

*This monthly EU newsletter for TerraLex member firms has been put together by **Gecić Law**'s EU Law practice in Brussels, staffed by partner Anne MacGregor and associate Nina Raluca Bucătaru. The aim is to provide an overview of EU legislative and policy developments and other relevant insights likely to impact TerraLex firm clients globally who do business in the EU market of some 450 million consumers in 27 Member States.*

1. THE EU PROPOSES A DIGITAL FAIRNESS ACT TO COMBAT MANIPULATIVE AND ADDICTIVE ONLINE PRACTICES

The EU's Unfair Commercial Practices Directive, in force since 2005, prohibits practices including misleading advertising and aggressive sales techniques. However, the existing framework was established before the widespread use of apps, subscriptions, and influencer marketing.

On 11 November, the European Commission proposed a Digital Fairness Act (DFA) to update consumer protection rules for digital markets. The proposed regulation would replace the Unfair Commercial Practices Directive and apply directly in all EU Member States. It would cover both online and offline business-to-consumer practices, with much of the reform focused on how businesses design and sell digital products and services. A separate proposal would revise the Consumer Protection Cooperation (CPC) Regulation, which governs cross-border enforcement.

Digital Practices Targeted

The DFA targets a range of digital practices, including:

- **Dark patterns**: The proposal prohibits online interfaces that may deceive or manipulate consumers or materially distort their economic behaviour. Practices prohibited in all cases include false scarcity claims, certain pre-selected default options, and repeated prompts to change a previous choice. The European Commission would have the authority to update this list through delegated acts.
- **Unfair personalisation:** Profiling-based advertising would be prohibited when directed at minors or when using special categories of personal data. Profiling-based personalised pricing would not be permitted where it could negatively affect minors or vulnerable consumers.

- **Influencer marketing:** Influencers would be required to clearly disclose commercial content and avoid exploiting the trust of minors. Marketing of products that are unsafe or not permitted under EU or national law would be prohibited. Brands and other traders involved in the marketing chain would be responsible for ensuring compliance.
- **Spending and attention-maximising design features:** Pay-to-win and pay-to-progress mechanisms would not be allowed for minors. Adult consumers would have the option to disable features that encourage compulsive or excessive use, such as autoplay and endless scrolling. Prices displayed in virtual currencies would be required to indicate their real-money equivalent. Variable reward systems, including loot boxes, would need to disclose the probability of winning, be capable of being disabled by all consumers, and would be prohibited for minors.
- **Unfair pricing practices:** Annex I identifies additional practices considered unfair in all circumstances, such as drip pricing and price comparisons based on reference prices that are not current prices charged by a clearly identified competitor. For event tickets subject to dynamic pricing, traders would be required to disclose the number of tickets available at the advertised price and the maximum price. Traders using virtual queues would need to display both the current and maximum prices in real time.
- **Subscription contracts:** Consumers would be notified before the end of a free trial and would need to provide explicit consent before a paid contract begins. Reminders would also be required before automatic extensions, and traders would be obliged to offer an online termination option.

Consumers would also have the right to contact a human representative in customer service and to set parameters for automated systems, including AI agents, that may conclude contracts on their behalf.

Initial Reactions

Industry representatives from the European video games sector have called for a review of the proposal, raising concerns that the provisions on in-game purchases could negatively impact competitiveness, introduce legal uncertainty and limit consumer choice. According to the proposal, in cases where games are directed at children or where companies can reasonably ascertain that minors are users, paid virtual currencies would be disabled by default and could only be enabled with parental or guardian consent.

Dynamic pricing is also expected to be a sticking point in the upcoming negotiations, particularly the transparency requirements for ticket sellers using virtual queues.

The proposed rules would also apply to traders based outside the EU when they target consumers within the Union. The CPC Proposal would require such traders to appoint a legal representative established in the EU.

For large-scale cases impacting consumers in multiple Member States, the Commission would have the authority to investigate and impose fines directly on traders, with penalties reaching up to 6% of global annual turnover. At present, enforcement responsibilities rest with national authorities.

Next Steps

The European Parliament and the Council are expected to commence negotiations on the proposals. If adopted, the Digital Fairness Act would apply 12 months after its entry into force.

2. THE END OF DUTY-FREE PARCELS

In 2025, the EU imported 5.9 billion low-value e-commerce items, four times the number recorded in 2022. Most were shipped directly to consumers from China, where 91% of such parcels originated in 2024. Until this year, goods worth €150 or less entered the EU without customs duty.

The exemption for low-value goods has ended. From 1 July 2026, a flat customs duty of €3 applies to each item in parcels valued at €150 or less. From 1 November, a Union handling fee of €2 per item also applies. The fee is intended to cover the cost of customs checks on e-commerce imports.

How the Fee Applies

Delegated Regulation (EU) 2026/2152 set the handling fee. It applies to goods sold at a distance from outside the EU to consumers in the EU. Unlike the €3 duty, it applies regardless of the value of the goods.

Both charges are calculated per item, not per parcel. Goods with the same tariff classification and description count as one item. For instance, a €10 parcel containing a pen, a notebook and a key ring now attracts €9 in customs duty and €6 in handling fees, plus VAT. A parcel containing two identical pens would be treated as a single item, attracting €5 in total.

The business filing the customs declaration pays the fee, and it is not refunded if the goods are returned.

Part of a Wider Customs Overhaul

The new charges are the first step in a broader reform of the EU Customs Union, as set out in the new Union Customs Code. The reform aims to digitalise customs processes and improve coordination across Member States, in response to the increasing volume of e-commerce imports. Many of these products do not meet EU safety standards. The high volume has increased pressure on customs authorities and on EU businesses.

The reform will be implemented in stages until 2034. It will establish a new EU Customs Authority and an EU Customs Data Hub. Online platforms and marketplaces will have increased responsibility for goods sold through their services.

Next Steps

The €3 duty is a temporary measure and will apply until 1 July 2028, when the Customs Data Hub is expected to become operational. From that date, a separate handling fee for goods held in customs warehouses before sale is also expected to apply. Product identifiers on e-commerce customs declarations have been mandatory since 1 November.

3. EU AND INDONESIA SIGN TRADE DEAL AS TARIFF PREFERENCES NEAR EXPIRY

With a population of over 280 million, Indonesia is Southeast Asia's largest economy and a major supplier of raw materials, palm oil, textiles and footwear to the EU. Negotiations on a trade agreement began in 2016.

On 21 November, the EU and Indonesia signed a Comprehensive Economic Partnership Agreement and a separate Investment Protection Agreement. The trade deal is the EU's third with a Southeast Asian country, after Singapore and Vietnam.

What Happens on 1 January?

Indonesia's current tariff preferences under the EU's Generalised Scheme of Preferences will expire on 1 January 2027. If the new agreement is not yet in force at that time, goods currently benefiting from these preferences will be subject to standard EU tariffs until the agreement applies. Application of the new tariff rates will depend on compliance with the relevant rules of

origin. For example, companies sourcing footwear assembled in Indonesia from imported components will need to verify that the assembly process meets the applicable product-specific rule.

Where EU Exporters Stand to Gain

Currently, EU car exporters face Indonesian duties of up to 50%. Under the new agreement, these duties will be eliminated over a five-year period. Once fully implemented, the agreement will liberalise up to 98.5% of tariff lines across all sectors. According to Council estimates, this will result in annual customs duty savings of approximately €600 million. The agreement also provides for increased access to Indonesia's services and public procurement markets, protection of geographical indications, and includes a separate protocol concerning palm oil.

What Investors Get Under the Separate Agreement

The Investment Protection Agreement protects investors against unlawful expropriation and guarantees fair and equitable treatment. It provides for voluntary investor–state mediation and a separate procedure for disputes between the EU and Indonesia. The two sides have agreed to continue negotiations on a future investor–state dispute settlement mechanism.

Entry into Force

Both agreements may apply provisionally once the EU and Indonesia have notified each other of the completion of their respective procedures. The start date for provisional application remains to be confirmed. The European Parliament's consent is required before the Council can formally conclude the agreements.

END

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