



ONE-STOP SHOP UP AND COMING CHANGES TO BE AWARE OF



The One-Stop Shop

As Of 1st July 2021, new VAT legislation is being introduced in the European Union (EU) affecting the VAT treatment of cross-border B2C sales.

The three main aspects of the changes are:

- The withdrawal of the Distance Selling thresholds and introduction of the 'One-Stop Shop' (OSS) single EU VAT return
- The removal of the low-value import VAT exemption and the new Import One-Stop Shop (IOSS)
- Digital marketplaces which provide a fulfilment services will become the deemed supplier for VAT purposes

The new rules will impact all businesses that sell products online to consumers (B2C) in the EU, with mainly positive outcomes expected for suppliers.

Removal of 'distance sales' thresholds:

Distance sales are sales of goods to consumers whereby the products are shipped from one EU country to the consumer in another and for which the supplier is involved in the transport of the products.

The current EU VAT rules determine that cross-border sales of goods are subject to VAT in the EU country of dispatch of the goods; however, once the value of sales reaches a specific turnover threshold in the country of, the business is required to register for VAT purposes in that country, undertake the local VAT compliance requirements and pay VAT in that country. The turnover threshold is €35,000 in most countries, but for instance in Germany, The Netherlands and Luxemburg it is €100,000.

Once the new rules are introduced, there will be a single turnover threshold for all distance sales to another EU country.

If the business sells no more than €10,000 of goods and telecoms, broadcast and electronically supplied (TBE) services to all other EU countries in total, it may continue to charge and pay the VAT in the country of dispatch. If it exceeds this threshold, then VAT must be paid in each destination country.

One-Stop Shop (OSS) for

EU established businesses

A (Mini) One-Stop Shop (MOSS) already exists for businesses involved in making EU supplies of B2C TBE services to customers in other EU countries, and this is now being extended to include all other goods and services. The extension to the scheme means that businesses no longer have to VAT register in every country in which sales exceeded the relevant distance sales threshold. They will make the new OSS filing in the country where they are established, alongside their regular domestic VAT return. The new process requires that the seller pays all the VAT due to their home VAT authority, which then forwards the VAT to the countries where the supplies are received.

Although the new OSS is not compulsory, it is clearly beneficial for the majority of businesses which are not otherwise required to be VAT registered in the EU countries where goods are received.

The main advantages of registering for the scheme are:

- The business is only required to VAT register in its country of establishment and not in all countries to which it makes supplies
- There will only be four VAT returns per year for all EU supplies
- The total VAT amount due in all EU countries can be made with a single payment instead of making numerous payments to tax authorities in various countries
- There will no longer be a requirement to meet the differing invoice requirements across the EU

OSS – Non-Union scheme

Businesses which are not established in the EU (such as the UK) can apply to join a broadly similar ‘Non-Union’ scheme. One of the main differences is that the €10,000 annual turnover threshold for small business does not apply, so unfortunately an EU VAT registration will be required for any EU trading. The business will need to nominate any single EU state to register and file returns, and depending on the country’s domestic regulations, may require the business to appoint a fiscal representative.





Import One Stop Shop (IOSS)

Low-value import VAT exemption

Until 1st July 2021, no import VAT is payable on imports of commercial goods into the EU up to a value of €10/€22 (depending on EU country of importation). This exemption is to be **removed** as of 1st July 2021 at which point **all commercial goods imported into the EU from a third country or third territory will be subject to VAT irrespective of their value.**

The Import One-Stop Shop (IOSS) was created to facilitate and simplify the declaration and payment of VAT for distance sales of imported goods with a value not exceeding €150 (NB if the value of a consignment exceeds €150, then the IOSS cannot be used and normal import rules apply).

Sellers registered for the IOSS apply VAT when selling goods destined for a buyer in an EU Member State. The VAT rate is the one applicable in the EU Member State where the goods are to be delivered.

If your business is not based in the EU, you will normally need to appoint an EU established intermediary to fulfil your VAT obligations under IOSS. Your IOSS registration is valid for all distance sales of imported goods made to buyers in the EU.

Digital marketplaces

With effect from 1st July 2020, a digital marketplace facilitating the supply of goods through the use of an electronic interface such as a marketplace, platform, portal or means similar will become the 'deemed supplier' in case of:

- Goods in consignments of an intrinsic value **not exceeding €150** supplied to a customer in the EU and imported in the EU, irrespective of whether the underlying supplier/seller is established in the EU or outside the EU
- Goods which were already released into free circulation in the EU and goods which are located in the EU and these goods are supplied to customers in the EU, irrespective of their value, when the underlying supplier/seller is not established in the EU

The result of this 'deemed supplier' provision is that the taxable person facilitating the supply through an electronic interface is treated for VAT purposes as if he is the actual supplier of the goods. This implies that he will be considered for VAT purposes to have purchased the goods from the underlying supplier and sold them onwards to the customer.



Next steps

The OSS and IOSS were originally due to be introduced on 1st January 2021 but were delayed until 1st July 2021. Although the 'go live' date for registering for the scheme was 1st April 2021, we are aware that some EU countries have indicated that they are not ready to implement the new rules and have still to make decisions in terms of requirement for appointing intermediaries. For this reason, Essentia are still seeking confirmation from various EU authorities to determine what the appropriate and simplest actions will be for our clients in terms of compliance cost and convenience. We will keep our clients and contacts updated in order that suitable steps can be taken, if appropriate, to deregister existing VAT registrations that are necessary under the current rules.

If you or your clients sell goods B2C across the EU then please don't hesitate to get in touch with the Essentia team for a free initial consultation to establish how the up and coming changes will effect you and your business, please contact Dino Tornarides to arrange a consultation on: d.tornarides@essentiaglobalservices.com

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