

EU reaches agreement on postponement of VAT e-commerce rules due to COVID-19 crisis

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Following an earlier proposal by the European Commission to address the severe disruptions resulting from the COVID-19 pandemic, the European Union (EU) Member States' ambassadors to the EU reached a preliminary agreement on postponing by six months the application of the VAT regime applicable to online companies - as of 1 July 2021, instead of 1 January 2021. The postponement should be formally adopted by the Council of the European Union, without further discussion, once the text has undergone a legal and linguistic review. This means that, assuming the Council will adopt the proposal as expected, the EU VAT e-commerce measures will apply with effect from 1 July 2021.

EU e-commerce VAT changes

The 2021 e-commerce VAT changes include the following measures:

- Businesses operating electronic interfaces (e.g., marketplaces or platforms) will, in certain circumstances, be deemed for VAT purposes to be the supplier of the goods and will be responsible for collecting and paying the VAT due.
- The Mini One Stop Shop (MOSS) will become the One Stop Shop (OSS) and this facility will apply to all types of cross-border services to final consumers in the EU.

- ▶ Also, the OSS scheme will be extended to all types of business-to-consumer (B2C) services as well as to intra-EU distance sales of goods and to certain domestic supplies facilitated by electronic interfaces (subject to the €10,000 threshold).
- ▶ The creation of an import scheme covering distance sales of goods imported from third countries or territories (i.e., from non-EU jurisdictions) to customers in the EU up to a value of €150.
- ▶ The abolition of the current VAT exemption for imports of goods in a small consignment of a value of up to €22.
- ▶ Where the import OSS is not used, a second simplification mechanism will be available for imports. Import VAT will be collected from customers by the customs declarant (e.g., postal operator, or courier firm etc.) which will make payment to the customs authorities via a monthly payment.

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EYG no. 004460-20Gbl

1508-1600216 NY
ED None

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