

Selling to Consumers in the EU – VAT One Stop Shop Reforms

29 July 2021

INTRODUCTION

“One Stop Shops” are put in place by the EU to ease the burden on businesses selling to consumers across the Union. Rather than having to register for VAT in each country, One Stop Shops permit businesses to submit a single VAT return declaring sales in multiple EU Member States. On 1 July 2021 a new Import One Stop Shop came into effect and reforms were made to the existing Mini One Stop Shops.

With the UK leaving the EU, Great Britain (GB) (i.e. England, Wales and Scotland) has been treated as a third territory or ‘non-union’ country for VAT purposes since 1 January 2021 rather than as an EU Member State. Separate rules apply to businesses established in Northern Ireland and to businesses transacting across the Northern Irish border with Great Britain or the EU. These rules are not considered in this note, which discusses only transactions across the GB/EU border.

One Stop Shop returns are only relevant to business to consumer (B2C) transactions. Business to business (B2B) transactions are dealt with via the standard VAT return. “Consumers” are generally private individuals purchasing goods or services for their personal use.

NEW IMPORT ONE STOP SHOP

The Import One Stop Shop (IOSS) came into effect on 1 July 2021. It applies in a specific situation where goods, in consignments up to a certain value, are sold from a non-EU country to an end-consumer located in the EU.

PREVIOUS POSITION

Up to December 2020, GB businesses making B2C supplies of goods were subject to EU distance selling rules and were required to register in each Member State if they breached the distance-selling thresholds for the relevant Member State.

Since 1 January 2021, goods sold by GB businesses to EU consumers have been subject to import VAT on entry to the EU. For distance-sellers this has meant customers having to pay the import VAT on receipt of the goods, and potentially a customs clearance fee.

Low value consignment relief (LVCR) provided an exemption from import VAT but only applied to consignments with a value of €22 or lower. This was abolished with effect from 1 July 2021.

NEW OPTIONAL SIMPLIFICATION

From 1 July 2021, for consignments of €150 or less sold to EU consumers, the IOSS has been introduced to enable businesses to charge VAT at the point of sale instead of customers having to pay import VAT on delivery.

Businesses registered for the scheme will file a single IOSS return covering all relevant EU sales. Inclusion in the scheme requires businesses to charge VAT at the rate of the EU Member State in which the goods are being imported at the point of sale. The EU VAT collected is then paid to HMRC when submitting the VAT return, with HMRC dispersing the EU VAT collected to the relevant EU Member State.

To avoid delays at customs, businesses will need to ensure their unique IOSS identification number is stated on packages.

The IOSS is not available for items subject to excise duties (e.g. alcohol and tobacco).

Under the new scheme, only the VAT on sales is declared on the IOSS return, there is no option to reclaim any input VAT. Any input VAT incurred from EU Member States would need to be recovered directly from the tax authority in which the VAT was paid under the 13th directive system.

Before signing up to the scheme, businesses should check the latest guidance on whether they are required to appoint an EU-based intermediary accountant (a type of VAT agent) to deal with their IOSS returns for them. It is understood that the default position is that an intermediary is required, which is likely to increase costs and administration, however different Member States can impose their own requirements which is an evolving picture.

CONSIGNMENTS OVER THE €150 THRESHOLD

Import VAT will still be due and payable by the buyer on consignments sold by GB businesses to the EU where the value exceeds €150. This is the case unless the GB business declares the import and charges local VAT, which would need to be accounted for on the VAT return for the relevant country.

(MINI) ONE STOP SHOP EXTENDED

The new One Stop Shop (OSS), which replaces the previous Mini One Stop Shop, applies in a much wider set of circumstances than the IOSS. There are separate “Union” and “non-Union” schemes for businesses based in and outside the EU.

UK businesses offering B2C digital sales, this being telecommunications, broadcasting and e-services, to EU member states, have been able to declare the VAT due on their EU supplies in a single quarterly VAT return for several years by taking advantage of the Mini One-Stop-Shop (MOSS). As with the IOSS, this removes the requirement to have multiple VAT registrations and reporting requirements in the EU.

From 1 July 2021, the MOSS scheme will drop the ‘Mini’ and become the One Stop Shop (OSS) as it will be extended to all B2C services where the place of supply is in an EU Member State and therefore requiring local VAT to be charged. This includes supplies of installed goods where the installation or fitting service is supplied with goods. For example, a GB supplier of audio-visual systems who sells a system and physically installs it in a private home in the EU is required to charge local VAT; prior to the extension of the OSS there would be no option but to register in each EU Member State in which installations were carried out. It also covers supplies of services where VAT is due where the service is performed, such as a singer performing at an event or a classroom educational course.

This scheme also extends to intra-community distance sales of goods, this being where a “VATable” supply of goods is made from one EU country to a consumer in different EU country. It therefore covers different supplies from the IOSS, which only deals with goods imported from outside the EU.

As with the IOSS scheme, only the sales VAT is declared on the OSS return, there is no option to reclaim any input VAT suffered in the EU Member State. It would need to be recovered directly from the tax authority in which the VAT was paid under the 13th directive system.

ONLINE MARKETPLACES

From 1 July 2021 electronic interfaces are deemed to be the supplier for VAT purposes in certain circumstances where they facilitate B2C transactions. Businesses selling via an online marketplace should establish who is responsible for VAT collection and declaration. Online marketplaces may also use the IOSS or OSS to account for VAT on relevant sales.

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