



NEW EU VAT RULES FOR E-COMMERCE – COMING JULY 2021 !!

BACKGROUND

From 1st July 2021 – there will be new VAT rules being introduced across the EU for e-commerce businesses i.e. simplifying the administration for businesses that sell goods online or run an online marketplace !

The changes to the VAT rules are also aimed at ensuring a more level '**playing field**' between both EU businesses and online businesses from outside the EU.

In summary the changes are expected to ensure the following:

1. that VAT is paid where goods are being '**consumed**' or services being paid for are '**provided**'
2. that a uniform VAT regime is created for cross-border supplies of **goods AND services**
3. provide **ALL** businesses trading across the EU with a much simpler system to both **declare (or report) AND pay** their VAT in the EU
4. introduce a level '**playing field**' between EU businesses and non-EU businesses (**now including the UK**)

The main benefits from the introduction of the new VAT system for businesses and consumers are varied

- Consumers will be able to buy goods online from suppliers (whether based inside or outside the EU) knowing the VAT rate will always be the same as for their home country - **they are protected from any 'hidden' or 'unexpected' costs when buying online**
- Businesses will be able to grow much easier across EU borders without having to register for VAT in multiple EU jurisdictions – **hugely simplifying VAT related administration and minimising VAT issues**
- Tax authorities will obtain more VAT revenues from **ALL** EU and non EU businesses - **with less exceptions and more simply and easily**

SO WHAT ARE THE KEY CHANGES THAT WILL AFFECT MY BUSINESS ?

Where you are an online or e-commerce business selling goods or services either, into the EU, or across multiple EU jurisdictions, there will be a number of changes that you **NEED** to be aware of and prepare for – **ahead of 1st July 2021 !**

1. The existing **thresholds** for distance sales of goods within the EU will be abolished and **replaced by a new EU-wide threshold of €10 000**.
 - **Below this €10,000 threshold**, the supplies of electronic services and distance sales of goods within the EU, remain subject to VAT in the EU jurisdiction that the **taxable person is established**.
 - **Above the €10,000 threshold**, the taxable person **MUST** register in each EU jurisdiction
2. The VAT exemption at importation of small consignments of a value up to €22 will be removed i.e. this means all goods imported into the EU will now be subject to VAT.



3. Supplies of services by EU and non-EU sellers to consumers in the EU will be subject to VAT in the EU jurisdiction that they are being **'provided'**
4. New systems are to be introduced enabling businesses to avoid having to register multiple times for VAT in **EACH EU jurisdiction** - typically with their own country's tax authorities and/or also in a jurisdiction that they are familiar with and in their own language – **for ALL sales across EU borders.**
 - **For EU Businesses-** the **VAT One-Stop Shop (OSS)** can be used to account for the VAT due on services sold online throughout the EU, as well as the sale of goods in excess of the €10,000 threshold.
 - **For Non EU businesses (including the UK)** - the **Import One-Stop Shop (IOSS)** facilitates the collection, declaration and payment of VAT for sellers that are supplying goods from outside the EU to customers in consignments up to €150.
 - The **Non Union One Stop Shop (OSS)** can be used for **ALL** B2C services being provided in the EU by a non EU online business, as well as for the sale of goods in excess of the €10,000 threshold.
 - **Where a non EU online seller DOES NOT** register for the **IOSS**, then VAT will be paid by your customer upon importation of goods in the EU. Postal operators or couriers may charge the customer an additional clearance fee to collect this VAT and complete the necessary formalities upon importation of goods.

WHAT SHOULD I DO NOW – NEXT STEPS ?

Where you are selling online in, or into, the EU, you should

1. **review your existing trading activities** to identify where the VAT changes post 1st July 2021 will change your current processes
2. consider if you are **breaching any of the new €10,000 thresholds for any EU jurisdiction** and then take action to register under the appropriate scheme
3. **clarify where you may want to register with an OSS or IOSS scheme** should you need to register
4. **where you are a non EU business, then identify an intermediary (an Accountant)** who can act on your behalf with the local tax authorities and manage the OSS and IOSS scheme administration for you

Both the OSS and IOSS schemes will be open for registration from **1st April 2021 AND** ready to use from **1 July 2021**.

If you need some additional help with deciding on your use of the schemes, or assistance with acting as an intermediary etc, then contact us at the office or at damian@sakurabusiness.ie for more information