

Ready for E-commerce 2021



As of 1 July 2021, the European VAT-rules with regard to E-commerce will undergo a major transformation that affects both European and non-European businesses supplying the EU consumer market. This leaflet prepares you and your clients for EU E-commerce 2021.



Distance selling thresholds abolished

Under the current rules, distance sales to consumers are subject to VAT in the country of dispatch when the distance sales thresholds in the destination countries are not exceeded. As of 1 July 2021 the thresholds (varying from EUR 35.000 to EUR 100.000 depending on the EU-country) will disappear. This means distance sales to consumers will immediately be subject to VAT in the resident state of the consumer.¹

OSS: one EU-Memberstate for all EU VAT compliance!

The abolition of the thresholds does not mean that the supplier needs to register for VAT in each EU memberstate where its customers are resident. Another change in the current system is that the VAT can be declared via a One-Stop-Shop system (OSS), which we currently already know for digital services (MOSS). European established businesses mandatorily apply for OSS in their resident states, whereas non-EU businesses can choose an EU memberstate of their liking to register for VAT and arrange all EU VAT-compliance in that EU memberstate under OSS. This leads to a substantial reduction in cross-border VAT compliance! Please refer to the example below.²

Example

Rednies Shoes UK sells shoes to consumers in Europe from a (customs cleared) stock they keep in Rotterdam. In 2021 Rednies UK sells for EUR 10.000 to Dutch consumers and for EUR 20.000 to German consumers. Under the current rules the German distance selling threshold is not exceeded. Both Dutch and German supplies are therefore subject to Dutch VAT. Under the new rules Rednies will, apart from the Netherlands, also be liable to VAT in Germany. To reduce EU VAT compliance, Rednies could register for OSS in the Netherlands and account for the Dutch and German VAT in one OSS-VAT-filing, filed with the Dutch Tax Administration.

Non-EU goods: EUR 22 Euro import exemption abolished, new import scheme

With regard to distance sales of non-EU consumer goods, the current VAT-exemption for goods in small consignments of a value of up to EUR 22 is abolished. This means that in principle all imports are subject to import VAT, unless the import scheme is applied. Under the import scheme goods up to a value of EUR 150 will be exempt from import VAT. The application of the import scheme will require the issuance of a special (and confidential) VAT-number. The supply to the consumer followed by the import will be declared in an IOSS filing (import-OSS system). In IOSS (as in OSS) all supplies of non-EU goods are declared in one EU-Memberstate. European established businesses mandatorily apply for IOSS in their

¹ Any businesses selling less than EUR10,000 per annum cross-border on B2C goods and services will be exempt from the obligation to complete an OSS return. Instead, they will be able to charge their domestic VAT rate and report the sales below this threshold in their regular domestic VAT return. This relief is not available to non-EU businesses. They must register immediately.

² This example does not cover the deemed supplier provision for online platforms. Under this rule online platforms or electronic interfaces are in certain cases deemed to have purchased and sold the goods for VAT purposes, although they do not legally obtain ownership of the goods.

resident states, whereas non-EU businesses can choose an EU memberstate of their liking. Non-EU businesses must however appoint a fiscal representative to use IOSS.

Note: under the new E-commerce rules a distinction is made between the direct supply to consumers of EU goods (goods that are already physically located in the EU) and non-EU goods (goods passing EU customs in order to make the distance sale). For EU goods the OSS system is applied (also referred to as the Union scheme), for non-EU goods, the IOSS system is applied (also referred to as the import scheme).

Example

Rednies Shoes UK sells for EUR 80 shoes to a German consumer from their stock in the UK. The shoes are couriered to the customer by their logistics partner DHL. The VAT-consequences for Rednies depend on whether the shoes are customs cleared in name of Rednies or in the customer's name. In E-commerce the goods are often customs cleared in the customer's name. In that situation DHL will account for the import VAT and charge this to the customer at the door while delivering the package. When Rednies, for customer satisfaction or preventing additional DHL clearing fees, imports the shoes in their own name, two taxable events take place: import in the Netherlands and the supply in Germany. As the shoes have a value below EUR 150, Rednies could appoint a Dutch fiscal representative and apply the import scheme and no import VAT will be due. The subsequent sale to the German customer is a distance sale subject to German VAT. The German VAT can be accounted for in the IOSS filing, filed in the Netherlands. When Etnies does not apply the import scheme, when the sales value exceeds EUR 150 for instance, it can, due to a change in customs law, only customs clear the goods in the state of arrival (Germany). In this case Rednies should register in Germany and account for a distance sale subject to German VAT. In this same VAT-return it can of course deduct the paid import VAT.

Happy to help.

Feel free to contact us anytime should you wish to discuss in more detail the challenges your clients face with regard to EU E-commerce 2021. Please find our contact details below.



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