

# VAT e-commerce changes from 1 July 2021

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# Overview – Why is change required to B2C e-commerce?

To combat the challenges arising from the current VAT regimes for distance sales of goods and from the importation of low value consignments



- EU businesses selling goods online to final consumers located in other Member States need to register and account for VAT in the Member State of the consumer when their sales exceed the distance sales threshold. This imposes a significant administrative burden on traders and impedes the development of intra-EU online trade.



- A VAT exemption is granted for the import of low value goods up to €22 - this exemption leads to abusive practices, Member States lose part of their tax revenues.



- Non-EU businesses selling goods from 3rd countries to consumers in the EU can make VAT-free supplies into the EU and are not required to register for VAT - clear commercial advantage compared to their EU established competitors.

# What will change?



- VAT MOSS scheme will be extended to other B2C services, to intra Community distance sales of goods as well as to certain domestic supplies of goods. Will be known as the One Stop Shop (OSS)



- Existing thresholds for intra-Community distance sales of goods will be abolished and replaced by a new EU-wide threshold of €10,000\*



- Special provisions will be introduced whereby a business facilitating supplies through the use of an online electronic interface is deemed for VAT purposes to have received and supplied the goods themselves (“deemed supplier”)



- VAT exemption at importation of small consignments up to €22 will be removed and a new special scheme for distance sales of goods imported from third countries of an intrinsic value not exceeding €150 will be created and is referred to as the Import One Stop Shop (IOSS)



- Simplification measures for distance sales of imported goods in consignments not exceeding €150 will be introduced, in case the IOSS is not used (special arrangements)

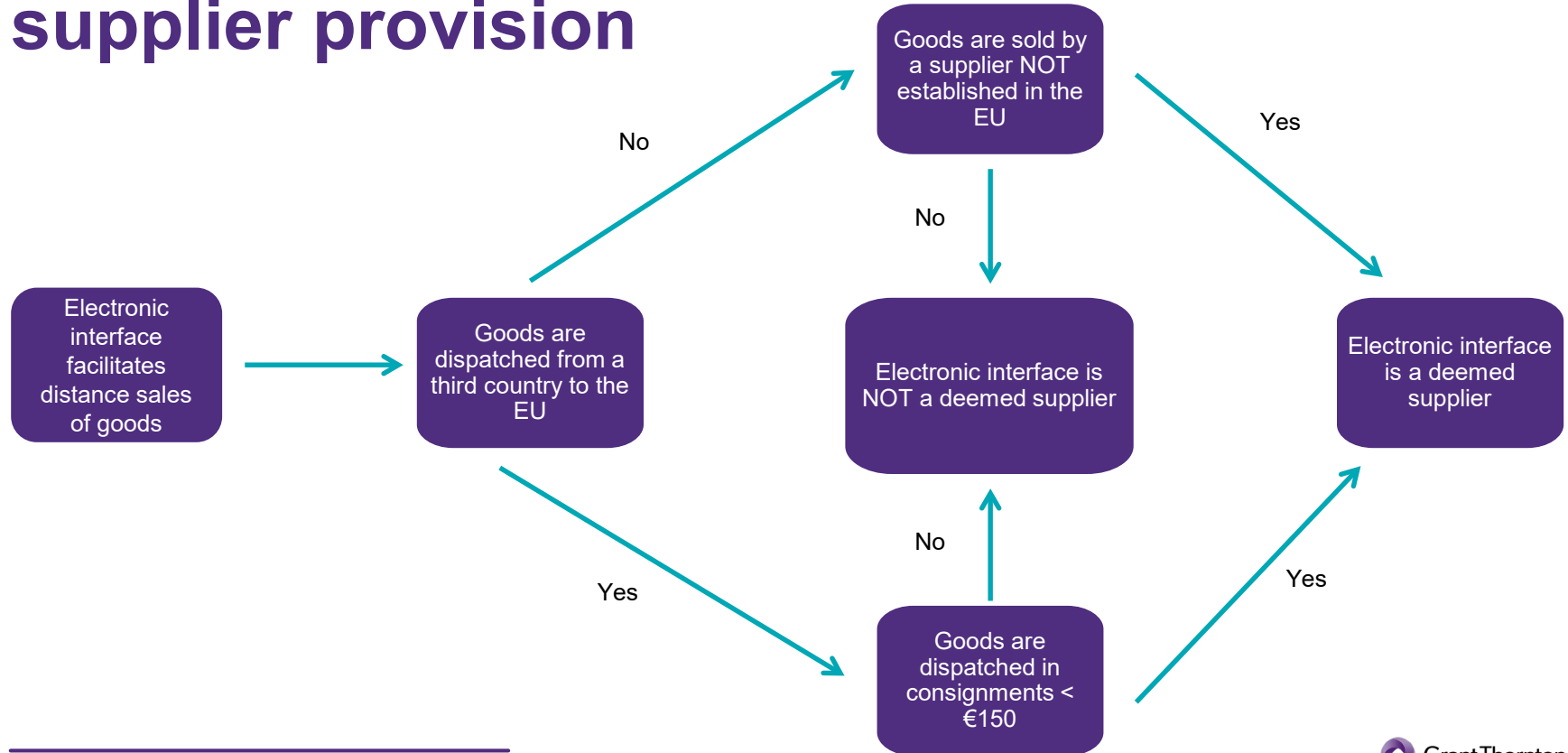
\*below which the supplies of TBE services and intra-Community distance sales of goods may remain subject to VAT in the Member State where the taxable person supplying those TBE services is established or where those goods are located at the time when their dispatch or transport begins

# Electronic interfaces

What is the deemed supplier provision?

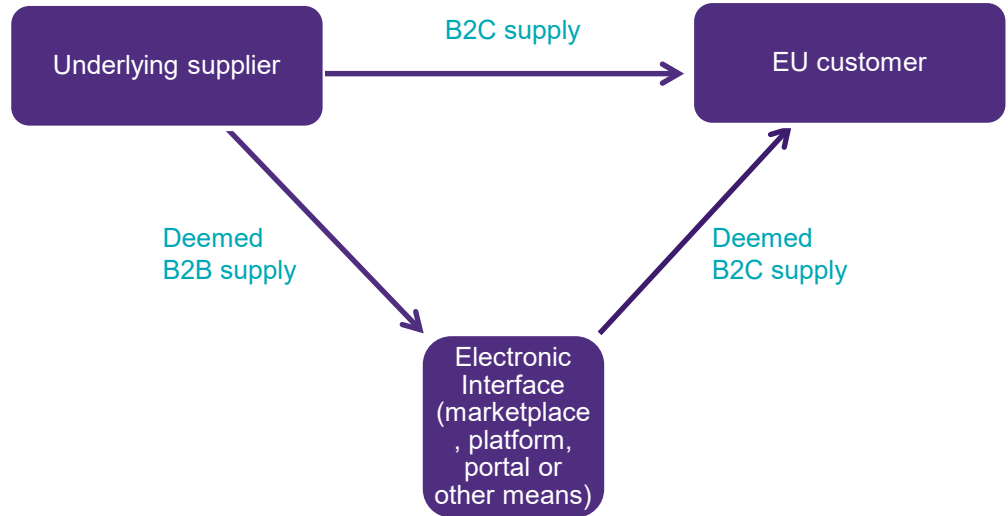
- Taxable persons who facilitate distance sales of goods through the use of an electronic interface (EI) will be involved in the collection of VAT on those sales.
- Facilitating the supply e.g. setting the T's & C's, authorizing the charge to the customer, involved in ordering/delivering the goods
- These taxable persons are deemed in certain circumstances to make the supplies themselves and will be liable to account for VAT on these sales i.e. and not the actual/underlying supplier.
- Record-keeping obligations – 10 years

# Supplies of goods covered by the deemed supplier provision



# Consequences of the deemed supplier model

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.



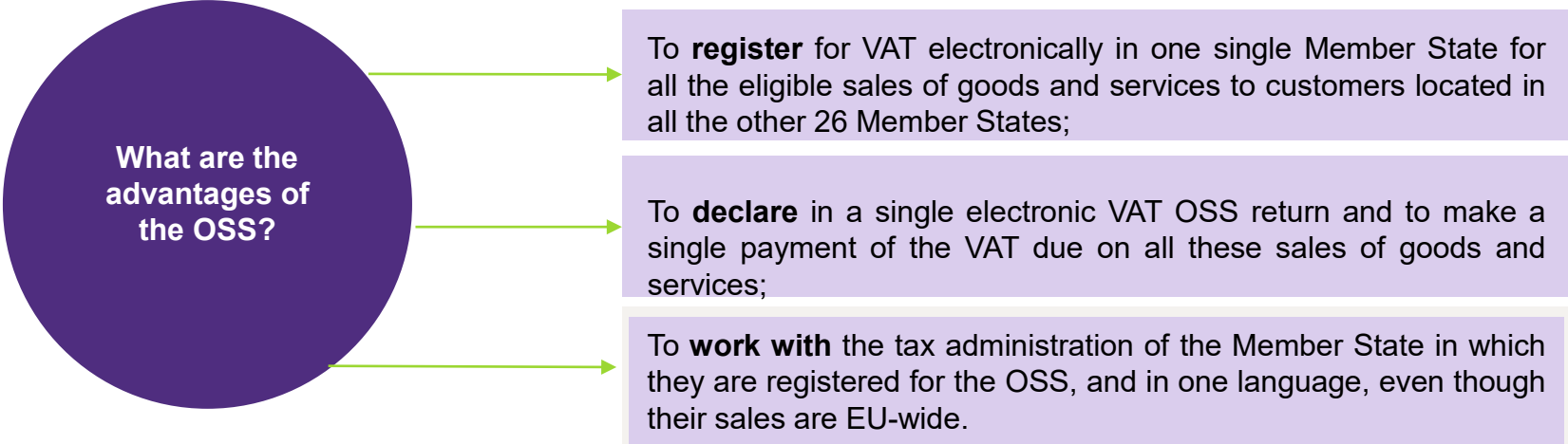
# Electronic interfaces

The deemed supplier provision does NOT apply to the following activities:

- a. The processing of payments in relation to the supply of goods;
- b. The listing or advertising of goods;
- c. The redirecting or transferring of customers to other electronic interfaces where goods are offered for sale, without any further intervention in the supply.

# Special schemes

From 1 July 2021, MOSS will be extended to **all** B2C services taking place in Member States where the supplier is not established, to intra-Community distance sales of goods and to certain domestic supplies of goods and will thus become a One Stop Shop. The OSS simplifies VAT obligations for businesses selling goods and supplying services to final consumers throughout the EU, allowing them:



What are the advantages of the OSS?

To **register** for VAT electronically in one single Member State for all the eligible sales of goods and services to customers located in all the other 26 Member States;

To **declare** in a single electronic VAT OSS return and to make a single payment of the VAT due on all these sales of goods and services;

To **work with** the tax administration of the Member State in which they are registered for the OSS, and in one language, even though their sales are EU-wide.



# Special schemes

## Overview of special schemes

	Non-union scheme/OSS	Union scheme/OSS	Import scheme/IOSS
Types of supplies	All B2C supplies of services to customers in the EU	<ol style="list-style-type: none"><li>All intra-Community B2C supplies of services</li><li>Intra-Community distance sales of goods</li><li>Certain domestic B2C supplies of goods</li></ol>	Distance sales of imported goods in consignments $\leq$ €150
Taxable persons	Non-EU established	<ol style="list-style-type: none"><li>Only EU established</li><li>EU &amp; non-EU established</li><li>Electronic interfaces EU and Non-EU established</li></ol>	EU & non-EU established, including electronic interfaces

# Non-union scheme

## What is the Non-union scheme?

- Businesses not established in the EU supplying any service to non-taxable persons (consumers) in the EU, do not need to register for VAT in each Member State in which their supplies of services take place.
- Instead, the VAT due on these supplies can be declared and paid in one single Member State (the so-called Member State of identification) via the OSS, non-Union scheme.
- The new rules do not change the place of supply of those services, but only offer a simplified procedure to declare the VAT due in the EU Member States where the supply takes place.

## Who can use the non-union scheme, and for which supplies?

- The non-Union scheme can be used exclusively by **taxable persons** (suppliers) **not established in the EU**.
- Even if this taxable person is registered or obliged to register for VAT purposes in one of the Member States for supplies other than B2C services, he can still use the non-Union scheme for B2C supplies.
- If the supplier opts to use the non-Union scheme, he has to use the scheme to declare and pay VAT for all these B2C supplies of services in the EU e.g. transport services, valuation services, services connected to immovable property etc.
- Examples in Appendix.

# Union scheme

## Extension of scope from 1 July 2021 - Supplies

The range of **supplies** that can be declared in the Union scheme is broadened, namely:

- In addition to cross-border supplies of TBE services to non-taxable persons in the EU, a supplier can also declare all other cross-border supplies of services to non-taxable persons taking place in the EU.
- The supplier can declare all intra-Community distance sales of goods;
- Electronic interfaces who become deemed suppliers for supplies of goods within the EU can declare intra-Community distance sales of goods as well as certain domestic supplies of goods in the Union scheme.

# Union scheme

## Extension of scope from 1 July 2021 – Suppliers

The Union scheme can be used by:

1. A taxable person **established in the EU (who is not a deemed supplier)** to declare and pay VAT for:
  - Supplies of B2C services taking place in a Member State in which he is not established
  - Intra-Community distance sales of goods

Services that are supplied to customers in a Member State in which the supplier is established have to be declared in the national VAT return of the respective Member State irrespective of whether this fixed establishment is involved in the supply of services or not.

2. A taxable person **not established in the EU** to declare and pay VAT for
  - Intra-Community distance sales of goods
3. An electronic interface (established in the EU or outside the EU) facilitating supplies of goods (**deemed supplier**) for:
  - Intra-Community distance sales of goods
  - Certain domestic supplies of goods\*

\*Domestic supplies of goods, i.e. where the goods are located in the same Member State as the customer to whom they are sent to, can exceptionally be declared under the Union scheme, but only by an electronic interface for the supplies where it becomes a deemed supplier.

# Union scheme

Can the Union scheme be used for part of the supplies falling under the scheme?

- If a supplier or a deemed supplier decides to register for the Union scheme, he has to declare and pay VAT for ALL supplies that fall under the Union scheme. He cannot choose to declare them in the national VAT return.
- Examples in appendix



# Union scheme

## Place-of-supply threshold (€10,000)



- As of 1 July 2021, this threshold covers cross-border supplies of TBE services and intra-Community distance sales of goods but not supplies of other types of services carried out to customers in the EU.



- The threshold is calculated by taking into account the total value of cross-border TBE services and intra-Community distance sales of goods and applies both to suppliers and to deemed suppliers.



- Supplies of cross-border supplies TBE services and intra-Community distance sales of goods up to €10,000 will have the same VAT treatment as domestic supplies i.e. subject to VAT in the Member State where the supplier is established.



- Supplier may decide not to apply the €10,000 threshold and to apply the general place-of-supply rules (e.g. taxation in the Member State of the customer in the case of TBE services and the Member State to which the goods are dispatched or transported in the case of intra-Community distance sales of goods).



- Supplier can choose to register for the OSS in the Member State where he is established, even if the supplier does not exceed the threshold. Bound by this decision for two calendar years. However as soon as the threshold is exceeded, VAT will be due in the Member State of the customer for TBE services and the Member State to which the goods are dispatched or transported for intra-EU distance sales of goods.

# Union scheme

€10,000 threshold does not apply to...

- supplies of TBE services made by a supplier not established in the EU (non-Union scheme),
- intra-Community distance sales of goods made by a supplier established outside the EU,
- distance sales of imported goods (import scheme),
- supplies of services other than TBE services,
- domestic supplies of goods made by a deemed supplier,
- supplies of goods by a supplier who is established, has his permanent address or usually resides in more than one Member State.

# Distance sales & import of low value goods

## VAT and customs duty exemption before and after 1 July 2021

Value of imported goods in consignments**	Before 1 July 2021		As of 1 July 2021	
	VAT	Customs Duty	VAT	Customs Duty
≤ EUR 22	Exempt from VAT	Exempt from customs duty	VAT due in EU*	Exempt from customs duty
> EUR 22 and ≤ EUR 150	VAT due in EU*	Exempt from customs duty	VAT due in EU*	Exempt from customs duty
> EUR 150	VAT due in EU*	Customs duty due in EU	VAT due in EU*	Customs duty due in EU



\* EU Member State where import takes place/goods are dispatched or transported to

\*\* Except goods subject to EU excise duties - alcoholic products, perfumes, toilet waters, tobacco and tobacco products.



# Import scheme

Why was the  
import scheme  
introduced?



- From 1 July 2021 VAT is due on all commercial goods imported into the EU regardless of their value. As such, a special scheme for distance sales of goods imported from third countries into the EU was created to facilitate the declaration and payment of VAT due on the sale of low value goods.
- This scheme, more commonly referred to as the import scheme, allows suppliers selling goods dispatched or transported from a third country to customers in the EU, to collect VAT on distance sales of imported low value goods from the customer and to declare and pay this VAT via the Import One Stop Shop (IOSS).
- If the IOSS is used, the importation (release for free circulation) of low value goods into the EU is exempt from VAT.
- VAT is paid as part of the purchase price by the customer.
- The use of this special scheme (IOSS) is not mandatory.

# Import scheme

Which supplies of goods are covered by the import scheme?



Supplies of goods are covered by the import scheme when:

01

The goods are dispatched/transported from a third country at the time they are supplied, and



02

These goods are dispatched in a consignment of an intrinsic value not exceeding €150, and



03

The goods are transported or dispatched by or on behalf of the supplier, including where the supplier intervenes indirectly in the dispatch or transport of the goods from a third country, to a customer or any other eligible person in a Member State, and



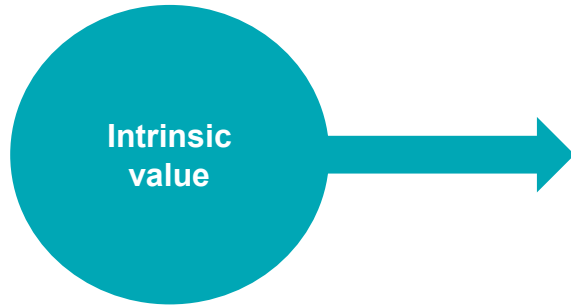
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The goods are not subject to EU harmonised excise duties (typically alcohol or tobacco products).

IOSS cannot be used when low value goods are bought and/or dispatched together with excise goods, irrespective of whether or not the value of the consignment exceeds €150.



# Import scheme



## Intrinsic value is defined as follows:

- a. For commercial goods: the price of the goods themselves when sold for export to the customs territory of the EU, excluding transport and insurance costs, unless they are included in the price and not separately indicated on the invoice, and any other taxes and charges as ascertainable by the customs authorities from any relevant document(s);
- b. For goods of a non-commercial nature: the price which would have been paid for the goods themselves if they were sold for export to the customs territory of the EU.



Any other related costs, beside transport and insurance, that do not reflect the value of the goods themselves must also be excluded from the intrinsic value, whenever they are separately and clearly indicated in the invoice (e.g. tooling costs, license fees, export tax etc.). The term “other taxes and charges” refers to any tax or charge levied on the basis of the value of the goods or on top of a tax or charge applied to such goods.

# Import scheme

## Who can use the import scheme?

1

- Suppliers established in the EU selling goods to a customer in the EU.

2

- Suppliers not established in the EU selling these goods to a customer in the EU. These suppliers can use the scheme either directly (i.e. without the need to appoint an intermediary) or indirectly (i.e. through an EU intermediary).

3

- Electronic interfaces established in the EU facilitating distance sales of imported low value goods for underlying suppliers (so-called deemed suppliers).

4

- Electronic interfaces not established in the EU facilitating distance sales of imported low value goods for underlying suppliers (so-called deemed suppliers). These electronic interfaces can use the scheme either directly or indirectly

# Special schemes

## Overview of changes to the special schemes as of 1 July 2021

Transactions	Non-EU established taxable person/supplier		EU established taxable person/supplier	
	Special scheme	Need for intermediary or tax representative <small>(established in EU and responsible for payment of VAT/fulfilling VAT obligations – appointed by the supplier)</small>	Special scheme	Need for intermediary or tax representative
Supplies of B2C services	Non-Union scheme (OSS)	No	Union scheme (OSS)	No
Intra-EU distance sales of goods	Union scheme (OSS)	No	Union scheme (OSS)	No
Domestic supplies by EI	Union scheme (OSS)	No	Union scheme (OSS)	No
Distance sales of imported goods from third countries in consignment not exceeding €150	Import scheme (IOSS)	Yes	Import scheme (IOSS)	No

# Distance sales to customers in Northern Ireland (NI)

01

NI Protocol



- From 1 January 2021, under the NI Protocol to the Brexit Withdrawal Agreement, NI remains subject to EU VAT rules on goods, including the distance selling rules.
- NI business selling to Irish or EU customers can avail of the OSS.



# Distance sales to customers in Great Britain (GB)



- From 1 January 2021, GB is longer part of the EU VAT area for goods.



- This means the EU distance sales rules are no longer applicable to sales to private consumers in GB. GB sellers will have to register in an EU Member State to file a non-Union OSS return.



- Newly implemented rules in the UK state that VAT is now due on the point of sale for consignments of goods imported with a value of £135 or under (some exceptions such as those subject to excise duties).

# Q&A

## 1. What if my business is already registered for MOSS?

If your business is already registered for MOSS for supplies of TBE services, this registration will continue under the OSS. May need to update registration data, should the business commence making other supplies now covered by the OSS. If your business is currently registered in the Union or non-Union schemes under MOSS for B2C supplies of TBE services only and are also involved in supplies which are within the scope of the IOSS, your business will **not** be automatically registered in the IOSS.

## 2. Can my business be registered for multiple schemes?

Yes, depending on the supplies being made. A supplier established in the EU can be registered in the Union scheme under the OSS and also be registered for the IOSS. A supplier not established in the EU, can technically be registered for both schemes under the OSS, the Union scheme and non-Union scheme, and the IOSS, depending on the supplies made by that supplier. Use of the OSS and IOSS is optional. However, once registered for a scheme the VAT due on all eligible supplies within the scope of that scheme must be returned under that scheme.



# Q&A

## 3. How do I register for these special schemes?

Pre-registration with the Irish Revenue has been open from 1 April 2021.

Businesses established in Ireland that want to pre-register for the Union scheme or IOSS may do so through the VAT OSS section of the Other Services panel in its ROS account.

Businesses that are established outside of the EU with no fixed establishment within the EU can register for the Non-Union or Union scheme through the Non-Union Registration: <https://www.ros.ie/vatoss-web/vatoss>

## 4. When is a tax intermediary required for non-EU established suppliers?

An intermediary should be established in EU and is responsible for payment of VAT/fulfilling VAT obligations. Required for non-EU established suppliers of distance sales of imported goods from third countries in consignments not exceeding €150. Revenue require a form to be completed appointing same:

<https://www.revenue.ie/en/vat/documents/ioss-intermediary-link-notification.pdf>

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# Appendix

1. Electronic Interfaces

2. Non Union Scheme and Union Scheme Examples

3. What is an Intermediary?

4. Distance sales of low value goods

5. Glossary

6. Disclaimer



# Electronic interfaces

## Which transactions are covered by the deemed supplier provision?

The taxable person facilitating the supply through the use of an electronic interface becomes a deemed supplier for supplies of the following made via its electronic interface:

- 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.

# Electronic interfaces

## Which transactions are NOT covered by the deemed supplier provision?

- Goods in consignments where the intrinsic value is exceeding €150 imported in the EU (irrespective of where the underlying supplier/seller is established)
- Goods which were already released into free circulation in the EU and goods which are located in the EU and supplied to customers in the EU, irrespective of their value, where the underlying supplier/seller is established in the EU.



# Non-union scheme examples

## Example 1

A supplier not established in the EU is carrying out services connected with immovable property (e.g. renovation works) located in Germany, in France and in Hungary to customers in those Member States. The same supplier is registered for VAT in Germany for other types of supplies (e.g. B2B supplies of goods). The supplier chooses to use the non-Union scheme in France (Member State of identification). He therefore has to declare and pay VAT on all supplies of services falling under the special scheme via the OSS in France. He cannot choose to declare the supplies of these services related to immovable property in Germany via the German VAT return. Other supplies (the B2B supplies of goods) in Germany, which do not fall under the special scheme will have to be declared via the German domestic VAT return. He can deduct any German VAT incurred by him through the German domestic VAT return. For any French or Hungarian VAT incurred by him, he will need to make a VAT refund request under the 13th Directive to the respective Member State tax authority.

## Example 2

If the same supplier chooses to register for OSS in Germany, he has to declare and pay VAT on all the supplies of services falling under the special scheme via the OSS in Germany. Other supplies in Germany (e.g. B2B supplies of goods), which do not fall under the OSS will have to be declared via the German domestic VAT return. He can deduct any German VAT incurred by him through that domestic VAT return. For any French or Hungarian VAT incurred by him, he will need to make a VAT refund request under the 13th Directive to the respective Member State tax authority.

# Union scheme examples

## Example 1

A supplier established in the EU carries out intra-Community distance sales of goods and supplies of services to customers in various Member States of the EU. The supplier would like to register for the Union scheme and declare and pay VAT exclusively on the supplies of services via the Union scheme. He would like to declare and pay VAT on distance sales of goods according to general VAT rules in the respective domestic VAT return of the Member State concerned.

The supplier who decided to register for the OSS should declare all his supplies falling under the Union scheme under the OSS. Consequently, the supplier cannot choose to use the Union scheme only for supplies of services. Once registered in the Union scheme, both supplies of services and distance sales of goods have to be declared under the OSS.

## Example 2

An electronic interface established in the EU is a deemed supplier for intra-Community distance sales of goods and domestic supplies of goods to customers in the EU. The electronic interface also provides cross-border electronic B2C services to customers in the EU. The electronic interface would like to use the OSS for declaration and payment of VAT on distance sales of goods only. VAT on domestic supplies of goods as deemed supplier and electronic services would be declared and accounted for by the electronic interface according to general VAT rules.

A supplier who decides to register for the OSS should declare all his supplies falling under the Union scheme under the OSS. Consequently, the electronic interface cannot choose to use the OSS for selected supplies. Once registered in the Union scheme, all its eligible supplies (distance sales of goods, domestic supplies of goods as deemed supplier and supplies of services) have to be declared under the OSS.

# What is an intermediary?

## Further guidance

- Taxable persons (suppliers and electronic interfaces) who are not established in the EU or in a third country with which the EU has concluded a VAT mutual assistance agreement need to appoint an intermediary to be able to use the import scheme. Other taxable persons (i.e. the ones established in the EU) are free to appoint an intermediary, but are not obliged to do so.
- The intermediary needs to be a taxable person established in the EU. He has to fulfil all the obligations laid down in the import scheme for the supplier or electronic interface that appointed him, including the submission of IOSS VAT returns and payment of VAT on the distance sales of imported low value goods. However, the supplier or the deemed supplier who appointed an intermediary remains liable for the VAT obligations, including the payment of VAT together with the intermediary. In practice, Member States will attempt to recover the VAT from the intermediary and if this attempt fails Member States can try to recover VAT from the supplier. It must be pointed out that the intermediary is not necessarily the person that lodges the customs declarations for release in free circulation.
- Before being able to register a taxable person in the IOSS, the intermediary first needs to sign up in the Member State where he is established to be able to use the IOSS for suppliers making distance sales of imported low value goods. He will receive an identification number enabling him to act as intermediary in the import scheme (Article 369q(2) of the VAT Directive). This number serves for that Member States the purpose of identifying the intermediary. However, this intermediary identification number is not a VAT number and cannot be used by the intermediary to declare VAT on taxable transactions. Subsequently the intermediary will register in his Member State of identification each taxable person he represents and he will receive an IOSS VAT identification number in respect of each taxable person for which he is appointed (Article 369q(3) of the VAT Directive).
- Member States may lay down rules or conditions to be imposed on taxable persons who want to act as intermediary in the IOSS (e.g. guarantees).



# Distance sales & import of low value goods

## Example 1

***A customer orders via an electronic interface the following goods, supplied by different underlying suppliers, delivered in three separate consignments and the total value of the order is EUR 375:***

***Supply a: goods from underlying supplier 1 amounting to EUR 50***

***Supply b: 2 goods (good 1: EUR 30 + good 2: EUR 140) from underlying supplier 2 amounting to EUR 170***

***Supply c: 1 good from underlying supplier 3 amounting to EUR 155.***

Supply a) made by underlying supplier 1 is facilitated by the electronic interface according to Article 14a(1). Thus, the electronic interface is the deemed supplier and supply a) can be declared in the IOSS.

Supply b) cannot be declared via the IOSS, since it is considered a single supply to be dispatched or transported in one consignment and its intrinsic value exceeds €150. The deemed supplier rule does not apply.

Supply c) cannot be declared via the IOSS because its intrinsic value exceeds €150. The deemed supplier rule does not apply.

VAT on supply b) and supply c) is collected upon importation in the EU. VAT will be paid once imported following standard VAT collection mechanism.

# Distance sales & import of low value goods

## Import Scheme

### Example 2

***A customer orders via an electronic interface the following goods, supplied by different suppliers, delivered in two separate consignments and the total value of the order is EUR 160:***

***Supply a: goods from underlying supplier 1 amounting to EUR 50***

***Supply b: goods from underlying supplier 2 amounting to EUR 110.***

Both supply a) made by underlying supplier 1 and supply b) made by underlying supplier 2 are facilitated by the electronic interface and the deemed supplier rules apply.

Both supply a) and supply b) from this example 2 can be declared in the IOSS.

# Glossary

<b>Abbreviation</b>	<b>Definition</b>
OSS	One Stop Shop
MOSS	Mini One Stop Shop
IOSS	Import One Stop Shop
TBE	Telecommunications, broadcasting and electronic
B2C	Business-to-customer
B2B	Business-to business
ROS	Revenue Online System
EI	Electronic interface