



Changes to VAT from 1 July 2021

VAT changes on sales to EU customers

Following the end of the Transition Period on 31 December 2020, there are more fundamental changes to come to the collection of VAT. These changes come into effect from 1 July 2021, and will apply to the sale of both services and goods to EU customers.

Three new schemes have been announced to help facilitate the declaration and payment of VAT. The overarching principle for both services and goods is to collect VAT by reference to the place where the customer belongs or where the transport of goods ends.

- *Union One-Stop Shop*: allows UK businesses to hold stock within the EU and pay VAT for all EU sales to one Member State.
- *Non-Union One-Stop Shop*: covers supplies of services to EU customers by businesses with no establishment within the EU.
- *Import One-Stop Shop*: covers the distance sale of goods below €150 from stock held outside the EU.

If you register for VAT using one of these schemes, you will complete one return for all EU sales, rather than being required to register for VAT in all member states in which your customers are based. In this sheet, we cover the schemes in further detail.

One-Stop Shop

According to these new rules, VAT can be paid to the Member State where the selling business is located, below a threshold of €10,000.

Above the threshold, businesses can easily register in a One-Stop Shop (OSS) where they can declare and pay the VAT due in other Member States.

The OSS is an electronic system which simplifies up to 95% of VAT obligations for sellers of goods and services to consumers throughout the EU. The OSS return will allow you to declare sales across all 27 EU Member States.

By registering, you will be able to:

- Register for VAT electronically in a single Member State for all intra-EU sales of goods and B2C supply of services (rather than registration in multiple states);
- Declare and pay VAT on the supplied goods and services in one quarterly electronic return;
- Work with the tax administration in your own country and language, even if your sales are cross-border.

Union Scheme

Within the OSS, the Union Scheme covers intra-EU supplies of goods and services for businesses with their place of business or a fixed establishment within the EU.

The Union Scheme will also allow a UK business to hold stock within the EU (for example Germany) and pay VAT for all EU sales to the German tax authorities.

Non-union

The OSS “Non-Union Scheme” covers supplies of services to EU customers by businesses with no establishment within the EU.

Which OSS scheme should I use?

	<i>Non-EU established taxable supplier</i>	<i>EU established taxable supplier</i>
Supplies of services to consumers (B2C)	Non-Union Scheme OSS	Union Scheme OSS
Distance sales of goods within the EU	Union Scheme OSS	Union Scheme OSS
Domestic supplies of goods by deemed suppliers	Union Scheme OSS	Union Scheme OSS

Import One-Stop Shop

Many UK businesses that sell goods to EU consumers (B2C) have been impacted by the EU/UK export and import changes from 1 January 2021. And from 1 July 2021, all goods imported to the EU from the UK will be subject to VAT.

The EU has confirmed the introduction of the optional Import One-Stop Shop Scheme (IOSS) which will help many UK businesses sell low value consignments of goods to EU consumers.

The IOSS will facilitate and simplify the declaration and payment of VAT for distance sales of imported goods with a value of €150 or less. It also makes the process easier for the buyer, who will only be charged at the time of purchase without any hidden or surprise fees when goods are delivered.

The IOSS covers the distance sales of goods that are:

- Dispatched or transported from outside of the EU at the time they are sold;
- Dispatched or transported in consignments with a value not exceeding €150
- Not subject to excise duties (eg, alcohol or tobacco)

What about online marketplaces?

If you sell to EU customers using an online marketplace such as Amazon or eBay, the marketplace or 'deemed supplier' will be responsible for accounting for VAT on your behalf.

If you sell on your own website as well as through a third-party marketplace, you are likely to have an obligation to account for EU VAT alongside the VAT paid on your behalf by the online marketplace.

What should I do?

At present, you may be working through the implications of incoterms. These schemes have the potential to simplify your EU profile for sales of goods, as you may only need one VAT registration in one EU member state.

It may help to consider how these schemes would work at a practical level, as part of the need to rethink the basis on which you sell to your EU customers.

How do I register?**OSS**

Each EU Member State has an online OSS portal where businesses can register. This single registration will be valid for all sales to consumers in other EU Member States.

IOSS

You can register your business on the IOSS portal of any EU Member State. If your business is not based in the EU, you will normally need to appoint an EU-established intermediary to fulfil your VAT obligations under IOSS. Your IOSS registration is valid for all distance sales of imported goods made to buyers in the EU.

Get in touch

If you would like any assistance or advice to understand the schemes and how they may benefit your business, please get in touch.

Information correct as of June 2021.

Find out more

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