

E-Commerce (Lecture B1305 – 18.39 minutes)

E-commerce from GB - 1 January 2021 to 30 June 2021

Where consignments of goods valued up to €22 were sold to a customer in an EU country, the GB supplier treated that as a zero-rated export. As the goods were classed as a low value consignment, there was no import VAT payable in the EU country of destination. No Duty was payable as the goods were under the €150 duty threshold.

Where consignments were valued at greater than €22, there was still no UK VAT but import VAT was payable in the destination country. This was normally accounted for by the customer via the postal import system. The customer would also settle any duty where the goods were over €150 and not of UK origin.

On their website, the GB supplier would normally be advertising their goods net of VAT with a note that the customer is responsible for settling any import VAT and duty in their country. However, some e-commerce suppliers were giving their customers the option of paying gross, meaning that the local VAT (and duty where applicable) is added to the sales price at check-out. This VAT (and duty) would then be paid to the transport company on the customers behalf so that the goods can be cleared at the border.

E-commerce from GB - from 1 July 2021

From 1 July 2021 the EU e-commerce directive came into force and the €22 import VAT exemption for small consignments was removed. This means all goods imported in the EU will now be subject to VAT but the way that it is collected has changed. The duty limit remains unchanged at €150.

Where goods are imported with a value of up to €150, the seller could have continued with the postal import system if they wanted to.

Alternatively, they could 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. The VAT charged is called "supply VAT" rather than import VAT.

The payment of the supply VAT to the destination authority will be facilitated through the EU's new Import One Stop Shop.

Where the supplier sells via an online marketplace (OMP), then the OMP can take on these responsibilities.

Import One Stop Shop (IOSS)

E-commerce suppliers wanting to use the IOSS simplification would have registered 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 company 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 GB 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

Where such goods are sold to an EU customer, the GB supplier will continue to have a zero-rated export but the EU import 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.

E-commerce into GB 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 GB 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 GB business for an amount up to £135, provided that the overseas company obtains the GB company's VAT number, the GB company must reverse charge the supply. The same will apply where a GB company sells to an EU business.

Goods stored in GB by overseas supplier

If goods valued at up to £135 are in GB 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 GB greater than £135

These will be treated as a zero-rated 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.

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