



# Major changes on 1 July 2021 in rules for retailers selling online across the EU

Current distance selling thresholds will be abolished

All B2C sales of goods will be taxed in the EU Member State (MS) of arrival

New EU-wide threshold for small EU businesses trading under 10,000 EUR over border within the EU

The VAT registration in all EU MSs where the customers reside could be avoided if the One-Stop-Shop (OSS) scheme is used

OSS may bring considerable savings in the VAT compliance costs for businesses selling online across EU

Any occasional input VAT cannot be deducted via OSS and should be claimed through (EU online) VAT refund system for non-established taxpayers

## Background

If you are a retailer selling goods online across the European Union (EU), major changes will take place for your B2C business on 1 July 2021. Drastic changes will also occur for B2C businesses importing the goods in the EU and selling (online) across the EU as well as for businesses selling via electronic interfaces such as online marketplaces (e.g. dropshippers).

OSS (extension of current MOSS) will apply to cross-border B2C sales of goods and all cross-border services to EU non-taxable persons (including those supplied by non-EU suppliers) and to certain domestic supplies of goods "facilitated" by electronic interfaces / online platforms.

Hereafter, an overview is provided of the main implications of changes to (both EU and non-EU) online sellers shipping goods across Europe from a stock located in the EU. If you are not only shipping within the EU but also importing low-value goods from third countries to final customers in the EU or if you are not only selling via your own website but also via other interfaces/platforms then

different tax implications may apply to your business which we deal in separate memos.

## The abolition of the distance selling thresholds

### Current rules

Under the current EU distance sales' rules, intra-EU online sales are subject to VAT in the country of departure of goods until the sales exceed a local threshold in the EU MS where the customer is located. After breaching a local threshold (ranging from EUR 35,000 to EUR 100,000) in this EU MS, an online retailer is obliged to VAT register, charge VAT of the EU MS of arrival and remit the collected VAT to the tax authorities of this EU MS.

### Rules after 1 July 2021

All distance sales of goods will be taxed in the EU MS of arrival. The current thresholds will be abolished (see about an exception for small EU businesses below). However,

the VAT registration in those countries could be avoided if the **VAT reporting will take place via OSS** in the country of establishment (in case of EU businesses) or in a EU MS of choice (for non-EU businesses). If OSS is used then there will be no need to file VAT returns in all EU MSs where the VAT is due. All B2C sales could be reported via a quarterly return to the “own” tax authorities under OSS (so-called “OSS VAT return”). The cross-border services to final customers residing in the EU (such as providing admission to events or services related to immovable property) could also be reported in the OSS VAT return. B2B supplies cannot be reported via OSS.

#### New threshold for EU businesses

EU businesses established in only one EU MS may opt for the taxation in the EU MS of departure if all their B2C sales of goods and digital (TBE) services in EU do not exceed EUR 10,000 per year. No threshold applies to non-EU businesses.

## OSS – simplified reporting and payment of VAT

Sellers will still be obliged to charge VAT of the customer country; however, this VAT could be reported via a quarterly OSS VAT return in its own MS. OSS allows for a single payment to this MS who forwards the VAT payments to the various EU MSs of consumption.

Businesses cannot claim an input VAT deduction on the OSS VAT return. If OSS is used for VAT reporting then any occasional input VAT should be claimed via an EU online refund system (previous “8th Directive refund”) by businesses established in the EU or via “13th Directive refund” by non-EU businesses.

#### Regular VAT registrations may still be required if OSS is used

A VAT registration and regular VAT returns are still necessary in EU MSs where an online seller keeps a stock and performs the B2B intra-EU supplies and local sales from this stock.

Sales in the UK cannot be reported in OSS. Sales of **goods** in the Northern Ireland (NI) could be reported via OSS since special treatment applies to NI.

#### Making use of the OSS is optional

You may not to make use of the OSS, and instead to register for VAT in all EU MSs where you have customers.

However, if you choose to register for OSS then all supplies which fall under OSS should be declared in your OSS return. This also applies to cross-border B2C services falling under OSS. You cannot, therefore, opt to use the OSS scheme just for supplies in selected MSs and not for supplies in other MSs.

#### Invoicing

The obligation to issue an invoice is removed for intra-EU distance sales when the OSS / Union scheme is used, e.g. when goods are shipped within EU or B2C services are supplied by taxable persons established within the EU which fall under OSS.

## What are your next steps?

Changes in your internal business processes and IT systems may be needed to manage the changes.

- Engage with VAT advisors to understand the VAT rules applicable to flows of your goods.
- Check whether OSS could be applied.
- Decide whether you want to use OSS or you prefer to file VAT returns in all EU MSs of arrival.
- If you choose to make use of OSS then you need to register for it (OSS registrations are possible from **1 April 2021**).
- Check which administrative steps (such as de-registrations and notifications in various EU MSs) are required if you choose for OSS.
- If you choose not to use OSS then check whether any new registrations are required in any of the EU MSs where you have sales to final customers and where you now operate under the threshold.

**Grant Thornton's international indirect tax team and digital advisory team can assist you in your VAT / customs matters, compliance and update of your systems and processes. Please contact us if you would like to discuss your options.**

**Grant Thornton Netherlands has tools and software which can make your VAT compliance and OSS reporting simple.**



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**Contact**

Do you have questions or do you need more detailed information? Please do not hesitate to contact us.

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