

How to declare VAT on Items Sold into Europe – FAQs

v01/2021

These FAQs are intended to give eCommerce suppliers information on recent changes with the payment of import tax on items sold into Europe.

It is recommended that these FAQs are read in conjunction with Guidance Notes from the European Commission and The Guide to the VAT One-Stop Shop and The Importation and Exportation of Low Value Consignments – VAT eCommerce Package.

1 What has changed for sales into Europe?

1.1 NO LVCR

The low value consignment relief, on goods valued under €22 sold into Europe, will be discontinued from July 2021. This means that all import items sold into Europe will be subject to VAT regardless of their sale value.

1.2 Online marketplaces will collect VAT at the point-of-sale

Online marketplaces will become responsible for charging and collecting VAT for imports not exceeding €150. Instead of import VAT, the marketplace will charge the customer VAT at the point-of-sale and declare it instead of the seller.

1.3 The launch of IOSS - Import one-stop shop

The Import One-Stop Shop (IOSS) provides a pre-clearance solution to facilitate the collection, declaration, and payment of VAT, on behalf of sellers, for imports not exceeding €150.

The IOSS import scheme enables non-European companies to settle VAT, on sales of low value goods to all EU Member states, via one scheme. Under this scheme a supplier selling goods from a third country or third territory to customers in the EU, can charge VAT at the point of sale to the customer and declare and pay this VAT via a monthly return under the IOSS.

The Import One Stop Shop (IOSS) was created to simplify the declaration and payment of VAT for imported goods with a value not exceeding €150 and re-establish fair competition between European and third-country e-commerce retailers.

2 What are the options for retailers to pay VAT on European imports?

Whichever option you choose, ensure you let your customers know and clearly state the type of service you are offering. Customers prefer ease of purchase and do not appreciate surprises and additional charges.

2.1 Do nothing

If a seller is not registered in the IOSS, the buyer has to pay the VAT and usually a customs clearance fee charged by the carrier, when the goods arrive in their country. The downside to this is that it can delay the delivery and is not an efficient process for the recipient.

2.2 Pay via the marketplace platform to the IOSS

If products are sold via a marketplace, the clearance of products is done via that marketplace's own IOSS registration number.

2.3 Register for the IOSS and appoint an intermediary

To appoint an EU based intermediary to register you for the IOSS and make monthly VAT payments for you.

Whilst we cannot recommend any specific intermediaries, we suggest you seek professional advice from tax and financial advisors at organisations such as Deloitte or PricewaterhouseCoopers.

3 What is the benefit of using the IOSS?

IOSS enables a more efficient shopping experience for buyers who are only charged at the time of purchase and can avoid extra fees when the goods are delivered. As a seller, you are able to charge tax and duties at check-out, for sales to any EU country, and then declare these amounts with local customs and authorities via the IOSS.

4 Who can register for IOSS?

Any company that sells their own products directly to consumers or via a platform.

The IOSS can be used by both suppliers established in the EU and suppliers established outside of the EU.

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5 How do you register for the IOSS?

A non-EU established supplier must register for the IOSS indirectly through the appointment of an intermediary. The registration of the supplier will be done through the intermediary they have appointed to represent them, and the Member State of registration will be the Member State where the intermediary has established their business. After registration in the IOSS, a supplier will be issued an IOSS identification number. It is important that this number is kept confidential.

6 What is an intermediary for the IOSS?

An intermediary is a person that has their business establishment or a fixed establishment in the EU and represents a taxable person for the purpose of the IOSS.

Where an intermediary is appointed to represent a supplier under the IOSS, the intermediary will have responsibility for the payment of the VAT due and the fulfilment of the VAT obligations of the supplier under the scheme. Such obligations include the filing of returns and record-keeping obligations.

A taxable person cannot appoint more than one intermediary to represent them at the same time.

7 Will Jersey Post act as an intermediary for sellers?

No, Jersey Post will not be able to act as an intermediary for VAT declarations, through the IOSS, as intermediaries need to be established in an EU Member State.

8 What is the VAT rate for sales transactions?

The VAT rate applied for each sales transaction will vary and should be based on the country of residence of the end consumer.

Please refer to the VAT rates on the European Commission website.

9 Does the IOSS cover all types of goods?

No, the IOSS does not cover goods subject to excise duties such as alcohol and tobacco products.

10 If registered for IOSS, what must sellers remember for transactions with EU based customers?

- to show the amount of vat to be paid by the buyer, at the final stage when the ordering process is finalised.
- to ensure the collection of vat from the buyer on the supply of all eligible goods.
- to make sure that eligible goods are shipped in consignments with a value up to €150.
- to show on the invoice the price paid by the buyer in eur.

11 Are HS codes required for sending goods into Europe?

The more accurate the data on the customs declaration, the better for the ease of customs clearance. It is recommended that the correct HS classification is included on the items. To check the correct HS classification see the World Customs Organisation website.

12 What do the acronyms DDU and DDP mean?

A seller must select one these options when shipping their goods to Europe.

DDU – DELIVERY DUTY UNPAID

Also referred to as DAP or 'Duties at Place', the buyer pays for all of the duties and fees on arrival and prior to delivery.

DDP – DELIVERY DUTY PAID

The seller pays for all of the duties and fees and must quote an IOSS registered number at the point of shipping their order and MUST attach a commercial invoice to the outside of the item's packaging.