

Today's Webinar

**Going Global:
How to Handle
VAT When Selling
Physical Goods to
EU customers?**



Your host for today



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Going Global : How to handle VAT when selling physical goods to EU customers?

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AGENDA

- Overview of current EU VAT landscape post Brexit
- Selling to EU consumers on own website
- Goods located outside the EU
- Goods located within the EU
- Selling via online marketplaces
- Selling to EU businesses

NAVIGATING EU VAT LANDSCAPE POST-BREXIT

- Due to Brexit, UK businesses need to comply with a different set of rules in the EU.
- Import procedures apply when shipping commercial items to the EU from a non-EU location, which may result in higher shipping fees, customs charges & more red tape.
- New EU VAT rules for e-commerce introduced in July 2021.
 - Sale of physical goods to an EU consumer is now taxable in the EU Member State of destination. Suppliers need to understand what VAT rates they are required to apply, if required.
 - If you sell on a marketplace to EU consumers, VAT liability can shift from you to the marketplace. This can make it more difficult to understand your liabilities and requirements.





HOW DO I KNOW WHERE TO TAX WHEN SELLING TO THE EU ?

- What is the precise nature of the taxable transaction (goods or services)?
- What is the status of the client (B2B or B2C) ?
- Where are the goods delivered from/to (within or outside the EU)?
- Who needs to account for the VAT (customer or supplier or marketplace)?

ONE STOP SHOP SCHEMES

UNION ONE
STOP SHOP

NON-UNION ONE
STOP SHOP

IMPORT ONE
STOP SHOP



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SELLING TO EU CONSUMERS

GOODS LOCATED OUTSIDE THE EU AT THE POINT OF SALE

Key questions to consider

- Is the product sold on your own website or an online marketplace?
- Who is the Importer of Record for the parcel?
- What is the intrinsic consignment value ?

THE IMPORT ONE-STOP SHOP (IOSS)

Optional scheme to avoid having to register for VAT locally in Europe, or to pass the VAT charges to your EU customers.

To report VAT due on distance sales of imported goods shipped in a consignment
valued up to EUR150

VAT collected is reported through a single monthly IOSS return and a single monthly payment

Non-EU traders need an IOSS intermediary.

MONITORING THE CONSIGNMENT VALUE OF IMPORTED DISTANCE SALES OF GOODS

- Low value consignments = intrinsic value at the checkout **does not exceed EUR150;**
- Goods packed together and dispatched together to the same client;
- Intrinsic value is **the price of the goods themselves when sold for export to the customs territory of the European Union**, excluding transport and insurance costs, unless they are included in the price and not separately indicated on the invoice, and any other charges and taxes as ascertainable by the customs authorities from any relevant document(s);
- VAT is still applied on the total value of the sale at the checkout.

WHAT ABOUT GOODS IMPORTED IN PARCELS WITH A VALUE EXCEEDING EUR150 ?

- For goods imported into the EU in consignments with a value exceeding EUR150, you will have to choose who the Importer of Record (IOR) is for the goods.
- Normal customs procedures apply where VAT is due upon importation.

As the IOR, you will need to be VAT registered in the country where goods are imported.



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GOODS LOCATED INSIDE THE EU AT THE POINT OF SALE

HOLDING INVENTORY IN AN EU MEMBER STATE

- If you're holding inventory in an EU fulfilment warehouse with the aim of selling the goods to EU consumers, you will be required to **register for VAT in the country, or countries, where the goods are dispatched from.**
- You also need to consider how the goods arrive to the EU location, i.e. are they imported?
Purchased from an EU supplier?
- You will need to charge and collect EU VAT based on the Member State of Arrival, i.e. where the consumer is located.

WHAT IS THE UNION OSS ?

An optional scheme to report the VAT due on cross-border B2C supplies in a single registration

Works as an alternative to having to register in all Member States where customers are located

Non-EU businesses can use it for their **intra-EU distance sales of goods**

You can register for the scheme in an EU country where your goods are dispatched from

For **B2C cross-border sales only**, domestic supplies remain in domestic VAT returns.

For the Union OSS to apply, goods have to be located in the EU at the point of sale

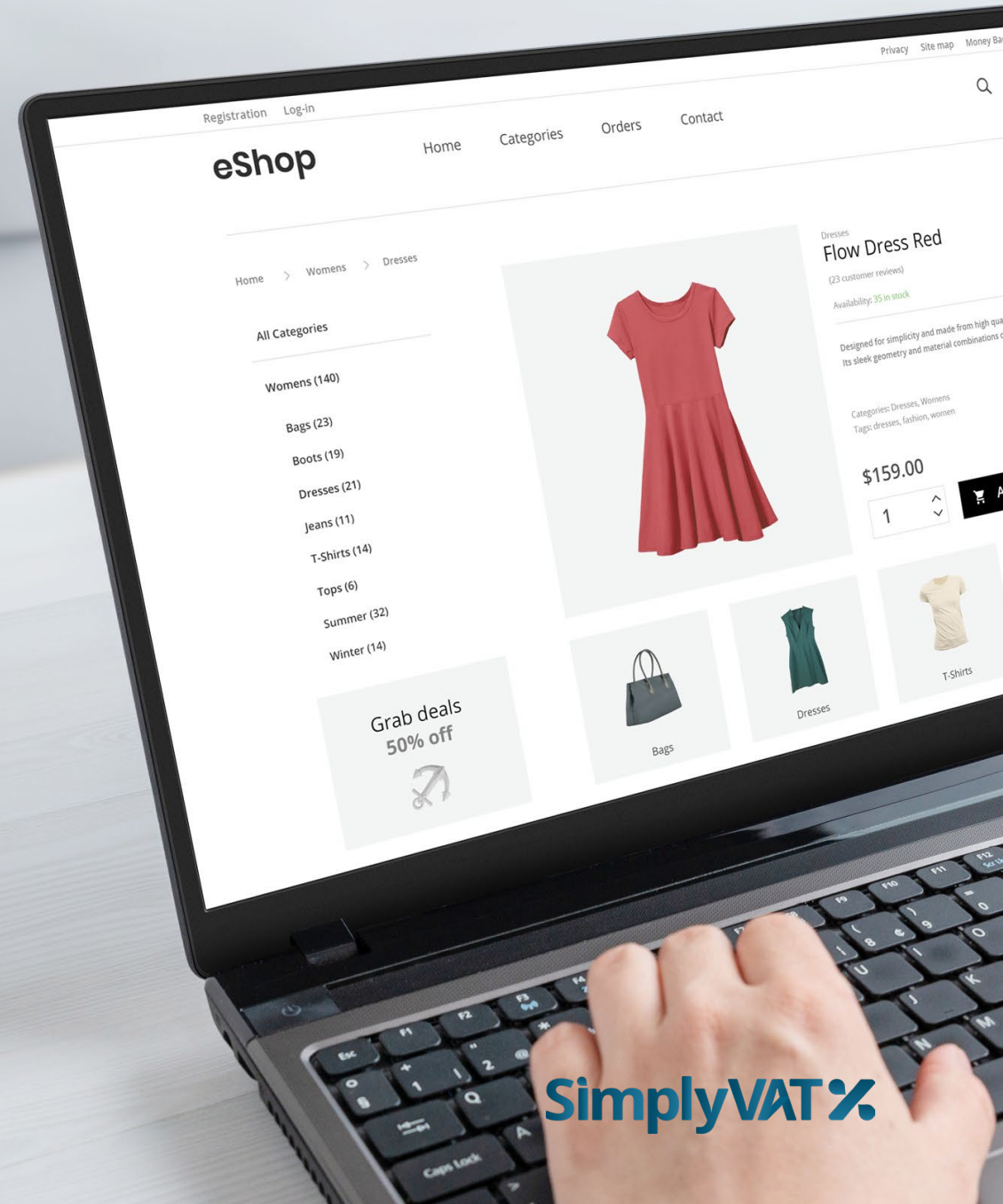
SELLING ON MARKETPLACES IN THE EU

SELLING TO THE EU VIA MARKETPLACES

Online marketplaces become 'deemed supplier' for VAT purposes in the following two cases:

- 1** Goods imported from third territories or third countries in consignments with an intrinsic value of less than €150 (regardless of where the seller is based)
- 2** Sales of goods from a non-EU seller which are already in free circulation/located in the EU at the point of sale

*The deemed supplier provision:
When marketplaces become liable for the VAT collection*



CASE STUDY : ONLINE MARKETPLACES

A UK-established business is looking to expand their business via **Amazon** FBA in Germany. They will bring the goods to Germany from the UK and will sell exclusively on Amazon.

The UK business will need to:

- Register for German VAT & obtain an EU EORI number;
- Import the goods to Germany and pay import VAT & import duties at the German border;
- Report the import & reclaim import VAT;
- **Report the VAT-exempt sales via Amazon.**

Amazon will be the 'deemed supplier' in this case and so they will be responsible for the VAT collection on all B2C supplies through their own OSS return.



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BUSINESS-TO-BUSINESS SUPPLIES IN THE EU

YOU MAY NEED TO REGISTER FOR EU VAT FOR B2B TRANSACTIONS IF:

- You hold inventory in an EU Member State and sell to businesses within the EU and/or domestically*.
- You are purchasing goods from an EU supplier and selling the goods to EU business customers.
- Moving your own inventory between different EU Member States.
- Importing goods to an EU business customer and acting as the Importer of Record.*
- Engaging in triangulation or chain transactions.

DON'T PANIC!

This may sound complex but there are plenty of simplifications available and SimplyVAT is here to help and take the headache away.

*Please note that all EU Member States have slightly different rules on B2B supplies for domestic supplies.

Domestic B2B transactions

- ❖ Goods supplied to a business buyer where **the dispatch and the delivery of the goods happens within the same EU Member State.**
- ❖ Common misconception that local B2B supplies of goods are exempt from VAT.
- ❖ To determine the correct VAT treatment, you need to consider the **domestic reverse charge rules.**
 - ❖ If domestic reverse charge applies on the supply of goods, there will be no VAT charged by the non-resident supplier.
 - ❖ If domestic reverse charge does not apply, the supply of goods will be subject to local VAT and the non-resident supplier will be required to register for VAT locally.

Intra-Community Supply of Goods

- ❖ Goods supplied to a VAT-registered business buyer where the dispatch of the goods starts in an EU Member State that is different to the Member State of final delivery.
- ❖ The buyer is required to provide a valid VAT number which must be checked in VIES in order to zero-rate the supply.
- ❖ The supplier must typically register for VAT in the country of dispatch to report the Intra-Community Supply.

Intra-Community Acquisition of Goods

- ❖ The mirror transaction to the Intra-Community Supply of Goods, reported by the buyer of the goods.
- ❖ VAT registration is required to account for these transactions.
- ❖ The transaction is not free of VAT – the VAT is reverse charged on the local VAT return instead.
- ❖ Important to note that movement of own inventory between 2 EU Member States also constitutes Intra-Community Supply / Acquisition of goods.

Importation of goods & subsequent sale of goods

- ❖ Goods dispatched from a non-EU location being delivered to an EU Member State.
- ❖ 2 taxable events to consider:
 - ❖ **Importation** - Import VAT and import duties levied at the EU border and settled by the Importer of Record. Some EU Member States will offer Postponed VAT Accounting schemes.
 - ❖ **Subsequent supply of the goods:**
 - ❖ If Domestic B2B supply of goods, domestic reverse charge needs to be considered to established VAT registration requirements.
 - ❖ If Intra-Community Supply of Goods, VAT registration in the EU Member State of dispatch will be required.

Chain Transactions & Triangulation

- ❖ Chain transaction – a transaction that involves three or more businesses.
- ❖ Supplier supplies the goods, middle-man acts as an intermediary and the customer is the final buyer.
- ❖ Triangulation is a common type of chain transactions.
 - ❖ All three businesses must be registered for EU VAT in three different EU Member States.
 - ❖ All EU Member States have different rules on the conditions to allow this simplification to work.
- ❖ These transactions are very complex and so it is always recommended to seek professional advice to establish your VAT requirements correctly.

EU VAT Reclaims

IMPORTING YOUR GOODS INTO THE EU

- Due to Brexit, there is now a hard border between the UK and European Union.
- This means that all imported commercial goods are subject to importing procedures.
- Once the goods are cleared, they are in 'free circulation' and can be moved/stored/sold in the EU.
- Importation of goods is subject to VAT, payable at the time goods are imported. Import duties are also likely to apply.
- It is the Importer of Record who is liable for customs clearance and settling of the customs debt. This is something you need to agree with your customers.
- If you are the Importer of Record and paying the import VAT, you can typically reclaim this charge.



SOME IMPORTING CONSIDERATIONS TO MAKE

Some EU countries offer Postponed VAT Accounting schemes which allow for the import VAT to be handled on the local VAT return, rather than paying it at the local border.

Each country, however, implements this differently.

- France offers mandatory Postponed VAT Accounting Scheme
- Netherlands offers an optional scheme where fiscal representation & bank guarantee will be required, known as Article 23.
- Belgium offers an optional scheme where fiscal representation & bank guarantee are not required for UK businesses, known as ET14000 license.

PURCHASING YOUR GOODS IN THE EU

- Two types of purchases:
 - Domestic purchases;
 - Intra-Community purchases.
- In most cases, you will be required to have an EU VAT registration in order to purchase your goods from EU suppliers.
- Whether or not VAT is charged to you on the purchase will depend on :
 - Location of the goods at the time of purchase and location of final delivery;
 - Status of your supplier;
 - Any EU VAT registrations you may hold.
- In most cases, you have the right to deduction of the purchase VAT as long as:
 - The VAT was charged correctly;
 - You have the correct documentation.

What is the 13th Directive ?

A process that allows **non-EU businesses** that incur VAT in connection with their activities in an EU Member State where **they are not required to register for VAT** to obtain a **refund** from the EU Member State where they incurred the said VAT.

It excludes the possibility that non-established traders receive more favorable benefits than established traders.

Charging the correct VAT rate

- EU VAT rates vary from state-to-state across the European Union.
- From July 2021, you need to charge local VAT rate on your applicable B2C supplies at destination, i.e. where the customer is based.
- It's important that you charge, collect and remit the collect VAT amount of your applicable supplies.
- You can download our free VAT rate guide here - <https://simplyvat.com/eu-vat-rates/>





THANK YOU

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Questions?



Q & A ?

Future Events & Webinars



Trade Q&A Hour –
Current Topic: Non-Preferential Origin

22.07.25 | 11:00am

Thank you!



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Today's Webinar

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