



vat rule changes for e-commerce



As introduced on the 1 July 2021, VAT rules on cross-border business-to-consumer (B2C) e-commerce activities changed. The rationale for those changes was primarily to overcome the barriers to cross-border online sales and address challenges that arose from the VAT regimes for distance sales of goods and for the importation of low value consignments.

These new rules aimed at simplifying the existing VAT obligations originally brought in following the UK departure from the EU, to reduce the administrative burden for enterprises engaged in cross-border online B2C sales.

Overview

Three schemes were introduced and from 1 July to deal with B2C supplies of goods and services to EU customers.

Two of the schemes were versions of existing schemes. The third scheme deals specifically with distance sales of goods from stock held outside the EU. In each case, the scheme is designed to facilitate the collection of VAT by one EU member state, which is then passed on to the member state in which the supply is deemed to take place. The basic principle for both goods and services are to collect VAT by reference to the place where the customer belongs or where the transport of goods ends. If you register for VAT using one of these schemes, you will complete one return for all EU sales, rather than being required to register for VAT in all member states in which your customers are based.

This one stop shop (OSS) return allows you to declare sales across all 27 EU member states.

- The “Union Scheme” covers intra-EU supplies of goods and services for businesses with their place of business or a fixed establishment within the EU. The Union Scheme will also allow a UK business to hold stock within the EU (for example the Netherlands) and pay VAT for all EU sales to the Dutch tax authorities.



- The “non-Union Scheme” covers supplies of services to EU customers by businesses with no establishment within the EU.
- The “Import Scheme” covers the distance sale of goods below €150 fulfilled from stock held outside the EU.

Online Marketplaces

If you sell to EU customers using an online marketplace such as Amazon or eBay, you may be working with them to understand how best to provide stock to hold in warehouses in the EU. From 1st July, the marketplace or “deemed supplier” will account for VAT on your behalf if they facilitate the sale on their platform.

If you sell on both your own website and through a third party in this way, you are likely to have an obligation to account for EU VAT alongside the VAT being paid on your behalf by the online marketplace.

What Should I Do?

At present, you may be working through the implications of incoterms and whether to sell goods delivered duty paid (DDP), delivered at place (DAP) or in some cases ex-works (EXW). If you are selling DDP, you may also be grappling with the potential requirement for multiple VAT registrations across the EU.

These schemes can simplify your EU profile for sales of goods, as you would potentially only need one VAT registration in one EU member state. It may help to consider how these schemes would work at a practical level, as part of the need to rethink the basis on which you sell to your EU customers.

Sale Of Goods

- The Union Scheme will work for you if you are prepared to hold stock in the EU. Your business will register and file its OSS VAT return in that country and pay VAT using sales information for each member state.
- The non-Union Scheme is not relevant to sales of goods.
- The Import Scheme will allow you to choose any EU member state to register for the import one stop shop (IOSS) scheme. This is only relevant for B2C sales below €150 (c£135). The IOSS scheme also requires you to appoint an intermediary to act on your behalf if you have no establishment in the EU, e.g., Germany or Ireland

Supplies Of Services

- The Union Scheme will work for you if you have a fixed establishment within the EU. You will register for OSS in that country and pay VAT by reference to sales across the EU.
- The non-Union OSS will work for you if you do not have a fixed establishment in the EU. You can choose to register in any EU member state and account for VAT through the OSS VAT return in that country.
- The IOSS scheme is not relevant to supplies of services.

A Final Note On Compliance

The OSS and IOSS schemes have very little flexibility to backdate the point at which you join and start paying VAT. If one of these schemes can make life simpler, it pays to plan ahead to avoid multiple VAT exposures in the EU before joining one of the schemes.

If you would like to get in contact with me to discuss any further aspect of this article, or any other questions regarding e-commerce, please get in touch via roy.butcher@raffingers.co.uk or at raffingers.co.uk/contact