

Webcast series 'State of Tax'

# EU VAT e-commerce New rules



Presentation by **PwC NL ITX**  
12 April 2021

# Introduction

- Watched live, this webinar qualifies for 1 PE point
- The button '[Ask a question]' allows you to ask a live question via chat
- Any other questions via your PwC advisor or fill in the form on [pwc.nl](https://pwc.nl)
- View this webcast or presentation at a later stage
- Slides will become available afterwards
- Evaluation form afterwards



# Taxation of the digital economy

Digital services taxes	DAC^7	OECD Pillar I & II	E-commerce and indirect taxes	PSP's
Many initiatives in different countries	New reporting obligations for digital platforms	CIT in a digital environment Minimum CIT rate	Important changes in EU, UK, Norway, etc.	New reporting obligation for payment service providers

# Poll

For your business, how would you rate the impact of the new EU VAT rules for e-commerce on a scale from 1 to 5?

- A. 1. No impact
- B. 2. Low impact
- C. 3. Medium impact
- D. 4. High impact
- E. 5. Very high impact

# Agenda

1. Welcome
2. Setting the scene
3. E-commerce from EU warehouses
4. E-commerce from non-EU warehouses
5. The role of logistics service providers
6. The role of platforms
7. Next steps & closing



# Why new VAT rules?

1

## VAT revenue losses

- Estimated EUR 7 billion annually
- Import exemption + undervaluation

2

## VAT in country of consumption

- Supply of goods taxable in country of final destination
- Less distortion of competition

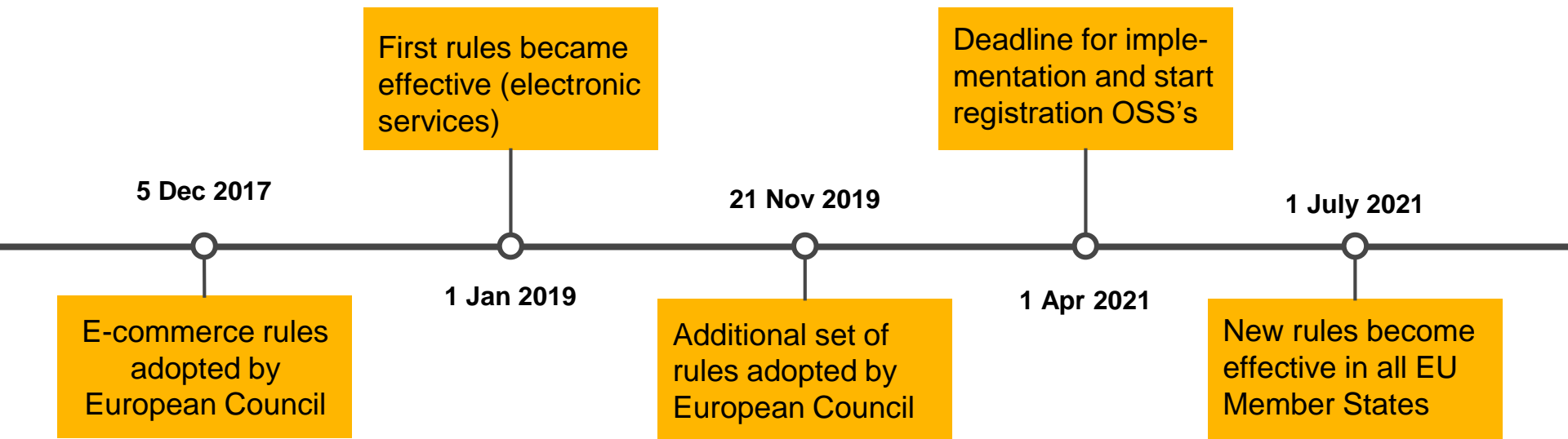
3

## Simplification of compliance

- One Stop Shops (one return for EU B2C)
- Platform fiction (less taxable persons)



# Timeline of the new rules

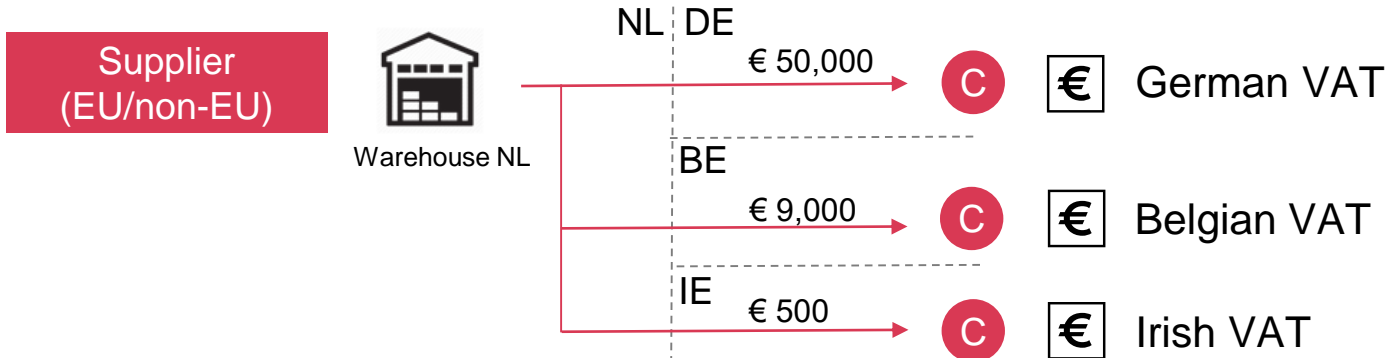


# What are the new VAT rules?

## EU distance sales

- B2C supplies of goods
- Cross border within EU
- Supplier arranges transport
- VAT in country of arrival
- No threshold per country

01





# What are the new VAT rules?

## EU distance sales

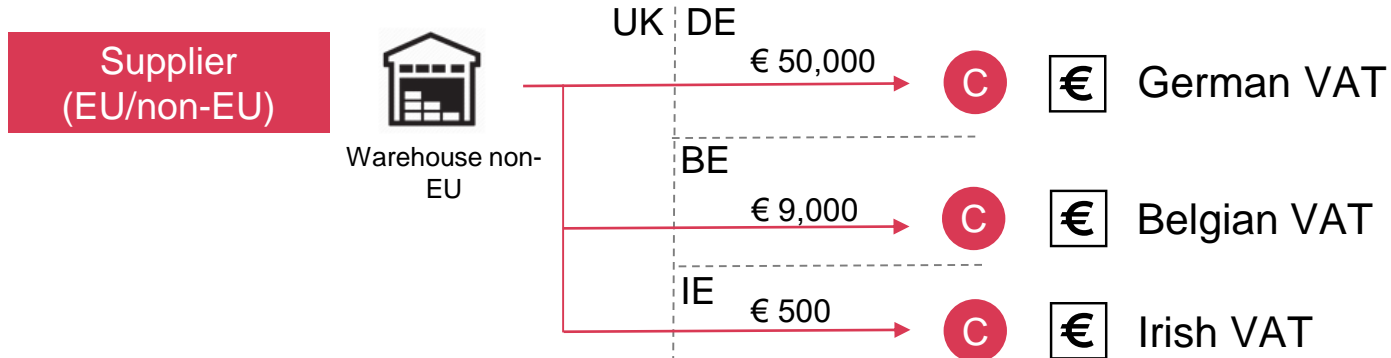
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01

## Non-EU distance sales

- B2C supplies of goods
- Import from non-EU
- € 22 exemption abolished
- (Import) VAT in country of arrival

02



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02

03

## One Stop Shops

One VAT return for:

- all EU distance sales (OSS)
- all non-EU distance sales  $\leq$  € 150 (iOSS)
- certain B2C services (OSS)

# What are the new VAT rules?

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02

03

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04

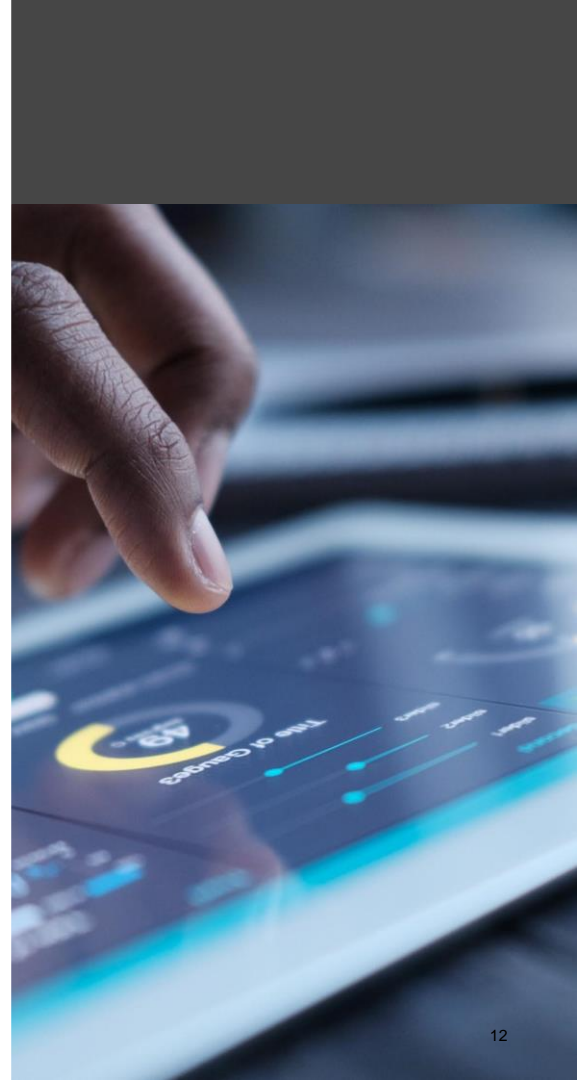
## Platform fiction

Platform deemed supplier for

- EU distance sales by non-EU supplier
- Non-EU distance sales  $\leq$  € 150

# Invoicing obligations + data retention

- See the appendices for an overview of the invoicing and data retention obligations
- For intra-EU transactions, using OSS results in:
  - no invoicing obligations (general rule)
  - data retention according to one set of rules (for 10 years)



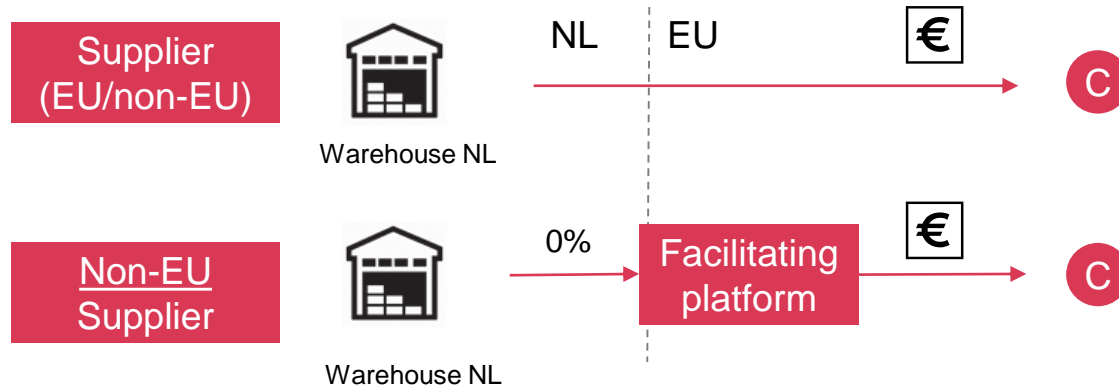
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# Overview of new VAT rules

- VAT payable in country of arrival
- Unless < € 10,000 annual turnover from cross-border e-commerce



# First step: Assessment

- Liable to VAT in more countries?
- What VAT rates are applicable and how to monitor? Will this have influence on pricing?
- VAT treatment of returned goods/repairs/replacements?



# Second step: OSS registration?

- Should I register for the Union Scheme **One Stop Shop**?

Advantages	Disadvantages
One registration and one return for all VAT on EU distance sales	No VAT recovery in OSS
Also for supplies from warehouses in other EU countries	All or nothing (all EU member states, no 'cherry picking')
No invoice obligations	Strict record keeping obligations



# Third step: choices on local presence

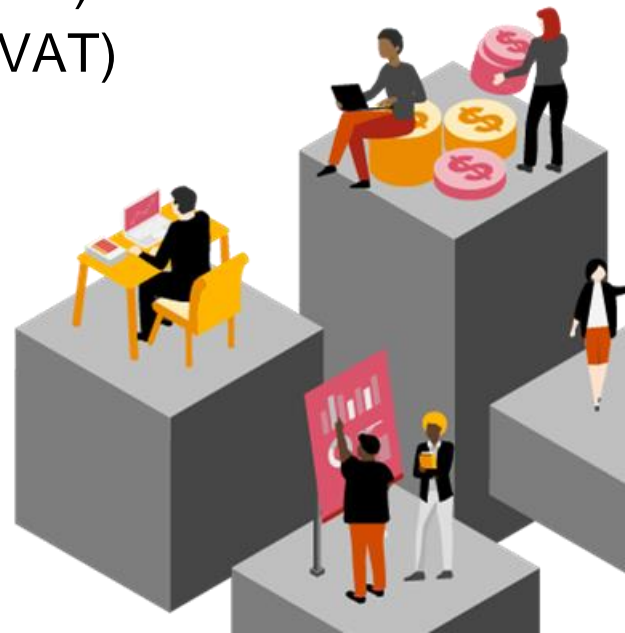
## What are the consequences for local presence and compliance obligations?

- Less local entities/establishments necessary?
- Deregistrations for VAT purposes?
- What about other compliance registrations (SAF-T, SII, Intrastat etc.).



# Additional for non-EU supplier

- How to differentiate between:
  - supplies via facilitating platform (local B2B 0%)
  - supplies without platform (destination B2C VAT)



# Impact on the setup of your ERP system



**Customer  
master data**

**Additional for non-EU supplier: with or without platform?**

- End customer is always ship-to customer
- Either end customer or platform is sold-to customer

**Data retention**

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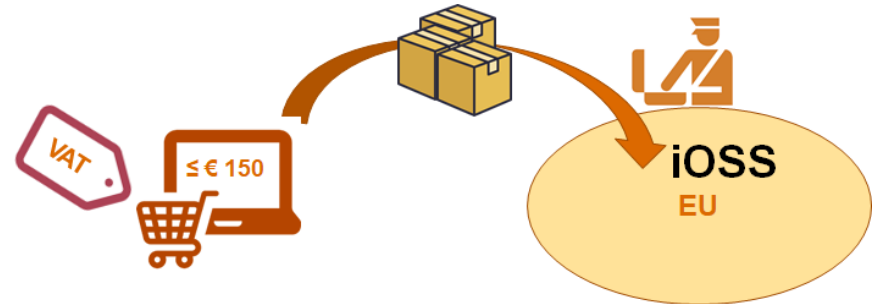
# Shipments from non-EU warehouses

- + Customs!
- Low value consignment exemption for VAT (€ 22) abolished
- Low value consignment exemption for customs duties (€ 150) will remain
- Simplifications (LVC's only):
  - iOSS
  - special arrangements



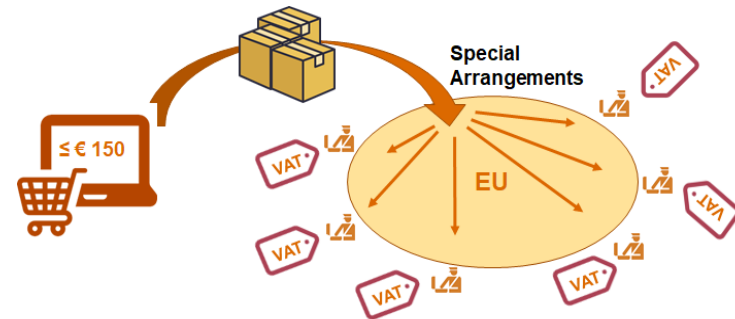
# Non-EU warehouse: iOSS

- VAT due at check-out
- Exemption of VAT at import
- Obligations in only one member state
- Authorisation required
  - Non-EU companies require an 'intermediary'
- Returns: simple (invalidation of import and credit on iOSS)



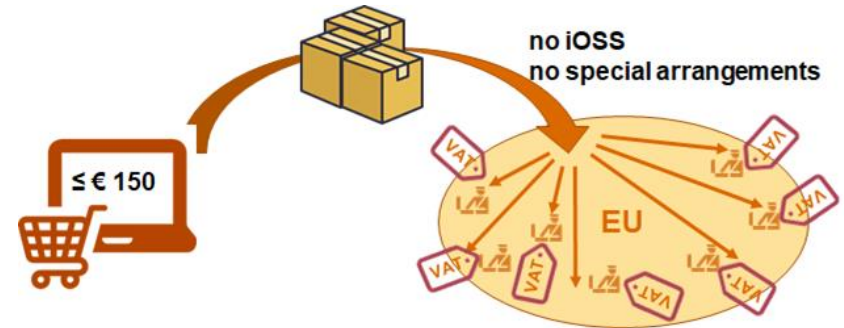
# Non-EU warehouse: special arrangements

- No VAT due at checkout – VAT is due at import
- Clearance in member state of destination!
- Deferred payment (monthly)
- VAT to be paid by consumer to broker (to be based on national legislation)
- Returns: simplified procedure for invalidation of import declaration



# Non-EU warehouse: without simplification

- Up to € 150: clearance in member state of destination!
- 'Standard' procedure - standard declarations - standard simplifications
- Returns: require invalidation of import declaration





# Impact on the setup of your ERP system



## Tax setup

**Additional for non-EU warehouse: value  $\leq$  € 150**

- Per consignment
- At moment the invoice is issued to end customer not known yet?

Data retention

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# Logistics service providers/brokers

- 'Options' available depend on choices made by customers (sellers)
- Always a declaration required
- Type of declaration depends on:
  - 'model' chosen by seller (iOSS?)
  - status of the LSP (courier, postal operator)
- Liability
- Returns (invalidation of import)
  - team effort (requires broker involvement)



# LSP - options

## iOSS

- No payments (VAT exemption / duty exemption)
- iOSS authorization number is leading
- Value of consignments

## Special Arrangements

- VAT due by recipient of goods (basic customs principles overruled)
- Up to € 150 only in country of destination
- VAT only due if effectively collected (therefore monthly statements)

## Standard procedure

# Impact on the setup of your ERP system



**Customer  
master data**

## **Additional for LSP:**

- Seller using iOSS or not
- Valid iOSS number seller

**Data retention**

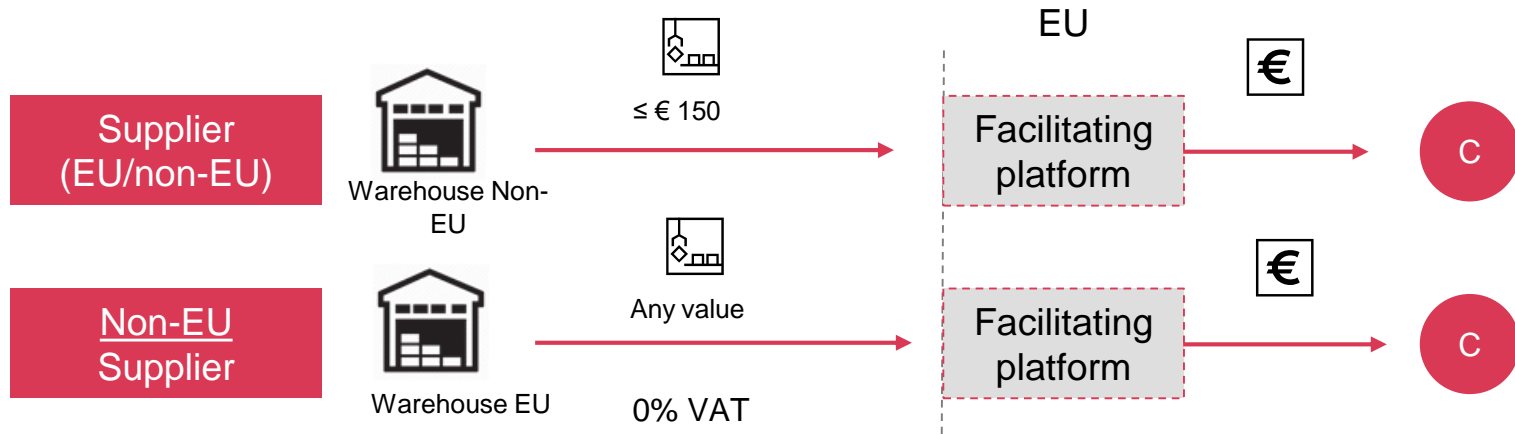
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# Platform fiction

- Platform deemed supplier in two instances:



- In other instances, platform (only) a service provider (if acting in name of supplier)

# Poll

Do you think your business will qualify as a platform?

A. Yes

B. No

C. I don't know



# First step: Assessment

- Which transactions are facilitated?

	EU-warehouse	Non-EU warehouse	
		≤ € 150	> € 150
<b>EU supplier</b>	Service only	Deemed supplier	Service only
<b>Non-EU supplier</b>	Deemed supplier	Deemed supplier	Service only

- What are the VAT consequences for each transaction?
- Is your platform willing to support all different options?

# Second step: Register for OSS's

Formally an option, but commercially perhaps a must

	EU-warehouse	Non-EU warehouse	
		≤ € 150	> € 150
<b>EU supplier</b>	Service only	iOSS	Service only
<b>Non-EU supplier</b>	OSS (union scheme)	iOSS	Service only

# Third step: aligning with suppliers and LSP's

- Timely informing your suppliers and their/your LSP's
- Many choices to be made, e.g.:
  - What information should be provided?
  - Which shipment terms are allowed?
  - Processes for returned goods?
- What are the consequences for the platform service fee?



# Impact on the setup of your ERP system



## Controls

### **Additional complexity for Platforms:**

- Potentially involved in many different options/transactions.
- Highly dependent on information from suppliers.
- What controls/checks should be implemented?

Data retention

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# Poll

How well prepared do you consider your business on a scale from 1 to 5?

- A. 1 - Not prepared at all
- B. 2 - First assessment performed
- C. 3 - Implementation started
- D. 4 - Almost finished
- E. 5 - Fully prepared / no impact

# The PwC approach (1/2)

1

## Assess

- Cross border transactions?
- Returned goods?
- Value of consignments?
- Platforms involved?

2

## Changes in business model?

- EU warehouse and/or entity?
- Shipping conditions?
- Pricing adjustments?
- Consignments > € 150?

3

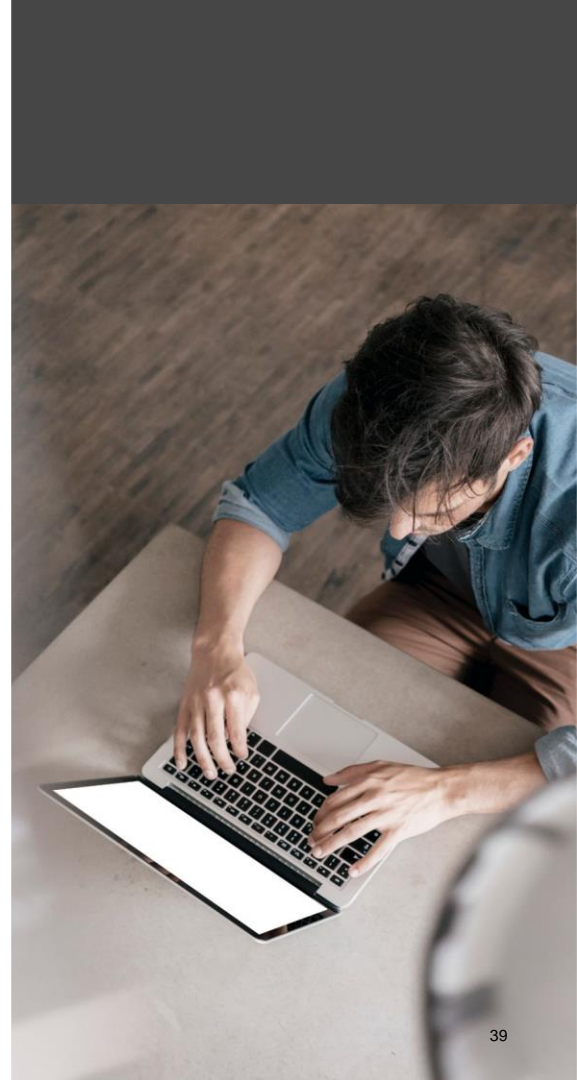
## Decide on special schemes

- Is OSS or iOSS beneficial?
- Intermediary required?
- Member State of Identification?

4

## Register and deregister

- Start registration for special schemes early!
- Deregistration in other EU member states ASAP!



# The PwC approach (2/2)

5

## Stakeholder alignment

- New agreements with LSP's
- Alignment between supplier, platform and/or LSP

6

## EU VAT Rates

- Which VAT rates apply to goods supplied?
- How to monitor changes in VAT rates?

7

## Changes to ERP and IT systems

- |                 |             |                   |
|-----------------|-------------|-------------------|
| - Order process | - Mapping   | - Entry to return |
| - Master data   | - Tax codes | - Invoicing, etc. |

8

## Data retention and monitoring

- Possibility to retain data for 10 years?
- What automated controls can be implemented?





# Get started today!

## Get started today!

- Registration is open
- Only 3 months left to prepare your business



# Closing

- **Questions?** Please contact your PwC advisor or let us know in the evaluation of this webcast.
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- Please fill in the evaluation form

# Evaluation

- How would you rate this webinar on a scale from 1 to 10?
- The content was relevant. (Totally agree/Agree/Neutral/Disagree/Totally disagree)
- Do you have any suggestions and/or comments?
- Do you have specific questions and would you like us to contact you?



# Thank you

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# Appendix I: Invoicing obligation B2C supplies

Supply	Use of special scheme?	Invoicing obligation (VAT directive)	May member state impose invoicing obligation?	Which member state's invoicing requirements?
<b>Non-EU distance sales (import)</b>	<i>No use of iOSS</i>	<b>No</b> (commercial invoice required for customs)	<b>Yes</b>	Member state of arrival
	<i>Use of iOSS</i>	<b>No</b> (commercial invoice required for customs)	<b>Yes</b>	Member state of identification for iOSS
<b>EU Distance sales</b>	<i>No use of OSS</i>	<b>Yes</b>	<b>Yes</b>	Member state of arrival
	<i>Use of OSS</i>	<b>No</b>	<b>No</b>	Member State of identification for OSS ( <i>only in case of voluntary invoice</i> )

# Appendix II

## Invoicing obligation deemed supplies

Deemed supply	Place of departure	Invoicing obligation (VAT directive)	May member state impose invoicing obligation?	Which member state's invoicing requirements?
Supplier to platform	<i>Non-EU warehouse</i>	<b>No</b> (commercial invoice required for customs)	<b>No</b>	N/A
	<i>EU warehouse</i>	<b>Yes</b>	<b>Yes</b>	Member State of warehouse (B2B invoice with 0% VAT)
Platform to consumer	<i>See appendix I</i>			

# Appendix III

## Data retention rules

Supply	Use of special scheme?	Data retention rules
<b>Non-EU distance sales (import)</b>	<i>No use of iOSS</i>	None
	<i>Use of iOSS</i>	Specific order data for 10 years
<b>EU Distance sales</b>	<i>No use of OSS</i>	<i>Dependent on rules of each country of departure and arrival</i>
	<i>Use of OSS</i>	Specific order data for 10 years
<b>Platforms</b>	No use of iOSS/OSS	Limited order data for 10 years + <i>Dependent on rules of each country of departure and arrival</i>
	<i>Use of iOSS/OSS</i>	Specific order data for 10 years