

Postponement of the e-commerce EU VAT package to 1 July 2021 confirmed.

On 10 July 2020, the Council of the EU had started a written procedure dealing with the European Commission's proposal to postpone the implementation of the e-commerce VAT package in the EU to 1 July 2021. This new legislation was originally scheduled to be introduced on 1 January 2021, but the European Commission had proposed a 6-month postponement due to implementation delays encountered by tax authorities and businesses as a result of the COVID-19 crisis.

While the postponement to 1 July 2021 is now confirmed, the Netherlands and Germany have suggested the European Commission to evaluate a further extension beyond 1 July 2021. The Dutch government has issued its national legislative proposal last week – the explanatory notes indicate that the earliest implementation date they can commit to is 1 January 2022. On the other hand, certain other EU Member States (Austria, Bulgaria, France and Malta) seem to prefer 1 July 2021 as the final implementation date.

What's going to change?

The following major VAT changes will be implemented for e-commerce in the EU:

1. The current VAT exemption for imports of low value parcels into the EU will be abolished. Sellers and/or marketplace operators may be required to account for VAT on B2C sales of low value goods imported into the EU, while the VAT collection may be shifted to postal operators, express carriers and customs agents in specific circumstances;
2. The local annual turnover thresholds for B2C sales of goods within the EU will be abolished and replaced by an EU-wide turnover threshold for small businesses;
3. One Stop Shop schemes will be introduced to simplify VAT registrations, ongoing compliance and invoicing obligations;
4. Significant new record keeping requirements will be introduced for sellers and platforms (and Payment Service Providers as of 2024);
5. Separately from the VAT package, there will be significant changes to the customs clearance process of parcels in the EU too.

Key challenges encountered by e-commerce businesses:

Some of the key challenges encountered by e-commerce businesses include:

- The policy discussion – with little lead time remaining until the effective date of the changes, many issues are still to be resolved, both from a technical VAT perspective and with regard to the systems and procedures used by tax authorities.
- Data, systems and processes – updating front-end systems, identifying and implementing the required data points, mapping transaction flows to VAT accounting and reporting obligations, updating system tax codes and logic, and aligning businesses processes both internally and with key external stakeholders.

- Registrations and ongoing compliance – shifting from a local-to-local approach to One Stop Shop systems, implementing marketplace liability rules and deferred VAT accounting schemes.
- How to align the Customs processes and identify their impact.
- Implementation of controls and record keeping requirements.

The overarching issue for organizations is the expected business impact and the customer experience: how will these tax changes impact supply chains and transaction volumes, logistics flows and the required storage capacity, which stakeholders need to be engaged, and what needs to be done to ensure a smooth customer experience?

How can we help?

Are you asking yourself where to start and how to structure the implementation of these VAT changes in the EU? Please visit our [website](#) where you can download the sector specific one-pagers dealing with the implementation issues for each of the following stakeholders: sellers, marketplace operators, postal operators/customs agents and Payment Service Providers.

Our experts would be pleased to set up a further discussion with you – please contact us for a (virtual) meeting via the button on our website.

Meijburg & Co
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