



**K. TREPPIDES
& CO LTD**

Indirect Taxation

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**The e-Commerce VAT Package to be implemented as from
01/07/2021**

As from the 1st of July 2021, several amendments to the existing European Union (EU) VAT legislation (the new Law) will start to apply affecting the VAT rules applicable to cross-border business-to-consumer (B2C) e-commerce activities. The specific amendments are commonly known as the “*e-Commerce VAT Package*”.

Transactions to be affected by the changes

The following transactions will be covered under the new Law:

- Distance sales of goods imported in EU from jurisdictions located outside the EU carried out by suppliers or deemed suppliers which are performed through an electronic interface (i.e., website, portal, gateway, marketplace etc.), except for goods subject to excise duties (alcohol, tobacco, and energy).

- Intra-community distance sales of goods carried out by suppliers or deemed suppliers.
- Domestic sales of goods by deemed suppliers.
- Supply of services by taxable persons not established within EU or by taxable persons established within the EU but not in the member state of consumption to non-taxable persons (final consumers).

VAT rules to be amended upon implementation of the new Law

Upon implementation of the new Law the following VAT rules will be amended:

1. The current VAT distance sales registration thresholds in each EU member state will be replaced by an obligation to apply VAT in the country of the customer once the total value of B2C cross-border sales of goods within the EU exceeds the amount of €10,000 per year.
2. The current relief from import VAT for “low value consignments” of goods coming in from outside the EU in consignments with a value up to €22 will be abolished and all imports will be subject to VAT.

Introduction of the “One Stop Shop” and “Import One Stop Shop”

The new provisions modify the existing VAT special schemes being the Union and non-Union scheme as well as adding a new scheme which is the Import scheme.

Currently the Mini One Stop Shop (MOSS) system is used, allowing taxable persons supplying telecommunication, broadcasting, and

electronic services (TBEs) to consumers in the EU (B2C) to declare and pay the VAT due in all EU member states in one single member state.

One Stop Shop Scheme (OSS)

As from 01/07/2021 the MOSS system will be extended to all B2C services taking place in member states where the supplier (EU and non-EU) is not established in the member state of consumption, to intra-community distance sales of goods and to certain domestic supplies of goods. In this respect, the name of the system will become “One Stop Shop” (Union and Non-Union OSS).

Import One Stop Shop Scheme (IOSS)

The IOSS scheme will be added for the declaration and payment of VAT on distance sales of low value goods (intrinsic value \leq €150) imported from third countries or third territories.

In relation to the IOSS scheme, EU businesses can register directly in their own member state. On the other hand for non-EU businesses, the appointment of an intermediary is required and the country of registration will be the member state where the intermediary has established its business.

Electronic Interfaces

The new Law will affect transactions performed through an electronic interface which “facilitate” sales of goods to consumers in the EU. An electronic interface will be deemed to “facilitate” a supply of goods or

services where it allows a supplier and customer to enter contact which results in that supply being made through that interface.

Electronic interfaces which “facilitate” sales of goods to consumers in the EU may have additional VAT collection and reporting obligations as they will be deemed to buy and resell those goods where:

1. The goods are shipped from outside of the EU to a consumer in the EU in a consignment with an intrinsic value not exceeding €150; or,
2. The goods are shipped within the EU to a consumer and the seller of the goods is a non-EU established business.

Simplification of VAT reporting

The new Law will simplify the process of VAT reporting since the VAT registration in all EU member states where the customers reside could be avoided if the OSS scheme is used and consequently it will bring considerable savings in VAT compliance costs for businesses selling online across the EU.

Matters for consideration

It should be noted that the use of all special schemes is optional except for companies who will be acting as Electronic Interfaces. In addition, no threshold applies for non-EU businesses.

In case that a business chooses to register to OSS then all supplies of goods and services which fall under the OSS scheme should be declared in the OSS return.

Our Indirect Taxation team is ready to discuss with you the content of this newsletter and provide any consultation required for better understanding of the new Law and how those could affect your business. Please do not hesitate to contact us at VAT@treppides.com.



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