

# The EU VAT Reforms

Effective July 1, 2021



Effective July 1, 2021, there are significant changes to the European Union's Value Added Tax (VAT) rules impacting imports into the EU valued up to €150. While these reforms primarily target business-to-consumer (B2C) e-commerce sales, they may also impact business-to-business (B2B) shipments.

The new EU VAT rules are likely to require changes to e-commerce business systems and procedures.

If you sell goods online to EU consumers, we recommend that you prepare your business now.

# What's Changing?

1.

The VAT exemption for imports into the EU with an intrinsic value up to €22 euros will be abolished

2.

An Import One Stop Shop (IOSS) platform will be launched for B2C businesses to settle VAT in the EU for goods valued up to €150

3.

Online marketplaces will be responsible for EU VAT compliance for goods valued up to €150 sold on their platform

Let's take a closer look at how this changes current practices for imports into the EU

	VAT Practices Before July 1, 2021	VAT Practices as of July 1, 2021
1.	All goods with an intrinsic value up to €22 that are imported into the EU are exempt from VAT.	The EU will remove the €22 VAT de minimis, meaning goods up to this value imported into the EU are no longer exempt from VAT.
2.	E-commerce businesses selling goods directly to EU consumers are required to register for VAT payments in each EU country that they sell to, depending on local regulations.	E-commerce businesses selling goods valued up to €150 directly to EU consumers can register, declare and pay VAT in the EU through the new IOSS platform.  This requires only a single registration for the payment of sales VAT throughout the EU.
3.	Businesses selling goods to EU consumers through online marketplaces are responsible for determining the intrinsic value of the goods sold, and declaring and paying the VAT if this is collected at the point of sale.	Online marketplaces will be responsible for determining the intrinsic value of the goods sold on their platform, and if this is within the €150 threshold, charge the VAT rate of the destination country to the consumer at the point of sale.  The online marketplace is then responsible for declaring and paying the VAT from those goods through the new IOSS platform.

# Why is the EU making these changes?

Three main objectives of the EU VAT reform:



## Level the playing field for EU businesses in relation to VAT

Currently imports into the EU valued up to €22 are exempt from VAT. As no such exemption exists for EU businesses shipping within the EU, this puts them at a competitive disadvantage. Removing this exemption for imports therefore levels the playing the field.



## Facilitate Cross-Border E-Commerce

With the IOSS platform the EU wants to modernize and simplify VAT compliance for e-commerce businesses by removing the need to VAT register in multiple countries. By removing VAT payment from the customs clearance process it also aims to speed up border clearance.



## Tackle E-Commerce VAT Fraud

By the latest estimates the EU loses out on €50 billion a year from cross-border VAT fraud. With these reforms the EU aims to make it easier to track VAT payments and hold businesses and online marketplaces accountable. Removing the de minimis also helps member states raise more revenues from booming e-commerce sales.



# What does it mean for your business?

Whether and how the new EU VAT reform impacts your business depends on the value of the goods you sell, whether you sell to businesses or consumers and whether you use online marketplaces.

## For consignments up to €22

Goods with a value up to €22 will no longer be exempt from VAT. This impacts all businesses importing into the EU, whether you're shipping to consumers or businesses. These low-value goods will now require formal customs clearance and be subject to VAT. Consider how this will impact the price and margin of these products.

## For consignments up to €150



### E-Commerce Business Selling Goods Directly to EU Consumers

For consignments valued up to €150, non-EU e-commerce business selling directly to EU consumers can opt for one of the two options below to pay VAT.

1.

Charge consumers VAT at the point of sale and declare it to the EU

While not mandatory, you may use the IOSS platform to pay EU VAT on goods sold up to €150. Both EU and non-EU businesses can register for IOSS.

If you have an EU-based establishment you can do this by registering with the tax authority of the EU member state of your choice. If you do not have EU-based establishment you will need to appoint an intermediary (such as a fiscal representative) to settle VAT through the IOSS platform.

IOSS registration removes the need to register for VAT payments in all EU member states that you sell to. The IOSS platform will also enable you to declare and pay VAT on those goods in a periodic VAT return. This should help your shipments move through customs quicker as VAT will not be charged at the point of import. Please be sure to include your IOSS number in the shipping documentation.

Alternatively you may opt not to register for IOSS. This may however lead to VAT being charged at the point of import. In this case, you can follow the guidelines below.

2.

UPS declares VAT at the point of import and charges your business

You may still opt to pay EU VAT at the point of import through the customs declaration as is possible today. To do this you use the 'Free Domicile' UPS billing option to send the goods to the consignee. UPS will outlay the VAT charge for your shipment to the relevant customs authorities when the goods are cleared and charge this back to your business in your regular UPS invoice. The UPS Duty and Tax Forwarding Surcharge will apply in accordance with the [UPS Rate and Service Guide](#).

## For consignments up to €150 (Continued)



### E-Commerce Business Selling Goods to EU Consumers Through Online Marketplaces

The EU VAT reform states that online marketplaces will, for VAT purposes, be deemed the supplier for the goods sold on their platform in certain situations. The EU wants to place the liability for VAT compliance on online marketplaces where possible.

This means they will be responsible for determining the intrinsic value of the goods sold on their platform, and if it is within the €150 threshold, charge the VAT rate of the destination country to the consumer at the point of sale and declare this to the EU through the IOSS platform. They will also be responsible for keeping the necessary records.

As a business selling goods to EU consumers through an online marketplace, you should review your marketplace contract as it relates to VAT and discuss with them how they are implementing the EU VAT reforms.

#### Is the marketplace collecting VAT?

- ✓ If the online marketplace you sell through is collecting VAT at the point of sale then all you need to do is make sure the IOSS number of the marketplace is included in the shipping documentation
- x If the online marketplace is not collecting VAT, then you should proceed with one of the two options outlined in the previous section 'E-Commerce Business Selling Goods Directly to EU Consumers'

See the following sources for more information on the responsibilities that the EU VAT reforms place on online marketplaces:

[European Commission Website](#)

[European Commission Explanatory Notes on the new VAT e-commerce rules](#)

[The Council of the European Union Implementing Regulation Document](#)

## For Consignments above €150

The EU VAT reform only impacts goods sold up to a value of €150. For goods valued above this threshold you can continue to charge, declare and pay EU VAT as you do today, either paying VAT at the point of import through your customs declaration, or making your customer liable for VAT payments.



# What can you do to prepare your business?

- Identify which areas of your business are impacted by the new EU VAT rules
- Assess your VAT accounting needs for the EU: Systems and master data updates are likely to be required to identify and apply the appropriate VAT rates in multiple jurisdictions
- You may consider registering for the IOSS platform if you want to use a single registration to pay VAT throughout the EU for B2C shipments up to €150
- If you register for IOSS, appoint an intermediary to handle tax compliance on your behalf in the EU in case you don't have an EU based establishment
- Review and potentially cancel existing foreign EU VAT registrations if you wish to replace these with a single IOSS registration where applicable
- If you choose not to register for the IOSS platform, ensure you have a valid UPS account to charge import fees to
- If you are selling through a marketplace, contact them to understand who will be responsible for VAT accounting for your B2C shipments up to €150
- If you are using WorldShip® as your shipping system, please ensure you make the necessary system updates when they become available

## Want to know full landed costs before you ship?

[UPS TradeAbility®](#) helps you understand international trade regulations and the landed cost of your shipments before they are processed.



## What is UPS doing to prepare?

UPS is working at EU and Member State levels to ensure that our own systems, as well as those of country customs authorities, are ready to process the changes.

With nearly 50 years of experience as a reliable premium service provider in the European market, UPS is here to facilitate trade with the region and help businesses meet the needs of its consumers. We will keep this page updated with the latest developments as these changes take effect.