



**e-commerce – The main changes for VAT**

On 5<sup>th</sup> December 2017, Council Directive (EU) 2017/2455 was adopted, amending Directives 2006/112/EC and 2009/132/EC concerning VAT obligations applicable to supply of services and distance sales of goods. Since then, the Directive has been completed or amended by various European acts, notably on 21<sup>st</sup> November 2019 by the Directive (EU) 2019/1995 and by Implementing Regulation (EU) 2019/2026, as well as on 20<sup>th</sup> July 2020 by the Council Decision (EU) 2020/1109.

In concrete terms, these changes concern operators:

- Who sell services or goods via the Internet to non-taxable persons (individuals) in the EU;
- Or those who facilitate the supplies of goods via the Internet, through the use of a virtual marketplace, a platform, a web portal or any similar means.

The new rules, initially scheduled for 1<sup>st</sup> January 2021, will come into force on 1<sup>st</sup> July 2021.

*The main changes, planned for 2021, are summarized below :*

<b>1. Import of low value goods</b>	
Current situation	From 1st July 2021
Import of goods with an intrinsic value lower than 22 EUR is VAT exempt No customs declaration is required	The VAT exemption for low value goods is removed For parcels whose value is lower than EUR 150, the supplier will benefit from a VAT exemption on import and a simplified customs declaration if he has opted for the declaration and centralized payment of VAT by the IOSS <sup>1</sup> system. The customer will then pay the VAT due at the moment of purchase
<p><b>* When importing goods whose value is lower than EUR 150</b>, the supplier may opt for the central declaration and payment of VAT using the IOSS<sup>1</sup> system in the following cases:</p> <ul style="list-style-type: none"> <li>- he is established within the EU territory</li> <li>- he is established outside the EU territory               <ul style="list-style-type: none"> <li>o but is established in a country with which the EU has a mutual assistance agreement</li> <li>o or, in the absence of such an agreement, he has appointed an intermediary established in the EU to represent him</li> </ul> </li> </ul> <p>However, if the goods are sold on a third party platform, specific rules apply (see point 4. below). If the supplier has not opted for the IOSS<sup>1</sup> system, the person presenting the goods to customs can use special arrangements to declare and pay the VAT due on import in the country of destination, on behalf of the recipient. The customer will then pay the VAT due at the moment of receipt of the goods. The customs declaration submitted will be simplified if it is filed in the country of destination However, goods subject to excise duties (eg tobacco, alcohol) are excluded from this new procedure <b>When importing goods whose value is higher than EUR 150</b>, a detailed customs declaration must be submitted</p>	

<b>2. Operators supplying goods via the Internet from a EU stock to individuals residing in the EU</b>	
Current situation	From 1st July 2021
These operators must charge the VAT of the EU country in which the goods are at the time they are dispatched to their clients, as long as the annual volume of their supplies to a Member State does not exceed the threshold set by that Member State  If the threshold is exceeded, the operators must register for VAT in the country of destination in order to invoice and pay the VAT of this country, which can generate additional administrative costs	The thresholds set by the countries of destination under the current distance sales regime will disappear in favour of a single threshold of EUR 10.000 : operators established in the EU may charge VAT of their country of establishment (for services) or place of departure of the transport (for goods), as long as the combined amount of supplies of goods and electronic services to individuals in the EU does not exceed EUR 10.000 per year  Once the threshold is reached, these operators will be able to use the VAT OSS <sup>1</sup> system to declare and pay centrally to their Member State of establishment the foreign VAT charged to their clients  Taxable persons established outside the EU will also be able to benefit from the VAT OSS <sup>1</sup> system of the Member State in which their stock is located



## VAT SOLUTIONS

3. Operators who supply taxable services in the EU to individuals residing in the EU	
Current situation	From 1st July 2021
Electronically supplied services <sup>2</sup> can be centrally reported using the VAT OSS <sup>1</sup> system For all other services that would be subject to EU VAT, operators must register for VAT in the country of taxation in order to invoice and refund the VAT of that country, which can generate significant administrative costs	The operators supplying <b>any type of services</b> to individuals residing in the EU can centrally declare and pay the foreign VAT invoiced to their customers, using the VAT OSS <sup>1</sup> system

4. Operators who facilitate the delivery of goods via the internet through a marketplace, platform, web portal or similar means	
Current situation	From 1st July 2021
The clients of these operators are liable for VAT due on supplies of services and goods through the marketplace	These operators will be deemed to receive and supply the goods themselves, and are therefore liable for the VAT due on the sale, in the following two cases: - goods with a value lower than EUR 150 that are imported in the EU (eventually under the IOSS <sup>1</sup> number of the platform if it has opted for the IOSS <sup>1</sup> ) and delivered to an individual - or goods that are delivered from the EU to an individual by a supplier not established in the EU

<sup>1</sup> IOSS = "Import One Stop Shop" / VAT OSS = "VAT One Stop Shop" / VAT MOSS = "VAT Mini One Stop Shop"

<sup>2</sup> This includes: telecommunication and broadcasting services, website hosting and maintenance, software provision, distance learning, online sales of pictures, movies, music, games, etc.

Are not considered as electronic services: sales of goods via the Internet, online booking of services of a material nature (hotel, car, concert, etc.), services transmitted by email (advice, opinion, etc.)

### Other changes

Other administrative changes will occur on 1<sup>st</sup> July 2021 (invoicing, filing dates of OSS returns...). Please contact us for further information.

### Our services

- Review of your activities by country and preparation for the migration to the new OSS system
- Confirmation of the VAT treatment of your e-commerce flows
- Confirmation of applicable VAT rates by country of destination
- Automated and real-time management of standard VAT rates by our eVAT Solutions platform
- European intermediary for non-EU suppliers wishing to use the IOSS system
- Coaching/trainings
- Support for your VAT obligations in Luxembourg and abroad, including the OSS and IOSS systems:
  - Assistance, preparation and filing of the VAT registration form and VAT returns

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