

For e-commerce businesses

Key changes in VAT treatment across the EU effective 1 July 2021

E-commerce businesses making cross-border supplies of goods and services to consumers in the EU as well as electronic interfaces facilitating those supplies are advised to evaluate how the expected VAT changes affect their VAT registration and compliance requirements. The changes are coming into force across the EU on 1 July 2021.

The new rules are rather complex and require a detailed analysis to assess their impact and conditions for implementing them. We have put together the most critical changes affecting a number of e-commerce businesses.

Distance sales of goods in the EU

1

If you are a business that makes distance sales of goods already in the EU to consumers in another member state:

- The thresholds (EUR 35,000–100,000) each member state has set for charging the VAT rate of the supplier's member state are cancelled. A single threshold of EUR 10,000 applies to distance sales of goods and digital services in the EU (the values of such goods and services are added up when supplied to any member state).
- Once the threshold is exceeded, or in certain cases from the first cent of supply, the supplier must apply the VAT rate of the member state of destination.
- A distance sale is also considered to take place if the supplier is only indirectly involved in transporting the goods.
- VAT can be paid using the new One-Stop Shop ("OSS")¹, a scheme that makes it possible to register for VAT and file returns in a single member state in order to account for VAT on distance sales in any member state. Previously, the only way of doing this was to register in each member state to which you supplied goods.

Distance sales of imported goods

2

If you are a business that makes distance sales of goods located outside the EU to consumers in a member state, with the value of consignments up to EUR 150:

- The VAT exemption on low-value imports worth up to EUR 22 is cancelled. The import duty exemption on consignments worth up to EUR 150 stands.
- VAT must be paid in the customer's member state from the first cent of supply.
- VAT can be paid using the new Import One-Stop Shop ("IOSS")², a scheme that makes it possible to register for VAT and file returns in a single member state in order to account for VAT on distance sales of imports in any member state.
- If the supplier does not pay VAT, it will be collected from the customer.
- The customer is still responsible for paying VAT and import duty on goods exceeding EUR 150.

Supplies of services in the EU

3

If you are a business that supplies services to non-taxable persons that are treated as supplied where the service is performed or where the consumer is located:

- VAT on services supplied in another member state is payable at its domestic rate. Examples of such services include transport services, short-term vehicle rental, real estate services, and hospitality services supplied to consumers. If an intermediation service is supplied to consumers, this is subject to the same VAT rules as the main service.
- VAT can be paid using the OSS. The only way previously was to register in each member state where VAT was due.



¹ The Union procedure is a special procedure for services supplied by non-established taxable persons.

² The import procedure is a special procedure for distance sales of goods imported from third countries or territories.



Electronic interfaces

4

If you are a business whose electronic interface sells

- (1) goods transported within the EU and the seller is not registered for VAT in the EU, or
- (2) goods transported from outside the EU with the value of consignments up to EUR 150:

- The electronic interface is considered to be the supplier of goods responsible for paying VAT;
- VAT can be paid using the new OSS or IOSS.

Import procedure for taxable persons presenting goods to customs authorities

5

If you are a business that presents goods to the customs authorities (e.g. a postal operator) and –

- you are not using the IOSS for supplies,
- the goods are not excise goods,
- the intrinsic value of consignments does not exceed EUR 150, and
- the supply or transport of goods ends in the importing member state,

then you may use the import procedure for taxable persons presenting goods to the customs authorities. In that case you will be able to collect VAT from the customer. The VAT must then be transferred to the tax authorities.

Points to keep in mind

- Principles for determining the value of consignments
- Whether the electronic interface can be considered to facilitate supplies
- Invoicing terms
- Pricing to reflect the different national VAT rates
- Compliance of your internal system with the new requirements
- Procedures for returning goods

How PwC can assist:

- evaluate the impact of changes in the VAT rules on your business and the compliance requirements applicable to it;
- assess whether your systems meet the new requirements;
- implement the changes;
- register for the OSS and the IOSS, including accounting services; and
- handle customs matters.

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