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VAT Compliance®



# **NEW VAT E-COMMERCE RULES 2021**

A GUIDE FOR INTERNATIONAL SELLERS



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## eCommerce VAT changes in 2021

This year is one of changes in regards to VAT and eCommerce in Europe. The UK officially left the EU since January and many businesses are still feeling the impact of all changes that came along with Brexit. At the same time, everyone is being affected by the global pandemic and trading has seen a shift from physical stores to online shopping. As a result, eCommerce has seen a boost in terms of growth and large marketplaces have recorded unprecedented profits within 2020.

On top of these changes, the EU has set a date for introducing the VAT eCommerce package which includes new rules regarding eCommerce and VAT which will take place in July. These rules will have an immediate effect on all businesses in the supply chain such as individual sellers and marketplaces. All distance sellers within the EU or trading with the EU will need to redefine their VAT requirements after July.

## What is changing after July 1st 2021?

**The changes that are taking place after July are:**

- o Removing the distance selling thresholds for sales of goods and setting a unified threshold of 10.000 euro
- o Expanding the Mini One Stop Shop (MOSS) by Launching the new One Stop Shop (OSS)
- o Ending the low-value import VAT exemption and introducing the new I-OSS
- o Online marketplaces will be deemed the seller for collecting and reporting VAT
- o New record-keeping requirements will be introduced for online marketplaces facilitating supplies of goods and services
- o special arrangement in order to simplify imported goods with a value of less than €150 in case the I-OSS (import one-stop-shop-) is not used



## Why are these new eCommerce VAT rules being introduced?

### o Simplification

The VAT thresholds set by each country cause an enormous administrative burden for sellers and governmental organizations. The unified threshold will simplify the process of VAT reporting as one threshold of €10,000 will be used for all EU members.

At the same time, the adoption of the new One Stop Shop (OSS) will help businesses register for VAT in only one Member State from which they can report VAT for all of their EU sales combined.

### o Fairness

The new rules should help a lot in reducing VAT fraud and in making the environment fairer for EU businesses to sell their products in the EU territory. This means that EU businesses will be able to compete on equal footing with non-EU businesses that are currently not charging VAT.

### o Revenue

It is predicted that Member States will gain an increase in VAT revenues of EUR 7 billion annually.

## Who will be affected by the changes

**All B2C sales within and towards the EU domain will be affected by the VAT eCommerce changes in July.** Of course, all sellers will be affected but also every aspect of the supply chain will be impacted as well such as postal operators, couriers and customs offices. Consumers will also be affected as they will see an increase in prices from imported items and in some cases VAT will have to be paid by the consumer directly to the courier or postal operator for delivery of low value consignments.

- o If you are a distance seller selling your products in the EU via your website or through an online marketplace then your business will be affected.



- o Online marketplaces that facilitate sales inside and outside the EU such as EBAY, Amazon, ETSY, AliExpress, etc. will be affected as well, and, in many cases, they will have the obligation to collect and remit VAT instead of the seller.
- o Postal operators and couriers. Since the low-value consignment exemption will be abolished, postal operators and couriers will have to check all products for customs clearance and, in many cases, they will have to collect VAT for each consignment from the recipients. New systems will have to be introduced and not all countries are close to having their systems updated for the changes that will take place.
- o EU consumers will be affected, as now they will have to pay VAT for all of their online purchases outside the EU and sometimes directly to the postal operator.

The changes that will come in July entail further intricacies and each eCommerce seller will be impacted on a different level depending on many factors. It is imperative that each organization is ready for these changes.

**Global VAT Compliance can make sure that you stay ahead of these changes and your business continues to run smoothly with no interruptions.**



## July eCommerce VAT changes in detail

### Distance selling thresholds

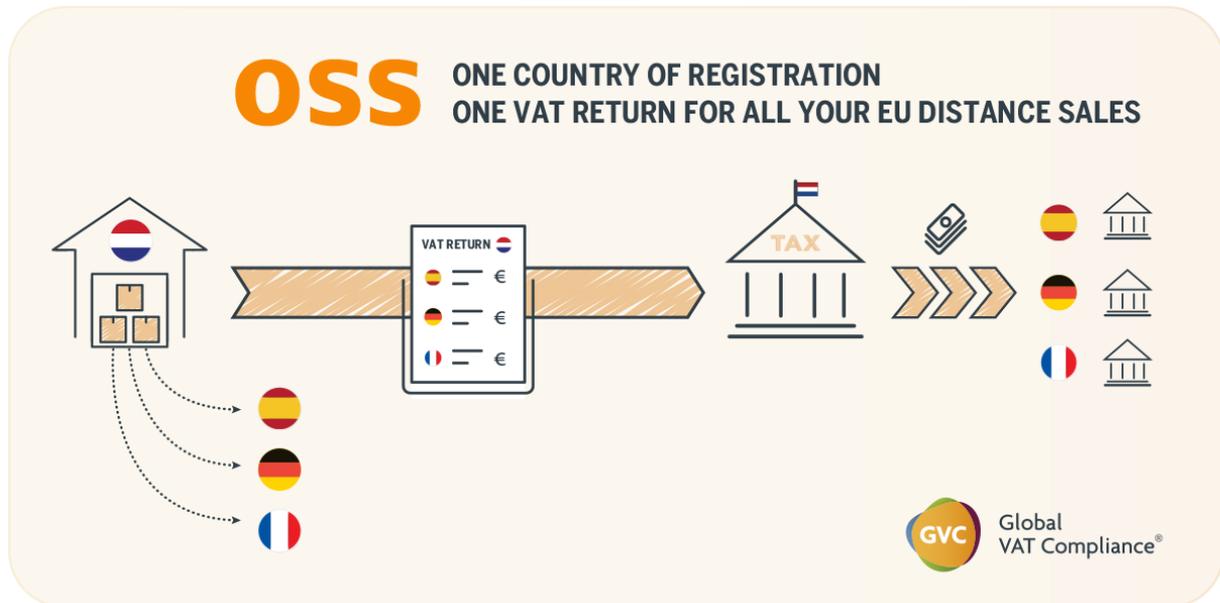


As we mentioned above, all distance selling thresholds will be removed and only one threshold will be in place of €10.000 which will take into consideration all sales within the EU territory excluding the seller's country of establishment.

In the past, each country had a different VAT threshold, which made things more complicated for sellers and government organizations.



## The One Stop Shop (OSS)



One of the biggest changes that will take place in July is the expansion of the Mini One Stop Shop to the new One Stop Shop (OSS) for goods and services

This expansion extends the use of the OSS to all B2C services and distance sales of goods within the EU and to certain domestic supplies of goods facilitated by online marketplaces (OMP's)

After July, businesses selling goods and services within the EU can benefit from registering VAT in only one member state instead of having to register in each country where goods or services are offered.

Businesses will need to exchange information with only one Tax Authority of the Member State in which they have registered and in only one language.

At the same time, they will only need to file a single VAT declaration and payment for all the goods and services offered in EU Member States.

Registering for the OSS is therefore very attractive because all VAT obligations for distance sales throughout the EU are met via one central declaration.



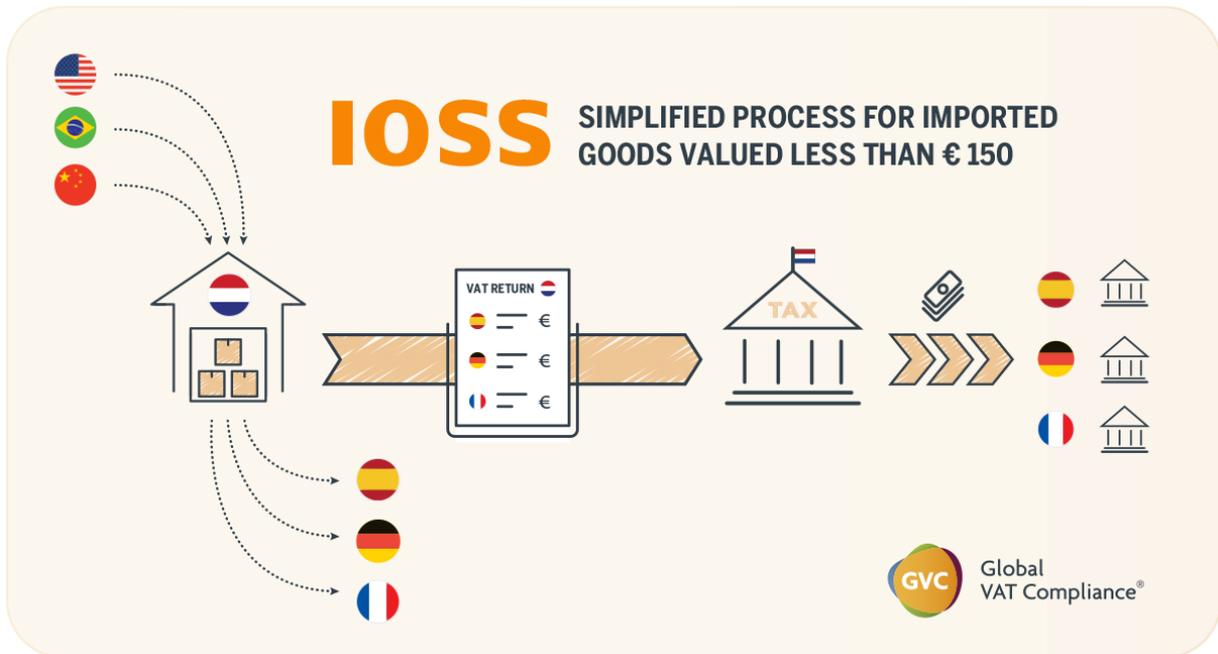
Registering for the OSS is only possible for EU entrepreneurs in the EU country of residence. If you are located outside the EU, you can choose the Member State of registration yourself. The country from which you ship goods to consumers may be the best choice.

**One Stop Shop registrations are open since the 1st of April.**

**Global VAT Compliance can help you register for the OSS and take care of all of your VAT obligations so you can focus on your expanding business. Avoid any delays and reduce the impact of the eCommerce changes by having a qualified VAT expert assess your situation.**



## The Import One Stop Shop



As mentioned above, the €22 low value consignment relief for consignments entering the EU will be abolished. As a result, every consignment that enters the EU from a third country will be liable for import VAT.

For this reason, the new Import One Stop Shop (I-OSS) will be introduced.

### What is the I-OSS?

The Import One Stop Shop is a portal similar to the OSS where businesses can register in order to comply with their VAT obligations on distance sales of imported goods to the EU. The I-OSS will be available starting July 1st 2021 and it will allow suppliers and electronic interfaces selling imported goods to buyers in the EU to collect, declare and remit VAT to the tax authorities instead of making the buyer pay the VAT at the moment the goods are imported.

### Why is the Import One Stop Shop being Introduced?

Both schemes OSS and I-OSS will have a two-fold purpose. They will help combat VAT fraud in the EU while at the same time simplifying the process of collecting and declaring VAT by



companies. This will ensure fair competition for EU companies and at the same time, EU consumers will appreciate knowing that when buying goods online from outside or inside the EU, the VAT rate will be the same as for goods acquired in their home country.

### **How does the I-OSS work?**

The I-OSS will be used by companies who import goods valued less than EUR 150 and it will simplify their VAT declaration as well as payment of VAT for the goods sold by distance sellers or electronic marketplaces who facilitate sales of goods.

Businesses will receive an I-OSS VAT number which will be used by postal operators and courier services for importation of the goods through customs. Customs authorities will verify the number's validity and the package will then move on to its final destination. This will be valid for all EU Member States.

The total value of the consignment will be taken under consideration even if the consignment consists of more than one item. **Goods subject to excise duties (such as liquor and cigarettes) and used goods (such as refurbished phones or laptops) are not covered by the I-OSS.**

**Registrations for the I-OSS are open since April 1st for all EU member states.** If a seller is not EU based then an EU intermediary will need to be appointed in order to fulfill the seller's VAT obligations under OSS.



## Online marketplaces (OMP's)

Online marketplaces that facilitate distance B2C transactions may be required to collect and account for VAT on these sales as they will be deemed supplier of the goods.

VAT is collected by the marketplace when the sale takes place and is reported in the new online systems Import One Stop Shop (I-OSS) and One Stop Shop (OSS).

### **When is an online marketplace considered to be a deemed supplier?**

A marketplace is a deemed supplier if it facilitates:

- o Distance sales of goods imported to the EU with a value not exceeding EUR 150; or
- o if it facilitates intracommunity distance sales of goods to customers in the EU, irrespective of their value, when the underlying supplier/seller is not established in the EU (both domestic supplies and distance sales within the EU are covered).

### **A marketplace cannot be considered to be a deemed supplier if:**

- o it sells goods in consignments whose value is over €150 imported in the EU irrespective of where the actual supplier is established in the EU
- o if the goods are supplied to EU customers (irrespective of value) and the underlying supplier is established in the EU.

### **Online marketplaces - New record keeping obligations**

New record keeping obligations will be introduced for online marketplaces even if the marketplace is not considered to be a deemed supplier. Under the new rules, they will still require to keep records of their transactions. These records should be kept for at least 10 years in order to be made available electronically to the EU member state authorities should they are requested.



## Special arrangements scheme for sellers and marketplaces

If sellers have difficulties in collecting taxes during checkout or they do not want to register for the I-OSS then they could opt for the special arrangements scheme. This is an alternative simplified way of collecting import VAT in case the I-OSS is not used.

This scheme is applicable only for consignments below €150 and only if the EU country of destination of the goods is the same EU country of importation.

In this case, the seller does not charge VAT at the moment of sale but VAT is requested from the final recipient of the goods (buyer) by the company presenting the goods to customs. This company can be a courier company or postal carrier.

VAT can be collected from the customer before delivery or at the moment of delivery. Different ways of collecting VAT from consumers exist and multiple applications are being developed in order to facilitate this collection procedure.

The scheme is designed in particular for postal operators and express carriers in the EU who typically declare low value goods for importation.

**While still amidst the after effects of Brexit and COVID-19 on VAT, companies will have to quickly comply with these major changes that are set to take place in July.**

**As Tax Specialists, Global VAT Compliance can help you become compliant in every VAT related aspect of your business. Contact GVC for a VAT assessment and become ready for the upcoming changes.**