



Changes to EU VAT rules for B2C e-commerce sellers:

What you need to know

The European Union (EU) is making some important changes to its Value-Add Tax (VAT) rules, which will come into effect on July 1, 2021. All businesses will be affected, although the changes will mainly affect business-to-consumer (B2C) sales and online marketplaces based outside of the EU*.

The changes to the rules may affect how your business accounts for and pays VAT, including simpler procedures and reduced administration. There could also be broader implications for the way you conduct business into the EU. Some of the changes are described here.



1

The EU is removing the EUR €22 import VAT exemption on low-value parcels coming into the EU

What does it mean?

Beginning July 1, 2021, VAT will be charged on all commercial goods imported into the EU, regardless of value. For consignments of EUR €150 or below, VAT can either be charged at the time of the sale by using the new Import One-Stop-Shop (IOSS), or it can be collected from the end-customer by the customs declarant (e.g. FedEx).

How might it effect your business?

If your business is based outside the EU, it will no longer be able to export shipments valued under EUR €22 to EU consumers free of VAT.

How might it work in practice?

Scenario: An online business in China sells one pair of socks worth EUR €10 to an EU-based consumer.

Before July 1, 2021: Shipment can be imported into the EU free of VAT since the total value of the goods is less than EUR €22.

After July 1, 2021: All shipments will be subject to VAT regardless of value. VAT will apply at the rate set in the buyer's country of residence.



2

The EU is introducing an optional Import One-Stop Shop (IOSS) to import e-commerce goods, complete with an IOSS single EU VAT return

What does it mean?

For e-commerce consignments of EUR €150 or below, the EU is introducing an optional Import One-Stop-Shop (IOSS) to clear goods through customs. The IOSS is a new vendor collection model which will allow you (as a vendor or an online marketplace) to charge VAT at the point of sale and remit it directly to the authorities. However, the IOSS is not mandatory. If the IOSS is not used, the customs declarant (e.g. FedEx), will collect the VAT from the end-customer prior to delivery and pay it to the authorities.

To sign up to the IOSS, non-EU businesses will have to register in an EU member state if they are already established in the EU, or, if not, appoint an intermediary to register and declare the VAT on their behalf. VAT will be submitted via a monthly tax return to a tax authority in the nominated EU member state, which will then forward the VAT declaration and payment to the appropriate countries.

Non-EU businesses that use the IOSS will be able to complete a monthly IOSS filing in one EU country listing all their pan-EU sales. This means that non-EU sellers will no longer have to register for VAT in every EU country they sell in.

How might it effect your business?

There are now two options for collecting VAT.

1. By registering for the IOSS, non-EU businesses can charge VAT at the point of sale and remit the VAT directly, simplifying the process for the consumer and making it more transparent. Making use of the IOSS will also ensure efficient customs procedures. You will need to communicate your IOSS number to the party responsible for making the customs declaration on entry into the EU (e.g. FedEx).

2. Businesses may also choose not to register for IOSS, in which case import VAT will be collected from your customers by the declarant (e.g. FedEx), who will pay directly to the customs authorities in the country of importation/consumption via a monthly payment. Under this scenario, the customer only receives the goods after the import VAT is paid and the goods can only be released for free circulation in the country in which the goods will be delivered to the customer/importer.

How might it work in practice?

Scenario: A U.S. e-commerce business sells electronics with a value of less than EUR €150 to customers in five EU countries.

Before July 1, 2021: The U.S. e-commerce business is required to register and account for VAT in each EU country.

After July 1, 2021: The U.S. e-commerce business can choose to close its foreign VAT registrations and register for IOSS in one country, charging VAT at the point of supply. Alternatively, the business can continue as they do today with their customer paying VAT on importation.

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A close-up of a person wearing a dark blue jacket with the FedEx logo in white. The person is also wearing a dark blue baseball cap with the FedEx logo. The background is a blurred outdoor setting.

3

Certain marketplaces will become the deemed supplier and VAT collector for certain B2C transactions of their third-party sellers

What does it mean?

Certain marketplaces, rather than their sellers, will be liable to collect, report and remit the VAT due from the end consumer if they register with the IOSS. This process would apply for non-EU businesses for transactions up to EUR €150.

How might it effect your business?

If the marketplace has opted for the IOSS, sellers using online marketplaces must use the IOSS of the online marketplace and provide the IOSS number to the party responsible for making the customs declaration on entry into the EU (e.g. FedEx).

Sellers using different marketplaces or electronic interfaces to sell their goods should keep clear evidence of the sales carried out via each marketplace. They should also provide the corresponding IOSS number for each sale to the party responsible for making the customs declaration on entry into the EU (e.g. FedEx).

How might it work in practice?

Scenario: An e-commerce business based in China sells a EUR €90 vase to an EU customer, via a qualifying online marketplace that opts for the IOSS.

Before July 1, 2021: The customer buying the vase from the non-EU seller is responsible for paying the VAT on their purchase at the time of importation.

After July 1, 2021: The marketplace that the vase is being sold through uses the IOSS and becomes responsible for collecting the VAT from the customer at the time of sale, not the seller, ensuring it is passed to the relevant authorities.





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We know that these new regulations could require you to make changes to the way you operate when selling to customers in the EU, including how you complete your shipping documentation. You can be assured that we are taking all necessary steps to prepare our customers and our business for the new requirements taking effect on July 1, 2021 and will continue to update you as further clarity is provided by the EU authorities.

We've gathered a few resources that may be helpful as you learn about the EU VAT changes and possible impacts to your business.

- a. EU VAT information: <https://www.fedex.com/en-us/eu-vat.html>
- b. European Commission: All you need to know about the Import One Stop Shop (IOSS)
- c. Modernizing VAT for cross-border ecommerce: Modernising VAT for cross-border e-commerce | Taxation and Customs Union ([europa.eu](https://ec.europa.eu/economy_finance/eu-vat))

*EU countries are: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden.

Please note that, under the terms of the EU-UK Joint Protocol, Northern Ireland will remain part of the EU VAT area for goods. This means that these new provisions will also apply to goods imported into Northern Ireland from the rest of the world.

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