

WHITE PAPER | November 2021

Navigating the New EU VAT Regulations



On July 1st 2021, the European Union updated its value added tax (VAT) rules for eCommerce goods imported from outside the EU. The intention is to simplify and standardize the taxation of cross-border supplies of goods and services to ensure VAT on such supplies is paid correctly to the Member State in which the supply takes place. This white paper gives you a detailed overview of the impact for eCommerce businesses and online marketplaces.



What is Import One Stop Shop (IOSS)?

The IOSS was introduced to allow non-EU suppliers and marketplaces selling goods to EU buyers to collect and pay VAT in a simpler way. With this option, you don't need to register in each EU member state to keep up with your VAT obligations, and you can simply use the IOSS portal to file your monthly VAT. The buyer is charged VAT at the point of sale, and doesn't have to face any unexpected fees when the goods are delivered.

If a seller is not registered for IOSS, VAT and customs clearance fees would need to be paid at time of import into the EU country of destination or when goods are delivered.

Under IOSS all sellers and/or electronic interfaces facilitating the sales of goods are required to charge VAT at the point of sale for consignments not exceeding €150. The buyer's delivery address determines the country-specific VAT rate. See below table of current VAT rates per Member State.

New €150 VAT Threshold

Before July 1st, 2021 consignments shipped to EU buyers valued at €22 or less were exempt from VAT. This exemption has been removed, and as a result all goods imported to the EU are subject to VAT.



VAT Rates Per Member State

Country	Code	VAT Rate
Austria	AT	20%
Belgium	BE	21%
Bulgaria	BG	20%
Croatia	HR	25%
Cyprus	CY	19%
Czech Republic	CZ	21%
Denmark	DK	25%
Estonia	EE	20%
Finland	FL	24%
France	FR	20%
Germany	DE	19%
Greece	GR	24%
Hungary	HU	27%
Ireland	IE	21%
Latvia	LV	25%
Lithuania	LT	21%
Luxembourg	LU	17%
Malta	MT	18%
Netherlands	NL	21%
Poland	PL	23%
Portugal	PT	23%
Romania	RO	19%
Spain	ES	21%
Slovakia	SK	20%
Slovenia	SI	22%
Sweden	SE	25%

Simplified VAT Tax Filing

You will need to register for IOSS in a single EU Member State, and submit an electronic monthly VAT return via the IOSS portal. For non-EU businesses, an EU established intermediary/fiscal representative needs to be appointed to fulfill the VAT obligations under IOSS. All EU imports should include your assigned IOSS identification number, which will inform customs authorities that VAT has been declared properly, and accelerate customs clearance. The experts at ePost Global can help you find a reputable tax expert who can provide your business with tools and support for hassle-free VAT compliance.

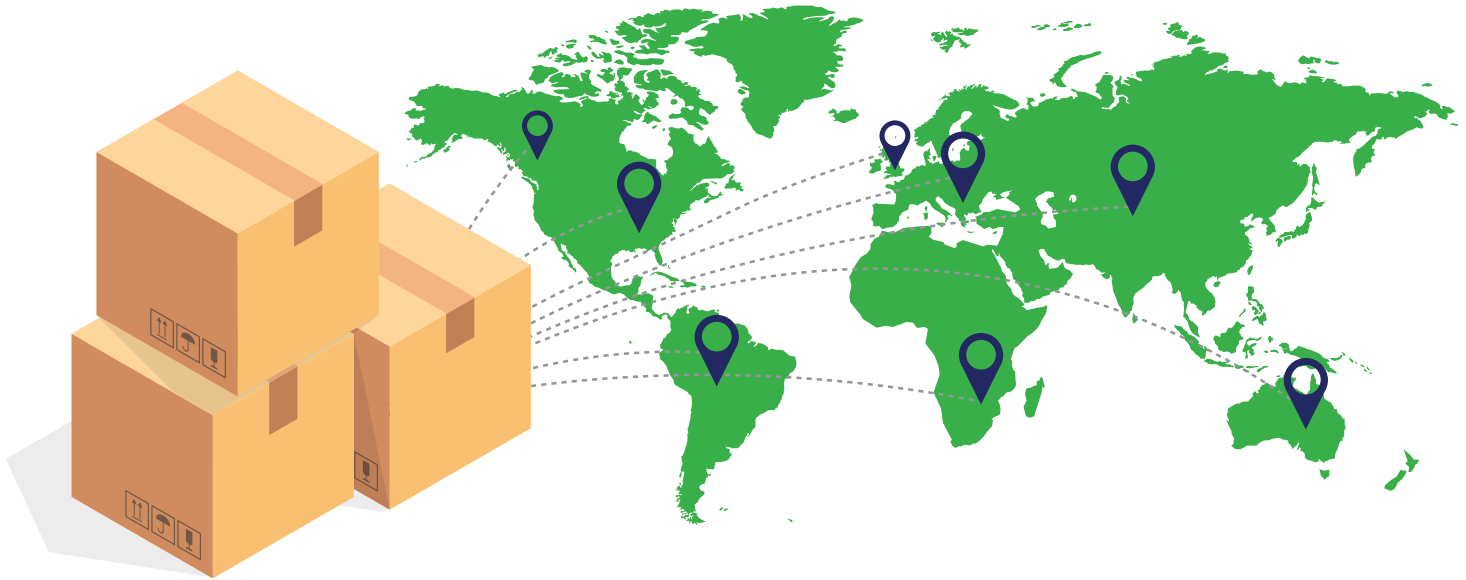
With ePost Global, you can show accurate duty and tax for each EU shipment. Being transparent about all shipping costs is essential to reducing cart abandonment. **A whopping 43% of online shoppers say they abandon carts due to unexpectedly high shipping fees, which includes taxes.** With ePost Global, you can offer the streamlined, surprise-free delivery experience EU buyers expect these days.

IOSS use is optional; you can otherwise continue to ship your consignments as Delivery at Place/Delivered Duties Unpaid (DAP/DDU), whereby any duties and taxes are paid at time of delivery by the consumer; or Delivered Duties Paid (DDP) where duties and taxes are paid at time of import into the destination EU Member State.

Current VAT Process	DAP Option (New)	IOSS Options (New)
VAT threshold EUR 22	No VAT Threshold	No VAT Threshold
Duty threshold EUR 150	Duty threshold EUR 150	Duty threshold EUR 150
VAT rate of 21% is applicable based on country of import into EU (currently using NL)	VAT rate % applicable will be based on final destination country within EU regardless of import country	VAT rate % applicable will be based on final destination country within EU regardless of import country
DDU: Applicable duty and tax collected from consumer	DAP: Delivery at place, VAT and applicable duty collected from consumer	N/A
Collection fee applicable	5-25 Euro collection fee applicable	
DDP: Applicable duty and tax at 21% paid at import by EPG and billed back to shipper	N/A	Import One Stop Shop: VAT charged at checkout, settled with tax authority in EU by Shipper



What Changes Does IOSS Bring?



No more low-value consignment relief (LVCR)

The previous VAT exemption for consignments valued under €22 is removed with the introduction of the IOSS. From July 2021, VAT will apply to all goods. You can file your VAT for imports falling under the threshold of €150 using the IOSS. Consignments valued over €150 will be taxed at importation in the EU Member State as per the existing rules.



Marketplaces will become deemed suppliers

From July 1, 2021, online sellers and marketplaces will become deemed suppliers. In other words, they will be in charge of collecting and paying VAT on behalf of the seller. Marketplaces that facilitate the sale of imported goods can opt to use the IOSS to file monthly VAT returns. Note that the IOSS won't be applied to goods that are subject to excise duties (like alcohol or tobacco products).



Customs clearance becomes easier

If you've registered for the IOSS, you don't need to pay any customs clearance fees or VAT at time of importation into the EU.





Why Use IOSS?

The IOSS saves you and your customers headaches by providing standardized and simplified VAT solutions. You can offer your customers a transparent and hassle-free shopping experience by taking care of all the VAT declarations and payments on orders up to €150 for cross-border transactions.



The Benefits for You as a Retailer

- ✓ **REDUCED ADMINISTRATIVE OVERHEADS**
Once your business is registered as an IOSS seller in one EU Member State, you can use this registration to do business in the entire EU. The VAT return and payment is due in the country of registration.
- ✓ **REDUCED CUSTOMS CLEARANCE TIMES**
Goods imported by an IOSS seller will only be checked for a valid IOSS number before being dispatched to the customer. Goods sold through unregistered businesses can only be delivered after VAT and customs clearance fees have been collected.



The Benefits for Your Customers

- ✓ **NO ADDITIONAL TAXES AND CUSTOMS FEES AT TIME OF DELIVERY**
Customers avoid paying additional taxes and customs fees and will greatly appreciate this transparency. As a result, IOSS retailers can advertise products at the total price (including VAT).
- ✓ **HASSLE-FREE TRANSACTIONS**
For IOSS transactions, customers will not have to go through another procedure to pay the VAT or customs clearance fees when their goods enter the EU.
- ✓ **FASTER DELIVERY**
IOSS-registered goods will speed through customs thanks to the standardized system. Customers who shop through a non-registered supplier will lose a lot of time trying to get their shipments past the border.





The Importance of HS Codes

Shipping before assigning an HS code is not a good business practice and can cause serious problems that could be costly, harmful to both parties' core businesses, and damaging to one's reputation.

Providing the correct HS code is a part of both the importer's and exporter's legal responsibilities. Both parties need to make sure that they have included all the necessary classification resources and that they take time to get them right — no matter the assortment of products being imported or exported.

The experts at ePost Global can help you identify the correct HS code for your shipments — so you can ensure your deliveries arrive on time and without issue.



HS codes stands for Harmonized System Codes — the last challenge goods face before hitting the finish line in the shipping process. These 6-10 digit numbered Harmonized Tariff Codes serve two major roles and purposes aside from helping goods clear through customs:

- ✓ They identify products that are being imported or exported through a country's borders.
- ✓ They classify and categorize products in a worldwide system used for customs clearance purposes.

Before getting into the importing and exporting market, the most important step for shippers to take is assigning an HS code to each of the SKU's sold. Importers and exporters might underestimate the importance of the HS code. Most commonly, suppliers just accept an importer's purchase orders and ship their goods without knowing a good's HS code.

Here are some of the issues that can occur when HS codes are not assigned either properly or at all:

EFFECT ON DUTY RATES:

Duty rates are closely involved with HS codes. Not assigning an HS code or providing an incorrect HS code could be very commercially risky. Understanding duty tariffs is a very critical step of the entire shipping process. In addition to the standard duty rates, antidumping and countervailing duties are also closely connected to HS codes.

IMPORTER SECURITY FILING ("10+2"):

One of the most effective methods to comply with Importer Security Filing ("10+2") requirements is to provide the HS code within the purchase order for the importer.

RISK OF DELAYS:

Shippers risk delays and face storage charges when customs brokers are not able to classify a shipment correctly and identify the commodity and its corresponding HS codes before the vessel arrived and free time at the terminal expires.

REGULATORY RISK:

Shippers also risk regulatory intervention. Assigning HS codes on the fly is a risky venture resulting in lower accuracy. Improper HS codes can lead to the importer paying too much duty or being fined for the inaccuracy.



Key Considerations to Keep in Mind

In order to ensure compliance with the new requirements, consider some key planning points.



1. Map out your transactions and consider which of these rules, if any, will affect your business. Consider which rules will apply for which customers, which suppliers, and if there will be a difference depending on the value of the supply.
2. Keep good records and ensure that systems are correctly set up in order to be able to deal properly with the challenges of goods coming to and from multiple countries and in consignments both above and below the threshold.
3. Ensure that you have systems in place to determine what VAT, if any, is due and under which VAT registration.
4. Ensure the correct information is included on consignments for customs authorities to be able to identify the consignment as low value to avoid delays and double taxation.
5. Take advice if required, and make sure you register for IOSS prior to making sales which trigger these registrations.
6. Each EU Member State has an online IOSS portal where businesses (including electronic interfaces) can register for one or both schemes as required. This single registration is valid for all sales to consumers in other EU Member States. Choose which Member State works best for you, taking into account any language barriers and fiscal representation requirements.
7. If you require an IOSS registration, you can register on the IOSS portal of any EU Member State. Consider if you need to appoint an EU-established intermediary to fulfill your VAT obligations under the IOSS and choose the best Member State for your business requirements. The IOSS registration is valid for all distance sales of imported goods to buyers in the EU.
8. If you hold stock within the EU, ensure that you have the appropriate local VAT registrations in place.



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Ship Seamlessly with Our Expertise

The majority of parcels from outside the EU cost less than €22 – so it's clear the impact of the new European legislation will be huge. Until now, just a fraction of parcels have had to be cleared by customs, but since the 1st of July, 100% of parcels are cleared.

At ePost Global, we have the expertise and the experience to ensure this clearance process runs smoothly. With over 25 years of logistics and international shipping experience, we are experts in understanding the complexity of every destination country. We stay informed on the latest global rules and regulations, and can help your business plan accordingly to ensure a seamless shipping experience.

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Through our partnerships with key postal and commercial parcel operators in Europe, we're able to assist you and improve your delivery experience into the European market.”

Carlos Barbosa, VP eCommerce Solutions
ePost Global

For more information on how ePost Global can help you navigate the new EU VAT regulations, call 866.784.8444 or email us at info@epostglobalshipping.com.

epostglobalshipping.com

