ABSTRACT

The Chamber of Digital Economy report

Cross-border e-Commerce.

Brand across borders

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Dear Sir or Madam,

Cross-border e-commerce - cross-border e-commerce - is a symbol of the digital age of the global economy. It allows customers to shop in shops and marketplaces almost anywhere in the world. This situation has also opened up opportunities for companies to grow their business where it was difficult.

Cross-border e-commerce brings Polish business into the world league of companies benefiting from access to the international marketplace. This is where the battle for commerce, or the hearts and wallets of customers, is currently being fought. Missing out on the opportunity presented by cross-border could mean companies in the domestic market falling into a mid-growth trap and, in the long run, losing their position and revenues.

At the same time, online sales are developing intensively in local markets causing increased competition. With the online mobility of customers, their loyalty to brands is becoming shaky. In addition, global players have entered the Polish e-commerce market and are significantly increasing competitiveness. Under these conditions, for an ambitious business, international scaling seems as obvious as a growth strategy.

For years, the Chamber of the Electronic Economy has been supporting entrepreneurs in the development of e-commerce, including cross-border e-commerce. Together with the Polish Investment and Trade Agency, we train SME managers in this field. This year, we have initiated a new project called 'e-Izba Cross-border Matchmaking Events'. This is a series of economic missions that create a unique opportunity for companies to establish business relations in the Czech Republic, Italy, Spain and Germany. I believe that during the planned meetings in the 'fast business' model - a large number of conversations with a large number of interested parties - the doors will open to many potential partners abroad. The mission received support from the Polish embassies and the PAIH.

The report, which we are handing over to you, is an important element in building our organisation's know-how and, consequently, action, i.e. in supporting entrepreneurs in exporting online. I hope that the data from it will help you in planning and developing cross-border in your companies. Let us remember that e-commerce has no borders, including development borders, so it is all in our hands.

I would like to thank the Cross-border Substantive Group of the e-Commerce Chamber for their support in creating the report.

Enjoy your reading!

Patrycja Sass-Staniszewska

CEO
CHAMBER OF DIGITAL ECONOMY

Expert Commentary

Dr Paweł Oleszczuk

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Cross-border e-commerce (CBEC), or digital cross-border sales, also known as international e-commerce, is the process of selling products or services online to consumers in different countries through the use of e-commerce sites. Typical examples of cross-border e-commerce platforms are eBay, Amazon, Alibaba, or multilingual websites of individual brands or retailers. Analysts at DataHorrizon Research estimate that CBEC will achieve a compound annual growth rate (CAGR) of 15.6% between 2022 and 2032[1]. Undoubtedly, this is a rapidly growing sales channel, offering companies access to a global pool of customers from all corners of the world.

As the results of the report prepared by the Chamber of Electronic Economy in cooperation with the Mobile Institute indicate, CBEC is of great importance to Polish entrepreneurs in the context of sales strategies and business scaling. All company representatives surveyed agree that CBEC is more cost-effective than domestic sales in the digital channel and provides greater revenue stability, as it is immune to economic fluctuations. 17% of companies that have introduced CBEC into their operations have seen sales increases of more than 20% per year. However, it is important to remember that CBEC comes with a number of challenges, which include cultural and language differences, processing multi-currency payments, and logistical challenges. Company representatives gave a score of 4.27 on a scale of 0-5 for the difficulties and risks associated with CBEC.

The key trends presented in the e-Isba report, and confirmed by the entrepreneurs surveyed, are consistent with international trends. One of the key trends (rating of 4.23 on a scale of 0-5) is multilingual customer service, starting with the creation of a multilingual website and ending with multilingual customer support. According to the Flow.io report[2], among English-speaking shoppers, more than two-thirds said they would not have made a purchase if the website was not in English. In addition, 74% of Japanese shoppers said they would probably not have made a purchase if the website was not in their own language, while the reverse was true for India and China, where the majority said they would have made a purchase anyway (61% and 59% respectively). It is therefore crucial for retailers to know their customers' preferences in this regard.

Another important trend is the development of artificial intelligence (AI)-based solutions, which are being applied in many business areas, such as transport and logistics, customer service, and big data analytics. While the surveyed entrepreneurs in Poland rated the relevance of AI supporting shopping at 3.77 on a scale of 0-5, the report prepared by FedEx highlights its importance in recognising customer behaviour patterns in real time, allowing companies to dynamically respond to changing customer habits and inclinations, as well as personalise offers. The ASCM organisation adds that advances in AI offer numerous benefits, including in the areas of intelligent sourcing, inventory management, route planning, as well as demand forecasting and quality control. Artificial intelligence is not only a tool, but also an opportunity for companies to increase efficiency and improve service quality. Therefore, it is worthwhile for Polish companies to include AI aspects more broadly in their plans in order to use its full potential.

The development of the payment methods offered, particularly local payments, is also not insignificant. In the Flow.io report cited above, 14% of customers using CBEC identified the lack of preferred payment methods as one of the most important barriers to making a purchase, while Conotoxia states that "foreign customers often use local payment methods, and the lack of them can even discourage them from making a purchase and cause them to abandon their shopping cart."[3] For the companies surveyed in Poland, the relevance of local payments was rated at 3.54 on a scale of 0-5.

The further development of CBEC therefore depends largely on how companies are able to meet the diverse needs and purchasing preferences of customers coming from different parts of the world and on the effectiveness of the technologies used, including AI. The challenge is therefore undoubtedly large and multidimensional, but the potential gains are even greater, and only time will tell which companies will be able to overcome it and become giants in their respective industries. On one thing we remain united for the time being - as mentioned at the beginning - all respondents believe that CBEC is more profitable than domestic e-commerce.

More information about CBEC in Poland can be found in the report of the Chamber of Electronic Economy "Cross-border e-Commerce. "Cross-border e-Commerce. Brand without borders". We invite you to read it.

[1] *Cross Border E-Commerce Market Size, Growth, Share, Statistics Report, By Type (B2B, B2C, C2C) By Payment Method (Digital Wallets, Credit/Debit Cards, Internet Banking), By Category, By Deployment Mode (Assorted, Inhouse), By Region, And Segment Forecasts, 2023-2032,* DataHorrizon Research 2023, https://datahorizzonresearch.com/cross-border-e-commerce-market-2337, access 11.01.2024
[2] *Cross-Border E-Commerce Trends Global Research Report*, Flow.io 2023, https://f.hubspotusercontent10.net/hubfs/8483863/FINAL_white-paper-cross-border-shopping-9x9_web.pdf, access 11.01.2024
[3] *2023 as the year of cross-border e-commerce challenges and prospects of borderless trade,* Conotoxia 2023, https://media.cinkciarz.pl/pdf/Cross-border_e-commerce_eng.pdf, access 11.01.2024

CROSS-BORDER MATCHMAKING EVENTS

BUSINESS STARTS WITH CONNECTIONS

Looking for a business partner in Europe?

Want to learn more about your local market before you start selling in it?

Planning to start cross-border operations?

This initiative is for you!

JOIN THE PROJECT!

Before you start cross e-selling

What should you know?

allegro

Nowi klienci
czekają za granicą!
Wystawiaj raz,
sprzedawaj
wszędzie

Zeskanuj kod
i dowiedz się więcej

Business case

Marcin Półchłopek
VP, Group Marketplace Consumer Business
Allegro

Take advantage of Allegro's technological and operational infrastructure

Allegro shares its experience

Polish entrepreneurs undoubtedly have what it takes to build a competitive offer for new markets. Our country's well-developed e-commerce and the resulting experience of the sellers means that they can provide a really high standard of service, fast and reliable order processing, but also - and this is particularly important from the perspective of the end customer - competitive prices. This does not mean that they have to give up good margins: indeed, very many markets, especially in our region, are characterized by higher local prices for products and services. This gives entrepreneurs a safe margin to sell at a satisfactory profit. And as the presented report shows, entrepreneurs in Poland see the potential of international sales. As many as 60% of them already operate in the cross-border model. Despite this already high percentage, one in five is still thinking about starting to sell abroad. And this is a truly excellent prospect.

Of course, there is no doubt that going into new markets brings with it a number of challenges. That is why, when we started our international expansion and created the domain for the Czech Republic, we built our offer to our sellers in such a way that it first addresses the blockers that prevent them from going abroad. That's why we are particularly pleased that, as Allegro, we already offer our sellers an answer to so many of the barriers identified in the report: we provide the necessary technological and operational infrastructure - including local payment methods and tools to automatically translate offers and communication with the buyer into the local language, convenient delivery methods, including as part of the Allegro Smart! program, which today also includes cross-border delivery. What's more, we have been running extensive promotional activities in the Czech Republic since last year, which already place us among the top most visited online shopping destinations in the country. That we do this effectively is shown above all by the success of our sellers.

On the platform, we have a number of excellent examples of stories from entrepreneurs who have successfully started selling in the Czech Republic through Allegro and, as they say themselves, are seeing real results. Talking about their experience with international sales, they primarily emphasise the benefits of reaching a new group of customers, which allows them to increase the scale of their business, but also to develop their product range. In industries where price fluctuations are significant, exporting, in turn, enables a faster turnover of goods, eliminating the costs associated with warehousing. What we, as Allegro, are particularly pleased about is the evaluation of the cross-border-related tools we offer. Listing on allegro.cz is done in the same way as on the Polish version of the site, and thanks to the price converter or automatic translations, many elements of the process are even done without the company's involvement.

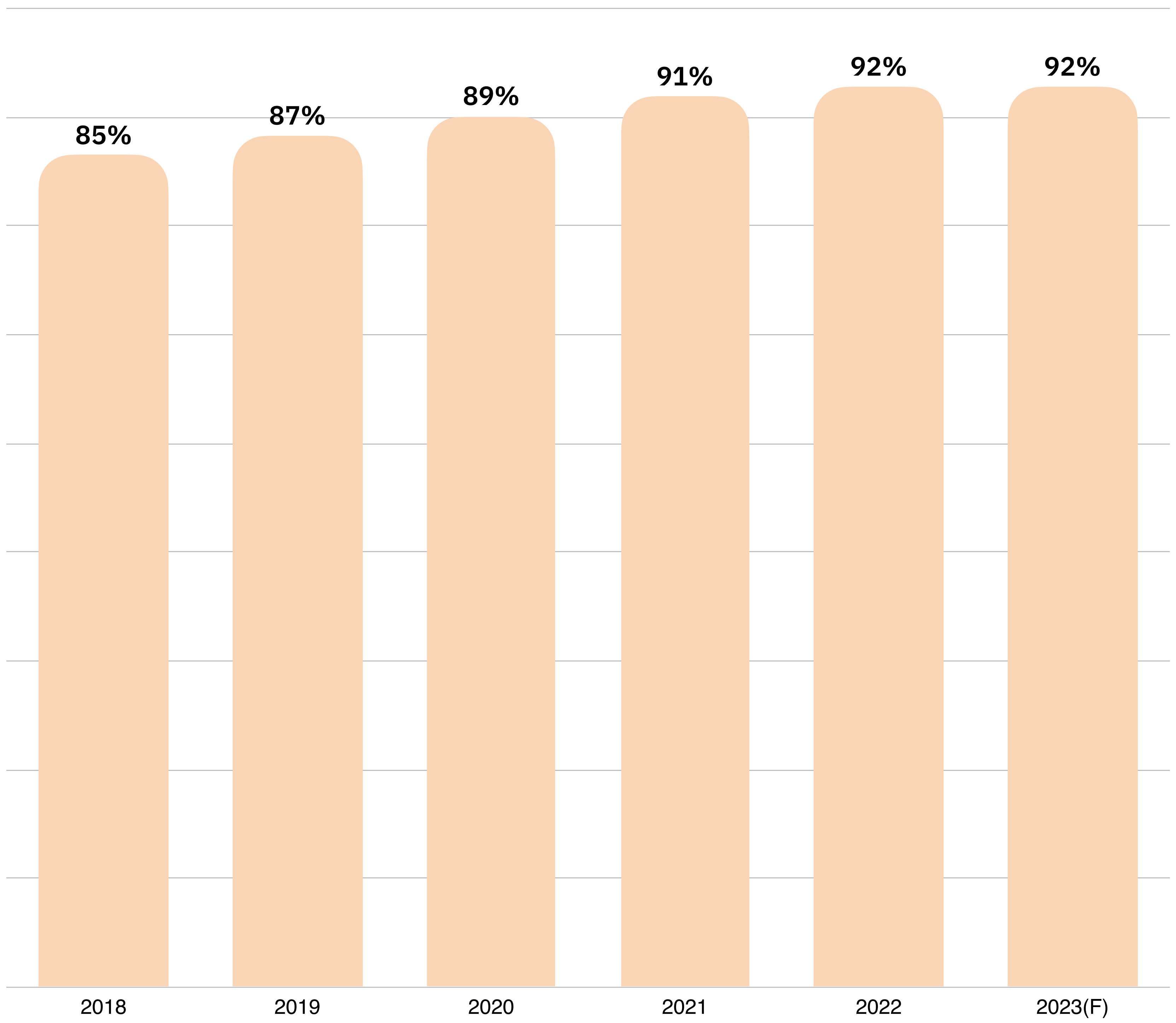
By keeping a few key aspects in mind, you can minimise the risks and maximise the benefits of exporting. And here it is best to refer to the advice of practitioners, who emphasise the importance of sales quality and adapting to local customs in order to gain the trust of customers. Prompt delivery of goods unquestionably has a positive impact on the customer's evaluation, and it is also important to select the right products on offer, the variety of delivery methods available or the right choice of payment methods adapted to local customs and preferences. However, customer service remains a key element of success in any market. Responding quickly to problems and resolving issues efficiently always remains a priority, regardless of the country. It is customer loyalty resulting from professional service that can build a lasting brand in a new market. The result? A steady increase in international sales.

About e-Europe

With a current population of around 584 million, Europe is a huge market for e-commerce. The covid-19 pandemic caused a huge increase in internet usage, which is currently hovering around a steady 92% of the entire European population. Despite the recent tense geopolitical situation, the challenges of inflation, the war in Ukraine and the declining population (low demographic growth), European GDP continues to grow, both regionally and across Europe [1]. This is despite a slight slowdown in e-commerce growth in 2022. In this context, the IPC research institute measured consumer attitudes towards the current economic situation and the 'cost of living crisis'. It turns out that it is not e-commerce itself, which drives economies, that is the problem, but the conditions under which e-purchases are made. For 42% of EU citizens, the most important issue is delivery, or more precisely, free delivery.

What else can be seen in Europe? E-businesses, based on their experience and consumer needs, are increasingly acquiring or renting property to locate their e-shops 'physically'. Traditional shops, in turn, are attempting to fully launch their offerings online and on mobile devices. This exponentially advancing omni-commerce will definitely require imaginative use of digital and shop space. Of course, there are also countries like Romania where only mobile solutions will work, as this is how residents mainly shop. However, the omnichannel format is becoming dominant and up to 80% of EU retailers believe in the success of omnichannel. In this respect, the EU is far ahead of other regions, such as Asia, where the greatest faith of e-tailers is placed in mobile shopping (69%) [2]. Other trends visible in the area of e-commerce in Europe include personalisation and a focus on customer experience, sustainability (sustainable e-commerce), the use of artificial intelligence (AI) and machine learning (ML) technologies, the further dynamic development of digital payments, including digital wallets, contactless payments or other innovative online payment methods, the exploration of new sales channels such as social commerce, voice commerce or selling through different platforms and applications, and increased protection of personal data due to growing privacy concerns. **In the area of cross-border e-commerce, additionally, from 2020 onwards, there is a clear increase in the importance of B2B cross-border e-commerce, as well as the level of tailoring of offers in terms of target markets, i.e. personalisation of offers and communications for different markets, the global expansion of small and medium-sized enterprises (SMEs) in search of revenue stabilisation, the increase in the variety of payment options for e-customers including the popularity of digital wallets, and a more flexible approach to different currencies, and the dynamic development of logistics services enabling efficient and effective international delivery, including the use of new tracking technologies that can meet the increasingly demanding requirements of European e-customers.**

Figure 1: Percentage Internet access of the European population



Source: https://ec.europa.eu/eurostat

Steps to foreign e-sales

01 Summarise your e-commerce achievements

Start with a summary, because it is worthwhile first of all to know your capabilities, strengths, resources and therefore your chances of success in new markets. Achieving e-commerce success always starts with proper research and planning even before you launch your online shop abroad. Consider key issues such as demand for your products abroad, how to ship them overseas (including whether there are any restrictions on doing so) and how to provide exceptional customer service. It's also a good idea to do your homework and learn from your and other e-tailers' past mistakes or difficulties so that you don't replicate them overseas. You need to be confident in yourself, know what kind of sales you are recording in the e-commerce channel, and know your team - e.g. whether the team is motivated, willing to explore new markets. Always bear in mind that what is a trend in Poland is not necessarily a trend in another country.

02 Business strategy and e-commerce

It is also essential - when going out into foreign markets - to have knowledge of the ever-changing behavior, needs, as well as the use of new technologies in the field of e-commerce (just think of how quickly ChatGPT has invaded the world of e-business). You also need - without question - to know your product and the possibilities and opportunities of this/these products in potential cross-border markets. It is in the quality and uniqueness of the products that most Polish entrepreneurs see their success in e-export. It is also necessary to know the market in depth and, based on this knowledge, to create an entry strategy for each specific market.

03 Verification of company resources

Another important element is to examine one's resources, i.e. technology, personnel, processes and the budget needed to introduce a product on foreign markets. You need to be prepared for the fact that the language in another place will not be Polish, but English, German or French. The language barrier is a frequent cause of misunderstanding the content and is therefore a major source of communication problems. In addition, qualified staff and partners cost money. This cost is one of the biggest concerns indicated by Polish e-tailers in the context of cross-border e-commerce. Sometimes other markets will need to change packaging, add labels or meet product standards. Marketing will also consume financial resources and more, as descriptions, keywords and campaigns will need to be revised and supplemented to suit the local language and segments/ target groups.

04 Look at the finances!

Once the market is known and sales opportunities are analysed, it is worth looking at the company's finances and budgeting for additional costs that may arise, for example in the context of online marketing, automation of processes, fast handling of returns, communication with foreign language customers, the need to adapt the e-commerce infrastructure, professional translation of product descriptions or simply paying new taxes. Hiring additional sales support staff, which is unavoidable in most cases, is also a major cost. Perhaps the cheapest way to start cross-selling is through global, industry or B2B marketplaces - but here you need to have a proper pricing policy in place, a marketing budget and to be prepared to 'give away' some revenue to the big platform players.

Kroki do zagranicznej e-sprzedaży

05 Know your market and competitors

Remember that you should always check the potential popularity of your products in a particular country. In the beginning, it is a good idea to start with neighbouring countries or those with the greatest sales potential and use the routes (good practices / success cases) already established by others. Getting to know the country is essential in order to adapt the sales channel, logistics or payment methods. Success cross-border depends to a large extent on an analysis of the competition, i.e. domestic and global sellers who are already active in a given market and have managed to stay there.

06 E-advertising is the key to success!

When conquering foreign markets, dedicated marketing and promotional activities need to be planned carefully. Sometimes - especially at the beginning - it is worth investing in a marketing agency that already has relevant experience in introducing a brand to foreign markets or finding a business partner residing in a given country, although this - according to Polish companies - is by no means easy.

07 Have goals and measures of success

Defined export objectives, both in the short and long term, allow you to set the right direction, to give ambition to the team that will accompany you on your overseas journey. Targets, but above all realistic and measurable and profitable for the company. You can use different expansion models, such as: 1) pursuing goals through small steps - one marketplace platform, one market, one product or product group. In such a model, it is worth setting small successes as success metrics to gain invaluable experience in e-exports. Both goals, strategy and performance indicators will evolve as experience is gained. 2) Starting to sell in several markets - i.e. approaching with a kind of 'momentum' to start selling abroad. This approach certainly brings greater benefits in terms of diversifying export destinations, but requires more preparation.

Key trade directions

01
Germany & France

As cross-border e-commerce, it is with the biggest players that count in Europe. Germany is the main importer of Polish products, while France ranks third. Both countries have more than 140 million potential e-buyers.

02
United Kingdom

Here, 99% of consumers shop online and 66% of purchases are made on smartphones. More than half of online shoppers, do so once a week or more often.

03
Sweden

It is one of the most digitised markets, with 9 out of 10 Swedes buying online. They have a lot of purchasing power, and they buy a lot and often online. This green-friendly region is a potential for Polish natural products.

04
Czech Republic

Because 77% of Czechs buy online. The Czech Republic is also one of the largest importers of Polish products, including cosmetics, which is a strong e-commerce category.

CBEC Legal aspects

Cross-border Cross-border e-commerce involves various legal and regulatory aspects, both at national and international level. Below are some key legal aspects that businesses should always consider in the context of international e-commerce

- **Consumer law**, which states that e-traders should comply with consumer rights legislation in the countries they target. This includes product information, right of return, warranty and other consumer protection aspects.
- **Privacy and data protection laws**, as the transfer and processing of personal data between countries is subject to different privacy laws. Familiarity with the General Data Protection Regulation (GDPR) in the European Union and the relevant regulations in other countries is crucial.
- **International trade law** - i.e. an understanding of international trade law, trade agreements and customs regulations is essential for the effective movement of goods between countries.
- **Tax law** because e-tailers need to understand the tax obligations associated with international e-commerce, including tax rates, invoicing rules, sales taxes and more.
- **Copyright and Trademarks**, as protection of article content, such as copyright and trademark laws, may occur between countries. Entrepreneurs should be familiar with copyright and trademark protection in each country in which they may access their business.
- **Electronic payments regulations** - compliance with regulations regarding electronic payments, including safety and security standards, is crucial in the context of cross-border transactions.
- **Advertising and Marketing Regulations**, which stipulate that e-tailers should take into account changes in advertising and marketing regulations between countries, avoiding practices that are considered unethical or unethical.
- **Customs regulations and customs**, which means understanding customs procedures and complying with customs regulations, is a key word when importing and exporting goods.Provisions of trade agreements, international trade agreements may cover cross-border e-commerce activities. Entrepreneurs should carefully analyze the provisions of agreements, such as a free trade agreement or an economic partnership agreement.
- **E-commerce regulations in the EU**, as e-traders conducting e-commerce in the European Union should familiarize themselves with e-commerce regulations, such as the sales regulations and the information services regulations.

Delivery and cyber security

An extremely important element of online sales is the product delivery process. According to research, this is the main factor determining foreign e-purchase in the B2C sector. Delivery time when ordering from a local store (within the home country), is now up to a few hours (the growing popularity of the q-commerce phenomenon, i.e. the fastest possible deliveries). NDD (Next Day Delivery) and even SDD (Same Day Delivery) are becoming popular. For cross-border deliveries, the time is a minimum of 24 hours for neighboring countries. In most situations, however, the timeframe is well over a week, and sometimes even several weeks.

Many products must have a CE marking before they can be sold in the EU. This marking indicates that the product has been tested by the manufacturer and found to meet EU health, safety and environmental requirements. Goods shipped abroad must have a translated specification or product composition on the packaging. An exception may be clothing that has international markings on the label.

Another difference regarding the law is the regulation of VAT. In the case of e-commerce, the tax is paid in the country where the commercial contract is concluded, and in the case of cross-border sales in the EU, in the country where VAT is due. Taxation of the supply in the country from which the shipment is made applies only to a relatively small amount of sales, as a maximum of €100,000, with member states having the right to reduce this level to €35,000. When the sales limit is exceeded, sales will be taxed in the country to which the goods are shipped. In the case of purchases from the US or Chinese online stores, if the value of the product is over 45 euros, VAT will be charged in addition (23% in most cases). In addition, for goods whose value exceeds 150 euros, customs duty will also be added.

Digitization is becoming more widespread, both within governments and economies, and as a result, one common goal has emerged at the international and regional level - harmonizing legal frameworks in areas such as competition policy, data privacy and cross-border data flows, and calling on governments to:

- cooperate and build a common understanding at the international level on anti-competitive behavior in the digital economy and converge toward regional harmonization to spur innovation and investment in digital infrastructure and services;
- encourage regional and international cooperation on data privacy and cybersecurity to improve data privacy and cybersecurity regulations through a common regional approach that enables the free flow of data and digital commerce;
- intensify international cooperation on cross-border data flows to ensure that data localization requirements minimally restrict trade, promote trust, and ensure that restrictions do not disrupt cross-border communications - so as to maximize the economic and social benefits enabled by global data networks.

With the increase in the number and importance of cross-border data flows around the world, it has become even more important that the various legal authorities are able to work together to ensure that privacy laws (and any safeguards for cross-border data flows contained therein) are respected and, if necessary, can be effectively enforced. Representatives of European Union member states also noted that within the European Economic Area (EEA), the General Data Protection Regulation (EU Regulation 2016/679) creates a general obligation for cooperation between EU/EEA member states, and as long as the requirements of the RODO are met, there is an obligation to accept cross-border requests for assistance from other EU/EEA member states. EU member states may refuse to comply with such a request if they do not have the authority or if complying with the request would violate (EU or EU member state) law.

Expert Commentary

Marta Kasztelan

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Taxation of cross-border trade - what do e-tailers need to know about taxes when selling abroad?

Cross-border e-Commerce is not only a huge growth opportunity for Polish e-tailers, but also a tax maze related to the taxation of cross-border transactions in Poland as well as abroad within the EU, and the obligation to comply with the tax laws of other countries. Particularly as the rules for settling international e-commerce and importing goods to businesses in B2B (business to business) transactions and consumers in B2C (business to client) transactions within the EU have changed in recent years.

Anyone starting to sell online abroad needs to be aware of the new tax obligations and additional administrative burdens involved. Entering markets in other EU countries is therefore worth starting with an analysis of the tax system of the country where sales will be made. It may be necessary to register as a taxpayer in the country of sale and settle taxes in that country..

What to watch out for when selling abroad online?

E-tailers should pay attention to several elements that are key to the taxation of international e-commerce transactions:

- what is being sold (goods or services)?
- who are the buyers (consumers - B2C transactions or businesses - B2B transactions)?
- the country of sale, i.e., the country to which the goods or services are sold (the buyer's country), and
- the country from which e-commerce is conducted (the seller's country of residence or another country).

In the case of international sales of goods, the method of delivery is also important (from Poland or from the seller's warehouse located in another EU country, directly to the buyer or so-called chain transactions).

Tax accounting is also affected by the logistical model of sales over the Internet - whether it is direct sales (in the seller's own e-store), or made through a trading platform or marketplace, or in a dropshipping model, or whether sales are conducted by a sales representative or server in another country. Adapting the adopted business model to comply with tax obligations can require significant costs and time.

Expert Commentary

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It is worth choosing the law applicable to cross-border sales

In accordance with the general principle of freedom of contract, cross-border sales of services and goods over the Internet are governed by the law chosen by the parties to the transaction, i.e. the seller and the buyer. If the counterparties do not make such a choice of law, we determine it on the basis of the general principles by which the law applicable to contractual obligations contained in international laws is determined:

- Convention on the Law Applicable to Contractual Obligations opened for signature in Rome on 19.06.1980 ("Rome Convention") and
- Regulation (EC) No. 593/2008 of the European Parliament and of the Council of 17.06.2008 on the law applicable to contractual obligations ("Rome I Regulation"), which all EU countries except Denmark have adopted.

For transactions between businesses from different EU countries (B2B), the law of the country in which the e-tailer is based will apply. For sales to EU consumers (B2C), the regulations of the consumer's country of habitual residence will apply, as long as the seller performs a business or professional activity in that country or directs such activity to that country in any way, e.g. online sales are directed directly to buyers from that country.

Therefore, it is worth considering the choice of the law that will apply to cross-border e-commerce, as it can minimize legal and tax risks and regulate tax issues, among others, the moment of payment, the statute of limitations for sales claims. This is important because, despite the single EU market, sales regulations may differ significantly between EU countries.

Beware of double PIT/CIT income taxation

In the case of sellers who sell online to other countries, there may be a risk of double taxation of income from such sales, i.e. in the e-tailer's country of residence (Poland) and the country of sale. The rules for taxation of such income should be determined on the basis of international double taxation treaties ("DTTs"). DTAAs specify in which country the income is taxable and the methods of avoiding double taxation of such income, thus avoiding the obligation to pay income tax (PIT or CIT) in two countries.

Poland has concluded UPOs with 91 countries, including all EU countries and most other European countries. The rule is that Polish entrepreneurs are taxed on profits from offshore sales transactions (min. from an online store operating abroad) in the country of sale, which are made through an establishment located there, and the profits earned are attributed to that foreign establishment. The term "establishment" means a fixed establishment (fixed establishment or permanent establishment) through which online sales are conducted in whole or in part. Such a foreign establishment may be considered, for example, a branch, a sales representative office in another country, or a server on which an e-commerce site is located (owned or leased) located in another country. An e-tailer must therefore assess whether its online sales model will result in a foreign establishment. He should then carefully examine the rules for accounting for trade income in the EU country to which he sells his goods or services. He may be required to register as a taxpayer and pay PIT or CIT in that country, as well as keep separate accounts and file financial statements.

Expert Commentary

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VAT problems in e-commerce

Cross-border online sales are taxed differently under VAT regulations than domestic transactions. The rules for issuing and elements of invoices documenting such sales are also different. In addition, the e-tailer should register as an active VAT-EU taxpayer in Poland and submit summary information on transactions with EU counterparties, and verify the counterparties themselves in the VIES system. It must also properly document the export of goods or provision of services outside Poland.

Determining the place of supply

VAT settlement rules differ depending on what goods or services are sold online, the status of their purchaser (taxpayer or non-taxpayer consumer) and the place and type of supply of goods, or the manner in which services are provided. These factors have a decisive impact on determining the place of supply of goods or provision of services, i.e. determining the country in which a given cross-border transaction is subject to VAT, according to the rules and VAT rate applicable there. The regulations have been structured so that, as a rule, a given transaction is taxed in the so-called country of consumption of goods or services - this is not always the country where the supply of goods or services is actually made. For the sale of goods and selected services at a distance (via the Internet) to EU consumers, special rules are provided for determining the place of supply.

If the transaction should be taxed in a country other than Poland, the e-tailer may be required to register for VAT and settle the tax there. In the case of sales to several EU countries, the registration obligation applies to each of them. Therefore, when dealing with an e-commerce transaction involving foreign buyers, you should always carefully check the place of supply for VAT settlement purposes.

Selling goods and services online to businesses (B2B)

The sale of goods over the Internet to entrepreneurs from other EU countries is an intra-Community supply of goods (ITA) taxed at a 0% VAT rate. As a general rule, the place of supply of goods (and the country of taxation) transported or shipped to the buyer, is the country of commencement of transport/shipment. Special settlement rules are provided for min. installed or assembled goods, supplies (transactions) of so-called chain goods. Intra-Community supply of services to EU taxes, as a rule, is not taxed in Poland, but in the country of consumption of the service (the country of the buyer of the services) - the buyer settles VAT itself (the so-called reverse charge). The regulations provide exceptions to this rule for certain services min. passenger transport services.

New regulations on the sale of goods and services online to consumers (B2C)

Internet sales of goods to non-taxpayer EU buyers (consumers) for VAT purposes constitute intra-Community distance sales of goods (ITAs), which are taxed differently than B2B transactions with businesses. As of July 1, 2021, new regulations of the so-called VAT e-commerce package on VAT accounting rules have been adopted, which aim to facilitate cross-border online sales of electronic goods and services (e.g., downloads of apps, music and movies, e-books, website development and hosting, software supply, games and online subscriptions) to EU consumers. As a rule, if the total annual value of electronic goods and services sold to EU countries did not exceed PLN 42,000 (the equivalent of EUR 10,000), such sales are subject to VAT in the country where the transport/shipment of the goods began - that is, in the case of shipments from Poland, in Poland. Once this limit is exceeded, the transaction should be taxed in the buyer's country of residence (country of consumption), at the VAT rates applicable there. E-sellers can use the simplified VAT-OSS/IOSS (One Stop Shop/Import One Stop Shop) procedure, which allows foreign VAT to be settled without the need for VAT registration in each EU country from which the buyers originate.

Expert Commentary

Marta Kasztelan

Tax Advisor Coordinator for e-Taxes of
the Chamber of Electronic Economy,
Partner at Sowinski and Partners

Services provided to non-taxpayers (consumers) within the EU are taxed in the country of the seller (service provider). The exception is electronic services, which are taxed in the country of the purchaser (the country of consumption of the service) after exceeding the sales threshold of PLN 42,000. Sales of electronic services, like goods, can be settled under the simplified VAT-OSS/IOSS procedure.

It is worth considering settling e-commerce transactions under the VAT-OSS/IOSS procedure, as this means Polish e-traders no longer need to register for VAT in every EU country to which they sell electronic goods and services online, reducing the administrative burden and associated costs.

New obligations to report sales on digital platforms

EU Council Directive 2021/514 of March 22, 2021, amending Directive 2011/16/EU on administrative cooperation in the field of taxation (the "DAC7 Directive") provides for the imposition of obligations on digital platform operators to report to tax authorities data on transactions of sales of goods and certain services (min. rental of real estate, means of transportation and personal services) made through them. This applies to both EU platforms, including Poland, and non-EU platforms, if min. they are residents of one of the EU countries.

The new reporting obligations are to apply to all e-traders who, within a 12-month period, exceeded the limit of 30 sales transactions of goods on a given digital platform or the limit of the amount of remuneration received equivalent to €2,000. The reporting platform operator will be required to request data from these e-traders regarding themselves and the revenues they receive. E-vendors who fail to provide the required information will be threatened with the withholding of money (remuneration) from sales or even the blocking of the vendor's account on the platform.

The first reporting period is 2023, which means that trading platforms should report the required data on online sales for the entire previous year. Poland has not yet implemented the provisions of the DAC7 Directive into the national legal order, and the final date for the adoption of these regulations or their content is unknown. According to the MF's latest plans, the regulations are expected to be enacted and come into force as of July 1, 2024.

Expert Commentary

Paweł Kurtasz
President of the Management Board
Polish Investment and Trade Agency

Good tools and preparation are a guarantee of success in the CBEC area
PAIH shares its experience

At the Polish Investment and Trade Agency, we know that digital commerce tools will increasingly influence the effectiveness of Polish companies' export development in both B2C and B2B models. We see cross-border e-commerce as one of the key channels for the internationalization of Polish companies. E-export is simply more cost-effective than setting up physical stores in different countries, eliminates the need for extensive stationary infrastructure and reduces operating costs associated with traditional retail. At PAIH, we consistently encourage business to expand overseas online, so I am very pleased to see our participation in the creation of this report as well.

IZBA GOSPODARKI ELEKTRONICZNEJ

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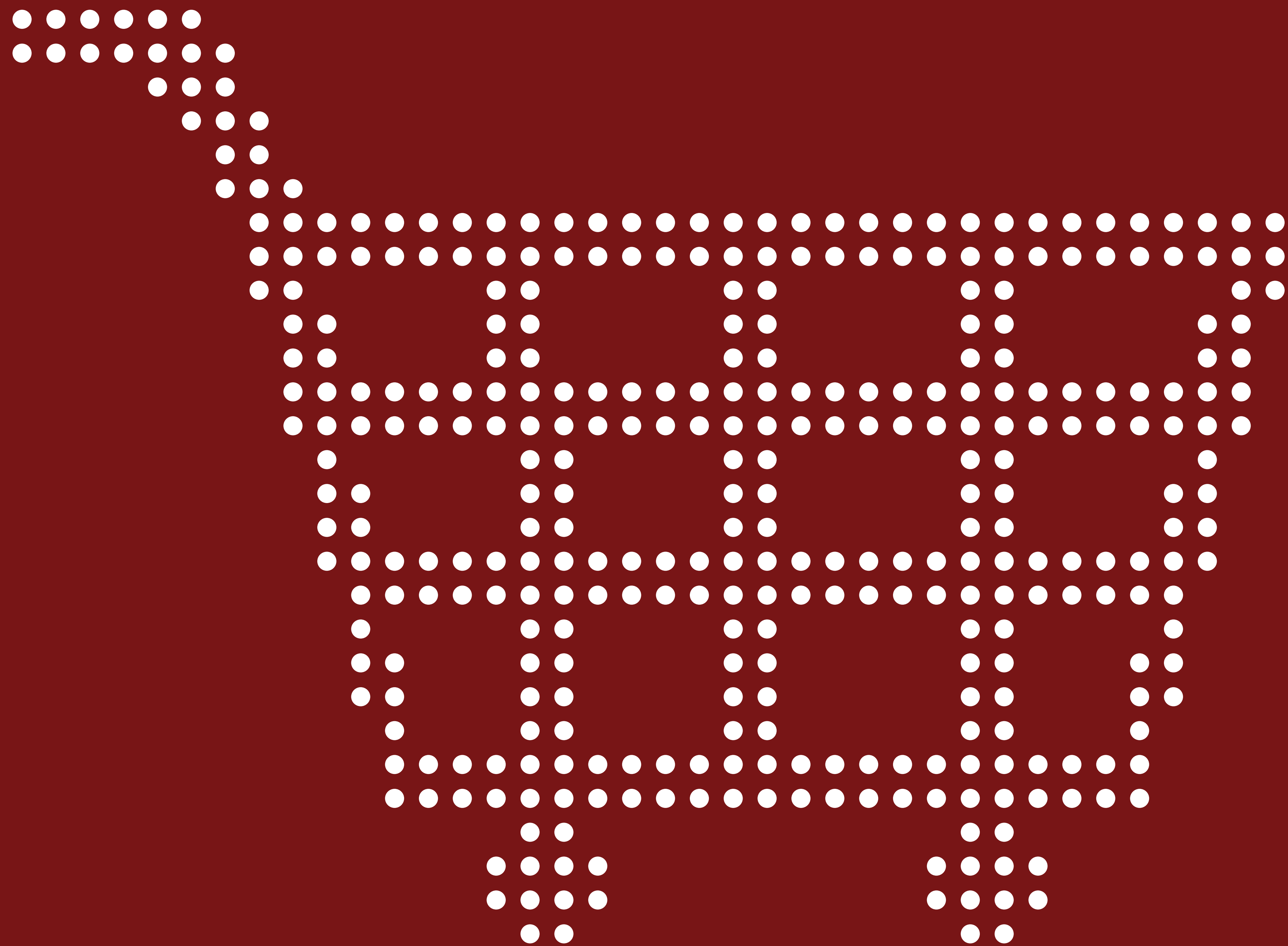
I	II	III

https://digitalqualitymark.eu/en/

Cross-border according to Polish companies

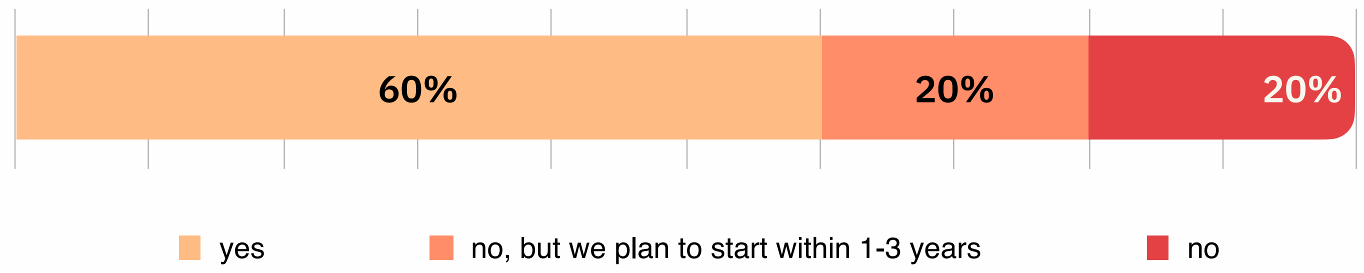
Survey results



Why play in cross-border?

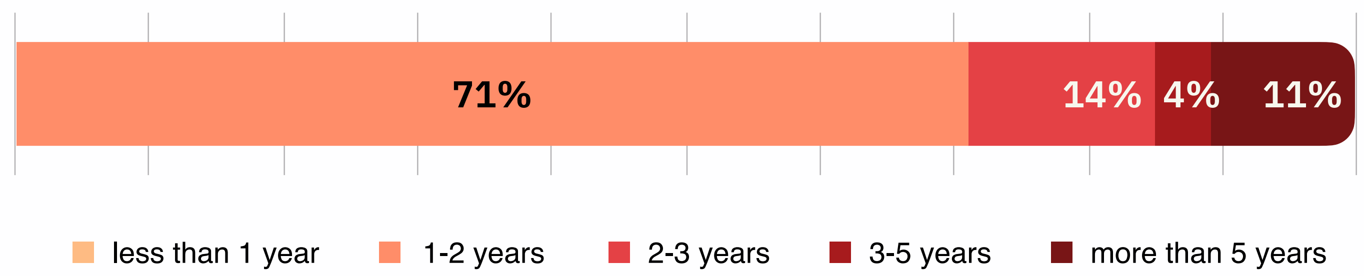
Among the e-tailers surveyed, 60% are also selling across borders, and another 20% intend to enter the cross-border e-commerce business in the next 3 years*. The majority, 57%, say they sell in 2 to 5 markets, but as many as 37% confirm that their products are already going into 10 or more markets. 6 out of 10 cross-border e-tailers confirm that they have expanded cross-border operations in the past year. Half started selling in new regions or countries, and 25% opened up to new customer segments. Why such scale and momentum? According to the survey, everyone - even those who do not yet sell cross-border - believes that CBEC (cross-border e-commerce) is more profitable than selling exclusively in one market. The agreement with this statement is 4.07 on a scale of 0-5. Respondents also confirm that CBEC can stabilize revenues in the medium and long term, and is an opportunity for small businesses to increase sales and grow faster. However, there is a "but." According to the companies, it is also more difficult, risky and has higher product quality requirements. However, the potential benefits outweigh the potential difficulties. According to the companies, digital cross-border sales are primarily an opportunity to increase the number of customers, as well as higher sales margins and generally higher turnover.

Chart 4: Do you conduct cross-border e-commerce?



Source: e-Chamber survey, Cross-border e-Commerce. Brand across borders, N=88, all surveyed companies

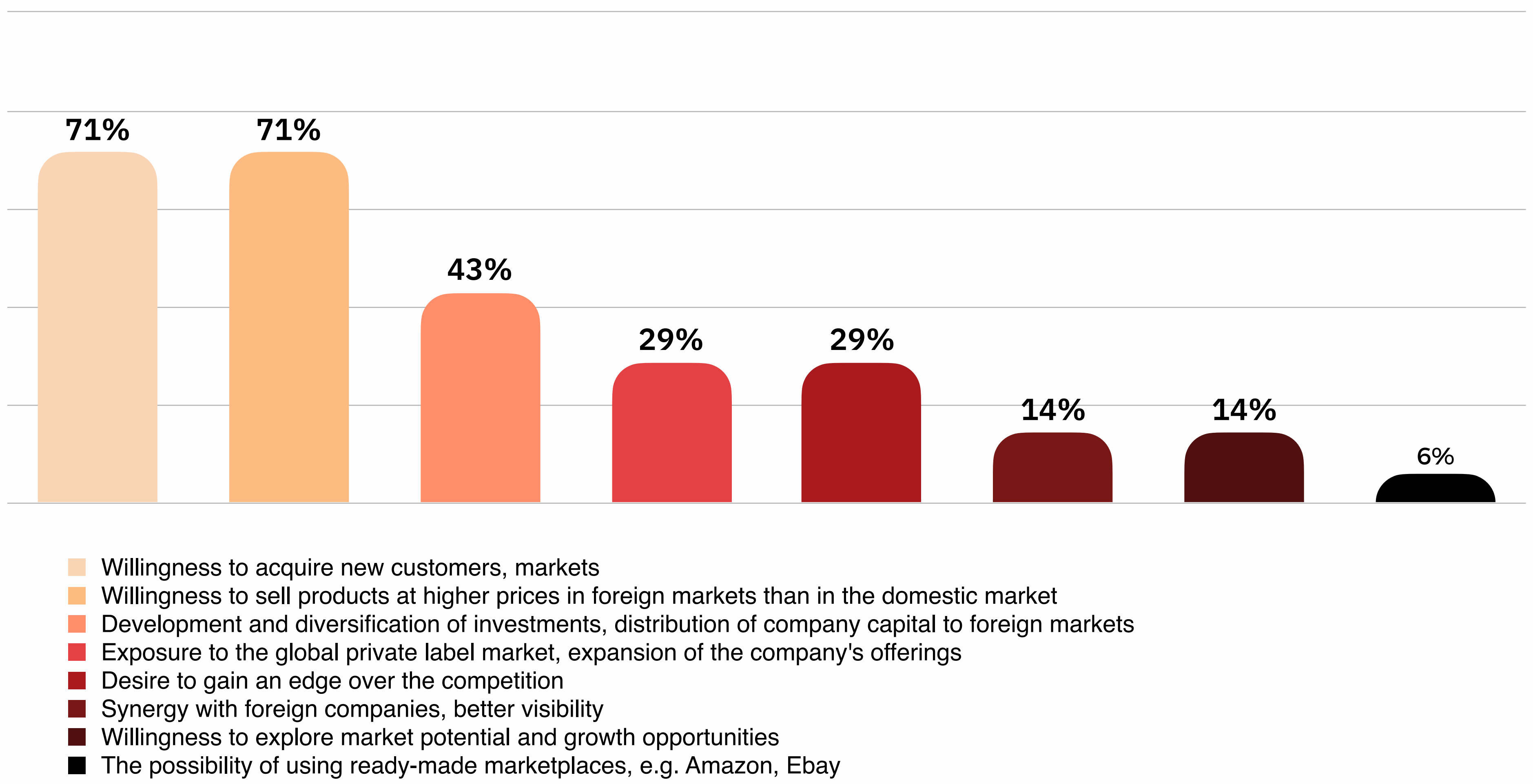
Chart 5: How long have you been e-selling overseas (cross-border e-commerce)?



Source: e-Chamber survey, Cross-border e-Commerce. Brand across borders, N=53, companies selling CBEC

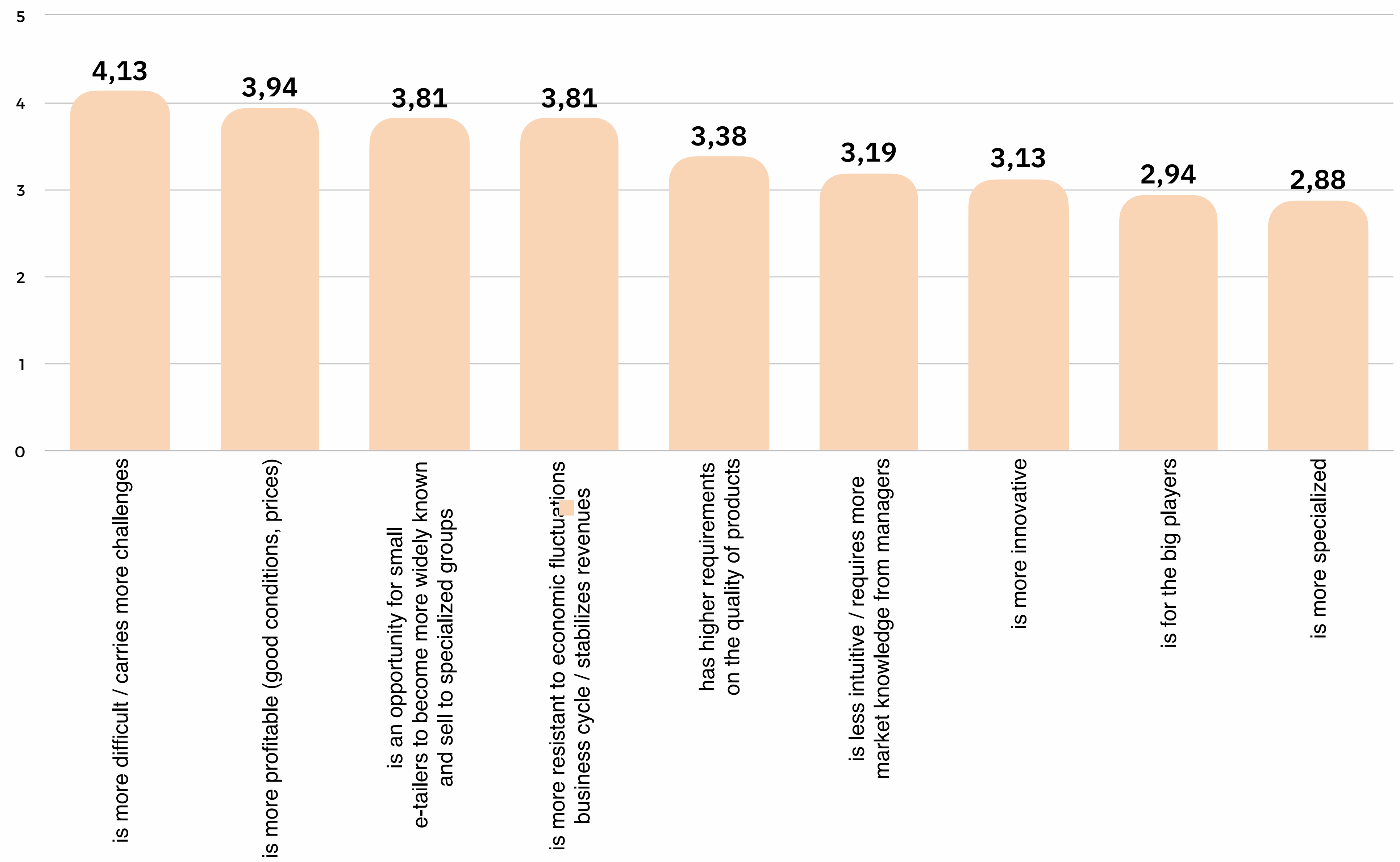
* the share of e-export companies among all active stores in Poland is lower due to the fact that still only 18% sell digitally, so we can estimate that the share of stores operating CBEC area in the group of all active stores is less than 10%.

Chart 6: What are the main reasons you can identify for going into foreign markets?



Source: e-Chamber survey, Cross-border e-Commerce. Brand across borders, N=88, all surveyed companies

Chart 7: In your opinion, how does CBEC relate to online sales conducted in your own country?



Source: e-Chamber survey, Cross-border e-Commerce. Brand across borders, N=88, all surveyed companies

Importance of cross-border for business

100%

surveyed companies selling across borders believe that their CBEC revenues will grow faster than sales in general, including those in the e-commerce channel.

20%

That's how much sales increased on average at companies that introduced cross-border e-commerce. Seventeen percent of the companies surveyed reported larger increases, above 20% per year.

4,23

IN SCALE 0-5

This is how respondents rate the importance of cross-border e-commerce for growth in their industry.

28%

The surveyed representatives of companies with cross-border sales believe that it gives them an advantage in their industry.

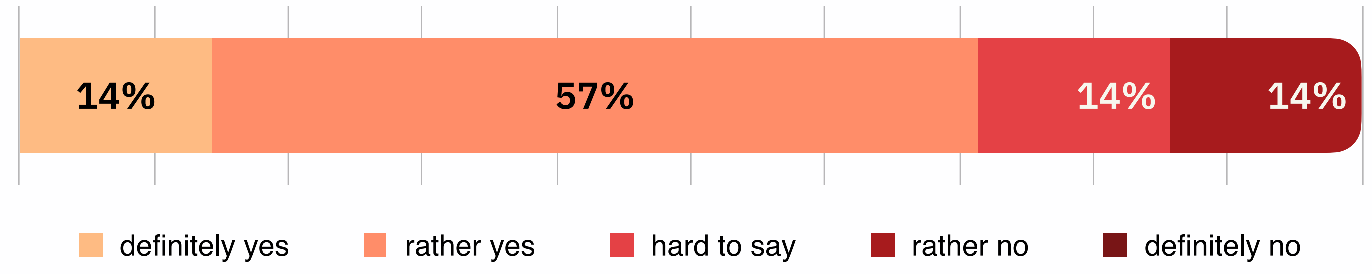
Profitable and risky

All surveyed company representatives agree with the statement that cross-border e-commerce is more profitable than domestic sales in the digital channel. The majority affirmed that it provides greater revenue stability because it is immune to economic fluctuations (average rating of 3.87 on a scale of 0-5). At the same time, CBEC was also rated by 90% of companies as riskier and more difficult. In this regard, it received a rating of 4.27 on a scale of 0-5.

The impact of cross-border sales on business

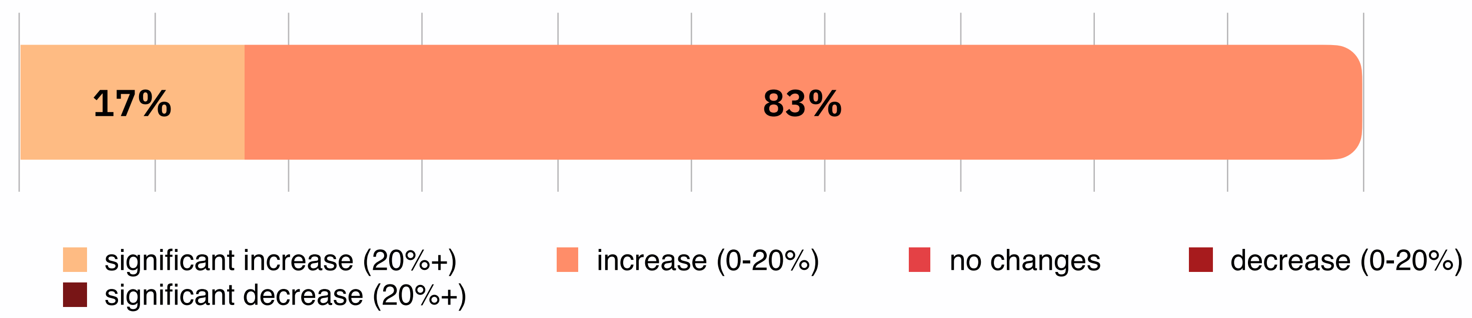
Entering the CBEC area is considered a success by almost 3/4 of the e-traders surveyed. The majority also confirm that starting to sell across borders has resulted in an increase in sales of up to 20%. In turn, 100% are confident that revenues from CBEC will grow faster for them than domestic sales. As for the advantage in the industry thanks to cross-border sales, such an effect is felt by only 14% of the surveyed companies, and most have no formed opinion on the subject. Instead, e-tailers rate ECBC very highly as a key element and factor for growth in their industry (4.17 on a scale of 0-5). Thus, it can be seen that cross-border sales, especially digital, are slowly becoming a given, a fundamental pillar of business and e-business. The benefits that CBEC brings to companies are first and foremost an increase in the number of customers, higher margins and an increase in sales in general, as indicated by more than 80% of respondents, with one in three mentioning these effects first. Interestingly, an increase in purchase frequency is much less frequently observed by e-tailers. Apparently, for a given shopping category, this frequency is quite similar in different countries. What makes companies successful abroad? According to respondents. They owe this primarily to attractive prices (56%) and high quality (44%) of their products, followed by a well-thought-out strategy, attractive delivery and return terms and merchants familiar with CBEC conditions (38%).

Chart 8: Do you consider your entry into cross-border e-commerce a success?



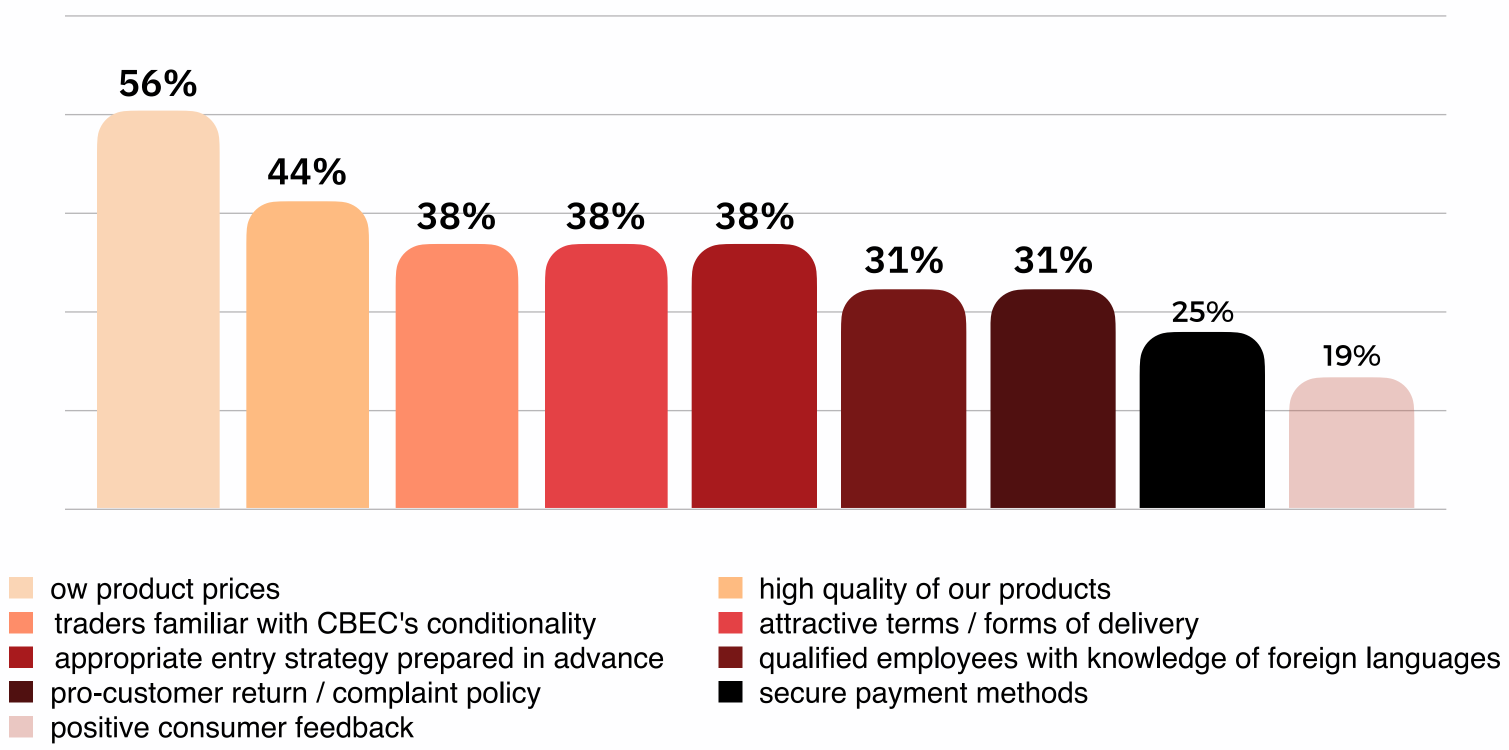
Source: e-Chamber survey, Cross-border e-Commerce. Brand across borders, N=53, companies selling CBEC

Chart 9: How has e-sales changed in the year since you entered foreign markets (started crossborder sales)?



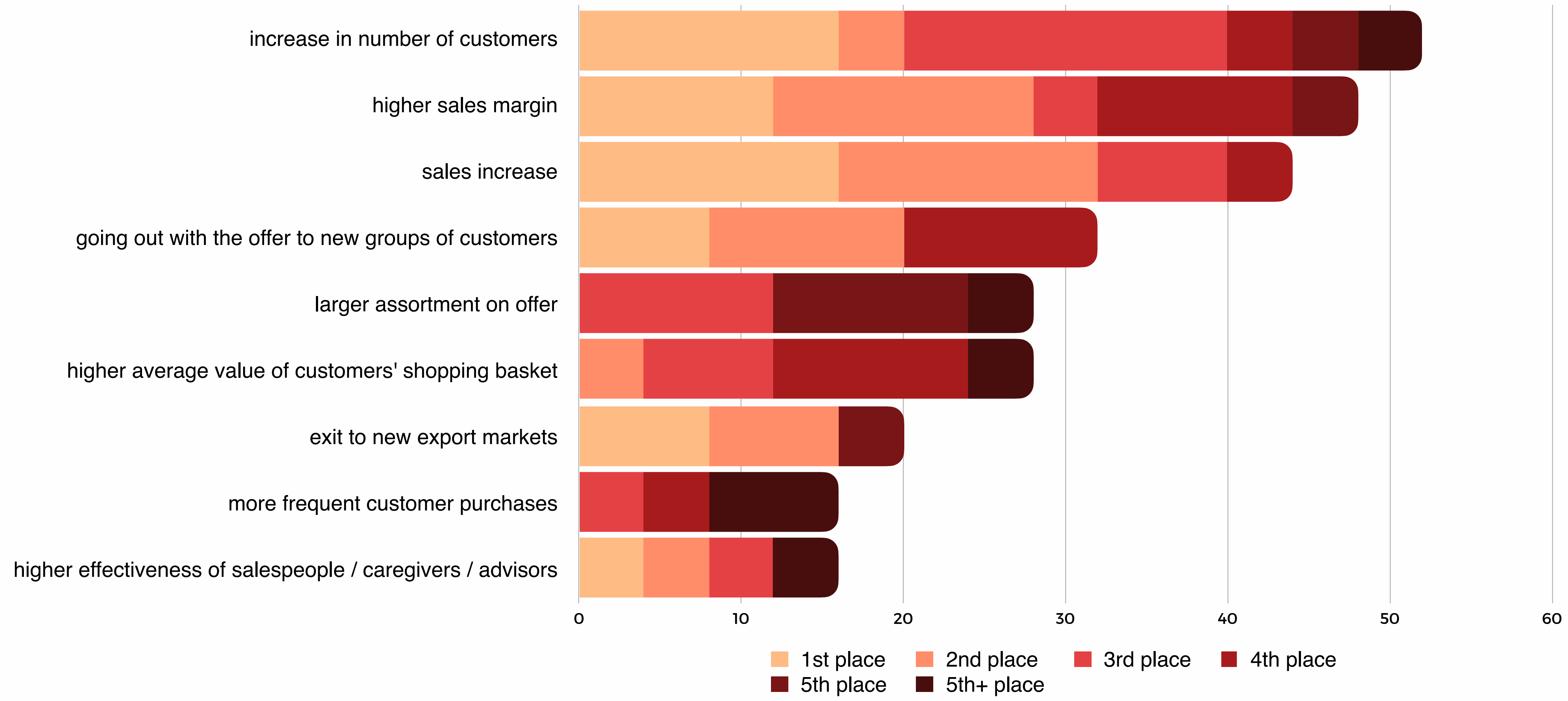
Source: e-Chamber survey, Cross-border e-Commerce. Brand across borders, N=53, companies selling CBEC

Chart 10: What are the main success factors for crossborder ecommerce that you can identify?



Source: e-Chamber survey, Cross-border e-Commerce. Brand across borders, N=88, all surveyed companies

Chart 11: What benefits do you see from entering foreign e-commerce sales?



Source: e-Chamber survey, Cross-border e-Commerce. Brand across borders, N=53, companies selling CBEC

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Business case

Justyna Grzyl

Head of Communications and Marketing CEE
PayU Global Payment Organisation (GPO)

Success depends on payment processing. PayU GPO shares its experience

Global trade, local payments

Cross-border e-commerce represents an earning potential for online merchants, and it will grow twice as fast as income from e-commerce sales in the coming years. In addition, for some entities, being present in only one market may even mean a decline in growth dynamics.

Cross-border e-commerce is becoming an increasingly important part of the growth strategy of e-commerce businesses, with payments being one of the key processes that support the generation of additional revenue from international transactions.

Consumers enjoy the fact that foreign retailers offer them access to a wider range of products. Already more than a third of online shoppers in the European Union take advantage of this privilege when making cross-border purchases. At the same time, due to the development of convenient digital payment methods, they feel increasingly comfortable buying goods online from any location and at any time. The right match between payment methods and user preferences in each market helps merchants to build trust and, consequently, increase the number of transactions and conversion rate.

However, cross-border payments constitute a complex and dynamically developing area where industry standards are evolving, and processes are becoming more multifaceted. There are also new legal regulations emerging and safety requirements are becoming more stringent. Customer experience, which is influenced by, among other things, the availability of local payment methods, is increasingly coming to the fore. For merchants selling in multiple markets, it can be particularly difficult to control all these aspects on their own, without the support of a relevant partner.

Online merchants interested in growing their business internationally may expect their payments to become more complex and multifaceted as the number of markets they want to be present in increases.

Many basic payment gateway solutions provide a simple way to accept popular global payment methods, such as card payments or e-wallets based thereon. The situation becomes more complex for merchants selling abroad if they want to accept local card payments, bank transfers, and other alternative payment methods.

Sometimes companies that want to quickly start selling in multiple locations choose to implement only globally available payment methods or start working with multiple payment gateways to process local payments in each location. However, the former approach does not fully meet the needs of consumers, while the latter is neither cost-effective nor easy to handle.

Business case

Justyna Grzyl

Head of Communications and Marketing CEE
PayU GPO

Success depends on payment processing. PayU GPO shares its experience

Merchants with fragmented payment infrastructures in multiple markets (using multiple payment gateways in different markets) are exposed to a higher risk of payment security breaches and a higher number of rejected payments, which leads to lower conversion rate and lost revenue.

With each international transaction interacting with a wide variety of potential authorizing banks, payment processors, and payment method providers, many of which are unique to specific markets, the importance of a single solution integrating these different layers of payments has never been greater in terms of providing a convenient way to manage and report on this process.

That is why, at PayU GPO, we have consolidated all aspects of payments into a single payment platform, tailored to the individual merchant's needs, and we are streamlining all payment processes. Our solutions for local payment methods allow us to support merchants in growing their cross-border sales and take care of the secure and efficient processing of transactions in the European Economic Area, as well as in South America and Africa.

The form of payment offered by an e-shop or an online platform is crucial for finalising an e-commerce transaction. In many countries, up to half of customers may withdraw from a purchase if their preferred payment method is not available.

Companies selling goods abroad should incorporate local payment preferences into their strategies, which means investing in the right technology to ensure that consumers buying through foreign websites are able to:

- view prices in the local currency;
- make payments in the local currency;
- make payments using their preferred method;
- check upfront what any additional charges (taxes, duties, delivery, etc.) will be.

Offering payments in different currencies can be complicated. It is necessary, on the one hand, to adapt payment systems to support multiple transaction currencies, on the other hand, to support a specific settlement currency or currencies with the merchant. Thus, while sending and receiving money online is becoming easier for consumers and, from their perspective, takes seconds, the process of ensuring secure and reliable payments on the merchant side is becoming increasingly complex.

Business case

Justyna Grzyl

Head of Communications and Marketing CEE
PayU GPO

Success depends on payment processing. PayU GPO shares its experience

The processing of each payment involves several steps, each of which can affect the ability to approve or reject a transaction. The role of a payment operator such as PayU GPO, which supports online merchants in their international expansion, is to provide a harmonious, secure, and efficient way for funds to flow from the buyer to the seller.

KEY TO SUCCESS #1: finding the right partners

Different countries prefer different payment methods. What is popular and widely accepted in one country may be quite different in another. Offering a wide range of payment methods is key to attracting customers. Finding the right payment processing partner to provide consumers with the payment options they want to use will not only help build trust but also translate into a higher number of positively completed transactions. The selection of logistics partners to ensure efficient supply chain management is also crucial for a successful cross-border e-commerce business. Swift and reliable delivery of goods abroad, together with a clear presentation of shipping costs and the provision of tracking facilities, are of paramount importance for customer satisfaction.

KEY TO SUCCESS #2: understanding your target market and consumers' needs

Each market has different preferences and purchasing habits. Understanding these differences is crucial to tailor the offering to customers' expectations in a particular region. Preparing a product offering and implementing a marketing strategy adjusted to the local market can significantly increase the chances of success. Ensuring quality customer service in the local language and understanding local customs and customer service standards are also of equal importance.

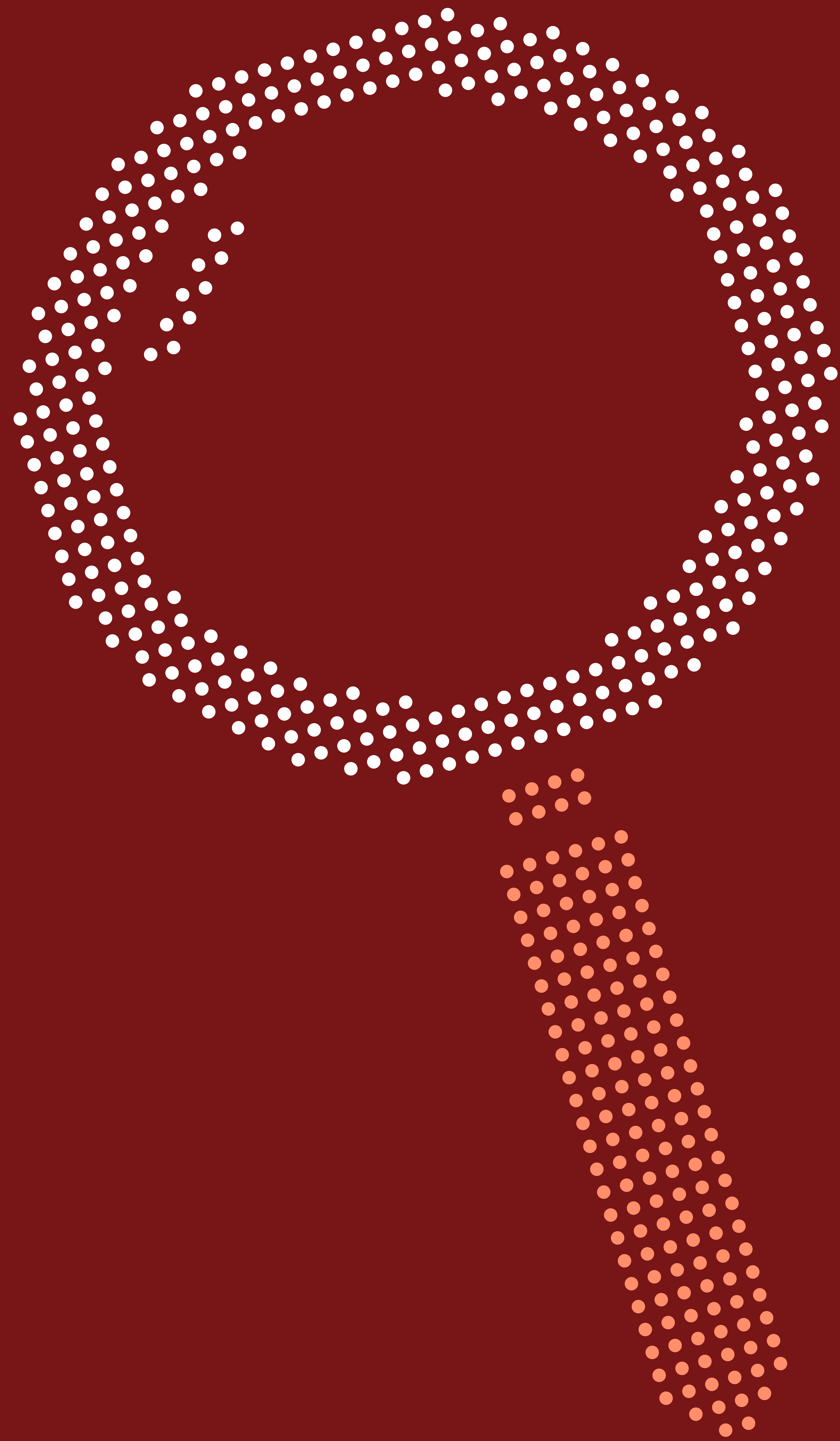
KEY TO SUCCESS #3: technology and optimization of the e-commerce platform

Technology continues to make international transactions increasingly easy. The development of online payments and e-commerce platforms enables transactions in different currencies and provides security for customers and merchants. When deciding to launch cross-border sales, it is important to ensure at one of the early stages that the e-commerce platform is suitably equipped to handle such transactions.

The e-commerce market is doing well and has gained momentum over the last decade. Research shows that a significant proportion of consumers are willing to spend their money abroad, thus creating a major new growth opportunity for merchants. Numerous online businesses, of all sizes, are already successfully developing their sales in international markets, using various strategies to reach customers beyond the national borders. Their success demonstrates the potential of cross-border e-commerce.

Methodology

How was the report written?

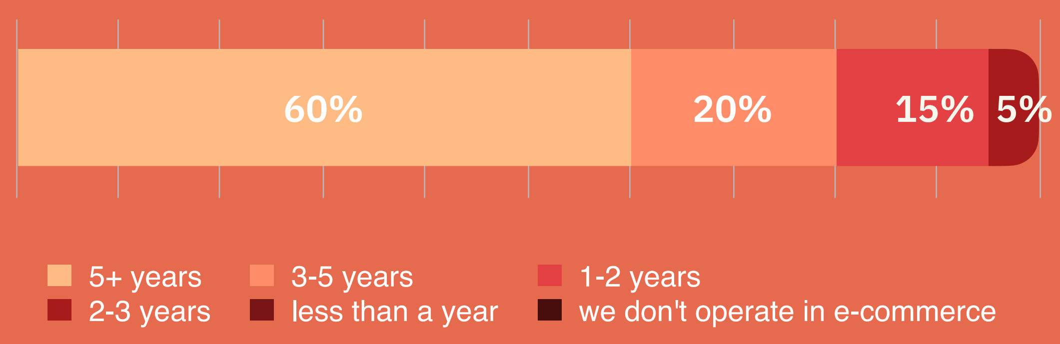


Methodology & metrics

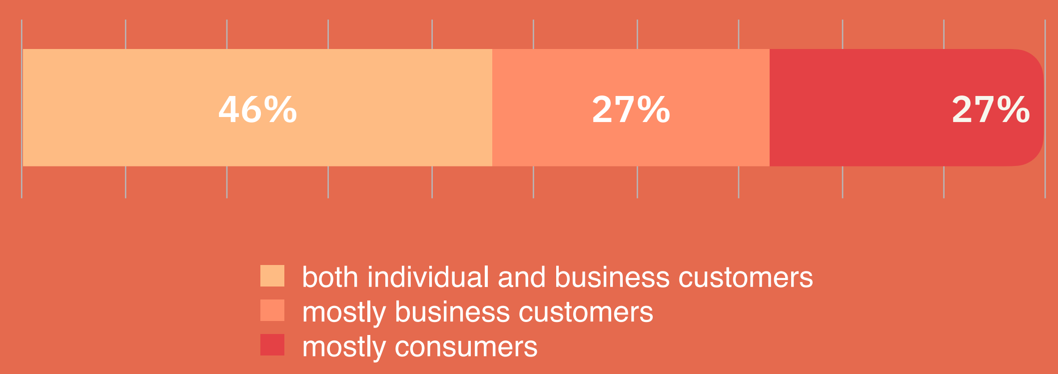
The report is based on a desk research analysis of available statistics and publications on the topic of CBEC and a survey conducted on companies with online sales, i.e. those active in the field of e-commerce. As part of the desk research, we analysed numerous sources. The survey of e-shops used the CAWI method (Computer-Assisted Web Interview) and the opinie.mobi electronic form system. Responses were collected from 88 e-shops of varying sizes and sectors via e-mail. The survey was conducted between 15.12.2023 and 03.01.2024. Only fully completed surveys were taken into account.

Characteristics of the surveyed e-tailers:

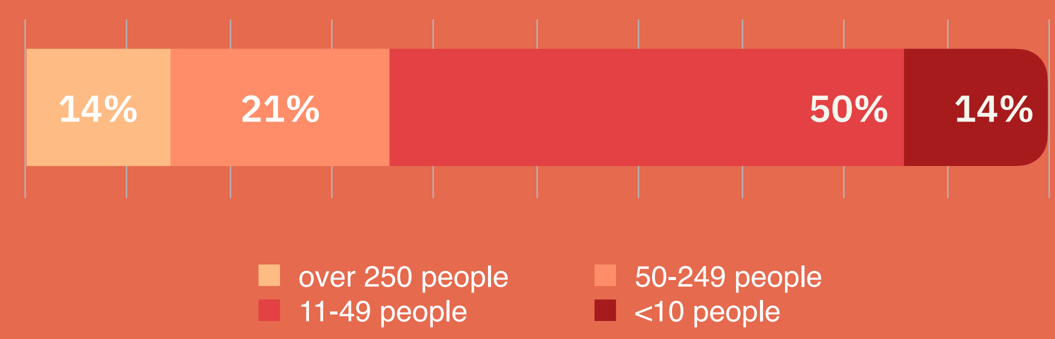
E-commerce operating time



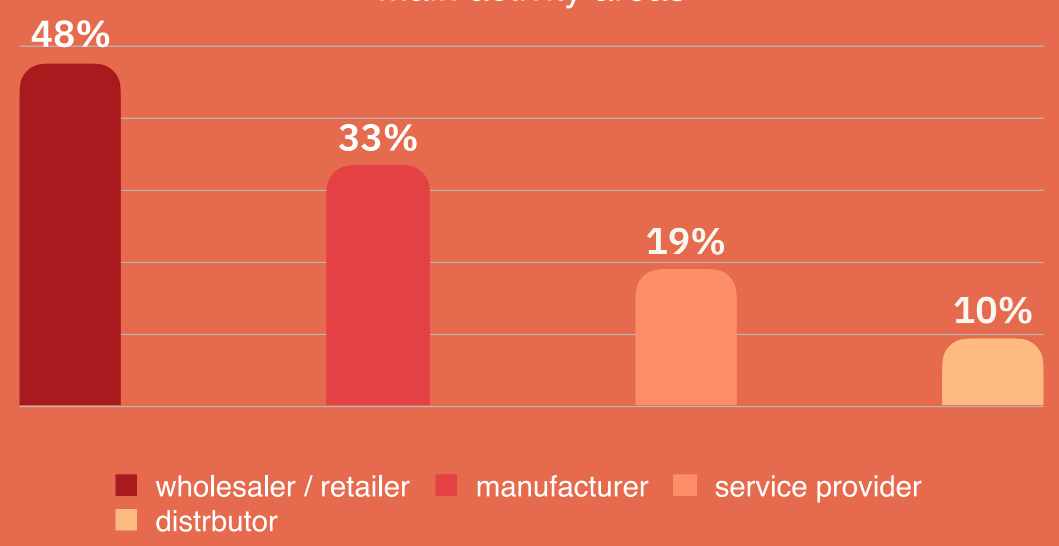
Customers served



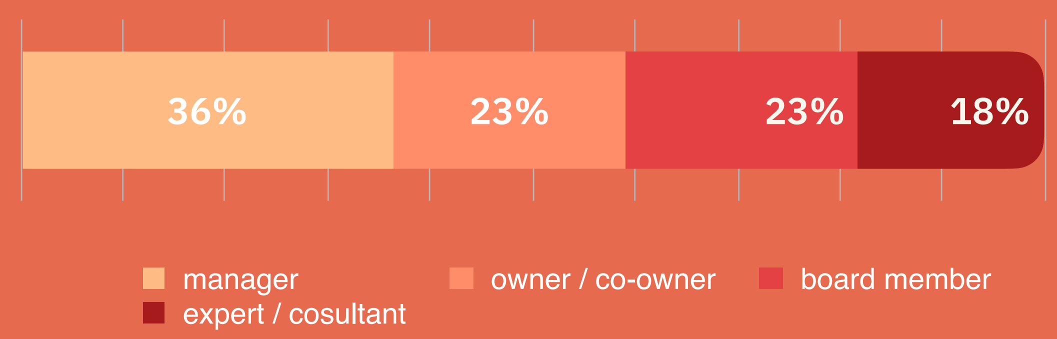
Company size



Main activity areas



Position of the respondent



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Thank You

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THIS IS A SUMMARY OF THE REPORT. THE FULL REPORT IS AVAILABLE TO COMPANIES AFFILIATED TO THE E-ECONOMY CHAMBER. BECOME A MEMBER OF E-ISBA AND GET ACCESS.

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