

VAT Alert: EU One Stop Shop Scheme to be extended to Distance Sales within the EU

Who should read this VAT Alert?

This VAT Alert is relevant for:

- EU and non-EU businesses that distance sell goods within the EU.

What is changing?

New EU VAT rules on e-commerce come into effect on 1 July 2021. The changes include:

1. The existing distance sales thresholds (DSTs) for each Member State will be abolished and replaced with a new EU-wide threshold of EUR 10,000 for B2C supplies of intra-EU telecommunications, broadcasting and electronically supplied (TBE) services and intra-EU distance sales of goods combined. Once the threshold is exceeded all such e-commerce sales will be subject to VAT in the EU country of destination;
2. The current Union Mini One Stop Shop (MOSS) for TBE services will be extended and turned into a One Stop Shop (OSS). The new Union OSS will be extended to include intra-EU distance sales of goods.

The impact of the new threshold on distance sales

The introduction of the new EU-wide EUR 10,000 e-commerce threshold means that:

- many businesses will fall within the scope of the EU distance selling rules for the first time;
- businesses with current distance selling VAT registrations in some EU Member States will become liable for local VAT on sales to customers in all EU countries.

What is the OSS?

The Union One Stop Shop (OSS) is an electronic portal businesses can use to comply with their VAT obligations on e-commerce sales within the EU to consumers from 1 July 2021. It enables businesses

that distance sell in the EU to:

- Register for VAT electronically in a single Member State for all intra-EU distance sales of goods;
- Declare and pay VAT due on all supplies of goods in a single electronic quarterly VAT OSS return;
- Deal only with the tax administration of the Member State in which they are registered for the OSS even though their sales are EU wide.

This avoids the need for businesses to separately register for VAT in every Member State.

Both EU and non-EU businesses can use the OSS for distance sales of goods within the EU.

Records relating to OSS sales must be kept for 10 years.

OSS registration

Businesses can register for the OSS from 1 April 2021. The OSS can only be used for distance sales of goods taking place on or after 1 July 2021.

What businesses need to do

- Businesses involved in intra-EU distance sales need to identify where they may have new obligations to charge overseas VAT following the abolition of the DSTs.
- Businesses intending to use the Union OSS scheme should review whether they can reduce the number of their existing EU VAT registrations.
- Businesses intending to use the Union OSS for distance sales should register before 1 July 2021.
- All businesses impacted by the new rules need to identify and implement the changes required to checkout, billing and accounting systems and processes in order to comply with the new rules.

Note: *Different rules apply to EU distance sales of goods made by non-EU established businesses via an electronic marketplace.*

For further guidance on the new EU VAT rules on e-commerce and for assistance with registering for the OSS please contact us on: