

EU E-Commerce Changes

Overview

New EU-wide E-Commerce rules with effect from 1 July 2021

As of 1 July, new VAT rules will come into effect for distance sales of goods (B2C) and cross-border supplies of services (B2C), replacing the existing cross-border business-to-consumer rules.

The mini One Stop Shop (MOSS), which was put in place on 1 January 2015, has been extended to become a One Stop Shop (OSS) as from 1 July 2021 covering a wider range of supplies and has introduced further simplifications.

This enlarged One Stop Shop covers three special schemes:

- *Non-Union Scheme*
- *Union Scheme*
- *Import Scheme*

If I make distance sales (B2C) to a number of different EU countries, will I need to register for VAT in each of these EU countries?

The schemes are a simplification to reduce the need of having to register for VAT in each EU member state, without the schemes a business would be required to register in each EU member state where supplies of goods and services were made.

The schemes are optional.

What supplies are affected by the new rules coming into effect on 1 July 2021?

Changes to EU rules will affect:

- *Distance sales of goods imported into the EU from third countries (e.g. UK)*
- *Intra EU distance sales of goods (B2C)*

- *Domestic sales of goods by deemed suppliers such as marketplaces (B2C)*
- *Supplies of services to consumers (B2C)*

Some of my distance sales are made through an online marketplace (e.g. Amazon) - do the new rules apply to me?

To make online marketplaces more accountable for the VAT chargeable by suppliers who use its platform, the online marketplace itself will become the 'deemed supplier' to the end customer for specific supplies. This will change the way you have to account for VAT on these sales.

- *An online marketplace will be a 'deemed supplier' where it facilitates distance sale of goods imported from outside the EU, into the EU (up to €150 in value), and/or*
- *facilitates supply of goods within the EU for a non-established underlying supplier e.g. a UK business selling from stocks held in a fulfilment warehouse in the EU.*

How do I register for the EU schemes being introduced on 1 July 2021?

You can register electronically through a web-portal made available by each EU member state. The portals were made available with effect from 1 April 2021. There are rules which determine in which member state/s you will have to register for the schemes.

What happens if I make eligible supplies to use the EU schemes, but choose not to register for any of them?

At the moment the schemes are optional, if you do not apply you are likely to encounter additional problems in respect of having to agree with your customer who is responsible for the import of the goods into their country, and who is responsible for paying the import VAT into that same country.

This could have the following affect:

- Make you less competitive if the customer has to pay VAT (and possibly handling charges) to the parcel operator before they receive their goods
- Give rise to a VAT registration obligation for you in that country
- Give rise to additional administration costs (customs declarations etc.)

The new EU schemes allow one registration and single returns to account for all the VAT payable for all EU supplies. This avoids potentially having 27 separate VAT registrations.

My supplies to EU consumers are less than €22 - will the new rules apply to me?

The EU currently have a low value consignment relief (LVCR) which is approximately €22 but this can vary between EU member states. The LVCR means any goods sold into the EU territory of a value less than €22 is relieved from import VAT.

However, the EU are abolishing the LVCR with effect from 1 July 2021 and so goods of any value imported into the EU are liable to import VAT. So these schemes may be worthwhile.

I sell goods to EU consumers with a value greater than €150 - will the new rules apply to me?

No, where the goods are located outside the EU at the 'point of sale' (e.g. online order) the rules only apply to goods with a value of €150 or less. If the goods are located within the EU territory at the 'point of sale' there is no value threshold and the new rules will apply.

My supplies are to EU businesses, not consumers, will the new rules apply to me?

The EU rules only apply to B2C supplies of goods and services. Supplies made to EU businesses will continue to be accounted for in the manner they are currently.



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If I register for any of the EU schemes will I be required to appoint an intermediary in the EU member state where I register?

The EU has advised that any country with which the EU has concluded an agreement on mutual assistance for the recovery of VAT (e.g. Norway but may include the United Kingdom) the business is not required to appoint an intermediary to be able to use the Import Scheme. An intermediary is not required, regardless, for the Union and Non-Union Schemes.

However, if the business imports goods from other third countries with whom the EU do not have an agreement on mutual assistance for the recovery of VAT, the business is required to appoint an intermediary.

For example, if a business only imports goods from a mutual assistance country, no intermediary is required. But if the business imports goods from that country and China, then an intermediary is required (because no mutual assistance agreement concluded between EU and China). As of 2 June 2021 the EU have not confirmed that the UK will be able to avoid the intermediary requirement.

What VAT rate do I charge to my customers?

You will need to charge the VAT rate applicable in the country of the customer/destination country, this may require you to update your website prices accordingly. It can be difficult to understand all the different rules and we would recommend seeking advice as soon as possible on this.

How we can help?

We have experience in assisting businesses in international trade and can review which schemes would be advantageous to utilise. We are part of a global network and have associated firms across Europe who will be able to assist with any registration requirements, submission of returns and queries on VAT rates applicable.

Contact us

Should you have any specific queries or require any further assistance please contact the VAT, Customs and Indirect Tax team at VATAdvice@pkf-francisclark.co.uk and a member of our team will contact you.