The European Union has introduced sweeping reforms to the EU VAT law, which will impact B2C e-commerce sellers and marketplaces as of 1 July 2021.

1. Import of low value goods into Europe

With the removal of the import VAT exemption for goods not exceeding EUR 22, all commercial goods imported into the EU are subject to VAT, at the applicable rate in the arrival country. There are two ways in which VAT is collected:

- Import VAT is due and collected upon importation; or
- The supplier operates with the Import-One-Stop-Shop (IOSS).

What is the IOSS regime?

IOSS is a new, voluntary system for reporting and collecting VAT on B2C sales of low value goods imported from non-EU countries. The term “low value goods” refers to goods, calculated as the total of the value of all the products in a single package, below EUR 150.

Your benefits with IOSS

- **Transparency for the customer:** No unexpected costs occur for the customer as they will see and pay a VAT inclusive price at the time of purchase. The amount of rejected products may be reduced.
- **Reduced compliance burden:** Use of one single IOSS registration by the seller to report and pay the VAT due on all sales covered by the IOSS regime.
- **Quick release by the customs authorities:** Speedy delivery of the goods to the customer as no VAT is payable upon importation.
- **Flexible logistics:** Simplification of logistics, as the goods can be imported into the EU in any EU member state, regardless of the EU member state where the goods are ultimately shipped to.

IOSS compliance steps

1. **Initial registration through an EU residential VAT intermediary**
2. **Monthly submission of a single IOSS return**
3. **Monthly payment of the VAT amount due only to the country of registration**
4. **Distribution of the tax to other EU member states by the tax authority of the country of registration**

The VAT intermediary will be responsible for submitting monthly IOSS returns and making VAT payments on behalf of the sellers.
2. Sale of goods to EU consumers (B2C) from warehouses located in the EU

With the removal of the annual intra-EU distance sales threshold, VAT will be charged by default at the rate of the country of arrival. There are two ways in which VAT is collected:

- VAT registration required in every EU country; or
- The supplier operates with the One-Stop-Shop (OSS).

What is the OSS regime?
OSS is a new, voluntary system for reporting and collecting VAT on all B2C intra-EU distance sales.

Your benefits with OSS

- **Reduced EU VAT footprint**: Significant reduction of required EU VAT registrations. Only a small number of VAT registrations required (e.g. in the EU countries where inventory is held).
- **Reduced compliance burden**: Use of one single OSS registration by the seller to report and pay the VAT due on sales into all 26 EU member states and Northern Ireland on a quarterly basis.

OSS compliance steps

1. Initial registration in an EU member state (Fiscal Representation might be required)
2. Quarterly submission of a single OSS return
3. Quarterly payment of the VAT amount due only to the country of registration
4. Distribution of the tax to other EU member states by the tax authority of the country of registration

3. Sales via online marketplaces

An online marketplace facilitating the following sales will be subject to the new deemed supply rules:

- Sales of any value by a non-EU seller to a consumer within the EU. This includes domestic sales or intra-EU distance sales; and
- Distance sales of imported goods by both EU or non-EU sellers to consumers of consignments not exceeding EUR 150, if the marketplace has an IOSS registration.

When the deemed supply rules are applicable, a sale between a Swiss seller and a customer is split into two transactions for VAT purposes.

As such EU VAT compliance rules for the Swiss seller are reduced:

- The seller is deemed to have sold the goods to the marketplace – this is a B2B supply, no EU VAT due on the transaction (VAT registration and reporting may still be required).
- The marketplace is deemed to have sold the goods to the consumer – this is a B2C supply and the marketplace is responsible for collecting the VAT due on the sale from the consumer.

KPMG has developed a solution to help Swiss sellers to use the new reporting regimes. If you are interested in learning more about the changes as of 1 July 2021 and our services, please reach out to us.

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