

## **VAT on e-commerce goods (Lecture B1260 – 20.53 minutes)**

From 1 July 2021, the EU e-commerce directive comes into force and the VAT rules on cross-border business-to-consumer (B2C) e-commerce trading within the EU changes. This article will provide a useful reminder of the position both before and after that date.

### *Consignments up until 30 June 2021*

Where consignments of goods valued up to €22 are sold to a customer in an EU country, the UK supplier will treat that as a zero rated export. As the goods are classed as a low value consignment, there is no import VAT payable in France. No Duty is payable provided the goods fall below the €150 threshold or the goods are of UK origin.

Up until the end of June 2021, where consignments are valued at greater than €22, there is still no UK VAT but import VAT is now payable in the destination country. This is normally accounted for via the French postal import system.

Under the postal import system, the customer is responsible for the VAT in the destination state. The tax authorities will collect the import VAT that is due before releasing the goods to the customer.

On their website, the UK supplier will be selling the goods net of VAT, with a note that the customer is responsible for settling the import VAT in their country. However, some e-commerce suppliers are giving their customers the option of paying gross, meaning that the local VAT is added to the sales price at check-out. This VAT is paid to the transport company so that the goods can be cleared at the border.

### *Consignments from 1 July 2021*

From 1 July 2021 the EU e-commerce directive comes into force and the import VAT exemption for small consignments of a value up to €22 will be removed. This means all goods imported in the EU will now be subject to VAT but the way that it is collected is changing.

Where goods are imported with a value of up to €150, the seller will have to charge the destination country's VAT rate at the point of sale. This means that the seller should be advertising the goods net of VAT and then adding the correct country's VAT at the point of sale.

This declaration and payment of tax will be facilitated through the EU's new scheme for distance sales of low value goods, known as the Import One Stop Shop.

Where the supplier sells via an online marketplace (OMP), then the OMP will charge and account for the VAT that is due.

### *Import One Stop Shop (IOSS)*

The UK supplier will need to register for IOSS in an EU member state of their choice by 1 July 2021. Having registered, the supplier will receive an IOSS registration number that must be communicated to the transport companies responsible for delivery of any goods sold. This should ensure that goods pass through Customs with minimal interruption. The IOSS number should be evidence that VAT has been accounted for at point of sale and there is no duty for consignments up to €150.

To facilitate this, the UK supplier will need to appoint a local representative to prepare their monthly IOSS returns. Monthly payments will be due via the registration portal of the member state chosen to register in. The returns will only include EU output VAT for each country where the supplier has traded, on a line by line basis.

### *Consignments over €150*

These goods are not accounted for in the same way. Where such goods are sold to an EU customer, the UK supplier will continue to have a zero rated export but the EU VAT due will be payable through the relevant country's postal import system.

Where the goods are of 'UK origin', no duty will be payable. However, in cases where the origin rules are not satisfied, duty will also be payable.

### *Storing the goods in the EU*

Where a UK supplier stores goods in an EU country prior to sale to EU customers, the UK Supplier will need to register for VAT in the country where the goods are stored.

So for example, if a UK supplier stores goods in Belgium for onward sale to customers in France, the UK supplier must:

- Register for VAT in Belgium;
- Charge Belgium VAT on the sale to the French customer.

Up until 30 June 2021, if the distance selling thresholds are breached in France, the supplier would need to register in that member state as well. From 1 July 2021, distance selling becomes a thing of the past. The point of sale system becomes effective and French VAT would need to be charged at point of sale.

### *Third party storage facility*

What if the goods were being stored in an Amazon fulfilment house in Belgium?

Provided that Amazon are acting as the supplier's own-name agent, there is effectively a deemed sale to Amazon and then Amazon are deemed to sell the goods on. This would be a zero rated export for the UK supplier and Amazon would be responsible for the EU output VAT.

From 1 July 2021, the EU are also introducing an online marketplace rule whereby the online marketplace would be responsible for the local VAT, irrespective of own name agent status.

### *E-commerce into the UK from 1 January 2021*

The UK introduced a similar system to the EU for consignments up to £135 but six months earlier.

Where a non-UK company sells goods valued up to £135 to a UK customer, no duty will be payable. However, UK supply VAT is due at the point of sale, meaning that the overseas supplier must charge UK VAT at the point of sale and must register for VAT in the UK.

If that supplier was selling through an online marketplace, the online marketplace must be registered for UK VAT and account for the point of sale UK VAT.

### *Selling to a business*

Most e-commerce transactions are B2C supplies. However, where a non UK company sells goods to a UK business for an amount up to £135, provided that the overseas company obtains the UK company's VAT number, the UK company must reverse charge the supply. The same will apply where a UK company sells to an EU business.

### *Goods stored in the UK by overseas supplier*

If goods valued at up to £135 are in the UK at point of sale, then the overseas supplier will already be UK registered as the goods have been imported into the UK.

If the goods are then sold to unregistered customers via an online marketplace the:

- overseas supplier has a zero rated supply to the online marketplace;
- point of sale VAT is accounted for by the online marketplace.

If the goods are sold to a VAT registered customer, the supplier must charge VAT, with the online marketplace simply providing the supplier with the sales information.

### *Consignments into the UK greater than £135*

These will be treated as a zero rate export in the country of dispatch but import VAT, rather than supply VAT, will be due in the UK. There will be an import declaration at time of arrival.

If the supplier is the importer of record, the supplier will register in the UK and use the UK postal import system

Remember, from 1 July 2021, the EU introduces the same rules for goods over €150.

*Created from the seminar recorded by Dean Wootten*