Selling to EU consumers from 1 July 2021

Indirect Tax

08 June 2021

From 1 July 2021, there are new EU VAT rules coming into effect for non-EU businesses that sell goods and/or certain digital services directly to EU consumers, which also includes online marketplaces that facilitate these types of transactions. UK businesses with these types of transaction should review their position now if they have not already taken preparatory steps already.

To assist international businesses, the European Commission has produced guidance (tinyurl.com/fka99a4u) on the new rules including its 'Guide to the VAT One Stop Shop' (tinyurl.com/jpumy747), which provides additional details concerning registration, VAT returns and payments for the three One Stop Shop (OSS) schemes. The OSS schemes will allow affected UK sellers to register in a single member state to declare/pay VAT on all distance sales of goods and cross-border supplies of services to EU non-business customers.

What supplies are affected?

Before the UK left the EU, UK businesses selling goods and certain digital services directly to EU consumers had to consider specific VAT rules:

- Goods: Sales of goods to consumers were covered by the distance selling rules: if the total turnover of sales in a particular EU country was less than the local threshold (€35,000 or €100,000), UK VAT applied; or if the threshold had been exceeded, the seller had to register in that EU country and charge local VAT instead. The terms of the Northern Ireland Protocol has allowed businesses in Northern Ireland (but not the rest of the UK) to continue to use the distance selling rules (tinyurl.com/vrun2v7). HMRC has recently published guidance in respect of how the new EU rules specifically impact the reporting of VAT for

affected goods being shipped to or from Northern Ireland (tinyurl.com/wk2k7be4).

- Digital services: For sales of digital services to EU consumers, UK sellers could register for the VAT Mini One Stop Shop (MOSS) scheme, which allowed the business to collect, declare and pay VAT to the relevant tax authorities in the location of the EU consumer via a single portal. As services are not included in the Northern Ireland Protocol, all UK businesses had to stop using the MOSS scheme on 31 December 2020.

End of the low value consignment threshold for shipments to the EU

It is important to note that the current low value consignment threshold of €22 for sales of low value goods to EU consumers is being removed at the end of June 2021, meaning that all goods sold by non-EU suppliers to EU consumers will be subject to VAT in the EU from 1 July 2021. For UK businesses that were using this relief, this may mean that if they continue to sell low value goods to EU consumers, they will have EU VAT obligations for the first time if they are not using an online marketplace as an intermediary.

Import One Stop Shop

The Import One Stop Shop (IOSS) replaces the distance selling administrative obligations. For the first time, instead of having to register for VAT in every EU country where the UK seller has breached the local distance selling threshold, the IOSS allows UK and other non-EU sellers (and online marketplaces) to register for VAT in one EU country, and then collect, declare and pay the VAT for any EU countries' tax authorities via the central online IOSS portal. This reduces administration for both the seller and the buyer, as the seller now only has one VAT registration for all EU trading for the distance selling of goods to EU consumers, and the EU consumer no longer has to deal with any import VAT when the goods arrive in the EU (previously the case for products priced at over €22).

The IOSS can be used for distance selling transactions that do not exceed a value of €150. The European Commission's guidance has full details about the IOSS, including for online marketplaces (see tinyurl.com/c3u6zbha).

One Stop Shop (Non-Union Scheme)

The Non-Union OSS will be extended so that UK and non-EU sellers (and online marketplaces) are not only able to account for VAT on digital services to EU consumers, but also for other non-digital services including:

- accommodation services;
- admission to cultural, artistic, sporting, scientific, educational, entertainment or similar events, such as fairs and exhibitions;
- transport services;
- services of valuation and work on movable tangible property;
- ancillary transport activities such as loading, unloading, handling or similar activities;
- services connected to immovable property;
- hiring of means of transport; and
- supply of restaurant and catering services for consumption on board ships, aircraft or trains, etc.

More information is available on the website (see tinyurl.com/3nbawz83).

One Stop Shop (Union Scheme)

The third OSS scheme is known as the Union Scheme as it is suitable for sellers that are established in the EU that are providing goods, digital and other services to EU consumers as listed in the non-union scheme above. Sellers may also benefit from the micro business threshold of €10,000 (see Table 5: place of supply threshold at tinyurl.com/4ndh7zv5).