EU must adopt a holistic and risk-based approach to customs enforcement. This includes increasing the data submission requirements for simplified customs declarations, ensuring consistent EU-wide rules and enforcement practices, and deeper collaboration amongst authorities and stakeholders.

Addressing these wider challenges is essential to deliver against the EU Customs Reform's objectives of ensuring a secure and fair EU Customs Union that effectively combats illicit trade while supporting compliant operators within the Single Market.