



EU VAT Rules 2021



New EU VAT rules applicable as of 1 July 2021

Important changes coming into force regarding import VAT to the EU for B2C goods ≤ €150

1. Removal of €22 VAT exemption on imports
2. Application of Import VAT must be the VAT of Destination Country
3. Introduction of Import One Stop Shop Electronic Portal for online businesses to collect, pay and declare EU VAT to the authorities
4. New VAT liability for goods sold to EU consumers via Online Market Places (OMP)

Removal of VAT threshold at €22 (De Minimis)

From 1 July 2021, the new VAT e-commerce rules will abolish the provision of €22 i.e. **all commercial goods** imported into the EU from a third country, or third territory **will be subject to VAT irrespective of their value.**

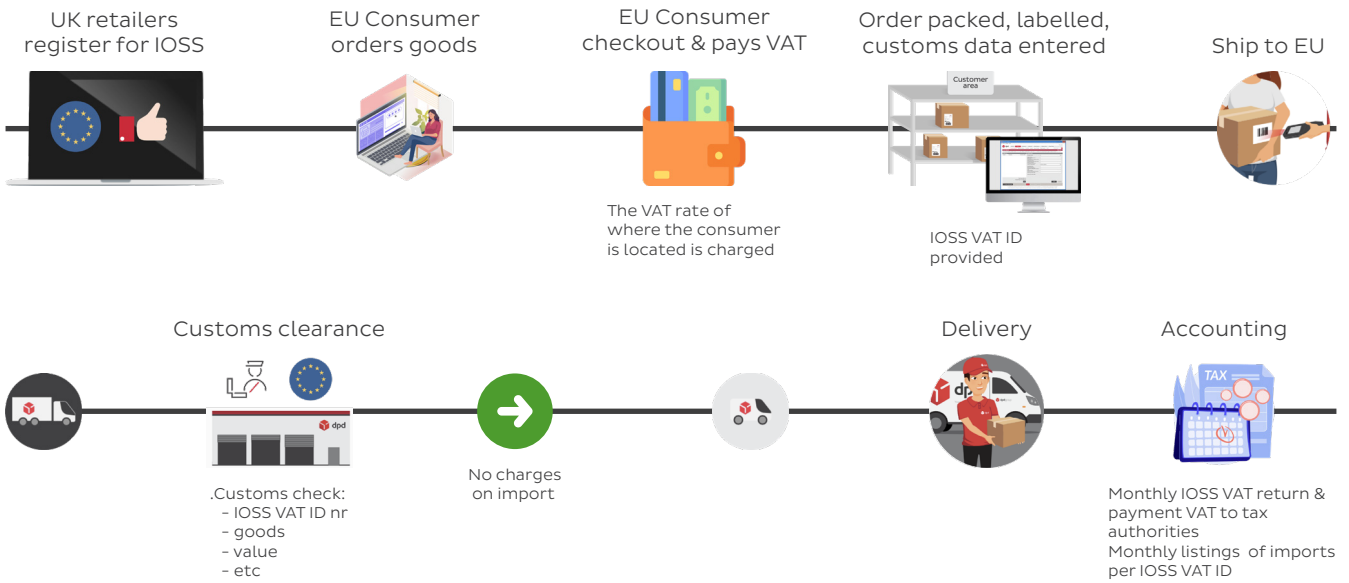
Goods Value*	DUTIES		VAT	
	Until June 30th 2021	As of July 1st 2021	Until June 30th 2021	As of July 1st 2021
€0 – €22	Exempted ✗	Exempted ✗	Exempted ✗	Levied (with IOSS for B2C ≤ €150, or Upon Import for B2C/ B2B) ✓
€22 – €150	Exempted ✗	Exempted ✗	Levied (Upon Import, Standard VAT Payment) ✓	Levied (with IOSS for B2C ≤ €150, or Upon Import for B2C/ B2B) ✓
Above €150	Levied (Upon Import) ✓	Levied (Upon Import) ✓	Levied (Upon Import, Standard VAT Payment) ✓	Levied (Upon Import, Standard VAT Payment) ✓

What is Import One-Stop Shop (IOSS) ?

The Import One-Stop Shop (IOSS) is the electronic portal businesses can use from 1 July 2021 to comply with their VAT e-commerce obligations on distance sales of imported goods (B2C flows Non-EU to EU) with intrinsic value \leq €150.



How does the IOSS scheme work?

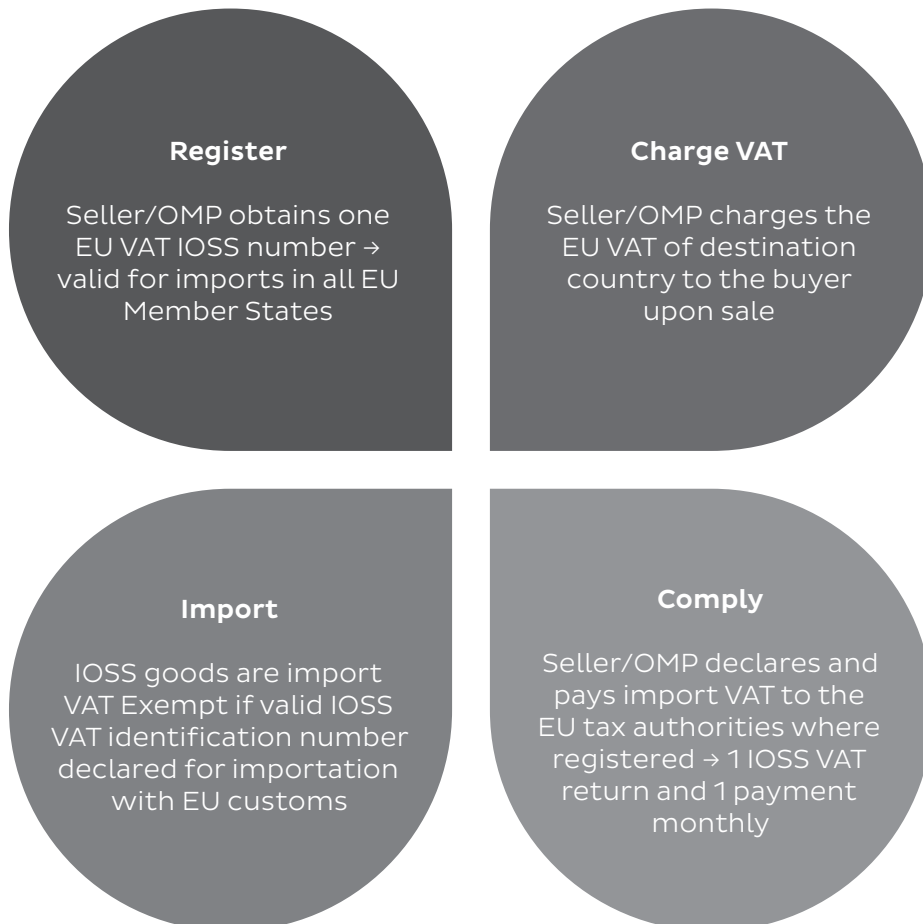


IOSS Key points

Which supplies of goods are covered by the IOSS scheme?

Non-EU to EU B2C Flows ≤ 150 €

- The €150 threshold is assessed in relation to the intrinsic customs value



IOSS VAT identification number

The IOSS VAT identification number consists of 12 alphanumeric characters: IMXXXXXXXXYZ

- XXX : ISO code corresponding to the Member State of identification
- YYYYYY : code assigned by the Member State of identification
- Z : check digit

- Non-EU Suppliers will have a single IOSS VAT identification number
- Non-EU Electronic Interfaces will have a single IOSS VAT identification number irrespective of the number of underlying suppliers for which it facilitates Non-EU/EU B2C flows ≤ 150 €
- Intermediaries will receive a specific IOSS VAT identification number for each taxable person they represent

The control of the validity of the IOSS VAT identification number is the exclusive competence of the customs authorities

What has to be done when the IOSS scheme is used?

A supplier or electronic interface or intermediary using the IOSS scheme should ensure the following in respect of VAT :

- Display a price including VAT on its website;
- Collect the VAT amount when selling online;
- Check on the intrinsic value of the imported goods \leq €150;
- Mention the VAT on the invoice, distinguishing the different VAT rates (for each destination country)
- Provide the customs declarant with the necessary information for customs clearance (including the IOSS VAT identification number);
- Filing a monthly VAT declaration before the end of month M+1
- Remit the VAT collected from the online sale before the end of month M+1;
- Keep records of all eligible IOSS distance sales of imported goods for 10 years to cater for possible audits by EU tax authorities. The information to be retained is that provided for in Article 63c(2) of the VAT Implementing Regulation

What do UK businesses need to do for exporting to EU?

- Find out the VAT rate of the destination country in the EU
 - Update your VAT accounting systems to identify and apply the appropriate VAT rates in the EU

- Consider registering for the IOSS platform for B2C shipments up to €150
 - Appoint an intermediary to handle tax compliance on your behalf in the EU
 - Ensure your IOSS number is included in the data transmitted
 - If the duty & taxes are to be billed to the receiver, inform the consignee about potential import fees

- Review your agreement with online marketplaces
 - Clarify that they will handle VAT for B2C shipments up to €150

- Ensure the following information is stated on the commercial invoice and data :
 - The acceptable/detailed content
 - The HS code (harmonized customs commodity code)
 - We recommend the IOSS number being provided only in the data transmitted, not on the commercial invoice to avoid any misuse

What are the benefits of registering?

Seller

Customer Experience: positive buyer experience by enabling the VAT cost transparency at the moment of purchase.

Single EU VAT Registration covering each of the 27 EU countries.

Cash Flow: monthly VAT payments done to EU Tax Authorities

Buyer

Price Transparency: visibility of the VAT amount at the time of purchase.

Ease of Payment: VAT payment done directly when buying the goods online (at moment of purchase).

No Surprises: no additional import VAT payments required prior the receipt of goods, therefore less involvement required from buyer during clearance process.

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FAQ

How do I determine the intrinsic value of goods? (For commercial goods)

The price of the goods themselves when sold for export to the customs territory of the Union, excluding transport and insurance costs, unless they are included in the price and not separately indicated on the invoice, and any other taxes and charges as ascertainable by the customs authorities from any relevant document(s)

Example 1: Invoice indicating total amount of the price paid for the goods not split between net price of the goods and transport charges. VAT amount indicated separately.

- Price of the goods as indicated in the invoice: €140
- VAT (20%) as indicated in the invoice: €28
- Total invoice amount: €168

In this example, transport costs are not mentioned separately in the invoice and therefore cannot be excluded. However, the net price of the goods is not exceeding 150€ and therefore, IOSS can be used and no VAT or customs duties is levied at importation.

Example 2: Invoice indicating total amount of the price paid for the goods split between net price of the goods and transport charges. VAT amount indicated separately.

- Price of the goods as indicated in the invoice: €140
- Transport charges as indicated in the invoice: €20
- VAT (20%) as indicated in the invoice: €32
- Total invoice amount: €192

In this example, transport costs are mentioned separately in the order/invoice. As such, transport costs are excluded from the intrinsic value. The intrinsic value of the goods is not exceeding €150 and therefore, IOSS can be used and no VAT or customs duties is levied at importation. To be noted that VAT is applied on the total value of the sale (e.g. the €160 value of the goods and the transport charges).

Which supplies of goods does the IOSS cover?

The IOSS covers the sale of goods from a distance that are:

- dispatched or transported from outside of the EU at the time they are sold;
- dispatched or transported in consignments with a value not exceeding a total of 150€ (low value goods) even if the order contains more than one item;
- not subject to excise duties (typically applied to alcohol or tobacco products).

How does the IOSS work?

Sellers registered in the IOSS need to apply VAT when selling goods destined for a buyer in an EU Member State.

The VAT rate is the one applicable in the EU Member State where the goods are to be delivered.

Information on the VAT rates in the EU is available on both the European Commission website and on the websites of national tax administrations.

How can you register for the IOSS and do I need an intermediary?

You can register businesses on the IOSS portal of any EU Member State. If businesses are not based in the EU, they will normally need to appoint an EU-established intermediary to fulfil their VAT obligations under IOSS¹⁾. ¹⁾ Except if they are established in a third country with which the EU has concluded a VAT mutual assistance agreement (currently only Norway, UK to be confirmed)

The IOSS registration is valid for all distance sales of imported goods to buyers in the EU. You can start using the IOSS only for the goods sold as from 1 July 2021.

An intermediary is a taxable person established in the EU.

That person has to fulfil the obligations laid down in the IOSS, including the declaration and payment of VAT on the distance sales of imported goods.

That intermediary will receive an IOSS VAT identification number for each taxable person for whom that intermediary is appointed.

Taxable persons who are not established in the EU need to appoint an intermediary to be able to use the IOSS. Other taxable persons are free to appoint an intermediary but are not obliged to do so.

What are my obligations with IOSS?

By registering you will need to comply by:

- providing the information required for customs clearance in the EU, including the IOSS VAT identification number to the person declaring the goods at the EU border;
- showing/displaying the amount of VAT to be paid by the buyer in the EU, at the latest when the ordering process is finalised;
- ensuring the collection of VAT from the buyer on the supply of all eligible goods with final destination in an EU Member State;
- making sure that eligible goods are shipped in consignments not exceeding the €150 threshold;
- to the extent possible, show on the invoice the price paid by the buyer in EUR;
- submitting an electronic monthly VAT return via the IOSS portal of the Member State where you are identified for IOSS;
- making a monthly payment of the VAT declared in the VAT return to the Member State where you are identified for IOSS;
- keeping records of all eligible IOSS sales and/or sales facilitated over 10 years

Are there any exceptions?

You do not need to charge VAT on sales of goods in the following circumstances:

- You sell several goods to the same buyer, and these goods are shipped in a package amounting to more than 150€. These goods will be taxed at importation in the EU Member State;
- Your distance sales of goods are facilitated by an electronic interface such as a marketplace or platforms. In this situation, the electronic interface is responsible for the VAT due.

I normally use the Duties and Taxes prepaid term for my B2C shipments, will I still need to use this?

With your IOSS registration no VAT will be charged on import to the EU, therefore you do not need to use this delivery term. For shipments where your IOSS registration applies you can use the standard delivery term of DAP.

You can still use the duties and taxes prepaid option however on goods whose intrinsic value for customs is over €150. Using this option can create a better delivery experience for your customer if you prefer to charge them a landed cost at checkout to avoid them being contacted for customs payments.

When is an electronic interface liable for the VAT on distance sales imported goods?

When an electronic interface facilitates the distance sales of imported goods made by a seller and the goods are:

- dispatched or transported from outside of the EU at the time they are sold;
- dispatched or transported in consignments with a value not exceeding 150€;
- not subject to excise duties (typically applied to alcohol or tobacco products).

The electronic interface is considered to have facilitated the distance sale(s) of imported goods when it allows a buyer and a seller to enter into contact via that electronic interface, where the end result is the sale of goods to that buyer.

In those cases, the electronic interface shall be responsible for the collection of VAT (and payment to EU Authorities), and other IOSS-related obligations.

In addition, the electronic interface collaborate with the actual seller of the good(s) to ensure that the information required for customs clearance in the EU, including the IOSS VAT identification number, reaches the EU customs where the goods will be imported to.

Do I need to register?

Whilst IOSS is not a mandatory scheme, there are many benefits of registration not just for your business but also importantly for your EU customers when they buy from you. A key advantage with IOSS and charging VAT at checkout is that it avoids any unexpected charges and potentially customs delays when the goods are shipped. If you are not registered for IOSS, VAT must be collected from your customer when the goods arrive in the EU through the customs clearance process. This can be a slower and more costly process for your customer and may impact their experience.

What does registration involve?

Each EU Member State, when ready, will make available an online portal for your to make your application for registration. You will need to consider which Member State you choose for this. Once you have made this decision, you will be asked to supply information. This may include:

- Company name/trading name
- Address
- website URLs
- Contact information
- National tax reference number
- Bank details

We would always recommend you seek professional advice with any matters relating to tax.

Where can I find out more information about IOSS?

The EU has published lots of useful information regarding the EU VAT changes and the Import One Stop Shop on the Commission website. This can be found here:

https://ec.europa.eu/taxation_customs/business/vat/ioss_en