Modernising VAT for cross-border e-commerce

Indirect Tax

01 February 2016

The EU Commission consulted on changes needed to VAT to facilitate e-commerce

Background

The digital marketplace offers an opportunity for business expansion. However, the VAT system has not kept pace so the European Commission has sought views on how VAT can facilitate cross-border e-commerce.

The starting point of our response was to note that, when considering e-commerce, there is only one market but different modes of delivery.

Accordingly, the tax treatment of digital and non-digital products should, as far as possible, be the same.

We agreed that the consultation was about making the system work to allow business to flourish within the EU while ensuring uncollected tax is kept at a minimum.

Key issues

The consultation suggested an extension of the mini-one-stop-shop (MOSS) to other transactions such as distance selling. We agreed that this could simplify cross-border trade within the bloc but that it is necessary to consider how to ensure that smaller businesses can benefit. Matters to be considered include the extension of small business reliefs (for example, turnover threshold) to deal with cross-border transactions.

In response to the suggestion that the exemption for small postal imports might be abolished, we pointed out that the amounts involved are not significant and that in some cases imposing VAT might result in greater costs than the tax collected. We suggested that, instead of compulsory withdrawal of the relief, member states should be permitted to retain the relief, but that, if they did so, measures be put in place to prevent avoidance and abuse, for example by disaggregation.

We noted that VAT is only one of several issues that arise from e-commerce. Other issues, such as data security, also need to be considered.

Conclusion

We would be very pleased to receive thoughts and comments from members and others on the way e-commerce is dealt with and continues to evolve. Our full response can be read on the CIOT website.