RMB

INSIDER

JUNE 2022
ISSUE 2

E-COMMERCE VAT CHANGES **MADE SIMPLE BY RMB**

RMB

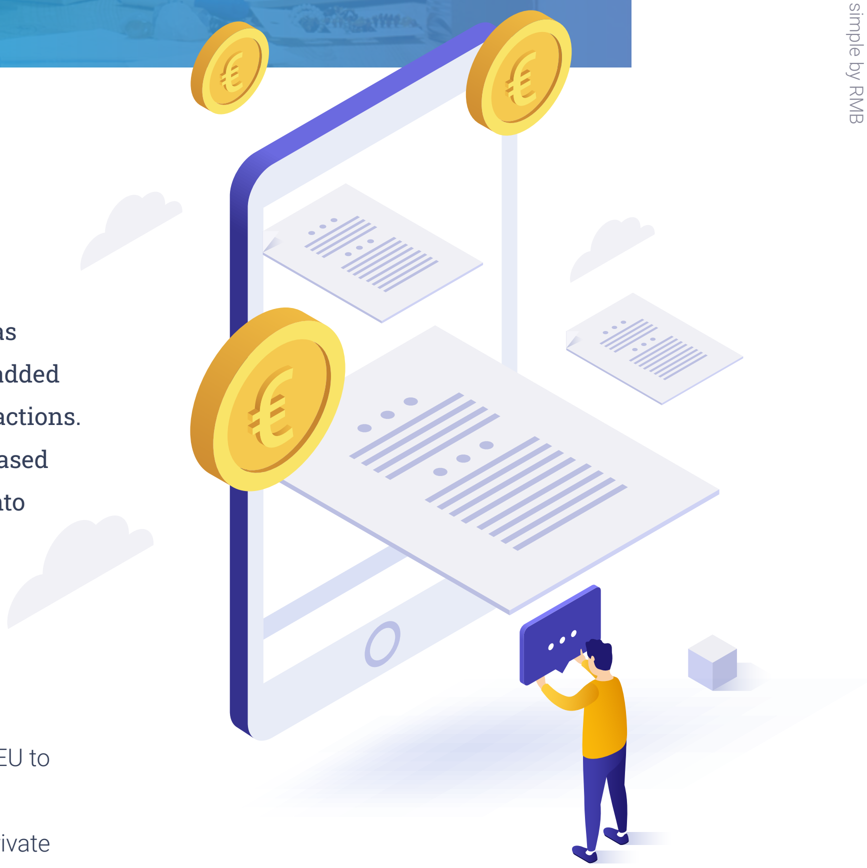
CONQUER EUROPE,
WE'LL HANDLE THE PAPERWORK

RMBOULANGER.COM

JUNE 2021
ISSUE 2

E-COMMERCE VAT CHANGES **MADE SIMPLE BY RMB**

Less paperwork, more sales?



A guide to the (I)OSS reforms

From 1 July 2021 the European Union (EU) has implemented new rules to modernise value added tax (VAT) on cross-border e-commerce transactions. The reforms will affect businesses that are based in the EU and businesses which sell goods into the EU from outside.

Your business is affected if you:

- Sell goods from warehouses located in the EU to private individuals in the EU
- Sell goods directly from a third country to private customers in the EU
- Use a marketplace to sell your goods to individuals in the EU. A marketplace is any platform that brings together a buyer and a seller, resulting in the delivery of goods to the buyer. Examples of marketplaces include Amazon, eBay, Bol.com, Google shopping, and similar platforms.

The changes do not affect your business if you:

- Only sell to professionals (B to B) in the EU
- Make sales only through a physical store except for home deliveries.

To simplify the obligations of merchants under the new rules, the EU has established the One Stop Shop (OSS) and Import One Stop Shop (IOSS) platforms. OSS/IOSS replaces the existing Mini-One-Stop-Shop (MOSS) system from 1 July 2021.

Using the OSS/IOSS means:

- Your business no longer needs to be VAT registered in every EU country where you do business, unless you have a warehouse in that country
- You can file VAT returns for all EU countries via a single electronic portal.

1.
What is the impact on distance selling?

Distance selling occurs when a company sells goods sent to private individuals who reside in an EU member state. This can include sales via catalogue, telephone, internet, and email. The transaction may or may not involve a digital platform (that is, a marketplace).

This definition covers a huge volume of transactions which occur worldwide and it covers many types of activity, different sized companies, and different types of products.

1.1 Distance selling and VAT

From a fiscal point of view, distance selling is defined by the geographical flow of goods. The direction of these flows decides how VAT rules within the EU are interpreted and applied. The country that the goods depart from is a decisive variable which determines the VAT treatment of a particular transaction.

In practice, this means that domestic sales (goods that are sold in the same country as they were stored) are not considered as distance selling. This is classed as a regular domestic sale, just as if you went to a store and bought a bottle of water.

There are two situations where the EU considers that genuine 'distance selling' transactions have occurred:

1

Intra-community distance sales.
The goods depart an EU country and are delivered to a consumer in another EU country.

2

Distance selling of imported goods.
The goods depart from a country outside the EU. The goods are customs-cleared in the EU and directly delivered to private individuals.

1.2 The 'old' system (prior to 1 July 2021)

Before July 2021, the VAT treatment of distance sales used thresholds based on the amount of the turnover and these thresholds were set by each individual EU member state. If the threshold for a particular country was not met, the vendor continued to invoice the transaction using the VAT rate of the country of departure. Once the threshold was met, the vendor was obligated to register for VAT in that country and invoice private individuals using the VAT rate of their country.

Many (larger) e-commerce companies had to establish multiple VAT numbers to manage their VAT responsibilities within the EU. This incurred additional costs for VAT compliance, human resources, and reduced profit margins.

Many companies did not comply with these rules (often due to ignorance or bad intentions). As a result, around 98 percent of e-commerce sellers did not pay any VAT on their sales. That meant EU member states lost substantial VAT income which was never collected and paid to the tax authorities. The value of this fraudulent behaviour is estimated at between €5 and 7 billion annually.

The complexity of the VAT system also made it very hard for 27 different EU tax authorities to verify that all vendors were compliant with the law.

The new reforms that came into force on 1 July 2021 aim to change VAT rules that have been in place since 1993, and reduce the amount of VAT that goes uncollected. This will be achieved by:

- Simplifying the filing and payment system for operators
- Creating a system that is less restrictive and cheaper for sellers
- Making electronic platforms liable for VAT instead of sellers. This drastically limits the number of taxpayers the authorities need to manage. Electronic platforms will need to be very vigilant about the transactions that are made through their service.

1.3 What changed under the new rules?

From 1 July 2021:

- VAT is due on all imported goods, regardless of their value. The amount of VAT is based on the total value of the transaction. This includes the cost of the goods, transport costs, and insurance
- For intra-community sales, VAT is due in the country of destination if the total value of turnover in the EU exceeds €10,000. The threshold excludes sales made in the country of dispatch or where the stock is located (warehoused).
- The €10,000 threshold does not apply to non-established companies or established companies with multiple ware-houses in EU countries. In these cases, the VAT rate of the country of destination is due from the first sale.
- Two (optional) one-stop shops have been established to facilitate interaction with the VAT authorities:
  - One Stop Shop (OSS) for intra-union B2C sales
  - Import One Stop Shop (IOSS) for B2C sales of imported goods.
- Digital platforms are now responsible for VAT on most e-sales.

From a customs point of view:

- One imported product = one customs declaration
- New and specific customs declarations are available for low value shipments (H7 declaration)
- The IOSS number allows to exempt the import from VAT when clearing the goods.

2. OSS and IOSS – an overview

Both the OSS and the IOSS platforms are open to all companies. Whether you are established in the EU or not, you can request access to the electronic OSS or IOSS platform. The one you will use depends on the type of transactions you carry out. Both will enable you to benefit from the VAT simplification rules from 1 July 2021 onwards.

The use of the OSS or IOSS platforms is totally optional. Companies can choose not to use the simplification rules. If you choose not to use this system you will need in most cases to register for VAT in every EU country where you sell goods or maintain a warehouse.

All companies have the right to appoint a VAT agent or a representative to manage their OSS and IOSS VAT returns. In the case of a company that is not established in the EU and which opts to use the IOSS platform, this is mandatory.

Both OSS and IOSS are open to marketplaces

The changes only relate to the fiscal part of the transaction. Duty relief for low-value goods remains unchanged.

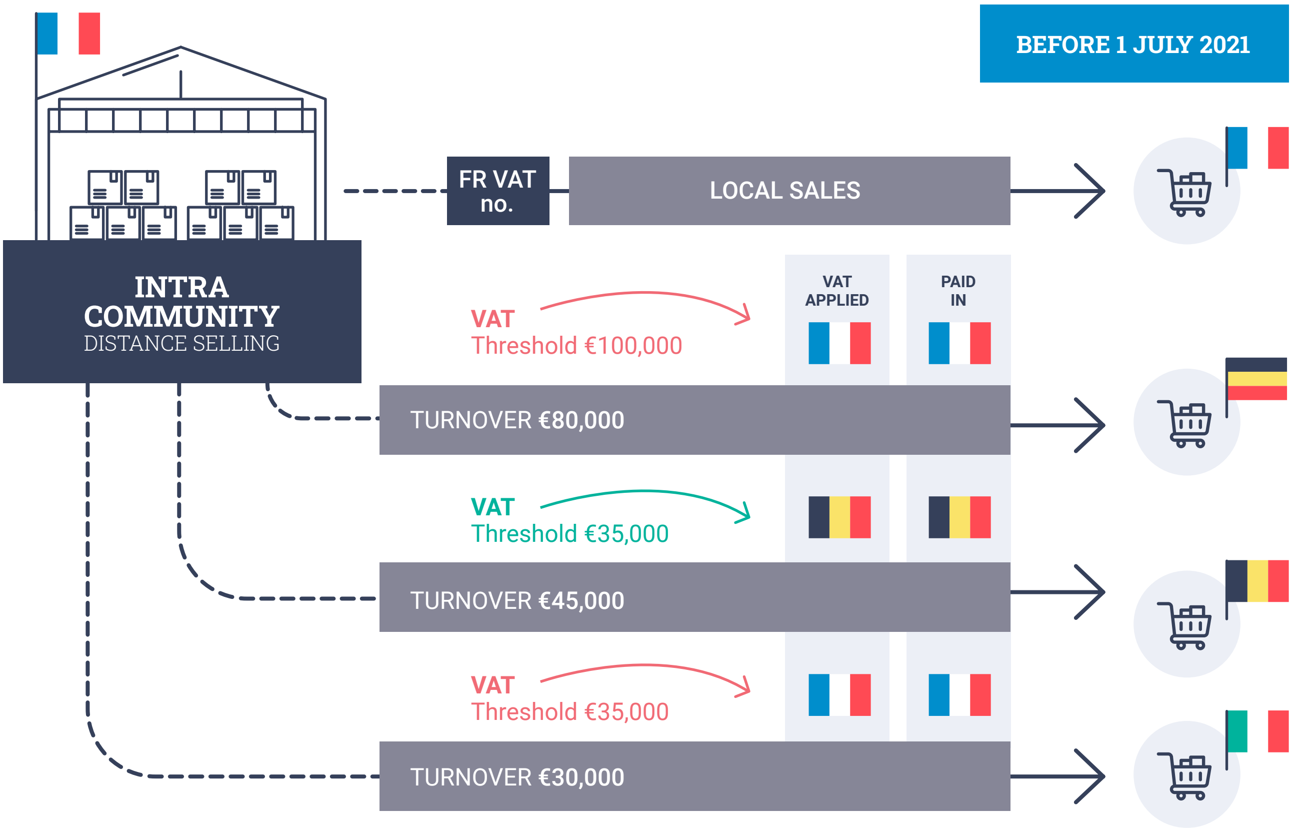
The following sections of this document outline four different scenarios and the specific rules that apply in each case.

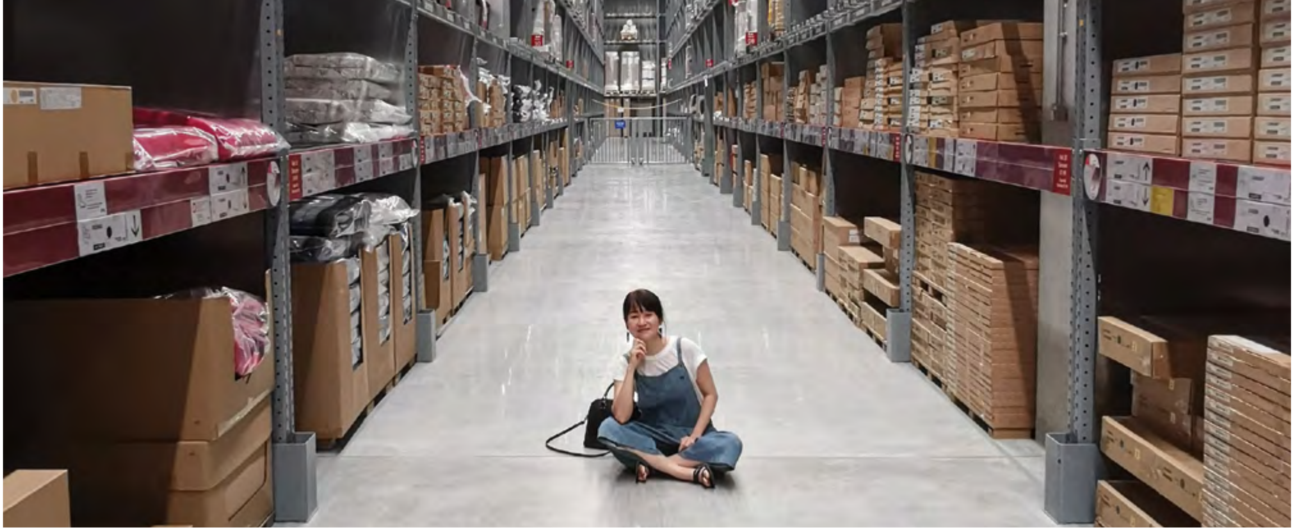
3. Scenario A
Selling B2C across the EU from an EU warehouse

This scenario applies to companies that sell goods to private individuals in the EU from one or multiple warehouses which are in an EU member state.

Under the old system, your company needed to manage different thresholds in each EU country. You needed to register for VAT in the country where the goods arrived once the threshold (€35,000 or €100,000) for that country was met. This allowed you to invoice, collect VAT, file returns, and pay local VAT from that moment onwards.

This had a huge impact on the cost of compliance in the EU, and made exporting less attractive to smaller e-vendors.



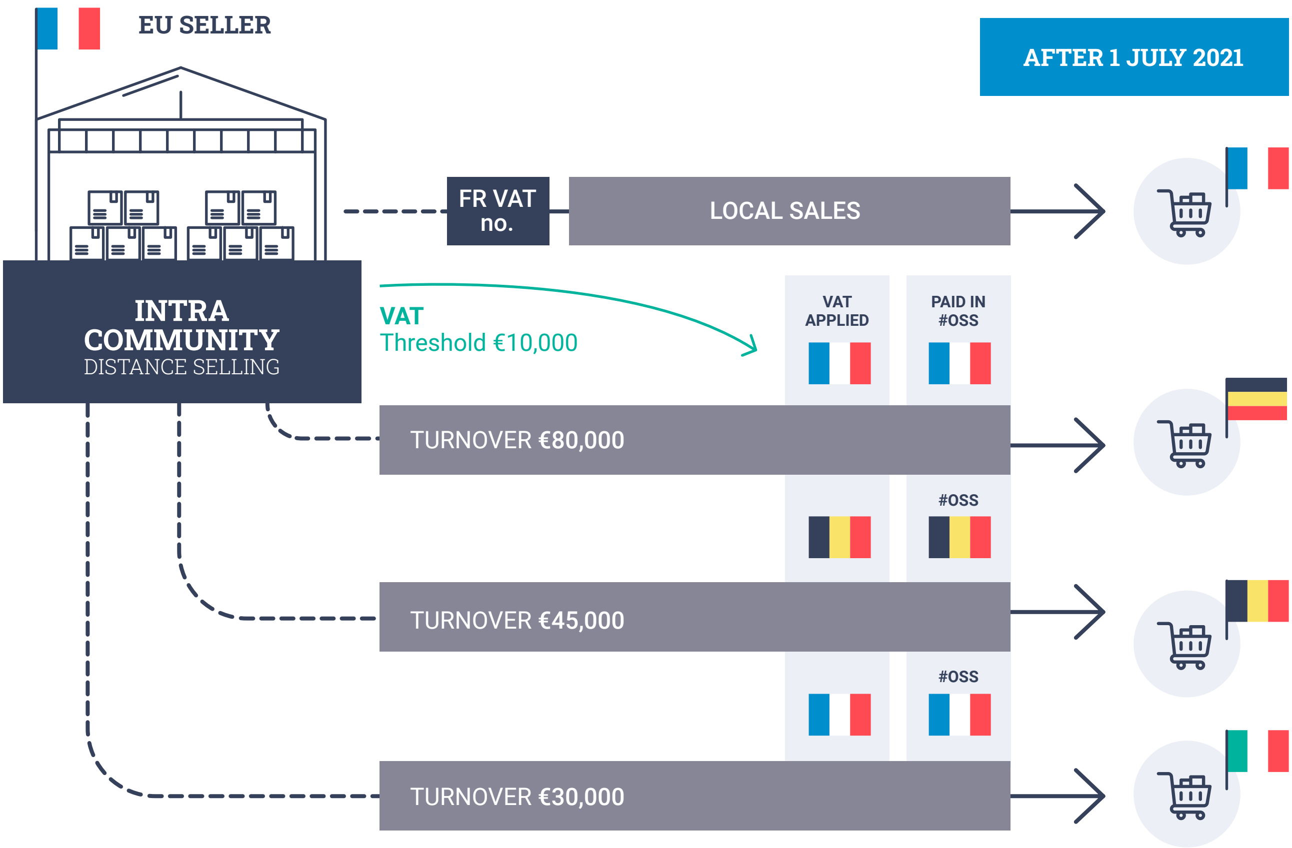


Since 1 July 2021, the old tresholds (€35,000 and €100,000) set by each State disappear. A new and unique treshold of €10,000 is applied for sellers established in the EU who only have one stock in the EU. If the total sales in the EU from this stock exceed €10,000, the VAT is payable in each destination member State, which implies the obligation to be VAT registered in every country and to submit the VAT returns, except is the seller opts in for the OSS.

Sellers that are non-established in the EU or in case of having several warehouses in the EU are bound by this obligation from the first euro of sales.

To avoid the complexity of these obligations, the seller (whether established in the UE or not) can choose to use the OSS.

If your company uses the OSS platform, you can file and pay your VAT on all sales in EU member states through a single system. You do not need to be VAT registered in the countries where your goods are delivered.



3.1 What do you need to be compliant?

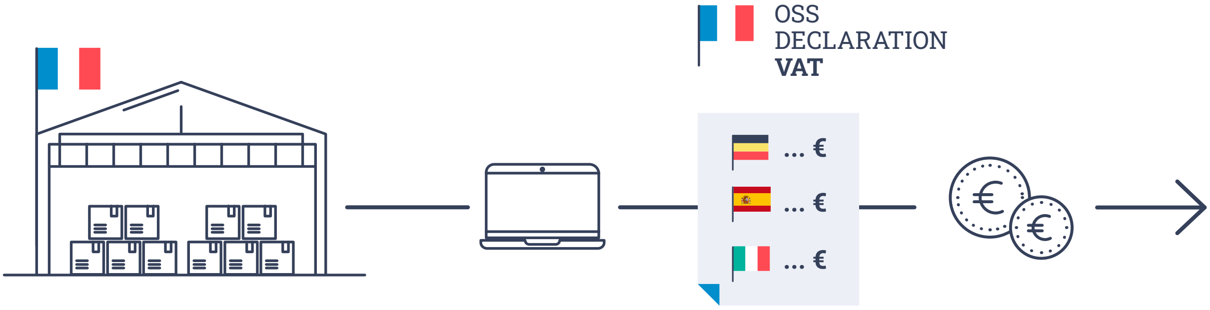
To comply with the new rules you will need to:

- Obtain an OSS number: RMB can help!
- Split your data into local and distance sales. Local sales must be filed in a local VAT return. This is outside the scope of the OSS.
- Appoint RMB as your tax agent representative. We will handle your VAT filings and all other compliance questions.

3.2 The benefits of OSS

There are many benefits to the OSS including:

- OSS registration is only necessary in one country
- Intra-community distance sales and B2C services sold in any EU country can be declared
- Only one VAT filing is needed per quarter
- Payment of VAT due in all EU countries is handled with one transaction
- Exemption from invoicing.



4. Scenario B
Selling B2C from a warehouse outside the EU

This section applies to companies (established or not in the EU) that sell goods to private individuals across the EU from one or multiple warehouses outside the EU.

Under the old system, your company needed to:

- Import and clear goods in one of the EU member states
- Pay VAT and duties, except on parcels valued at less than €22
- Have a VAT registration in each EU country where goods were sold

If these rules were not followed, the private individual would need to pay import VAT and duties.

From 1 July 2021, the import VAT regime changes under the new rules. The main changes are:

- Abolition of the import VAT exemption for low-value goods (< €22). VAT is due on importation from the first euro.
- VAT due on importation is exempted if the IOSS option is used to report the VAT due on the sales in all the EU Member States. In practice, this only applies to parcels with a value of less than €150.

There are also changes in the VAT regime regarding sales to private individuals:

- The sale is taxable in the country of final consumption/destination.
- Certain sales (< €150) can be declared via the IOSS.

For goods imported in the EU, there may be a significant difference in the VAT regime depending on whether you sell DDP or DAP and on the physical flow of your goods inside the EU (country of import and country of destination).

In case of DAP, in some situations, VAT will have to be paid twice (on import and on sale) without the possibility of avoiding the double taxation!

The distance selling of imported goods has some pitfalls that need to be identified. Mapping the flow of goods and sales will most often prove necessary to clarify the seller's VAT obligations.

The use of the IOSS holds a certain simplicity but will not always be the most relevant solution and we recommend to map the flow of sales in order to identify the VAT needs.

4.1 What do I need to be in compliance?

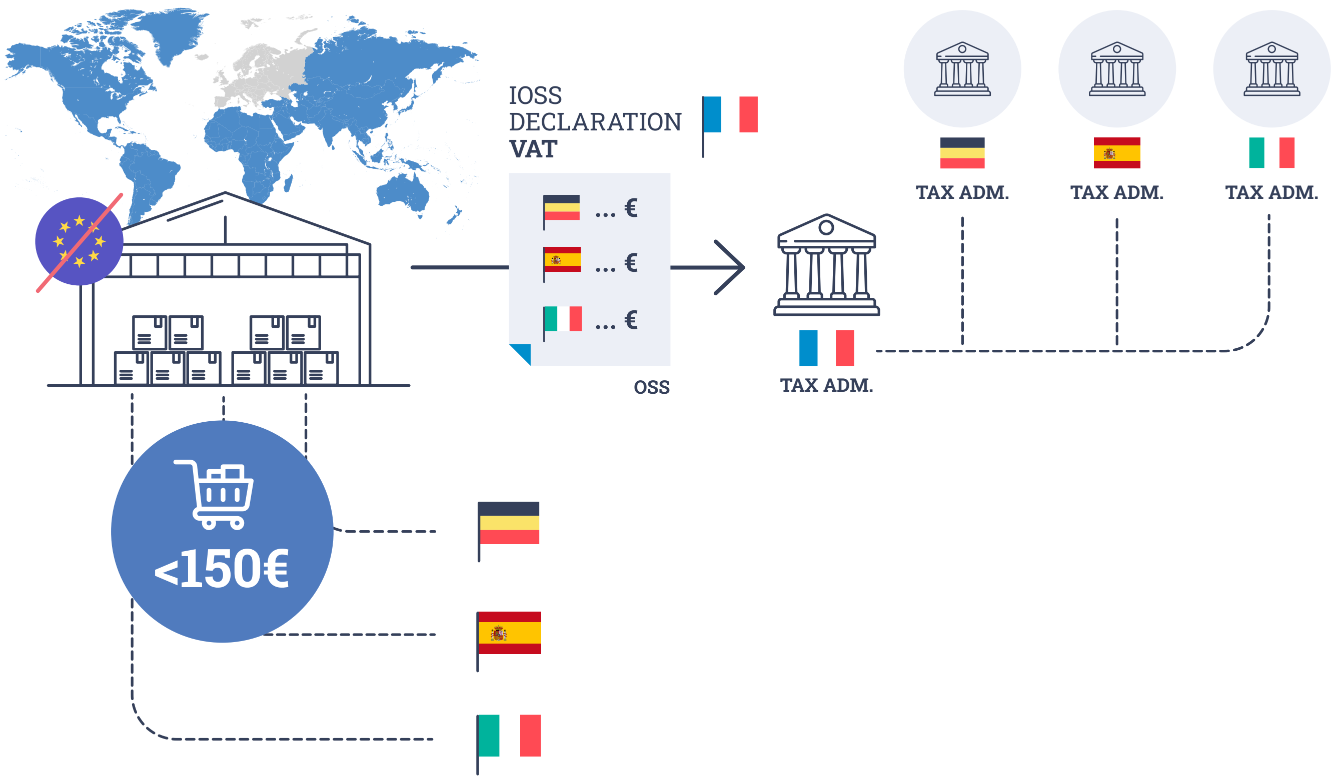
To comply with the new rules, you need to :

- Map your flow of sales to determine which ones are liable for IOSS and which ones will have to be declared in the "classic" way in each State you sell.
- Determine if the IOSS is the most adapted filing method for your business.
- Identify the VAT number(s) you should have / keep.
- Get an IOSS number.
- Appoint RMB will take care of your VAT and IOSS obligations.

4.2 The benefits of IOSS

The benefits of the IOSS include:

- Registration is only needed in one country
- If the parcel has a maximum value of €150, VAT can be declared on distance sales of goods imported into the EU
- Only one monthly filing is needed for VAT due on sales in all EU countries
- VAT is paid to multiple EU countries in a single payment
- An exemption from invoicing
- No hidden costs for customers
- An exemption from import VAT.

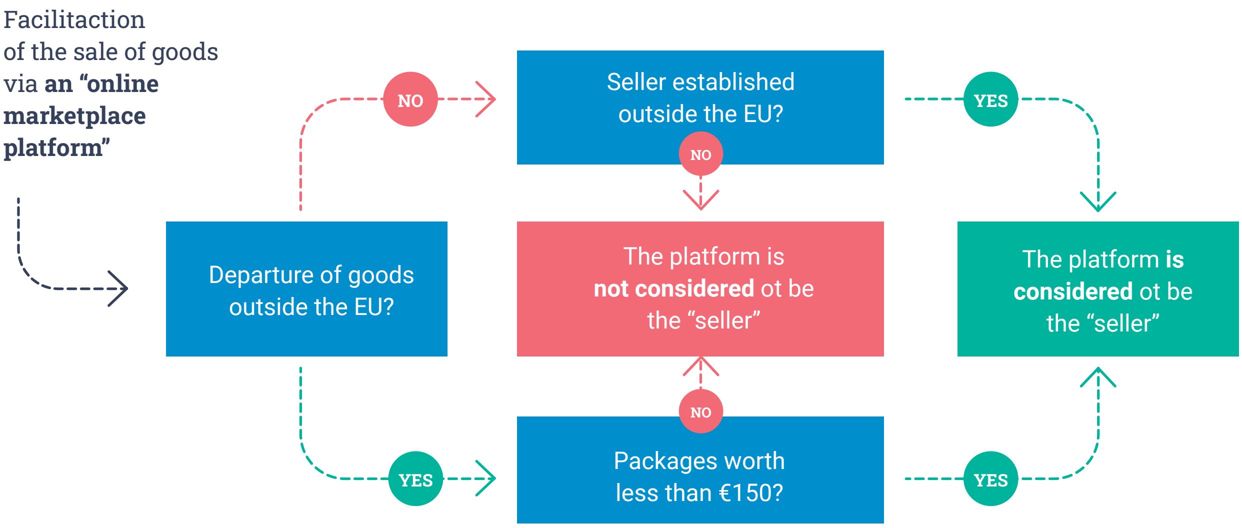


5. Scenario C
Selling B2C across the EU through a marketplace

This section applies to all companies which sell B2C through a marketplace where the goods are located inside or outside the EU at the time of the sale.

There are new rules making the marketplace responsible for the VAT due on certain sales.

This is a complicated situation as it involves several players and different requirements. The following flowchart outlines who is responsible for VAT in different scenarios.

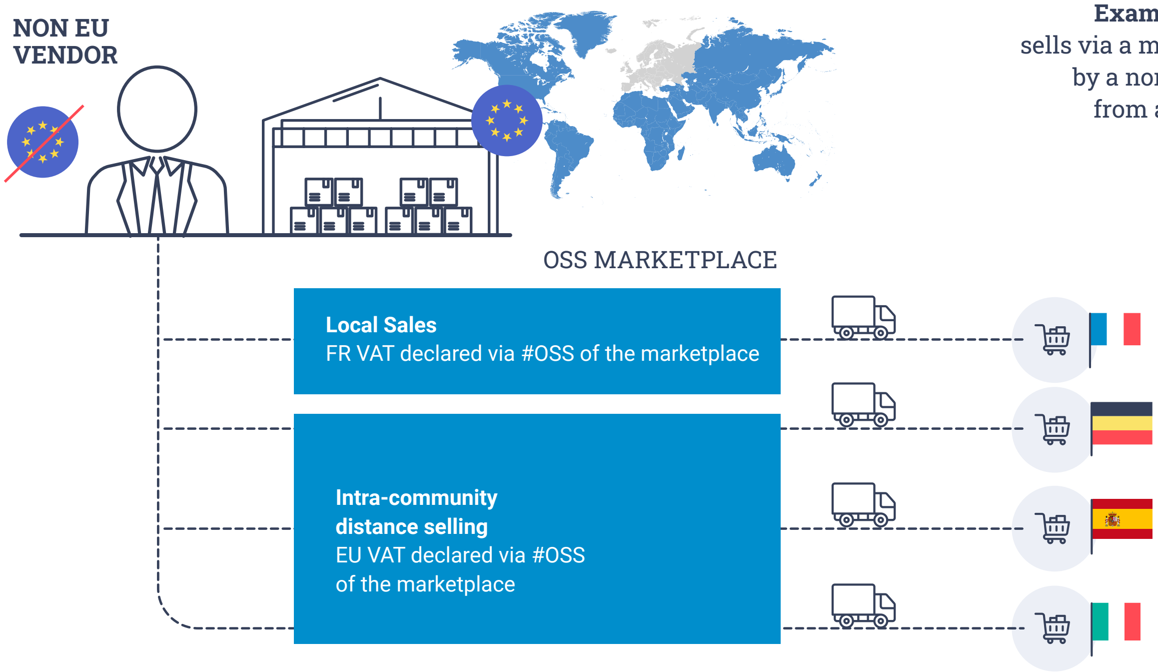


In short, there are only two situations in which the marketplace will be responsible for reporting VAT on sales made by the seller in the EU :

- Case 1 : All sales made through the marketplace by a non-EU seller when the goods are in the EU on the moment of the order.
- Case 2 : All sales made through the marketplace when the goods are outside the EU on the moment of the order and the content of the package shipped to the EU is less than €150 (whether the seller is established in EU or not).

The marketplace can then choose to use OSS or IOSS desk to report its sales.

The use of the IOSS platform allows you to benefit from an exemption from import VAT (in reality it only concerns packages <€150).



Example case 1 :
sells via a marketplace by a non-EU seller from a EU stock.

Example case 2 :
sales via a marketplace – package < €150 from a stock outside the EU.

Beware, however that even when the marketplace is liable for VAT on the sale, the seller is still subject to some VAT obligations that will depend on the physical flow of the goods (from an EU/Non-EU stock, import/destination country) and the import procedure (DDP or DAP).

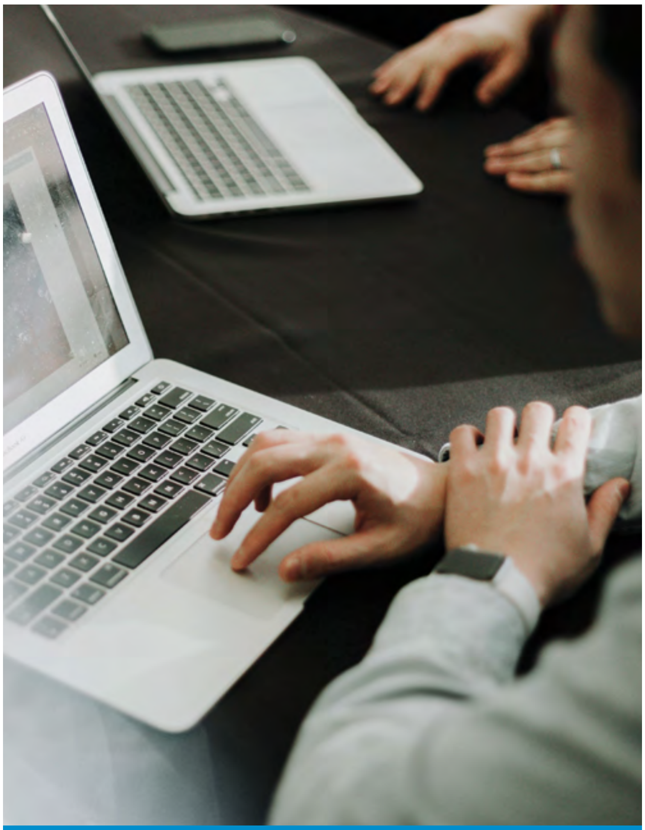
Also be careful not to fall into “temptation” of DAP, thinking that it will avoid VAT formalities. Indeed, with DAP, in some situations, VAT will have to be paid twice (on import and on sale) without the possibility of avoiding double taxation!

The distance selling of imported goods with a marketplace involves pitfalls that need to be identified. A mapping of flows and sales will most often prove necessary to clarify the seller’s VAT obligations.

5.1 What do I need to be compliant?

To comply with the new rules, you need to :

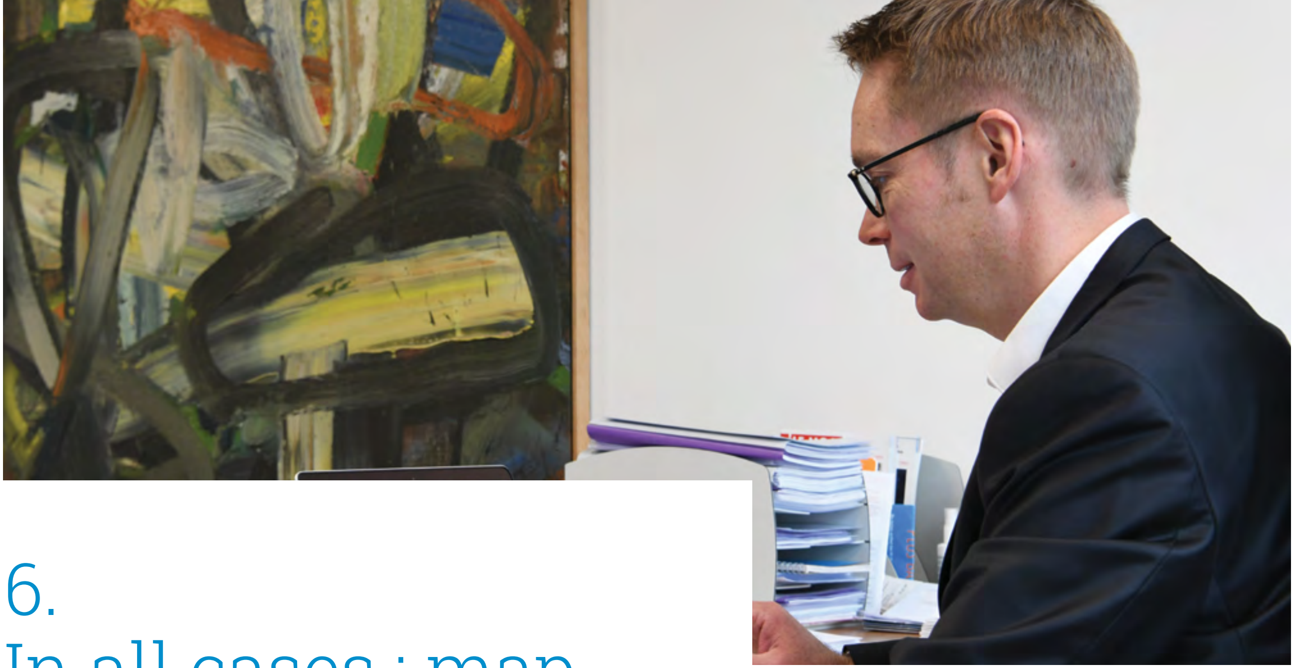
- Map your flows of sales to determine :
    - In which case the marketplace will be liable for VAT and the obligations remaining with you
    - Which sales will be elegible for IOSS and which will have to be declared in the “classic” way in each State where you sell
- Communicate with the marketplace to insure that VAT is properly managed.
- Determine if the IOSS is the most adapted declarative method for your business
- Identify the VAT number(s) you should have / keep.
- Get an IOSS number.
- Appoint RMB as your agent, we will take care of your VAT and IOSS obligations.



5.2 The benefits of IOSS

The benefits of the IOSS include:

- Registration is only needed in one country
- If the parcel has a maximum value of €150, VAT can be declared on distance sales of goods imported into the EU
- Only one monthly filing is needed for VAT due on sales in all EU countries
- VAT is paid to multiple EU countries in a single payment
- An exemption from invoicing
- No hidden costs for customers
- An exemption from import VAT.



6. In all cases : map sales and physical flows to determine your VAT obligations

To understand your VAT obligations, you must have a clear understanding of your flow of goods and the VAT rates you need to charge. The following questions will help you gather the correct information:

- What VAT rate should be applied in each country?
- What VAT should I charge on my B2C e-sales?
- Am I liable for VAT or is it the marketplace?
- If the marketplace is liable for VAT, how do I formalise my invoice to the marketplace?
- What sales can I report via OSS or IOSS?
- Are the OSS and IOSS relevant in my case ?
- In which countries do I still require a VAT registration?

Be assured that RMB is always here to ensure your company complies with the new EU VAT regulations.
Why not contact us today?

CALL US
+33 3 20 25 70 70

EMAIL US
contact@rmboulanger.com

About RMB

Fiscal Representation in the EU and beyond

VAT/customs assistance

VAT refund requests

Management of Intrastat

Representation of posted workers

Why choose RMB

Fully accredited as a fiscal representative

Highly rated by the French National Bank

30 competent and motivated experts

Knowhow in 27 different countries

Innovative & secured IT tools & automation process

Dedicated account management

No hidden costs

Talk to RMB experts, not robots

We really answer your questions

Strategically based between Calais, Paris, Belgium & the Netherlands

Contact us for your
free post-Brexit check-up!

CALL US
+33 3 20 25 70 70

SCAN ME

EMAIL US
contact@rmboulanger.com