

EU VAT & E-Commerce Changes

- are you ready?



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Welcome to our latest webinar which is a follow up to our Brexit series.

- Our presenters and what we are going to cover.
- The pandemic and growth in on-line sales
 - UK up 36.6% in 2020
 - Global up 27.6% in 2020.
 - 1st January the perfect storm of Brexit and E-comm changes in UK which had a much lower profile.
 - 1st July – EU changes which will have a huge impact.

HMRC Grant funding – £2k – Customs and VAT training/ Brexit advisory. MHA are approved providers

Let's talk through the UK first.



1 January changes



A step by step approach to changes introduced on 1.1.21

- Do you supply goods or services?
- Do you supply businesses or private consumers?
- If you sell goods, are they shipped from the UK or overseas?
- What is the value of your supply?
- Do you sell via an online marketplace?

1 January changes

Do you supply goods or services?



Outbound services from the UK

- Up to 31st December, most B2C supplies of services were subject to UK VAT
- From 1st January, a number of B2C services to non-UK residents are no longer subject to UK VAT
- These include:
 - Advertising
 - Accountancy
 - Banking, financial and insurance
 - Supply of staff
 - Hiring goods other than means of transport
- Watch for:
 - The interaction between the UK changes and EU changes (covered by Marisa!)
 - Use and enjoyment

A photograph of a cardboard box on a conveyor belt. The box is brown and has several labels and icons on it, including a 'P' in a square, a barcode, and a recycling symbol. The text '1 January changes' is overlaid in white on the left side of the image.

1 January changes

Use and enjoyment



If the following B2C services are “consumed” in the UK, they will be subject to UK VAT even if the customer is not resident here

- Hiring goods, including means of transport
- Broadcasting services

Digital services are not subject to UK VAT if they are supplied to consumers who are resident outside the UK. Examples of digital services include:

- TV broadcasting
- Live streaming
- Telecommunications
- Electronically supplied services, such as
 - Photos
 - Music
 - Games
 - Online publications



1 January changes

Inbound services to the UK



A non-UK supplier of B2C services will need to register for UK VAT in the following circumstances

- The supply of digital services to UK resident consumers
 - If an online marketplace facilitates the supply, it will be required to account for UK VAT on behalf of the supplier
- Broadcasting services, which are used and enjoyed in the UK
- The hire of goods which are used in the UK

1 January changes

Supplies of goods

- With a few exceptions, which typically relate to the status of the customer and the time taken to export the goods, all B2B and B2C exports of goods from the UK are zero-rated from 1.1.21
- For B2B and B2C sales of goods over £135 to the UK
 - The UK customer will account for duty and VAT on the importation of the goods in the normal way
- For B2B sales up to £135
 - The UK customer should provide the non-UK supplier with its UK VAT number
 - The UK customer will account for UK VAT using the reverse charge
 - The non-UK supplier will not be obliged to charge UK VAT

The remaining slides deal with B2C supplies to UK consumers, for consignments sold for up to £135

1 January changes

B2C supplies of goods



- These changes affect goods valued at £135 or less per consignment
- £135 excludes shipment unless these charges are included in the sale price and not itemised separately
- There are different rules for goods sold by businesses on their own website or social media platform, compared to sales via online marketplaces such as Etsy, eBay or Amazon
- The rules differ between Great Britain and Northern Ireland
- Low value consignment relief (LVCR) for consignments valued at £15 or less has been scrapped

1 January changes

B2C supplies of goods



- For sales of goods shipped to order:
 - The sale of goods will not be liable to duty or VAT at import
 - The non-UK supplier must register for UK VAT
- If the goods are shipped to the UK in bulk:
 - The non-UK supplier will have imported the bulk consignment and paid duty and VAT
 - The non-UK supplier will be selling the goods held in the UK and should register for UK VAT

1 January changes

B2C supplies of goods
– online marketplaces



- If the goods are outside the UK at the point of sale, the online marketplace accounts for VAT at the point of sale on its UK VAT return
- If the goods are in the UK at the point of sale
 - The non-UK vendor will make a zero-rated supply to the online marketplace. This will allow the non-UK vendor to register for VAT and recover VAT paid at import
 - The online marketplace accounts for VAT at the point of sale on its UK VAT return

1 January changes

Northern Ireland



- Northern Ireland (NI) remains in the EU for trade in goods. Any EU-NI sales will currently be dealt with by the Distance Selling VAT regime
- They will be dealt with by the EU rules to be introduced from 1st July
- Any non-EU sales of goods will be dealt with as imports into NI until 1st July
- From 1st July, NI should be liable to the EU changes covered elsewhere in this presentation



Changes to EU Imports

11/05/2021



- From 1 July 2021 it will be possible to declare goods up to €150 using a customs declaration that requires 3 times less data than a standard declaration.
- There will be a “super-reduced data set” on imports of low-value consignments.
- Customs Procedure Code 40 00 C07.
- Full declaration still required for consignments over €150.



Customs Representation

11/05/2021



- EU customs legislation allows a customs agent to be appointed on either a Direct or Indirect basis. Either the importer or the Customs agents needs to be established in the EU.
- This must be agreed before any shipment is arranged.

Direct Representation:

- The customs representative acts in the name of and on behalf of another party.
- In most cases, the importer is responsible for any customs debt.

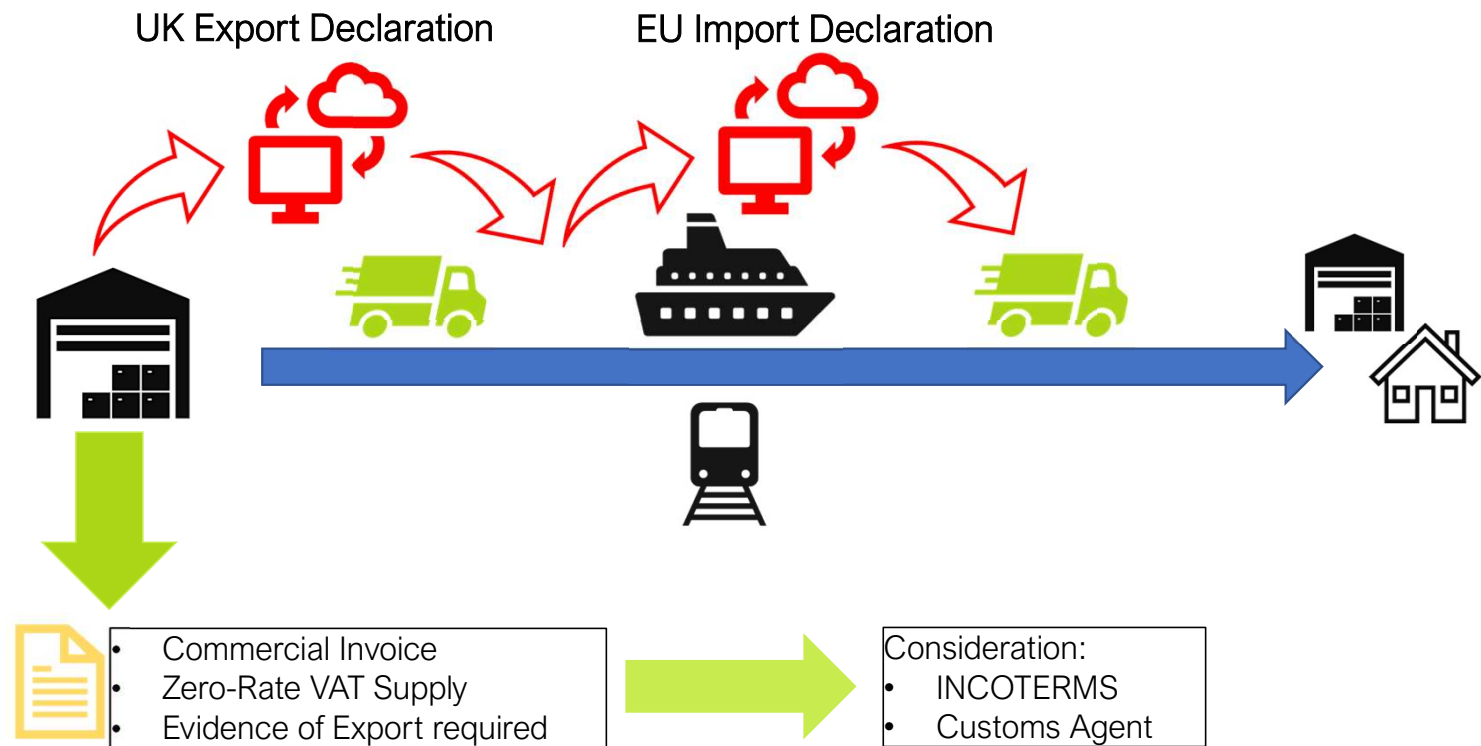
Indirect Representation:

- The customs agent acts on behalf of another person, but acts in their own name.
- The customs agent and the importer shall be jointly and severally liable for any customs debt.



Exporting to the EU

11/05/2021





Common Issues

11/05/2021



INCOTERMS® 2020 RULES											
	Any Transit Mode		Sea/Inland Waterway Transport				Any Transport mode				
	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DPU	DAP	DDP
	Ex Works	Free Carrier	Free Alongside Ship	Free On Board	Cost & Freight	Cost, Insurance & Freight	Carriage Paid To	Carriage, Insurance Paid To	Delivered At Place Unloaded	Delivered At Place	Deliver Duty Paid
Transfer of Risk	At Buyers Disposal	On Buyer's Transport	Alongside Ship	On Board Vessel	On Board Vessel	On Board Vessel	At Carrier	At Carrier	At Named Place Unloaded	At Named Place	At Named Place
Obligations and Charges											
Export Packaging	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Delivery to Port	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Duty, Taxes & Security Clearance	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Port Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading on Carriage	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Freight Charges	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance						Seller		Seller			
Destination Terminal Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller
Customs Clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
Customs Duties	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
Delivery to Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller



Origin of goods

11/05/2021



- It is the exporter's responsibility for confirming the origin of the goods.
- If goods have a positive EU Duty Rate then origin will be an important consideration.
- Origin is determined using the Rules of Origin listed in ANNEX ORIG-2: PRODUCT SPECIFIC RULES OF ORIGIN of the UK/EU Trade Agreement.
- UK Origin goods can benefit from the zero-tariff customs duty.
- The origin of goods must be stated on commercial documentation.



Origin of goods

11/05/2021



Action Required

1. Check the European Customs Tariff to confirm the EU Duty rate.
2. Confirm the first 6-digits of the commodity code for the exported goods (e.g. 39.26.90)
3. Check the Rules of Origin
 - For the UK/EU refer to ANNEX ORIG-2: PRODUCT SPECIFIC RULES OF ORIGIN of the UK/EU Trade Agreement (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/948119/EU-UK_Trade_and_Cooperation_Agreement_24.12.2020.pdf)



EU VAT E-COMMERCE CHANGES PER JULY 1, 2021



One Stop Shop system for all consumer services



July 1, 2021
- Changes for e-commerce

*One Stop Shop system for all
consumer services*

11/05/2021
11/05/2021

For both EU and non-EU established businesses the One Stop Shop (OSS) will be available for all B2C services provided, not only electronic services.

Examples:

- Admission to events
- Hotel accommodation
- Car rental
- etc



E-commerce from EU warehouse



July 1, 2021

- Changes for e-commerce



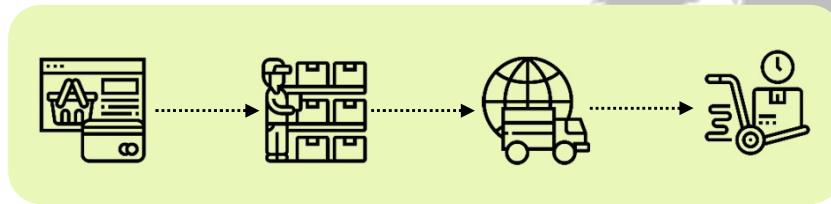
B2C sales of goods are called “distance sales”

Distance sales are supplies of goods that are dispatched or transported by or on behalf of the supplier (the business selling the goods) to a non-taxable person (a private consumer, not a business)

A distance sale can happen for goods sent from either an EU or a non-EU warehouse

July 1, 2021 - Changes for e-commerce

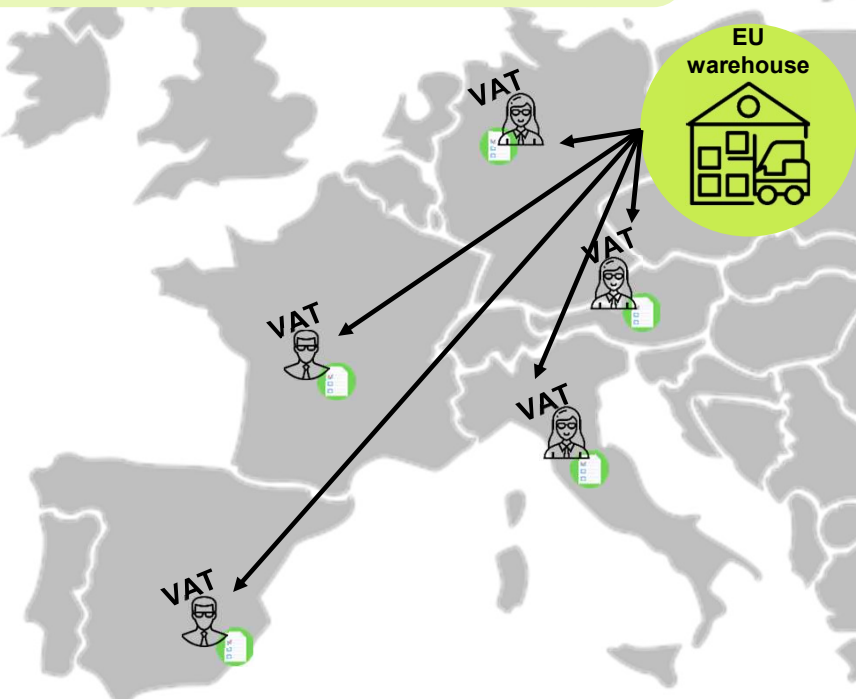
E-commerce from EU warehouse



Current rules

< Threshold:
EU country of dispatch

> Threshold:
EU country of arrival



Disadvantages once threshold is breached:

- **Local VAT registration required for supplier**
- **Local VAT compliance obligations for supplier**
- **Required to issue invoices complying with local invoice regulation by supplier**



July 1, 2021

- Changes for e-commerce

E-commerce from EU warehouse

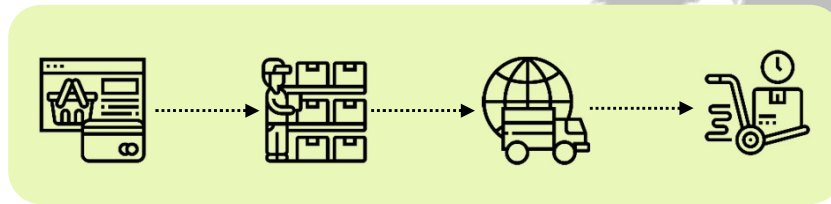


Changes to thresholds:

- Abolition of thresholds per EU country!
- Supplies are always subject to VAT in the EU country of arrival
- One exception for companies established or having a VAT fixed establishment in an EU country. Supplies will be subject to VAT in that EU country if
 - In a calendar year the total value of B2C EU supplies and B2C electronic services does not exceed € 10,000; and
 - Also did not exceed € 10,000 in the previous calendar year.

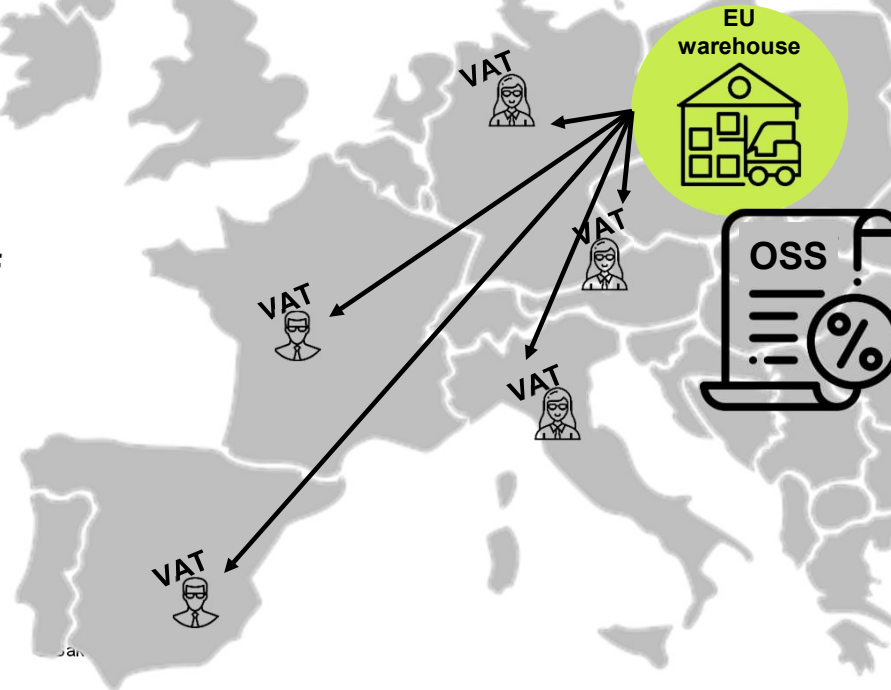
July 1, 2021 - Changes for e-commerce

E-commerce from EU warehouse



New rules

VAT payable in EU country of arrival



Per July 1, 2021:

- VAT reported and paid via OSS
- No invoice obligation for VAT unless issued
- € 10,000 threshold for EU established companies / fixed establishments only



July 1, 2021

- Changes for e-commerce

E-commerce from EU warehouse

11/05/2021



Changes re. the OSS system:

- The OSS system will be extended for all distance sales of goods within the EU
- **EU companies:** register for OSS in EU country of establishment
- **Non-EU companies:** must register in the EU country in which the dispatch of the goods begins. If the dispatch or transport of the goods begins in multiple EU countries, the non-EU established business must choose one of the EU countries from which it dispatches or transports goods. It cannot have multiple OSS registrations.



July 1, 2021 - Changes for e-commerce

E-commerce from EU warehouse

11/05/2021



Changes re. the invoice rules:

- Companies using the OSS system no longer have to issue invoices to their B2C customers
- If VAT invoices are issued when using the OSS system, the invoices have to comply with the invoice rules of the EU country where the company is registered for OSS



July 1, 2021
- Changes for e-commerce
E-commerce from EU warehouse

11/05/2021



Advantages	Disadvantages
EU market at your feet	OSS limited to payable VAT – no VAT recovery
Lower costs for being VAT compliant	VAT rates of all EU countries must be known
One OSS return for all distance sales to consumers in EU	VAT registration obligation in EU country of dispatch for local sales in that country to consumers
No invoice obligation	10 year record retention obligation
Also for distance sales from warehouses in other EU countries	



E-commerce from non-EU warehouse



July 1, 2021 - Changes for e-commerce

*E-commerce from NON EU
warehouse*



Changes per July 1, 2021 regarding:

- € 22 low value exemption abolished
- IOSS system for certain B2C sales of goods from outside the EU
- Special system for postal operator / courier if IOSS is not used



July 1, 2021
- Changes for e-commerce

*E-commerce from NON EU
warehouse*

11/05/2021

IOSS system:



IOSS system will be available for:

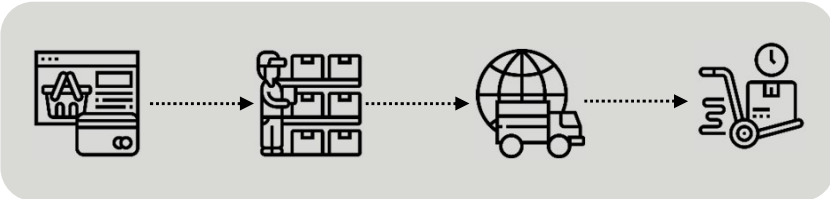
- goods sold to a consumer,
- whereby package is shipped from non-EU to EU,
- the value of the consignment does not exceed € 150,
- it does not concern excise goods,
- both EU as non-EU established businesses need a special IOSS VAT number, and,
- non-EU established businesses need to appoint an intermediary.

Input VAT **cannot** be recovered via the (I)OSS return, should be done via local VAT return or refund request, depending on situation.

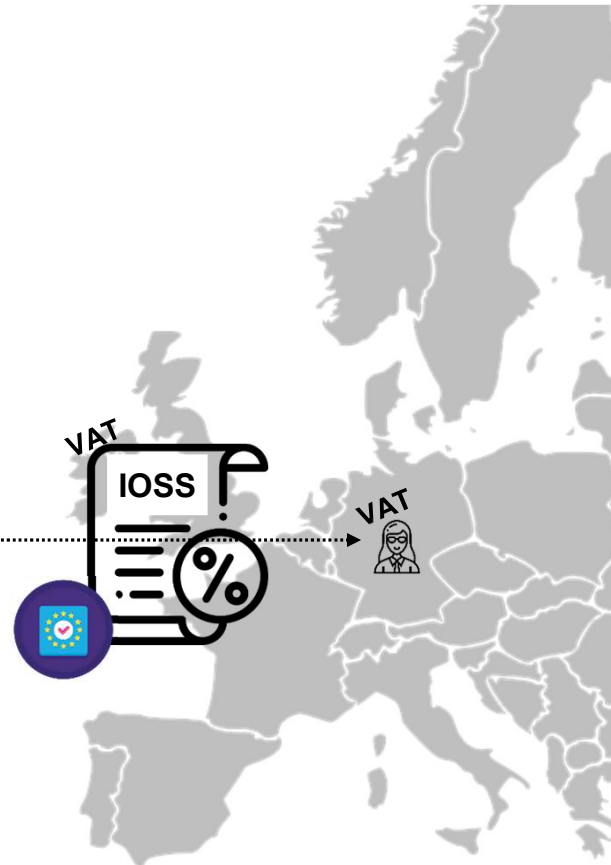
July 1, 2021 - Changes for e-commerce

E-commerce from non-EU warehouse

IOSS – Fast tracking goods at customs



- UK CO registered for non-EU IOSS via Dutch representative
- UK CO/representative liable to report via IOSS



Distance sales of goods (value \leq € 150) imported from non-EU country via import OSS scheme:

- Import VAT exempt
- VAT due on value sales
- VAT due at the moment the payment has been accepted



July 1, 2021

- Changes for e-commerce

*E-commerce from NON EU
warehouse*

11/05/2021

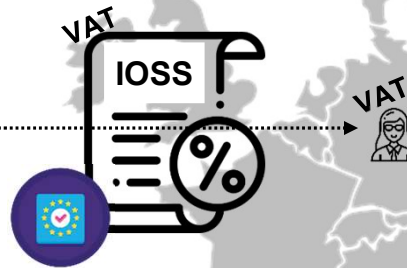
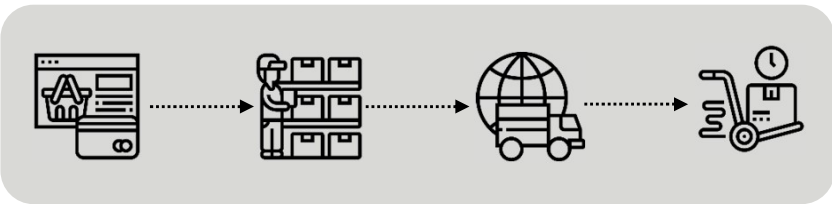


- **Special fall back scheme for postal operators / couriers** if supplier does not use the IOSS:
 - Import is VAT taxed
 - Consumer will only receive the goods if VAT is paid
 - Who imports the goods: supplier or consumer?
 - Postal operator / courier declaring the goods at customs pays the import VAT via a special monthly return – this party will recharge the VAT and possible costs
 - Limited to customer in EU country of import!

July 1, 2021 - Changes for e-commerce

E-commerce from non-EU warehouse

IOSS – Fall back scheme



Postal operator / courier reports and pays the import VAT due and recharges these



Distance sales of goods (value \leq € 150) imported from non-EU country via fall back scheme:

- **Import VAT due**
- **Payment via postal operator / courier**
- **Limited to customers in import country**



July 1, 2021

- Changes for e-commerce

*E-commerce from NON EU
warehouse*

11/05/2021



Regular rules for VAT upon import apply if:

- Value > € 150
- Value <= € 150 **and** supplier not registered for IOSS **and** special fall back scheme for postal operators / couriers not applied



Platforms



July 1, 2021

- Changes for e-commerce

Platforms

11/05/2021

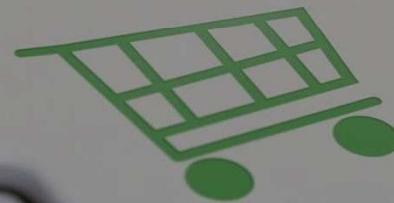


If marketplaces or platforms facilitate:

- either B2C sales within the EU by businesses not established in the EU; and / or
- facilitate B2C sales of goods imported into the EU with a value not exceeding € 150,

the marketplaces or platforms will be liable to pay the VAT amounts due in the EU country of the customer.

The platform shall be deemed to have received and supplied those goods himself! Suppliers perform a B2B supply of goods to the platforms!



Action required!

Summary



What will you have to do?

What will you have to do?

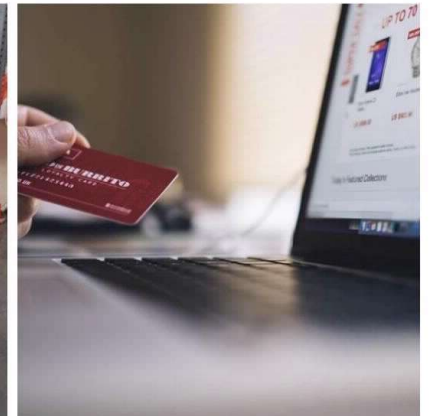
- Analyse your flow of goods;
- Determine the VAT consequences;
- Determine which scheme you want to use, and whether you can do so;
- Register for the scheme(s) as soon as possible;
- Adjust your website and underlying systems and make sure that you charge VAT if required;
- **Start today!**

Visit our website:
<https://www.bakertilly.nl/en/topics/e-commerce/>

EU VAT E-COMMERCE CHANGES



“ The best preparation for these changes is starting today



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