

## Who should read this VAT Alert?

This Brexit Alert is relevant for:

- businesses that distance sell within the EU
- businesses selling goods located outside the EU to EU consumers
- electronic marketplaces facilitating supplies to EU customers.

## What is changing?

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

1. Businesses operating electronic marketplaces or platforms will, in certain situations, be deemed for VAT purposes to be the supplier of goods sold to customers in the EU by companies using the marketplace. Consequently, the marketplace will have to collect and pay the VAT on these sales. New record keeping requirements will also be introduced for electronic marketplaces.
2. The existing distance sales thresholds (DSTs) will be abolished and replaced by a new EU-wide threshold of EUR 10,000 for both Telecoms, Broadcasting and Electronically Supplied (TBE) services and intra-EU distance sales combined. Once the threshold is exceeded all e-commerce sales will be subject to VAT in the EU country of destination.
3. The Mini One Stop Shop for TBE services will be extended and turned into a One Stop Shop (OSS) :
  - the non-Union scheme for supplies of TBE services by non-EU businesses will be extended to all types of cross-border services to final consumers with a place of supply in the EU, e.g. accommodation services, admissions to events etc
  - the Union scheme for intra-EU supplies of TBE services will be extended to all types of

B2C services with a place of supply in the EU, as well as to intra-EU distance sales of goods and certain domestic supplies facilitated by electronic interfaces.

- a new Import One Stop Shop (IOSS) scheme will be created covering distance sales of goods imported from non-EU countries to customers in the EU in consignments up to a value of EUR 150.

4. The current import VAT exemption for goods in small consignments of a value of up to EUR 22 is to be abolished.

## The import one stop shop (IOSS)

When the IOSS scheme is used, the collection of VAT will move from the point of importation to the point of sale. The seller will charge and collect VAT at the point of sale based on the EU customer's location. The VAT on all EU-wide sales will be declared and paid on a single VAT return via the IOSS. No import VAT or customs duty will be paid when the goods enter the EU.

If the IOSS is not used import VAT will be due at the border. A second simplification will be available for the collection of import VAT from customers by the customs declarant (e.g. postal operator, courier firm, customs agents) who will pay it to the customs authorities via a monthly payment. That VAT can be paid to the customs declarant on delivery to the customer or by the retailer collecting it from the customer.

Standard import procedures will apply if neither of the above simplifications is used.

The IOSS cannot be used for consignments exceeding EUR 150 and standard import procedures will apply, meaning that import VAT and customs duty will be chargeable at the EU border and VAT is not

chargeable at the point of sale.

## How is the EUR 150 threshold determined?

The starting point is to consider whether the selling price of the goods exceeds EUR 150, excl. VAT. The value is based on the 'intrinsic value' of the goods, i.e. the price of the goods, excluding:

- transport and insurance costs, unless they are included in the price and not separately indicated on the invoice
- any other taxes and charges that do not reflect the value of the goods themselves and which are separately identified on the invoice.

The EUR 150 threshold applies to the value of the consignment, not to each individual item within the consignment. To determine the correct VAT treatment it is important to know whether goods will be packaged and sent singularly to the customer or as part of a consignment with other goods.

## What businesses need to do

- Electronic marketplaces need to fully understand the extent of their additional VAT obligations under the new rules.
- Businesses selling via electronic marketplaces need to understand what sales they will still be obliged to account for VAT on.
- Businesses intending to use the extended OSS schemes should review whether they can reduce the number of their EU VAT registrations.
- 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 carrying out import distance sales valued at up to EUR 150 should consider registering for the IOSS or using the simplified

arrangements for the payment of import VAT.

- Businesses that register for the IOSS will need to establish what local VAT rates apply to their goods valued at up to EUR 150.
- Businesses that register for the IOSS will need to ensure that courier processes are satisfactory so that double taxation of consignments valued at up to EUR 150 does not occur, i.e. VAT doesn't get paid both at the point of sale and at importation.
- Businesses that register for the IOSS will need to ensure that courier processes are satisfactory so that import VAT and customs duty are paid on consignments valued at over EUR 150.
- All businesses impacted by these changes need to identify and implement the necessary systems and processes to comply with the new rules.