

## 2021 EU VAT E-commerce changes

7 May 2021

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### New VAT rules will be introduced by the EU regarding e-commerce after July 1st 2021

Two major forces have exposed the need for a radical update of the current EU VAT regime, as it is contained within the Council Directive 2006/112/EC (the 'EU VAT Directive'):

1. VAT fraud - 'missing trader' or 'carousel' fraud which is estimated to cost EU member states €50 billion per annum
2. E-commerce – difficulties in tracking online sellers' taxable supplies, has resulted in an estimated €5 billion p.a. in evaded VAT.

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To tackle these challenges, the EU Commission has proposed a range of VAT reforms in order to close the VAT fraud loopholes and make e-commerce VAT regime simpler and more efficient.

One of the key major amendments is the 2021 extension of the existing Mini One-Stop-Shop (MOSS) single EU VAT return, to certain online B2C sales of goods and services transactions. The original implementation date of 1 January 2021 has been **extended to 1 July 2021** due to the COVID-19 crisis.

#### 2021 EU VAT e-commerce Package key elements:

- **One-Stop-Shop (OSS):** E-commerce sellers and marketplaces will be able to use the OSS in order to report and pay their VAT obligations in all EU countries, instead of having to VAT register in all the states of their EU consumers
- **Ending distance selling threshold rules:** Thresholds for distance sale of goods will be abolished and a unified threshold of EUR 10,000 will be introduced.
- **2021 Marketplace deemed supplier EU VAT reforms:** online marketplaces which 'facilitate' the cross-border sales of third-party sellers will become the 'deemed supplier' for collecting and reporting VAT instead of the seller. New record-keeping requirements will be introduced for online marketplaces facilitating supplied of goods and services.

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- **2021 Ending low value import VAT exemption:** The VAT exception of importation of small consignments of EUR 22 will be abolished and all imports will be subject to VAT from then on.
- **Introducing the Import One-Stop-Shop VAT (IOSS) :** For sales at, or below €150, sellers will have to declare the VAT charged on imported packages in a new VAT declaration, the Import One-Stop-Shop (IOSS). However, there will be some special arrangements in order to simplify imported goods of less than 150 euro in case the IOSS (import one-stop-shop-) is not used.

The new rules will be helping the EU in reducing VAT fraud and in making the playfield fairer for EU businesses to sell their products and services within the EU. Furthermore, it will simplify the process of VAT reporting by using the unified 10.000 threshold instead of each country having its own set threshold.

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**WAY FORWARD: HOW WE CAN HELP YOU**

*If you are a distance seller (or marketplace) inside or outside the EU and you are trading with EU member states then you need to have a new assessment of your company's VAT obligations. For further information relating to the 2021 EU VAT e-commerce Package implementation in Cyprus, please contact Pantelis Karonias VAT Expert (Head of Indirect Tax Department at Intertaxaudit).*