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E-COMMERCE AND DISTANCE SELLING IN THE EUROPEAN UNION

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Abstract: *This article will cover issues related to the subject matter, parties and their rights and obligations when conducting e-commerce and distance selling within the European Union. E-commerce and distance sellingare particularly important within the EU, not only because there are sufficiently well-developed mechanisms to ensure the functioning of the internal market. E-commerce is distinguished as a separate segment in commercial activity. Nowadays the importance of E-commerce and distance selling grows every day. In this modern world of technology, e-commerce is becoming a very important option for many businesses as there are lots of companies that are interested in developing their online stores. Furthermore, in times of pandemics like COVID-19, E-commerce has proven to be significant. I describe different types of distance selling and consumer protection. The main policy objectives for consumer protection can be divided into three broad categories that correspond to different phases in the relationship between the operator and the user. One of the main roles for customer protection is the payment system who provides a way of transferring value between different parties in the economy and to facilitate transactions at minimal cost. The legal framework is presented with a focus on the tax effects of e-commerce in the European Union.*

Keywords: e-commerce, distance selling, EU, protection, rights and obligations

1. Concept and types of e-commerce

E-commerce is the purchase and sale of goods, services, transmission of funds or data through an electronic network, mainly the Internet. It is a process in which businesses and consumers buy and sell goods and services electronically. The common legal framework for electronic commerce in the European Community is regulated by Directive 2000/31 / EC. This directive was introduced into Bulgarian law by the Electronic Commerce Act.

E-commerce consists of the following elements: e-commerce sites, e-commerce entities and e-business and technology.

According to the types of participants in e-commerce, it is classified into the following types [1]:

- **B2C** (business to customer) - The most common and used model in which the business sells products or services directly to the user on the Internet;
- **B2B** (business to business) - companies sell products or services to other companies;
- **C2C** (customer to customer) in which users trade with each other through platforms, and the owner of the site receives fee for providing the service;
- **C2B** (customer to business) - this is a category of trade that is gaining popularity over the years and is most often expressed in paid online research;
- **B2G** (business to government) - e-commerce,

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in which the business trades with the government by providing services, guaranteeing the necessary specification.

Source: Author's modification

2. Importance of e-commerce

E-commerce and distance selling are particularly important within the EU and stand out as a separate segment in trade. Nowadays, the importance of e-commerce and distance selling is growing with each passing day and it is changing the way companies do business. Consumers can now buy almost anything online 24 hours a day, seven days a week.

2.1. Advantages of e-commerce:

-Staff optimization - Creating an e-shop reduces staff costs by automating almost all activities related to the sales process.

-More convenience for users- A well-designed e-shop offers much easier access to any item

-Reduced search times – E- commerce can lead to significant savings of time and effort for consumers. They can even compare prices of the same products at the same time.

-Rents saving- E-commerce allows virtually unlimited sales without having to pay expensive rents for retail space;

-Expanding sales- The development of online sales allows us to find new customers, suppliers or partners anywhere in the world;

-More marketing opportunities - Proper positioning on the Internet provides many more communication channels and significantly increases the opportunities for organizing promotions, advertising campaigns, and other marketing initiatives;

-Facilitated international expansion - E-commerce solutions can both help companies maintain and expand their market and gives them a powerful tool for sales abroad.

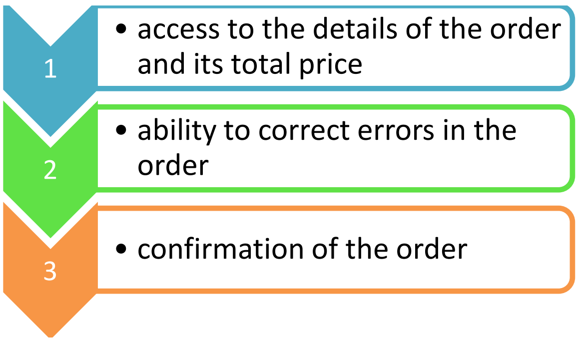
3.E-commerce during apandemic/ emergency situation

Various online surveys in the Member States show a significant increase in e-commerce in the European Union due to the spread of the coronavirus epidemic[2]. The WTO has published a report with detailed information for the influence of the COVID-19 pandemic on e-commerce, including the implications for cross-border trade. In the report, it is explained that in a pandemic we observe an increased use of e-commerce, social media use, internet video-calls due to the requirements for social distance and lockdowns. This has resulted in spikes in B2C sales and an increase in B2B e-commerce. The increase in B2C sales is based on online sales of medical supplies, household fundamentals, and basic food products[3]. The COVID-19 pandemic is considered as a crisis of supply and demand. The pandemic has made it clear that e-commerce can be an important tool for consumers. E-commerce can support small businesses and, by making economies more competitive, be an economic driver for both domestic growth and international trade. According to research, the emergency situation and the isolation of citizens in their homes will make some forms of consumer behavior and the purchase of online goods durable, with 50% of consumers saying they will keep their new habits after the crisis.

4. Parties - rights and obligations of the parties

The Internet has created new opportunities for international trade. E-commerce has changed the functioning of business, as well as the sale of goods and services. The creation of an e-commerce website implies

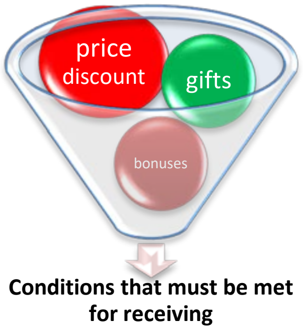
compliance with legal obligations, in particular at the level of the order process, consumer information and customer data protection. Within the European Union, Directive 2000/31/EC has been established on certain legal aspects of information society services, in particular e-commerce in the internal market. The Directive has been transposed in all Member States.
Every company that uses an e-commerce site in its business must comply with certain legal requirements:
- The company's website **must include**: company name, registered office and company address, contact form, email address. Depending on the specifics of the offered goods and services, the following should also be indicated: VAT identification number, permit, in which the state body certifying the right of the site to sell / perform the respective goods / service is indicated, in case the profession is regulated , there must be a reference to the applicable professional rules, the professional title, the country in which it is granted, and the name of the professional organization with which the company is registered. Self-employed persons are exempt from registration, but must point it out on your site.
-The consumer **must be informed**, in a legible and comprehensible manner, that a distance selling contract is concluded between him and the business from which he is buying. The obligation of the owner of the site is to inform the user about: the presence/absence of the right of withdrawal, the conditions, the term and the performance; information on the consumer's obligation to pay costs when exercising his right of withdrawal; the possible costs for delivery and remote communication for concluding the contract; where applicable, deposits and other guarantees to be paid, the existence of applicable codes of conduct and the possibility of recourse to out-of-court proceedings to settle a dispute with the company.
Information on these obligations must be available as an option before the consumer is able to confirm his order [4].
Most of this information usually appears on a page on the site entitled *"Terms of Sale / Terms of Use"*. The consumer must have the obligation to read and accept them in order to confirm his order. The legal relationship between the parties arises from a contract for the use of the site. Under this agreement, the provider undertakes to ensure uninterrupted access to the services, and the consumer undertakes obligations related to access to those services. The content of the contract is typed for all users, i.e. represents a contract under general conditions. The contract is bilateral; it is concluded through an electronic statement; performance; gratuitous; with continuous performance.
- The user order must go through 3 stages:



Source: Author's modification

-Commerce sites that collect information (name, telephone or e-mail address, for example) and represent files of customers and potential customers should comply with **the collection of personal data** with Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of individuals persons in connection with the processing of personal data and the free movement of such data. The sites are obliged to request the prior consent of users to collect their personal data by informing their customers about their right to access, change and delete this data. Moreover, the company that owns the

site must ensure the security and confidentiality of the data[6].
-A special obligation of the provider is to provide registered users with access to the Internet-based information system for collective e-commerce, helping to establish contact between consumers and traders to enter into a contract for the purchase of goods and/or services and advance payment of the agreed price. This is the most important obligation.
-Easily and **clearly identifiable** on the website must be[5]:



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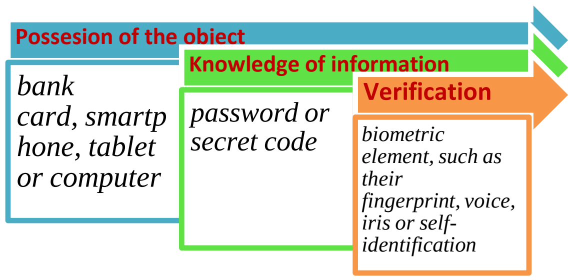
5. Legal protection

The legal protection mechanisms are regulated by the Electronic Commerce Act, the Consumer Protection Act and the Telecommunications Act [11].Protection against unfair commercial practices - unfair commercial practices are illegal in consumer law.
a withdrawal period of 14 days from the.
The EU has some of the strongest and strictest consumer protection rules in the world, but it is still difficult to fully implement in practice.
EU-wide rules to better protect consumers from fraud and to detect and stop unfair traders more quickly continue to evolve. The purpose of these rules is to strengthen and improve cooperation between all Member States in consumer protection so that they can more easily monitor compliance and deal with cross-border infringements [7]. A number of legal mechanisms have been adopted in European law, including the possibility for the online consumer to have a withdrawal period of 14 days from the day following the acceptance of the offer of services or delivery of goods (there are some exceptions to this right of derogation, in particular for press, custom and perishable goods). Moreover, after concluding the contract, the delivery must be made no later than 30 days after the online order.

6. Financial protection

The European Payment Services Directive, which has been in force in the European Union since 13 January 2018, includes a set of regulatory provisions aimed at strengthening the security of online payments.
Today, the security of online payments is based on entering bank card details: number, expiration date, cryptogram or even last name and first name of the holder.
E-commerce sites are now free to require strong authentication from the customer with the "3D-Secure" protocol, in order to validate the operation, the user enters a single-use code sent via message to their mobile phone [8].
At the time of the transaction, the new security protocol must combine *at least two of the following* three factors:



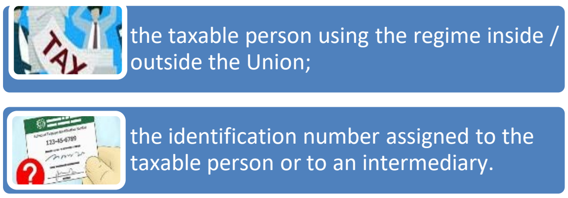
Source: Author's modification

The company that manages an e-commerce site must also follow several rules for remote payment:
-the company must ensure the security and confidentiality of its customers' bank details. Certain customer information can only be stored with his consent [9].
- the company must also indicate on its e-commerce website the accepted means of

payment and all delivery restrictions, at the latest at the beginning of the order process.
-the prices indicated on the site must be clear and indicate whether taxes and delivery costs are included in the price or not.
The question of fraud and the possibility of recovering the amount from the issuing bank of the payment instrument remains interesting. Consumer protection is in accordance with the legislation of the Member States. The conditions for refund in case of unauthorized transaction are subject to an agreement between the issuing bank and the consumer. However, banks impose additional conditions and force their customers to sign a contract stating that the payment card is strictly personal. It is forbidden to lend. If someone from the holder's environment uses the payment instrument without consent, the bank is released from the obligation to refund the amount.

7. Tax effects

The European Union intends to modernize and simplify the VAT system for online sales of goods. The new VAT rules also aim to combat VAT fraud. The e-commerce VAT package has been completed with the adoption of Commission Implementing Regulation (EU) 2020/194[10]. The EC aims to simplify VAT obligations for business carrying out cross-border sales of goods and services to the final consumer to ensure that VAT is paid to the Member State of the customer. The EC proposed EU legislation in two phases:
The first package of measures concerning telecommunications, broadcasting and electronic services entered into force in 2015.
The second package includes rules for distance sales of goods to final customers in the EU. It was adopted by the Council in 2017. The latter measures: "The VAT e-commerce package will apply from January 2021.
Under current VAT rules, cross-border sales of goods to consumers within the EU are subject to VAT in the Member State of arrival of the goods. This requires companies to register for VAT purposes, to collect and send VAT and to file VAT returns in many EU Member States.
Under the new VAT rules, the thresholds for distance selling are abolished. Cross-border sales of goods to consumers will automatically be subject to VAT in the EU Member State on arrival of the goods. Businesses will no longer be required to register for VAT purposes and file VAT returns in many EU Member States.
The European Commission aims to simplify VAT payment mechanisms for companies selling cross-border goods or services (mainly online) to end-users. In order to minimize the administrative burden on taxpayers, certain requirements are established for the electronic interface of websites, which will facilitate taxpayers in submitting identification information and VAT returns. Member States are also free to provide additional functionality to further reduce administrative burdens.
Through the CCN / CSI network, the Member State of identification will transmit the following information to the other Member States:



Source: Author's modification

8. Conclusions

The importance of e-commerce and distance selling is growing with each passing day, changing the way of life of European citizens and facilitating access to the Internet. In recent years, the European Commission has adopted a number of directives and regulations to improve services and eliminate the administrative burden of e-commerce.

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