

# Welcome to VAT and E-commerce What do you need to think about?

with:



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# Setting the scene

- July 1, 2021: VAT changes to the EU e-commerce rules. Important for all businesses selling goods to consumers in the EU. And also for businesses providing services to consumers in the EU. **Stevie** will tell you all about these changes.
- And then there is the UK, on January 1, 2021 everything changed due to Brexit. Also the e-commerce rules changed drastically. **Alison** will provide you with overview of all of this.
- And last but not least Australia. Australia has special GST rules in place for e-commerce sales to local consumers. Aside from this, the EU and the UK are working on a free trade agreement with Australia which could benefit businesses on both sides of the world. **Darryl** can inform us all about this.





# EU VAT E-COMMERCE CHANGES PER JULY 1, 2021



# OSS system for all consumer services

# July 1, 2021 - Changes for e-commerce

*OSS system for all consumer services*

For both EU and non-EU established businesses the One Stop Shop (OSS) will be available for all B2C services provided, not only electronic services.

Examples:

- Admission to events
- Car rental
- Etc.

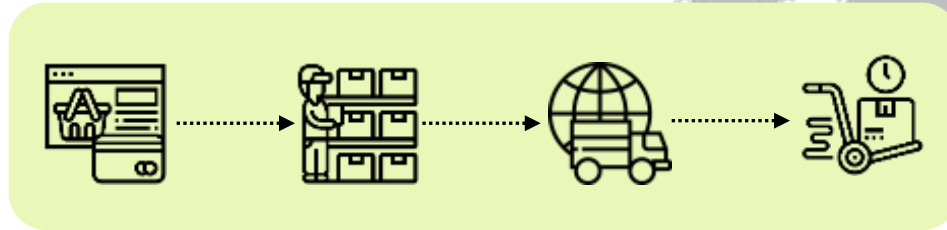




# E-commerce from EU warehouse

# July 1, 2021 - Changes for e-commerce

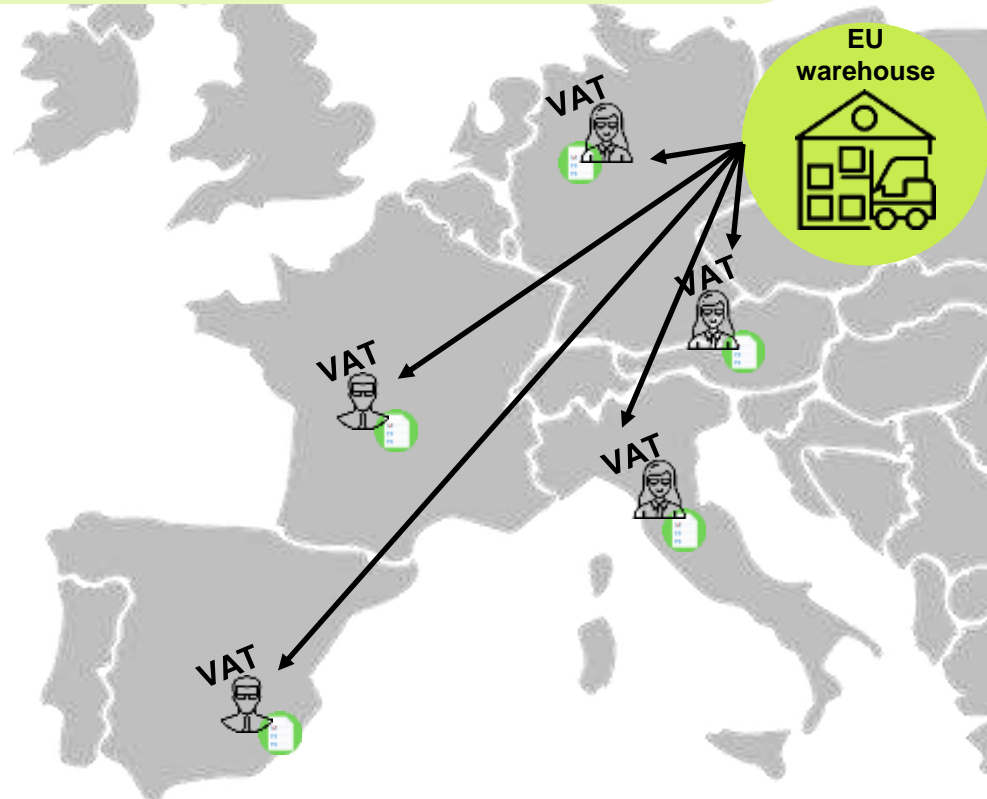
*E-commerce from EU warehouse*



## Current rules

**< Threshold:**  
EU country of dispatch

**> Threshold:**  
EU country of arrival



Disadvantages once threshold is breached:

- **Local VAT registration required for supplier**
- **Local VAT compliance obligations for supplier**
- **Required to issue invoices complying with local invoice regulation by supplier**

# July 1, 2021 - Changes for e-commerce

## *E-commerce from EU warehouse*

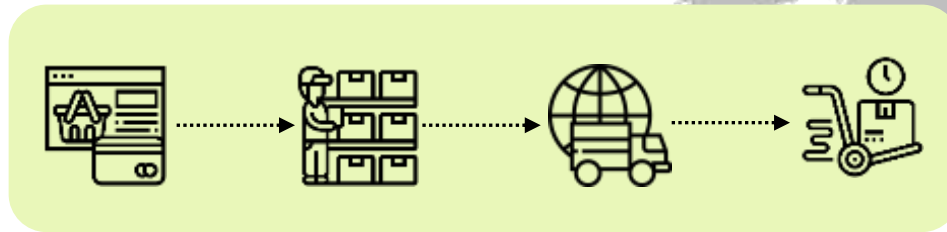
### Changes re. thresholds:

- Abolishment of thresholds per EU country!
- Supplies are always subject to VAT in the EU country of arrival
- One **exception** for companies established or having a VAT fixed establishment in a EU country: supplies subject to VAT in EU country of establishment, if in a calendar year:
  - the total value B2C EU supplies and B2C electronic services does not exceed € 10,000;  
and,
  - did not do so in the course of the preceding calendar year.



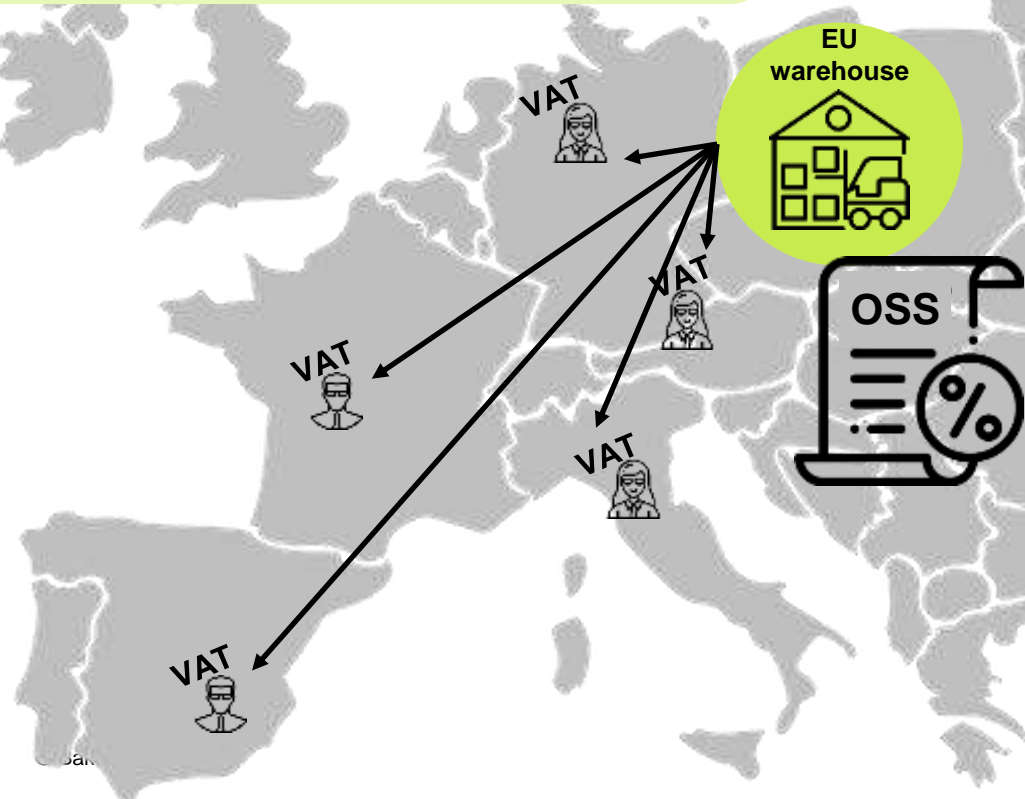
# July 1, 2021 - Changes for e-commerce

*E-commerce from EU warehouse*



## New rules

VAT payable in EU country of arrival



Per July 1, 2021:

- VAT reported and paid via OSS
- No invoice obligation for VAT unless issued
- € 10,000 threshold for EU established companies / fixed establishments only

# July 1, 2021 - Changes for e-commerce

## *E-commerce from EU warehouse*

### Changes re. the OSS system:

- The OSS system will be extended for all distance sales within the EU
- **EU companies:** register for OSS in EU country of establishment
- **Non-EU companies:** must register in the EU country in which the dispatch of the goods begins. In the situation that the dispatch or transport of the goods begins in multiple EU countries, the non-EU established business can choose its EU country of identification.

# July 1, 2021 - Changes for e-commerce

*E-commerce from EU warehouse*

## **Changes re. the invoice rules:**

- Companies using the OSS system no longer have to issue invoices to their B2C customers per July 1, 2021
- If invoices are issued when using the OSS system, the invoices have to comply with the invoice rules of the EU country where the company is registered for OSS

# July 1, 2021 - Changes for e-commerce

## *E-commerce from EU warehouse*

### Advantages

EU market at your feet

Lower costs for being VAT compliant

One OSS return for all distance sales to consumers in EU

No invoice obligation

Also for distance sales from warehouses in other EU countries

### Disadvantages

OSS limited to payable VAT – no VAT recovery

VAT rates of all EU countries must be known

VAT registration obligation in EU country of dispatch for local sales in that country to consumers

10 year record retention obligation



# E-commerce from non-EU warehouse

# July 1, 2021 - Changes for e-commerce

*E-commerce from non-EU warehouse*

## Changes per July 1, 2021 regarding:

- Low value exemption abolished
- IOSS system for certain B2C sales of goods from outside the EU
- Special system for postal operator / courier if IOSS is not used

# July 1, 2021 - Changes for e-commerce

*E-commerce from non-EU warehouse*

## **IOSS system:**

IOSS system will be available for:

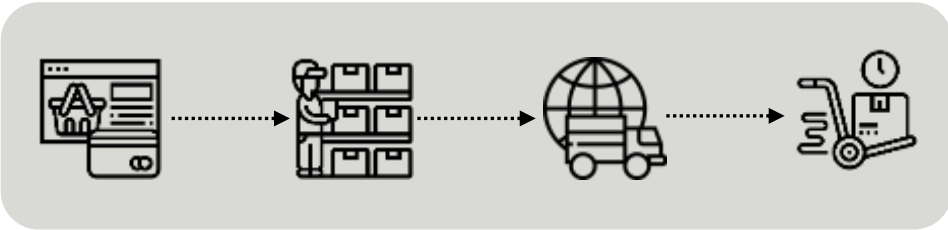
- goods sold to a consumer,
- whereby package is shipped from non-EU to EU,
- the value of the consignment does not exceed € 150,
- it does not concern excise goods,
- both EU as non-EU established businesses need a special IOSS VAT number, and,
- non-EU established businesses need to appoint an intermediary.

Input VAT **cannot** be recovered via the (I)OSS return, should be done via local VAT return or refund request, depending on situation.

# July 1, 2021 - Changes for e-commerce

*E-commerce from non-EU warehouse*

## IOSS – Fast tracking goods at customs



- UK CO registered for non-EU IOSS via German intermediary
- UK CO/intermediary liable to report via IOSS



Distance sales of goods (value  $\leq$  € 150) imported from non-EU country via import OSS scheme:

- Import VAT exempt
- VAT due on value sales
- VAT due at the moment the payment has been accepted



# July 1, 2021 - Changes for e-commerce

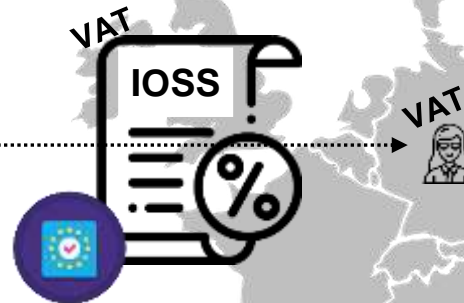
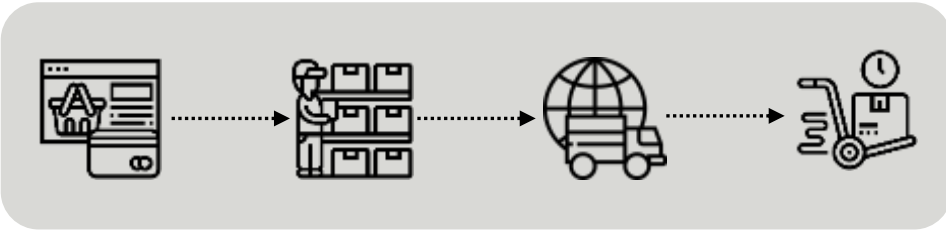
## *E-commerce from non-EU warehouse*

- **Special fall back scheme for postal operators / couriers** if supplier does not use the IOSS:
  - Import is VAT taxed
  - Consumer will only receive the goods if VAT is paid
  - Who imports the goods: supplier or consumer?
  - Postal operator / courier declaring the goods at customs pays the import VAT via a special monthly return – this party will recharge the VAT and possible costs
  - Limited to customer in EU country of import!

# July 1, 2021 - Changes for e-commerce

*E-commerce from non-EU warehouse*

## IOSS – Fall back scheme



Postal operator / courier reports and pays the import VAT due and recharges these

Distance sales of goods (value  $\leq$  € 150) imported from non-EU country via fall back scheme:

- Import VAT due
- Payment via postal operator / courier
- Limited to customers in import country

# July 1, 2021 - Changes for e-commerce

*E-commerce from non-EU warehouse*

Regular rules for VAT upon import apply if:

- Value > € 150
- Value <= € 150 **and** supplier not registered for IOSS **and** special fall back scheme for postal operators / couriers not applied



# Platforms



# July 1, 2021 - Changes for e-commerce

## *Platforms*

If marketplaces or platforms facilitate:

- either B2C sales within the EU by businesses not established in the EU; and / or
  - facilitate B2C sales of goods imported into the EU with a value not exceeding € 150,
- the marketplaces or platforms will be liable to pay the VAT amounts due in the EU country of the customer.

**The platform shall be deemed to have received and supplied those goods itself! Suppliers perform a B2B supply of goods to the platforms!**



# Action required!

# Summary

## What will you have to do?

- Analyse your flow of goods;
- Determine the VAT consequences;
- Determine which scheme you want to use, and whether you can do so;
- Register for the scheme(s) as soon as possible;
- Adjust your website and underlying systems and make sure that you charge VAT if required;
- **Start today!**



# UK VAT E-COMMERCE UPDATE



# 1 January 2021 – E-commerce VAT changes for the UK

- Brexit and E-commerce changes.
- Main focus has been on Brexit but E-comm changes are also a fundamental shift which will impact business models, systems and the customer experience.
- WHY? The UK was hit by a €2.7bn fine from the EU for failing to combat fraud within the LVCR regime.
- The EU concluded that British customs allowed those importers to use "fictitious and false invoices and incorrect customs value declarations at importation." The EU concluded that British customs allowed those importers to use "fictitious and false invoices and incorrect customs value declarations at importation."
- Led to teams being set up – inland clearance hubs to focus on “disrupting the supply chain”.
- Designed for HMRC to audit them through VAT records.
- Amps up the joint and several liability responsibilities for trading with Online Market Places.

## Changes to VAT treatment of overseas goods

- From the 1st January 2021 the UK introduced changes to the way VAT was accounted on low value consignments (less than £135.00) imported from outside the UK.
- The new arrangements will also involve the abolition of Low Value Consignment Relief, which relieves import VAT on consignments of goods valued at £15 or less.
- Online marketplaces (OMPs), where they are involved in facilitating the sale, will be responsible for collecting and accounting for the VAT.
- Where OMP's are not used, the seller will be required to register for VAT in the UK and account for the VAT on the sale via its UK VAT return.



# Changes to VAT treatment of overseas goods

- The £135 is used to determine the value of the consigned goods. Does not include transport, insurance of taxes.
- These rules include sales both to consumers (B2C) and to business (B2B).
- No changes will apply to consignments containing excise goods (normal import rules apply).
- Customs declarations will still be required. A full VAT invoice must be included with the package.
- As VAT is accounted for at time of sale HMRC has introduced changes to the import procedure.
- A qualifying sale will need to be imported using the Customs Procedure Code (CPC) 40 00 C07. This waives the requirement for the payment of Import VAT.
- If the incorrect CPC is declared (e.g. 40 00 004), the Import VAT will be collected from the importer prior to clearance – this has been experienced by consumers in early 2021.
- **NOTE:** Where several commodities are sent to the single recipient, the highest valued commodity code should be stated in Box 33 of the import declaration. The code should be notified to the customs agent or clearly stated on the commercial invoice.



**Great Britain  
(England, Scotland & Wales)**

No import VAT or Customs duty

**Goods < £135**

**Via an online marketplace\*:**

- UK VAT registration required for the seller
- Marketplace is liable for charging and accounting for VAT
- Deemed zero-rated supply to online marketplace by the seller when goods sold: quoted in Box 6 of UK VAT return (no invoice required)

**Not via an online marketplace:**

- UK VAT registration required for the seller
- VAT chargeable at point of sale
- Full VAT invoice required in the package
- No VAT if valid UK VAT number received from customer: they self-account under the reverse charge

\* A business sells goods 'via an online marketplace' if that platform meets all of the following:

- in any way sets the terms and conditions on how goods are supplied to the customer
- is involved in any way in authorising or facilitating customers' payments
- is involved in the ordering or delivery of the goods

Does not include sales of goods to the online marketplace.



**Great Britain  
(England, Scotland & Wales)**

**Goods > £135**

**Sold DDP:**

- UK VAT registration required for the seller
- GB EORI number required to make import
- Seller responsible for Customs declaration on import into the UK
- Indirect Customs representative (jointly and severally liable for any Customs debts) required for seller with no UK establishment
- Import VAT on import – can be deferred through postponed import VAT accounting
- Potential Customs Duty on import – not if goods are of ‘EU origin’ and depends on tariff code – option to set up a duty deferment account
- VAT chargeable to customer at UK rate and invoice to be raised

**Not sold DDP:**

- Customer is responsible for completing the Customs declaration and will incur import VAT and duty costs



**Great Britain  
(England, Scotland & Wales)**

## Goods in GB at the point of sale

### Via an online marketplace\*:

- UK VAT registration required for the seller
- Marketplace is liable for charging and accounting for VAT
- Deemed zero-rated supply to online marketplace by the seller when goods sold: quoted in Box 6 of UK VAT return

### Not via an online marketplace:

- Usual VAT rules – UK VAT applies when the goods are delivered to a UK address

\* A business sells goods 'via an online marketplace' if that platform meets all of the following:

- in any way sets the terms and conditions on how goods are supplied to the customer
- is involved in any way in authorising or facilitating customers' payments
- is involved in the ordering or delivery of the goods

Does not include sales of goods to the online marketplace.

## Summary

- The initial focus on Brexit will shift to E-comm and changes in the EU mean that the UK changes if not yet implemented will become an increasing risk to the business model.
- Changes to systems to identify and charge VAT and be able to include a VAT invoice in the parcel.
- Be careful with OMP's and ensure that your systems are compatible. Examples of VAT being charged twice.
- Above £135 the customer can still be the importer – customer experience?
- Work with your agent and fast parcel operator to ensure the right codes are used and for responsibility for the charges.





# AUSTRALIA E-COMMERCE AND FTA UPDATE



# Australia and E-Commerce

- Online marketplaces like eBay, Amazon, Gumtree, MyDeal, or Catch continue to attract Australian shoppers, offering seamless, one-stop-shop experiences. In 2019, among the top 100 shopping sites in Australia, traffic going to online marketplace sites accounted for 58.3%. eBay is the largest online selling site, followed by Amazon and Wish.
- Low-value imported goods: This applies to imported goods worth less than AUD 1,000. Australian residents pay 10% more on most types of foreign products. The GST requires overseas suppliers and online marketplaces such as Amazon and eBay with an Australian GST turnover of AUD 75,000 or more to include GST on sales of low value goods to consumers in Australia.
- Digital products and services: The 10% tax applies to any overseas digital goods and services, including music bought online, digital magazine subscriptions, or digital movie or television streaming services.

# Australia and EU/UK trade dialogue

## Free Trade Agreement progress

- **Australia - UK**
  - Started June 2020
  - 4<sup>th</sup> Round 20 Feb – 5 Mar 2021
  - 50 negotiation sessions
- **Australia – EU**
  - Started June 2018
  - 10<sup>th</sup> Round March 2021
  - Overshadowed by threat of Carbon Tariffs



# Customs and International Trade – Regional snapshot

- Regional Comprehensive Economic Partnership (RCEP) – ASEAN centric
  - EIF in late 2021/early 2022?
- EU-Vietnam FTA (EIF 1 August 2020)
- ASEAN wide self certification scheme
- CPTPP – Feb 2021 UK submitted bid to join agreement
- Japan – UK Trade Deal
- Korea – UK FTA
- Singapore – UK FTA
- Vietnam – UK FTA
- ASEAN – HK, CN FTA

A hand is holding a smartphone. The screen of the phone shows a shopping cart icon. In the background, a blue credit card is visible. The scene is set against a blurred background of warm, bokeh lights.

**Questions?**

# Contact us



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## EU VAT E-COMMERCE CHANGES



The best preparation for these changes is starting today



See our website:  
<https://www.bakertilly.nl/en/topics/e-commerce/>

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