



# New VAT aspects of B2C trade between EU and NI

If you trade with Northern Ireland (NI), then you need to be aware of major changes from **1 July 2021**. This also applies if a NI business trades with the EU.

If you have opted for OSS, you may ask yourself how sales to or from NI should be reported.

The threshold of £70,000 for cross-border B2C selling from EU Member States (MSs) to Northern Ireland (NI) is **NOT** applicable after **1 July 2021**.

An EU or NI seller may make use of an EU/NI-wide threshold of €10,000 instead.

No threshold applies for non-EU businesses who must register immediately in the MSs of destination or in the UK when selling to final customers in MSs or NI.

Alternatively, businesses may make use of the OSS and report all their sales via an OSS registration in their quarterly OSS return.

Once registered for the OSS, all distance sales must be reported via the OSS.

Services provided to NI customers cannot be reported via the OSS.

Different rules apply for B2C trade in goods between GB and NI and for services.

## Background

### Special rules for NI

The special rules of the Northern Ireland Protocol (so-called “NI Protocol”) apply after Brexit for trade in goods with Northern Ireland (NI). What concerns movements of goods and VAT refunds related to sales of goods, NI is treated as if it were an EU Member State (MS). Transactions involving services are not covered by the special NI Protocol, consequently, transactions in services between EU MS and NI will be treated as transactions between MSs and ‘third countries’ (non-EU MSs). This basically means that the NI has to be treated for VAT purposes as an EU MS for movements of goods but as a non-EU MS for the services.

### B2C trade between EU and NI

After Brexit, goods shipped between EU and Great Britain (GB) are treated as export and import. However, movements between EU and NI are not an export in EU and import in NI (or vice versa), but remain under the EU VAT and customs rules. So-called EU “**distance selling**” rules are applicable where a business sells goods to a non-VAT registered customer with a delivery from an EU MS to NI or vice versa.

### Distance selling

Distance selling means selling goods to private individuals or other non-VAT-registered persons (B2C). Distance selling occurs when the goods are sold B2C and delivered between EU MSs and/or NI.

## E-commerce package of the EU

Changes apply from **1 July 2021** in respect of the movement of goods from EU to NI and vice versa as well as imports of low value goods into the EU and NI.

### *Abolition of country-by-country thresholds*

The thresholds of either €35,000 or €100,000 set by each MS (the NI / UK used £70,000) for distance selling between EU MSs and NI have been replaced with a single pan-EU threshold of €10,000 (£8,818). This threshold only apply to the total cross-border sales by the business across the EU (and NI) and not, as previously, on a country-by-country basis. This means EU/NI businesses selling B2C goods from the EU to NI and from NI to the EU and from above the distance selling threshold will be affected by the new rules.

EU businesses making distance sales from EU to NI or vice versa must register for UK VAT if the value of their cross-border sales in whole EU and NI during a calendar year goes over €10,000.

NI businesses making distance sales from NI to EU must register for VAT in all EU MSs where they have distance sales if the value of their sales into EU MSs during a calendar year goes over €10,000.

No threshold applies for non-EU businesses.

## OSS

To ease the administrative burden of businesses having to register in each EU MS where they have customers, there is a new opt-in online One Stop Shop (OSS) quarterly VAT reporting and payment system. This means that businesses falling in scope of the new distance selling rules are no longer required to VAT register in each of the EU MSs of their customers.

## B2C movements of goods between EU and NI

### EU to NI

Where EU businesses are making distance sales from EU to NI, they must register for UK VAT unless they are established in the EU or NI and their cross-border trade in EU/NI does not exceed the threshold of €10,000. If the value of their cross-border sales into EU NI during a calendar year goes over the distance selling threshold, they either need to register for VAT in the UK and charge UK VAT or register for OSS and report the UK VAT via the

OSS return. No threshold applies for businesses who are not established in the NI or EU.

### NI to EU

Where NI businesses are selling to EU consumers, they also may benefit from the EU-wide distance selling threshold of €10,000 which allows them to sell to MSs under UK VAT rules by charging UK VAT and reporting it to HMRC until their total sales in the EU exceed this limit.

NI businesses making distance sales from NI to EU must register for VAT in all EU MSs where they have distance sales if the value of their distance sales into EU MSs during a calendar year goes over the new distance selling threshold of €10,000. No threshold applies for businesses who are not established in the NI or EU.

Alternatively, OSS could be made use of. This means registering for OSS and reporting the VAT of the MSs where the customers are located via the OSS return.

## Practical tips for B2C trade in goods between EU and NI

### XI number

From 1 January 2021, a VAT number of the customer with the "XI" prefix is required for the distance sales / B2C deliveries from an EU MS to the Northern Ireland (NI).

### OSS registration

OSS registration is available for businesses to register in their EU country of establishment, in the EU MS of departure (for non-EU businesses) or with HMRC for NI businesses.

## When OSS is used

### Goods

Once registered for OSS, the business must account for VAT on all its distance sales through the OSS. For example, if you are selling in the EU and NI from the warehouse located in the EU MS, you should report your NI sales in the OSS return once opted for OSS, not in the UK return.

**Different rules apply for services and for B2C trade in goods between GB and NI.**

## Services

The new EU rules of the e-commerce package apply to both goods and services supplied throughout the EU. However, as the NI Protocol only applies to goods, the UK's implementation of the EU's e-commerce package will only apply to supplies of goods in respect of NI. This means that supplies of services to or from NI do not count towards the distance selling threshold.

This also means that **services provided to NI customers cannot be reported via the OSS** and should thus be reported in the UK VAT return.

## B2C trade in goods between GB and NI

If you deliver goods to NI from GB, then EU distance sales rules as described above do not apply and you should use the GB VAT number not XI number for those sales and report them always in the UK VAT return (using OSS is not possible for this trade).

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

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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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