



# EU VAT changes

What you need to know



## Important information

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# What we'll cover today

- 1 Why the changes are being made
- 2 Why they matter to you
- 3 An overview of the new rules
- 4 How they could affect your business
- 5 How they apply to key sales processes

A person is working on a laptop. In the foreground, there is a FedEx Express Small Box and some papers. The person is wearing a white top with a gold chain and a ring. The background is dark and out of focus.

## How the EU VAT rules are changing

## The three key VAT changes

1

The removal of  
the €22 import  
VAT exemption

2

Simpler ways to  
charge and  
account for VAT

3

Certain marketplaces  
becoming responsible  
for VAT

These changes take effect from July 1, 2021



# Why the EU is making VAT changes

To promote  
cross-border, B2C  
e-commerce trade


To simplify  
compliance burdens  
for e-commerce  
businesses

To ensure VAT is  
properly collected

To ensure fair  
competition  
between EU and  
non-EU sellers



# Why the VAT changes matter to you

- They could affect all businesses
  - They mainly apply to B2C sales - both direct to customers and via marketplaces
  - They could simplify accounting processes and reduce administration
  - They could lead to more streamlined customs clearance processes
  - They could make cross-border transactions simpler for customers
  - They could give you a competitive advantage
- 
- A horizontal decorative bar at the bottom of the slide, transitioning from dark purple on the left to orange on the right.

# **The three VAT changes explained**





## Removal of the €22 VAT exemption



Currently:

€22 ↓

Most EU countries allow consignments of €22 or less to be imported free of VAT



From July 1, 2021:

All imports

All imports into the EU will be subject to VAT

## Simpler ways to charge and account for VAT

- The One-Stop Shop (OSS) is being introduced for EU businesses
- This allows a single, quarterly VAT filing for all intra-EU sales
- The EU is removing distance selling thresholds
- VAT must be charged from the first sale in an EU country, at the rate set in the customer's country of shipment

# Simpler ways to charge and account for VAT

- The Import One-Stop Shop (IOSS) is being introduced
- The IOSS is for B2C consignments valued at €150 or below
- It allows VAT to be charged at the point of sale, not upon importation
- VAT is remitted in a single monthly IOSS return, in a nominated EU state
- If the IOSS is not used, VAT will be collected from the end-customer by FedEx
- EU businesses can also use the IOSS to import goods for sales to EU customers

“The IOSS is for  
B2C consignments  
valued at  
**€150 or below**”

# Certain marketplaces becoming responsible for VAT

- Marketplaces will be responsible for collecting and remitting VAT, rather than their sellers (in certain circumstances)
- In these circumstances, marketplaces will become the 'deemed supplier' of the goods



# How the VAT changes affect your business

# How the VAT changes affect your business

- The way you will be affected by the rule changes depends on many factors
- If you can use the IOSS, there could be benefits to doing so
- Customs procedures are more streamlined, with no import VAT to pay
- The buying process is more transparent for customers
- No unexpected costs for customers
- Potentially fewer returns to your business

“No unexpected costs for customers”



# How the VAT changes affect your business

- The removal of distance selling thresholds will have an impact on most e-commerce businesses shipping within the EU
- From July 1, 2021, VAT must be charged at the rate set in the customer's country of shipment from the very first sale
- There is an exemption for businesses with total cross-border EU sales of under €10.000 a year
- These businesses can account for VAT on their domestic VAT return, and charge their domestic rate

**How the new  
rules apply to key  
sales processes**



# How the new rules apply to key sales processes



# How the new rules apply to key sales processes

Shipping from <u>inside</u> the EU			
Goods based within the EU	→ sell via own webshop	→ ship to intra-EU customers from your own country	→ OSS or register for VAT in each country
Goods based within the EU	→ sell via own webshop	→ ship to domestic customers from within their country	→ local VAT return
Seller based outside the EU	→ sell via marketplace	→ goods already located in EU	→ marketplace responsible for VAT for any value transaction
Seller based within the EU	→ sell via marketplace	→ goods shipped from within the EU	→ seller is responsible for VAT



# How to use the IOSS



## How to use the IOSS



- You must provide FedEx with your IOSS number (or that of your marketplace) every time you ship
- The IOSS number needs to be included on your Air Waybill
- When shipping with FedEx, you must use one of our automated solutions to prepare the Air Waybill



- If you do not include your IOSS number on the Air Waybill when you book your shipment, then VAT will be charged upon importation
- You cannot use manual Air Waybills if you are using the IOSS



# How to use the IOSS

- VAT must be charged at the rate set in your customer's country
- You need to submit a monthly IOSS return, and monthly payment, in the country of your IOSS registration
- If you are established in the EU, this must be in a country you are established in
- If you are not established in the EU, you need to use a VAT intermediary and submit your returns where the intermediary is established

# The KPMG IOSS solution



# About KPMG

- KPMG is a leading provider of indirect tax compliance services
- Submits over 1 million indirect tax returns a year
- Has a dedicated team to provide VAT compliance solutions tailored to cross-border e-commerce sellers
- Has helped thousands of cross-border e-commerce sellers to manage VAT compliance



# The KPMG IOSS solution

The KPMG IOSS solution can:



Help you to  
obtain your  
IOSS number



Prepare and submit  
your monthly  
IOSS returns



Provide essential  
details about required  
VAT payments



Handle and forward  
notifications from  
tax authorities

For more information  
and to register, visit  
[kpmg-compliance.com](https://kpmg-compliance.com)





**Final thoughts**



Reminder:  
These changes come into effect on **July 1, 2021.**  
Please take any action you need to take now

For more information, visit [fedex.com/euvatchanges](https://fedex.com/euvatchanges)