



ACCOUNTANTS – REACT NOW & HELP SMES ADAPT TO NEW VAT E-COMMERCE RULES

FACTSHEET

The changes to the EU e-commerce rules will take effect from **1 July 2021**. This factsheet provides a high-level summary of the main changes and how accountants can support their SME clients. Time is of the essence.

The rule changes will greatly affect SMEs active in e-commerce. Accountants should research the changes as soon as possible to be able to inform and support their clients. We provide sources of additional guidance at the end of the document but further, specialist advice, may also be necessary.

Depending on their business model, the changes will have profound impacts on businesses. Since accountants are SMEs' closest advisors, many small businesses rely on professional accountants to prepare for such rule changes, and for compliance with the rules. This is particularly important during the coronavirus crisis, with many SMEs' attention focused solely on day-to-day survival.

WHAT SHOULD THE ACCOUNTANT DO? - REACT

To help SME clients through these changes, accountants should **REACT**:

- **research** the new changes
- **evaluate** the changes' impact and relevance for your clients
- **approach** affected clients to proactively to inform them
- **clarify** to them the rules and explain what impact it might have on the business
- help them **transform** their business processes / operations to be compliant with the rules

WHAT TYPES OF TRANSACTIONS MAY BE AFFECTED?

- distance sales of goods within the EU carried out by suppliers or deemed suppliers such as online platforms and marketplaces
- supplies of services by EU and non-EU suppliers to consumers in the EU
- distance sales of goods imported from third territories or third countries carried out by suppliers and deemed suppliers, except for goods subject to excise duties
- domestic sales of goods by deemed suppliers

WHAT ARE DISTANCE SALES OF GOODS?

From 1 July 2021 there will be two types of distance sales of goods:

1. intra-community distance sales. These are business to consumer (B2C) sales of goods dispatched from an EU Member State to a customer in another EU Member State
2. distance sales of goods imported from third (non-EU) countries. These are B2C sales of goods from a third country to a customer in an EU Member State

WHAT ARE THE MAIN CHANGES FROM 1 JULY 2021 ONWARD?

From 1 July 2021, the VAT rules on cross-border business-to-consumer (B2C) e-commerce activities will change in the following ways for suppliers:

FOR INTRA-COMMUNITY DISTANCE SALES

1. CHANGE OF DISTANCE SELLING THRESHOLDS

A new EU-wide turnover threshold of EUR 10 000 will replace the existing thresholds for distance sales of goods within the EU. This will be a significant change for businesses making B2C intra-community distance sales of goods as Member States' current thresholds are normally between EUR 35 000 and EUR 100 000.

Below this global EUR 10 000 threshold, the supplies of TBE (telecommunications, broadcasting and electronic) services and distance sales of goods within the EU may remain subject to VAT in the Member State where the supplier is established.

From 1 January 2025 [other simplifications](#) will become available to SMEs engaged in cross-border trade within the EU.

2. THE UNION ONE STOP SHOP

The existing Union scheme of the Mini One Stop Shop (MOSS) is extended to cover both cross-border supplies of goods and services. A new online portal, the [One Stop Shop](#) (OSS), has been created. When their supplies of TBE services and intra-community distance sales exceed EUR 10 000, suppliers can declare and pay VAT due in all other Member States through the portal of their Member State of establishment. Otherwise, suppliers would have to register in each Member State where they make B2C distance sales.

The Union OSS will cover:

- B2C supplies of services in the EU
- intra-Community distance sales of goods
- domestic supplies of goods (only by deemed suppliers)

FOR DISTANCE SALES OF GOODS IMPORTED FROM THIRD (NON-EU) COUNTRIES

3. THE VAT SMALL ITEM EXEMPTION WILL BE REMOVED

The VAT exemption for the import of small consignments of a value up to EUR 22 will be removed. This means all goods imported into the EU from third countries will now be subject to VAT, which would normally be collected from the customer by the national postal service or a courier service.

Collection of VAT from the customer can create issue in customer relationship due to delays caused by customs procedures and additional, often unexpected, charges. To avoid this issue, and to ease the process, the European Commission has introduced two optional systems:

1. the Import one stop shop (IOSS) that allows businesses to collect the VAT at the time of the order and to declare and pay the VAT on these distance sales of imported goods for the whole EU in a single VAT return .
2. the special arrangements that allow post and couriers to declare and pay the collected VAT on a monthly basis

4. SIMPLIFIED RULES FOR SMALL CONSIGNMENTS - THE NON-UNION IMPORT ONE STOP SHOP

To simplify the declaration and payment of VAT for suppliers of goods that originate outside of the EU, a new special scheme has been created to cover distance sales of low value consignments goods imported from third territories or third countries: the [Import One Stop Shop](#) (IOSS). This option can be chosen by suppliers when the value of the consignment does not exceed EUR 150.

Where the relevant criteria are met, online suppliers will have the option to register for the IOSS in one Member State. This Member State of registration will provide a single electronic portal to declare and pay the VAT on all distance sales of low value consignment goods throughout the entire EU. VAT will not be charged on the entry of goods into the EU and the suppliers can report and pay the VAT through a monthly return.

If the supplier is already established in a Member State, it must register for the IOSS in that Member State. If the supplier is not based in the EU, they will normally need to appoint an EU-established intermediary to fulfil their VAT obligations under the IOSS.

To benefit from the VAT exemption upon importation, a customs declaration is still required at the point of importation, which must state the IOSS VAT number (in the format of IMxxxxyyyyyyz) that the supplier received on registration, so that it can be verified by customs services.

5. NEW RULES FOR ONLINE SALES PLATFORMS / ELECTRONIC INTERFACES

Online platforms that are “deemed suppliers” will be responsible (jointly and severably with the actual supplier of the goods) for reporting and paying VAT on sales made by suppliers that use the platforms.

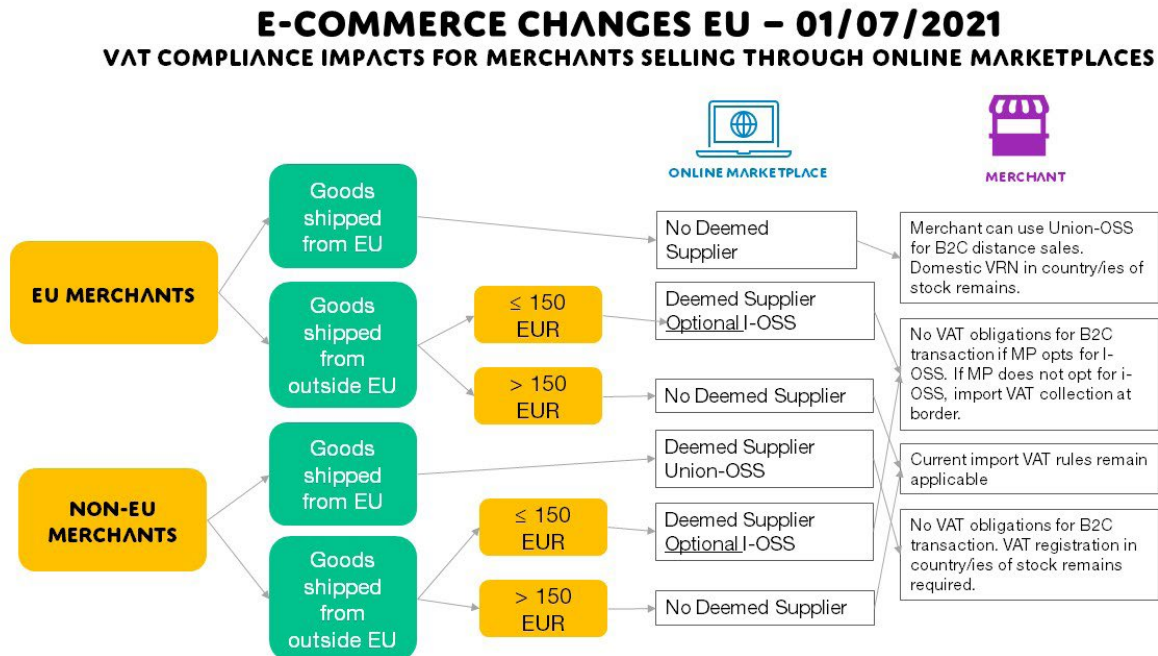
Platforms facilitating supplies of goods become “deemed suppliers” when they facilitate the distance sales of imported goods made by a seller and the goods are:

- distance sales of goods imported to the EU with a value not exceeding EUR 150 and not subject to excise duties; and/or
- supplies 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).

The OSS/IOSS online portals are also available to online platforms / electronic interfaces facilitating these distance sale of goods. Again, if the electronic interface is established outside the EU, they will normally need to appoint an EU-established intermediary to fulfil their VAT obligations under the IOSS.

FLOWCHART - E-COMMERCE CHANGES

Suppliers can account for VAT on distance sales in the EU from 1 July 2021 by the routes indicated in the diagram below:



USEFUL LINKS

Accountancy Europe factsheet [Modernising VAT](#) on recent changes to the EU VAT system

[Explanatory notes](#) on the new VAT e-commerce rules

[Guide](#) to the VAT One Stop Shop (OSS)

[Factsheet](#) for suppliers on the OSS

[Factsheet](#) for electronic interfaces on the OSS

[Factsheet](#) for suppliers on the Import One Stop Shop (IOSS)

[Factsheet](#) for electronic interfaces on the IOSS

[Factsheet](#) for businesses on the new VAT e-commerce rules

[Explanatory notes](#) for customs formalities for low value consignments

[Contact details](#) for EU Member States' national OSS

Original legislation:

2016 [European Commission impact assessment](#) on the VAT e-commerce rules

2017 package on VAT e-commerce:

- [Council Directive \(EU\) 2017/2455](#)
- [Council Regulation \(EU\) 2017/2454](#)
- [Council Implementing Regulation \(EU\) 2017/2459](#)

2019 implementing measures on VAT e-commerce:

- [Council Directive \(EU\) 2019/1995](#)
- [Council Implementing Regulation \(EU\) 2019/2026](#)

2020 [Commission Implementing Regulation \(EU\) 2020/194](#) laying down details on the working of the VAT OSS