

## **EU VAT FOR E-COMMERCE BUSINESSES HAS CHANGED**

As of 1<sup>st</sup> July 2021, the European Union have reformed the VAT obligations for business to consumer (B2C) e-commerce sellers and marketplaces. Although the United Kingdom is no longer governed EU VAT, if you operate an e-commerce business, you may be affected by the changes.

The following major changes are included:

- 1) One-Stop Shop EU VAT Return (OSS)
  - Businesses shipping goods from their home country to customers across the EU may opt to use OSS to report all of their EU sales. This replaces the requirement of being VAT registered in each country once the seller has passed the relevant country distance selling threshold.
  - A business will complete a quarterly OSS return and submit to HMRC, reporting their VAT obligations. Some existing businesses will be able to close their current VAT registrations.
  - The previous €10,000 threshold for registration has been abolished for non-EU businesses so UK businesses will need to register as soon as they start trading
  
- 2) Introduction of the Import One-Stop Shop (IOSS)
  - The €22 VAT exemption on small parcels being imported into the EU for delivery to consumers will be withdrawn. Instead, it will be replaced by the new IOSS scheme whereby VAT must be charged at the point-of-sale for consignments not exceeding €150.
  - Non-EU sellers (UK included) will have to register for IOSS in just one EU state to declare the VAT on any affected imports on shipments below €150.
  
- 3) Marketplaces become the deemed supplier and VAT collector
  - Marketplaces will become responsible for charging and collecting VAT on deemed supplier transactions. However, the marketplace does not take on product liability or regulatory obligations. For imports not exceeding €150, instead of import VAT, the marketplace will charge the customer VAT at the point-of-sale and declare it instead of the seller.

The above is a very simple overview of what is a very complicated piece of legislation and as such does not cover all scenarios. If you think you may be affected by the changes and would like to speak to an expert, please give us a call for a free consultation.

