

Forthcoming EU VAT changes

Although the UK has left the EU, we are currently in a transition period in relation to EU VAT, and Customs, regulations. At the time of writing this transitional period is expected to end on 31 December 2020. Thereafter the UK will not be bound by EU VAT law. However, we live in a global society and many UK businesses have activities in and around the EU and so will need to keep abreast of some very important changes to the EU VAT changes; a move from a taxation system based on where the supplier is to a destination-based system.

This article sets out the current EU plans:

July 2021 – EU VAT e-commerce package

Suppliers

Originally intended to start from 1 January 2021 but delayed to 1 July 2021 in response to the COVID-19 pandemic, this package introduces a new One-Stop-Shop (OSS) for the supply of goods into and around the EU. This change removes the low-value consignment relief for imports into the EU and the varying distance selling thresholds for intra-EU movements:

- **For non-EU suppliers** – which will, of course, include UK suppliers – there will be a requirement for sellers to charge VAT at the point of sale for consignments of €150 or below. This will be based on the VAT position in the customers' member state with the VAT reported on a single OSS declaration. There will be a requirement to register in one EU member state in which to file the OSS declarations and there may be a need to appoint a tax representative. Any consignments of goods in excess of €150 will be subject to the normal rules, where it will be important to establish the incoterms and who is responsible for the import into the EU. UK businesses importing into the EU will need to pay any import VAT (and any duties depending on how we leave the EU when the transition period ends). This may well result in the need for local VAT registrations, as currently.
- **For EU suppliers** – not UK businesses – there will no longer be a need to register for VAT in the customer's member state, provided stock is not held there.

This is an extension to the original Mini-One-Stop-Shop (MOSS) for supplies of electronic services. These services will be reported on the new OSS declarations.

Marketplaces

As part of this package, to counter an existing VAT evasion problem with certain suppliers, online Marketplaces may be treated for VAT purposes as buying and selling goods to the end customer, where the sale involves an import with a consignment value of up to €150, or a transaction of any value where the supplier is based outside the EU. This effectively means that EU marketplaces will have to collect and account for the VAT on sales by UK businesses to customers in the EU.

Where this applies, the supplier will sell the goods to the Marketplace on a B2B basis and the Marketplace will sell the goods on and charge VAT to the end consumer with the VAT processed through the OSS declaration.

EU Tax Package

Prompted by the COVID-19 pandemic, on 15 July 2020 the EU announced a new Tax Package which includes significant VAT measures. This package builds on the e-commerce package discussed above but also on previous packages including the VAT Administrative Cooperation package introduced on 1 January 2020.

This new Tax Package seeks to address the following issues:

- Complexity and administrative burden
- Tax abuse and harmful tax competition
- Gaps in tax transparency rules
- Unexploited potential of technology

The [action plan](#) covers a number of years and includes items previously announced.

The VAT and other indirect tax actions include:

Action	Timing
Recommendations for improving tax recovery in the EU	2020
Reform of the VAT Committee	2020
Evaluation of the VAT special scheme for travel agents (TOMS)	2020
Conference on data analytics and digital solutions	2021
Extension of automatic exchange of information to include crypto assets / e-money	2021
Update and simplify VAT rules for financial services	2021
Implementation of Standing Committee for dispute resolution	2021
Package VAT for the digital age: <ul style="list-style-type: none"> • update VAT rules for the sharing economy • move to a single EU VAT registration • modernise VAT reporting obligations and facilitate e-invoicing 	2022
Update the VAT special scheme for travel agents	2022
Review VAT rules on passenger transport	2022
VAT dispute prevention and resolution to provide mechanisms to prevent/solve disputes concerning the implementation of the VAT directive	2022
E-Commerce package for excise goods: facilitating distance selling of excise goods while minimising fraud and distortions of competition	2022
Reinforcement of verifications of cross-border transactions by switching from exchanging to sharing of tax-related data	2023
VAT administrative cooperation between the EU and relevant third countries	2023

Further information can be found [action plan](#) but more detail will be available on the actions as and when carried out.

If you have any queries about the topics, please speak with your usual Kreston Reeves contact or one of our specialists by emailing enquiries@krestonreeves.com or by phoning +44 (0)330 124 1399.

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