



EU Solutions To Problems With iOSS And Plans Of EU VAT Harmonization

The European Commission (EC) proposes a solution to the problem of double taxation arising on the new EU Import One-Stop Shop (IOSS) scheme for declaring VAT on low-value imports (consignments not exceeding €150).

EC suggests allowing sellers or deemed supplier marketplaces to reclaim in subsequent IOSS returns any import VAT incorrectly collected at Customs.

The European Council back this solution in its conclusions of 15 March.

The Council backs the implementation of the new EU VAT e-commerce rules, the possibility to make the use of the IOSS mandatory and removal of the EUR 150 threshold for the use of the IOSS.

The Council backs extensions of the scope of the EU VAT one-stop shop (OSS) to all B2C supplies and the use of the reverse charge mechanism for B2B supplies by a non-established taxable person.

Background

On 1 July 2021, the EU e-commerce package came into operation. Some issues have been identified that require urgent attention, such as, for example, double taxation when IOSS has been opted for. In this regard, the European Commission (EC) have provided possible solutions.

Double taxation when importing low-value goods

The charge to double taxation has been identified as a critical issue that requires a workable solution.

Two primary causes of double taxation are identified as a result of:

- the non-communication of the supplier's IOSS number when clearing the goods;
- Customs is unable to validate the IOSS number in a full customs declaration (H1).

Despite the fact that IOSS goods are subject to VAT at a point of sale, VAT on the importation of IOSS goods also

arises where the trader's valid IOSS number is not provided on the import declaration.

Proposed solution

The proposed solution to the double taxation problem covers the **reclaim of VAT in the subsequent IOSS VAT return**. It is proposed that this solution will apply equally to both cases above as the trader actually supplies its IOSS number, however, it is either not transmitted, or cannot be validated in the H1 customs declaration due to technical issues in the EU Member State of importation.

If a customer has been charged import VAT, then the supplier should refund the customer the VAT that was charged at the time of the supply using the IOSS. The refund of the VAT by the supplier to the customer could be done through a credit note. This credit note (or any other agreed practice), along with the proof that import VAT was paid, will evidence the supplier's entitlement to make the corresponding correction in its IOSS VAT return. The supplier should not reflect the supply in his or her IOSS VAT return if the supply and refund of VAT occur in the same IOSS VAT return period. If the refund of VAT occurs in a period following the original supply, the supplier should make the correction in the subsequent IOSS VAT return for the period in which the refund was made. As the

correction is made in the IOSS VAT return, the VAT on importation will be upheld, therefore, there is no need to invalidate the import declaration.

Council backs the proposal

Council backs this practical solution in [its conclusions on the implementation of the VAT ecommerce package](#), as approved by the Council at its meeting held on 15 March 2022.

EU Council also backs other plans to reform EU VAT

Council stresses the high priority of finalising the implementation of the e-commerce rules.

The Council invites the Commission to further look into the possibility to **make the use of the IOSS mandatory** and to investigate the possible **removal of the EUR 150 threshold for the use of the IOSS**.

It also backs **extensions of the scope of the EU one-stop shop (OSS) to all B2C supplies** of goods and services and of the harmonisation of the use of the **reverse charge mechanism for B2B supplies of goods and services by a non-established taxable person**.

The Council also supports the Commission's 'VAT in the Digital Age' initiative, which is to cover VAT reporting obligations and e-invoicing, the VAT treatment of the platform economy and a single VAT registration in the EU.

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

Contact

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

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