

EU VAT Laws

For e-commerce businesses trading into Europe

There are less than two weeks left until the new EU VAT laws come into effect for e-commerce businesses trading B2C into Europe. Radical changes on 1st July are a further challenge for UK businesses already reeling from Covid-19 restrictions, post-Brexit administrative burdens and international supply chain issues.

UK businesses selling and delivering goods to consumers in the EU are required to register for VAT for goods sold unless the consumer acts as the importer. The backlash from UK consumers complaining about delays and extra costs when the UK bought in similar rules on 1 January this year, is not one that UK sellers will want to repeat with their EU customers.

Lost revenue through VAT due to under-valuation of imports has long been a problem. With cross-border e-commerce continuing to accelerate and set to break the \$1 trillion mark in 2022 and the EU wanting to tax this revenue, the overarching principle of the new VAT rules is to collect VAT on goods and services by reference to the place where the customer belongs, forcing UK sellers to declare VAT at the point of sale. This means businesses need to build EU VAT rates and not UK VAT into their websites ready for 1 July.

To mitigate the daunting prospect for UK businesses to register for VAT in all European member states where their customers are based, the EU has introduced two new schemes to make the VAT compliance process and collection easier:

- 1 the Import One Stop Shop (IOSS); and
- 2 the One Stop Shop (OSS)

Both will result in businesses completing one return for all EU sales. These regimes are in addition to the existing Mini One Stop Shop (MOSS) which deals with digital services.

1 Import One Stop Shop (IOSS) Goods up to €150

This is useful for UK Businesses that hold their stock outside the EU and deliver goods to their EU customers. They can use the IOSS for any sales of goods up to a value of €150, appointing an intermediary in the EU as part of the process and submitting a monthly return to the EU to cover all sales within the block.

MHA is working with an approved intermediary and can service any IOSS registration, intermediary and compliance requirements you have in this category.

Many of the postal operators are building IOSS into their offerings too. Please note that the intermediary is jointly and severally liable for the VAT processes so an annual fee to use this scheme is required. For businesses operating this way it provides a simplified regime which does not require you to set up stock or fulfilment operations in the EU and will be attractive to allow fulfilment and delivery from the UK to continue.

Example

- E-comm Ltd sells toys to consumers in France, Germany and Spain. They are all under €150.
- E-comm Ltd appoints an IOSS intermediary and registers for IOSS.
- The IOSS number is displayed on the package and export documents.
- The IOSS number links to the intermediary.
- All goods are imported without VAT or Duty charges.
- VAT is included in the price charged to the consumer on the website.
- VAT is declared monthly for all consumers on a single return.
- Payment and submission of the return made by the Intermediary.

2 One Stop Shop (OSS)

British companies that hold their products in the EU or import into the EU for onward fulfilment to consumers, can use the OSS. This results in them registering for VAT and the OSS in one country in the EU to simplify their VAT compliance obligations. There is no requirement to appoint an intermediary or issue VAT invoices to consumers using this method and OSS returns are submitted quarterly for all B2C sales of goods in the EU.

MHA is part of the Baker Tilly Global network with colleagues in every EU country and can support the registration and compliance requirements to operate OSS.

Selling via platforms

Further complications come into play if you sell via one of the many on-line platforms. The platform becomes responsible for charging and declaring the VAT in most circumstances. There is no need for OSS if all B2C sales are via a platform and the supplier is not EU established. There is a deemed supply by the supplier to the platform. That is a B2B supply from the underlying supplier to the electronic interface, which is treated as a supply without transport. A VAT invoice has to be issued by the underlying supplier to the deemed supplier in accordance with the rules of the Member State where the supply takes place. This deemed B2B supply is exempt from VAT with the right of deduction (zero-rated) for the underlying supplier. This is why many of the platforms insist on multiple registrations because the underlying supplier is treated as selling the goods to the platform in every country where they sell the goods, albeit that no VAT is chargeable.

This leads to the following complicated summary for sales via a platform:

Up to
€150

Goods in UK - up to €150.
Quote platforms IOSS
number on your packaging.
Deemed supply to OMP is
outside the scope of EU VAT.

Over
€150

Goods in UK – over €150. Normal rules apply. Establish whether you or your customer will be the importer. If it's you, VAT registration applies.

Goods imported into EU for sale/fulfilment by on-line platform. Registration as above. Deemed supply to on-line platform is not chargeable to VAT although you must raise them an invoice.

Please call us to discuss.

MHA is working with an approved intermediary and can service your requirements for IOSS.



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