



VAT e-commerce package Evaluation – first 6 months

Results

VEG - 10 June 2022

Ex-post evaluation VAT e-commerce package

Evaluation of VAT e-commerce package carried out following 6 months application of the new VAT e-commerce rules

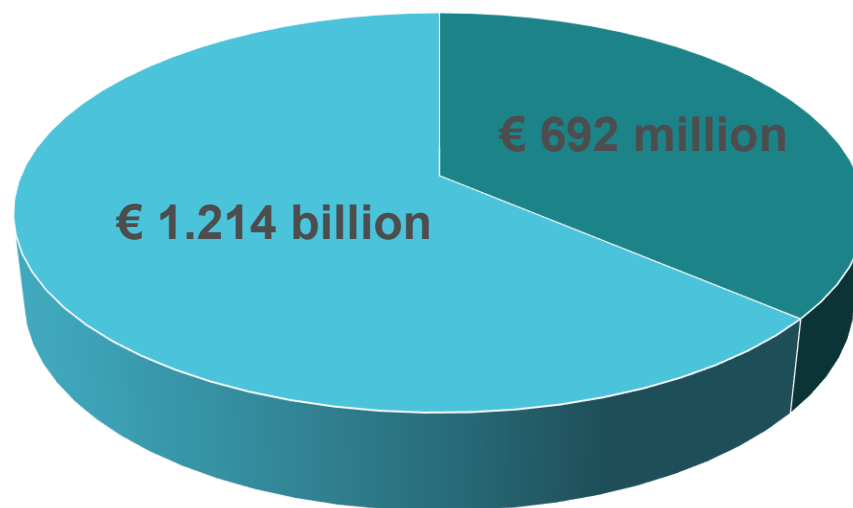
- Evaluation based on replies received from Member States' taxation and customs authorities / Surveillance data (customs); replies to the open public consultation
- Annex to the Impact Assessment of the VAT in the Digital Age initiative

How the objectives are met?

➤ *Fairer taxation*

- **Removal of the EUR 22 VAT exemption** on imported goods levelling the playing field between EU and non-EU established traders
 - Fairer taxation recognised by 80% of respondents to the public consultation
 - EUR 1 billion of new VAT collected on LVC:
 - EUR 692 million on LVC not exceeding EUR 22- directly generated
 - Approx EUR 271 million additional due to prevention of fraud (occurring in 65% of the cases)
- **Taxation at destination** applied to all cross-border supplies (Common EU threshold)
 - Fair competition amongst EU businesses
 - More than EUR 6 billion VAT revenue declared in the extended Union scheme

Total VAT collected on imports of low value goods \leq EUR 150 as per Surveillance data (H1 and H7)



- Total VAT value \leq EUR 22
- Total VAT value $>$ EUR 22 and \leq EUR 150

How the objectives are met?

➤ *Facilitation of VAT compliance*

➤ OSS and IOSS schemes

- Simplification largely recognised by businesses (public consultation)
- Attractiveness proved by the number of registrations in the schemes
- Need for:
 - a stabilised system (solving minor issues with current system)
 - improvements to the current rules and processes suggested by MS
 - **Quick fixes will be included in the VAT in the Digital Age initiative**

➤ Deemed supplier provision

- Top 8 IOSS registered traders accounted for approximately 90% of all transactions declared for import into the EU via the IOSS (200 million transactions in the import scheme in Q3/2021)

Registrations

	OSS: Union scheme	OSS: Non-Union scheme	IOSS: Import scheme	Number of intermediaries
Number of registrations on 1 February 2022	90250	4638	8654	876

How the objectives are met?

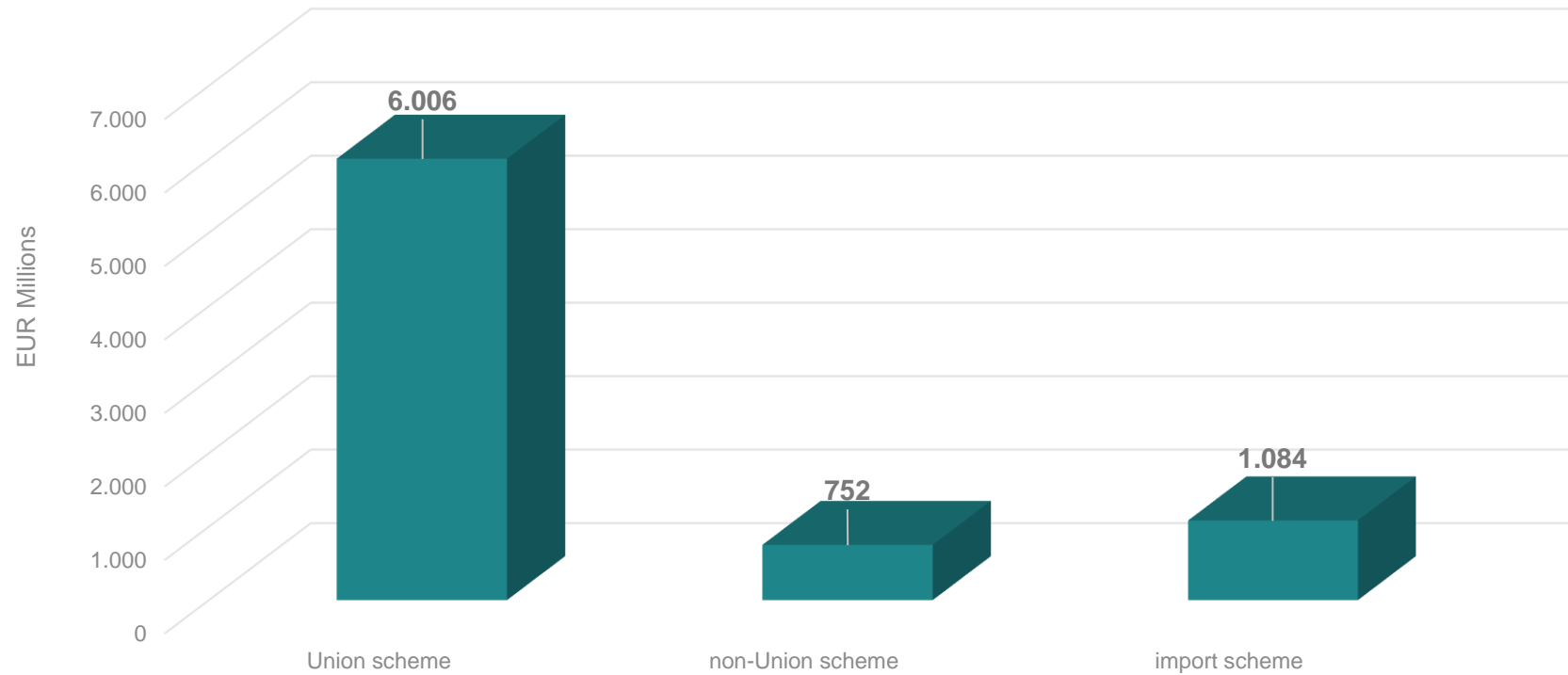
➤ *Protection of Member State' VAT revenue*

- Removal the EUR 22 VAT exemption on goods imported into the EU (prevents VAT threshold abuse)
- OSS and IOSS simplification mechanism
- Deemed supplier provision and IOSS which prevents the undervaluation
- EU wide EUR 10 000 threshold facilitates the monitoring of compliance and the fight against fraud for Member States' authorities

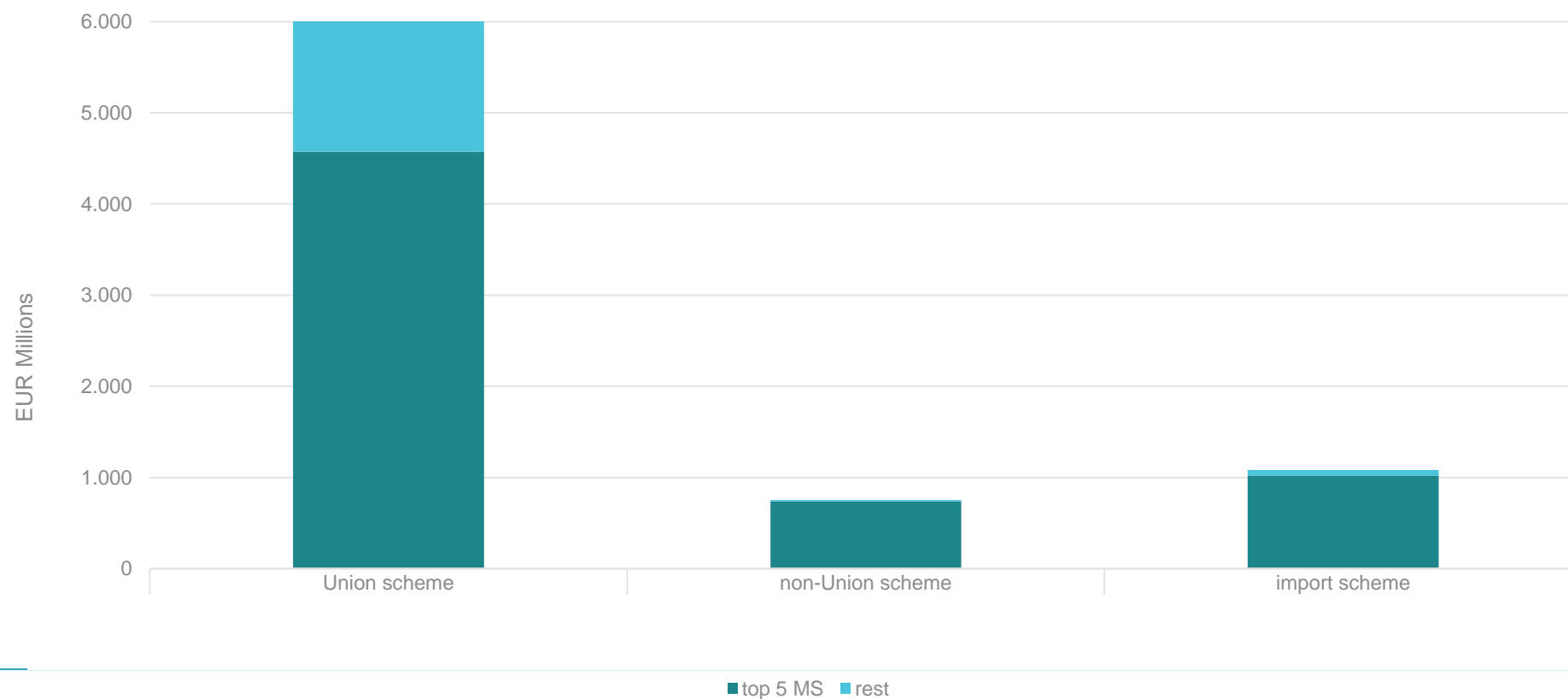
Cost-benefit analysis:

- 10% of the EUR 1 billion new VAT collected
- 0,01% of EUR 8 billion declared via OSS and IOSS schemes

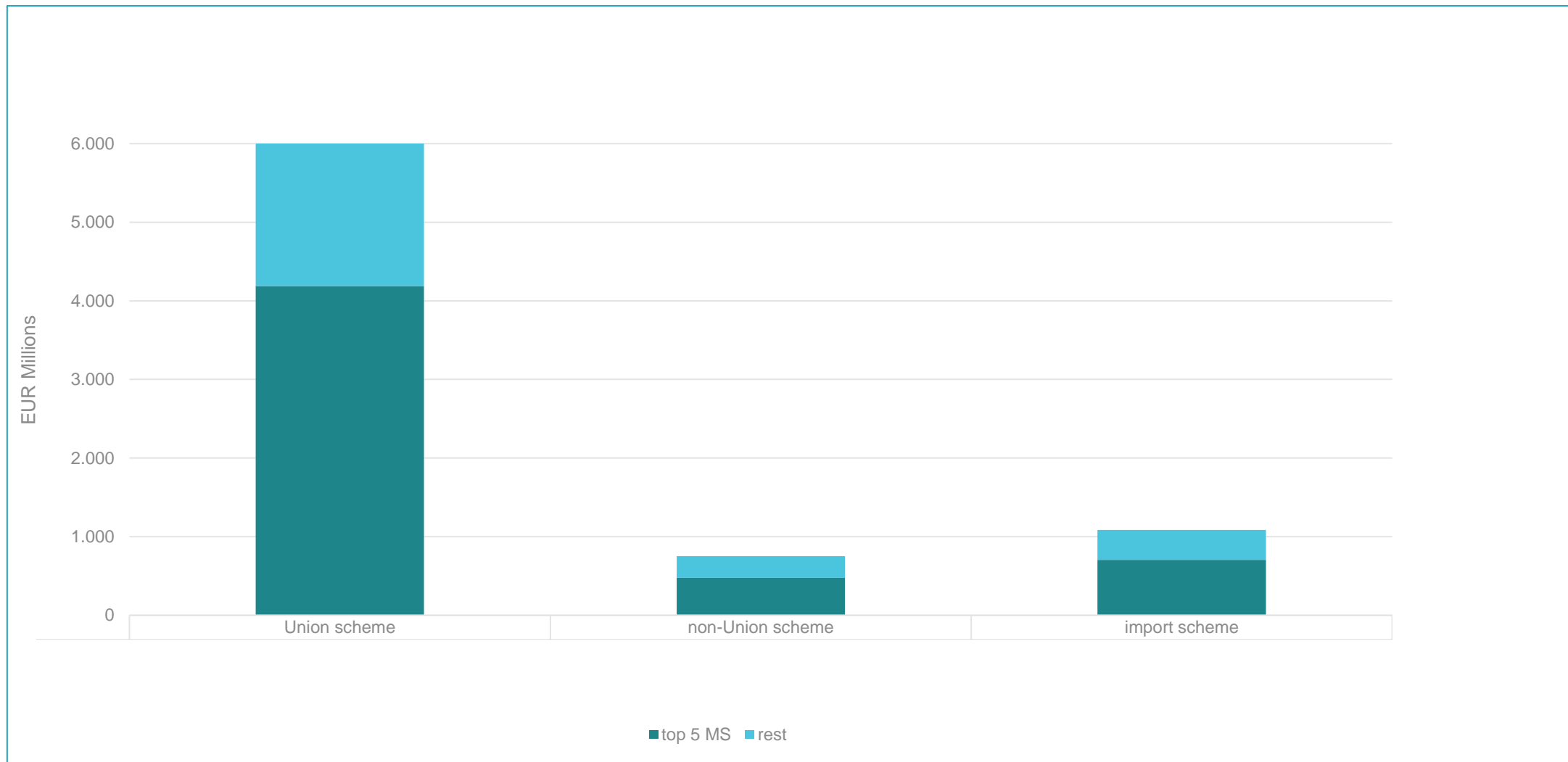
Total VAT collected via OSS/IOSS the schemes (+/- EUR 8 billion)



VAT collected by Member States of identification



VAT revenue by Member State of consumption



Issues identified following implementation

- › 1. Cases of double taxation (max 6% of imported goods)
 - › a. The non-communication of the IOSS number by postal operators
 - › b. Some Member States have no possibility to validate the IOSS number in full customs declaration
 - › **Solution/Action:**
 - a. Contacts with the UPU to improve communication
 - b. Interim solution since March 2022:
 - › Customer refunded by supplier/platforms
 - › Correction of IOSS VAT return
- › 2. Misuse of the IOSS number
 - › Magnitude not defined - Member States starting to control it
 - › **Solution/Action:** Joint TAXUD - MS and business Project Group to improve exchange of information
- › 3. Disproportionate customs fees:
 - › Commission Services are in contact with postal regulators in order to address the disproportionate customs fees charged by some national postal operators.
 - › We intend to **prepare and publish a table including the fees charged by each national operator.**

Conclusions

- Success in reshaping and modernising the VAT system
- Popularity of the e-commerce simplifications among traders
- Identified need for improvements
 - Quick fixes in the VAT in Digital Age initiative
- VAT in the Digital Age –
 - Further extending the OSS
 - Further improvements to the IOSS

Thank you



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