



# New rules for VAT accounting in the EU from 1 July 2021

There are changes commencing on 1 July 2021 that impact how VAT is accounted for on the trade of goods within the EU, as well as how VAT on some services can be accounted for in the EU.

There are also additional rules that deviate from the norm, with regards to Northern Ireland, which now has its own unique VAT status, as it remains part of the EU in theory, with regards the supply of goods.

## **What do the key changes involve?**

Businesses selling into the EU will be subject to VAT at the time of supply if sales of goods do not exceed £135 (€150) in the EU (including the Northern Ireland) from a non-EU country (e.g. the UK). This is similar to what the UK has already implemented from 1 January 2021, for importation of low value goods into the UK.

Distance selling thresholds i.e. thresholds for selling goods to private individuals from one EU country to another, are to be reduced throughout the EU (and Northern Ireland) to €10,000, which is a single EU-wide threshold, not a threshold for each country.

Where the place of supply is an EU country, a local VAT registration may be required, which can result in multiple registrations throughout the EU. For example, admissions to an educational or cultural event, transport of goods and some land related services made to private individuals. However, this can now be taken care of under a single registration in an EU Member State.



## What are the new EU VAT accounting mechanisms?

**Imports:** If they do not exceed £135 (€150) in value, there will be a new opt-in on-line Import One Stop Shop (IOSS). This is a monthly VAT reporting and payment system. This means that businesses falling in scope of these new rules in respect of EU and Northern Ireland imports, will not be required to register for VAT in each of the EU member states of their customers. They can register in just one EU Member State to bring the import VAT to account at importation, however, a local EU intermediary may be required. UK businesses will have the option to register for IOSS in the EU.

**Sale of goods and services:** If selling under normal rules throughout the EU, between member states, some sales of goods and services require a local registration. However, there is now to be a new online optional, One Stop Shop (OSS). Currently there is a Mini One Stop Shop (MOSS) to account for VAT on the sale of electronic services, to private individuals e.g. internet downloads. MOSS is to be expanded to OSS, to cover certain goods and services. UK business can apply to join the 'non-union scheme', however a local intermediary may be required, as with IOSS, depending upon the Member State in question.

## What does this mean for online marketplaces?

Online marketplaces (OMP) can in some circumstances be the deemed seller and the importer of goods into the EU and Northern Ireland.

An OMP that is registered for the IOSS will be liable to account for the supply VAT on imports of low value goods into the EU.

This is where complications may arise, based upon the various permutations and where the goods are located. However, the key point is if an OMP is involved, the liability to account for VAT may shift to the OMP, depending upon the exact circumstances and nature of the supply chain.

## Who needs to be aware of these changes?

UK sellers of goods and services into the EU will need to be aware of the rules.

## How can we help?

If you would like to discuss the new rules further and the impact on your business and supply chains, please contact our VAT director Jas Dhillon ([jaspaldhillon@lubbockfine.co.uk](mailto:jaspaldhillon@lubbockfine.co.uk)), or your usual Lubbock Fine contact.

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