

VAT e-Commerce Package 2021

**Get ready for significant changes to the EU's VAT
rules for e-commerce commencing in 2021**



The EU VAT e-Commerce Package - are you ready for 2021?

Significant changes to the VAT rules applying to e-commerce transactions, particularly online sales of goods, will take effect across the EU on 1 July 2021. The changes are complex and are likely to require significant changes to affected business's systems and procedures. In addition, the changes may result in commercial, pricing and legal implications which need to be carefully considered. We recommend businesses affected by these changes begin to consider and prepare for their impact as soon as possible.

Who will be affected by the changes?

Any business making or facilitating online sales or deliveries of goods to consumers (B2C) in the EU is likely to be impacted by the changes in some way. The following types of businesses will be particularly impacted:

- Online retailers and other businesses which sell goods to EU consumers either coming from outside the EU or cross-border within the EU
- Electronic interfaces (e.g. online platforms and marketplaces) which "facilitate" (as defined - see below) sales of goods to consumers in the EU
- Postal and freight operators which handle the import and delivery of goods to consumers in the EU
- Electronic interfaces which facilitate supplies of services to consumers in the EU may be impacted by additional VAT record-keeping requirements.

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. However, it excludes businesses solely involved in processing payments, listing or advertising goods, or redirecting customers to other electronic interfaces.

What are the changes?

The following key changes will come into effect on 1 July 2021:

- The current VAT distance sales registration thresholds in each EU member state will be abolished. As a result, retailers and other businesses making B2C online sales of goods within the EU will be obliged to charge local VAT in the member state to which the goods are shipped (assuming the total value of their B2C cross-border sales of goods within the EU is above €10,000 per year). However, the VAT due on sales to consumers in member states in which the seller does not have a VAT establishment can be remitted through a single EU-wide VAT return known as the One Stop Shop ("OSS").

- 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. Therefore, VAT at the appropriate rate will become due on such imports.
- 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.*
- Subject to certain conditions, VAT on consignments imported from outside the EU with a value not exceeding €150 can be reported and paid by retailers and marketplaces through a single EU-wide return known as the "Import One Stop Shop" (IOSS).
- Postal and freight operators handling imports of goods for consumers will not have to collect VAT on packages where VAT has already been accounted for through the IOSS. However, they will still be responsible for VAT collection on other packages. There will also be some simplifications to the VAT reporting procedures for such operators for consignments not exceeding €150.
- Electronic interfaces which "facilitate" supplies of goods or services to consumers in the EU will need to keep detailed information in respect of the supplier and nature of those goods or services for a period of 10 years.
- The mini-one stop shop (MOSS) which currently allows suppliers to report VAT in multiple EU member states on B2C supplies of telecom, broadcasting and electronically supplied services will be extended to all types of services. This may be availed of where the supplier owes VAT on a B2C supply of services in an EU member state but is not established in that member state (for example, admissions to certain events, certain hiring and transport services).

How will the changes impact your business?

Business Type	Potential Impact of 2021 Changes
 Online Retailer of Goods	<ul style="list-style-type: none">• Likely to be required to charge local VAT on B2C sales in all EU Member States to which the goods are shipped• Systems and master data updates likely to be required to identify and apply VAT at the appropriate rates in multiple jurisdictions• Need to consider impact on pricing of different VAT rates applying in different jurisdictions• New VAT reporting procedures may be required to prepare and file OSS returns on a quarterly basis• Review and potentially cancel existing foreign EU VAT registrations for distance sales which may potentially be replaced by One Stop Shop (OSS) registration
 Online Marketplace facilitating sales of goods	<ul style="list-style-type: none">• New VAT reporting and payment obligations on some but not all sales of goods facilitated on the platform• Systems and master data updates likely to be required to gather necessary information from sellers and apply VAT at the appropriate rates in multiple jurisdictions• Contracts with sellers and buyers need to be carefully reviewed• Assess need to register for OSS on B2C sales within the EU by non-EU sellers and file OSS returns on a quarterly basis• Assess need to register for Import One Stop Shop (IOSS) and file IOSS returns on a monthly basis• Requirements to keep detailed records for a period of 10 years
 Postal and Logistics Operators	<ul style="list-style-type: none">• Removal of low value consignment relief for imports is likely to significantly increase the volume of packages subject to import VAT, requiring additional time, cost and space• Systems and procedures updates required to distinguish packages where VAT has already been accounted by the vendor/platform through the IOSS and those on which VAT must be collected by the transporter• Review scope to apply new simplified VAT reporting proposed for consignment with a value not exceeding €150 where IOSS is not used
 Other Businesses	<ul style="list-style-type: none">• Businesses supplying B2C services to consumers in other EU member states which are subject to VAT in each consumer's member state should assess the scope to report that VAT through the OSS (currently OSS/MOSS is limited to telecommunication, broadcasting and electronically supply services)• Online platform facilitating supplies of all good and services will be required to keep detailed records for a period of 10 years

What can KPMG do to help?

1. Assess your business's readiness to deal with these changes, including identifying potential VAT collection and reporting obligations in new jurisdictions, and determining VAT rates for products in relevant jurisdictions
2. Work with your finance and IT teams and systems' providers on the technology and process changes needed to meet these new requirements
3. Assist with the evaluation and design of new or updated VAT compliance tools to deal with additional and more complex VAT reporting obligations
4. eAudit and data analytics to identify the impact on your business and provide assurance on the transactions impacted by these changes
5. Review existing contracts and terms & conditions to help manage the VAT risks associated with the new requirements
6. Assist in considering the impact of these changes alongside potentially significant changes to the VAT and Customs treatment of UK/EU transactions arising from Brexit
7. VAT and similar tax reporting obligations for eCommerce transactions are not confined to the EU – through our KPMG Global Indirect Tax network and Digital Economy Tax app (see below), we can keep you updated and help you prepare for the rapid changes taking place across the globe.

Download our Digital Economy Tax App

The KPMG Digital Economy Tax App provides a summary of the relevant VAT rules for e-commerce in over 50 jurisdictions and as well as regular updates on relevant tax development across the world. It can be downloaded for free to your device through [App Store](#) / [Google Play](#) by searching for **“KPMG Digital Economy”**.

Contact Us



David Duffy
Partner, Indirect Tax



Glenn Reynolds
Partner, Indirect Tax



Joanne Gallagher,
Director, Indirect Tax



John Curry
Director, Tax Technology

t: +35317004152
e: david.duffy@kpmg.ie

t: +35314101371
e: glenn.reynolds@kpmg.ie

t: +35314101082
e: joanne.gallagher@kpmg.ie

t: +35317004242
e: john.curry@kpmg.ie