

Distance sales of goods within the EU

BELIM

Highlights

- The 2021 E-Commerce VAT reform
- Distance Sales of goods within the EU
 - Main changes
 - Non-EU-Sellers impact
- Invoicing requirements in Portugal

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THE 2021 E-COMMERCE VAT REFORM IS SET ON 3 FUNDAMENTAL PRINCIPLES:

- MAKE CROSS-BORDER VAT COMPLIANCE EASIER
- LEVEL THE PLAYING FIELD BETWEEN EU AND NON-EU SELLERS
- CLOSE THE VAT GAP AND COLLECT MORE REVENUE



The changes will go live on 1 July 2021 and cover

- distance sales of goods within the EU
- abolition of the current € 22 import VAT relief and
- liability of the online marketplaces for collection of VAT

DISTANCE SALES OF GOODS WITHIN THE EU

Definition

Distance Sales of goods are typically referred to as B2C sales, i.e. sale of goods which are dispatched or transported from a business in one EU Member State to a private customer in another EU Member State

A typical example is selling goods over the internet cross-border

Current and Future rules

Place of supply

Currently

Sellers charge VAT of the Member State of departure of the goods until they reach the annual business threshold imposed by the Member State of destination of the goods

The thresholds vary across the EU (e.g.: € 35 000 in Portugal and € 100 000 in Germany)

From 01.07.2021

Sellers charge VAT of the Member State of departure of the goods until they reach the annual business threshold imposed by the Member State of destination of the goods

This threshold will be the same for each EU Member State, € 10 000 but it will cover both distance sales of goods and TBE services provided in each Member State.

Current and Future rules

Registration

Currently

After the destination's State threshold is reached, the Seller must register for VAT in that Member State

Seller must start charging VAT of that State on future sales going forward (the Seller stops charging the VAT of the country of departure of goods and starts charging VAT of the destination country)

From 01.07.2021

After the € 10 000 threshold is reached, the seller may either:

- (i) register for VAT in the destination Member State;
- or
- (ii) opt for the One Stop Shop "OSS" regime, i.e. report the VAT due in all Member States through the tax portal of its own Member State of establishment (thus avoiding the register in multiple Member States)

Current and Future rules

In practice

Currently

A Portuguese company selling online to private clients in Spain charges Portuguese VAT until it reaches € 35 000 sales in a year. From that moment onwards the Portuguese company should register for VAT in Spain and start charging and paying Spanish VAT instead of the Portuguese one

From 01.07.2021

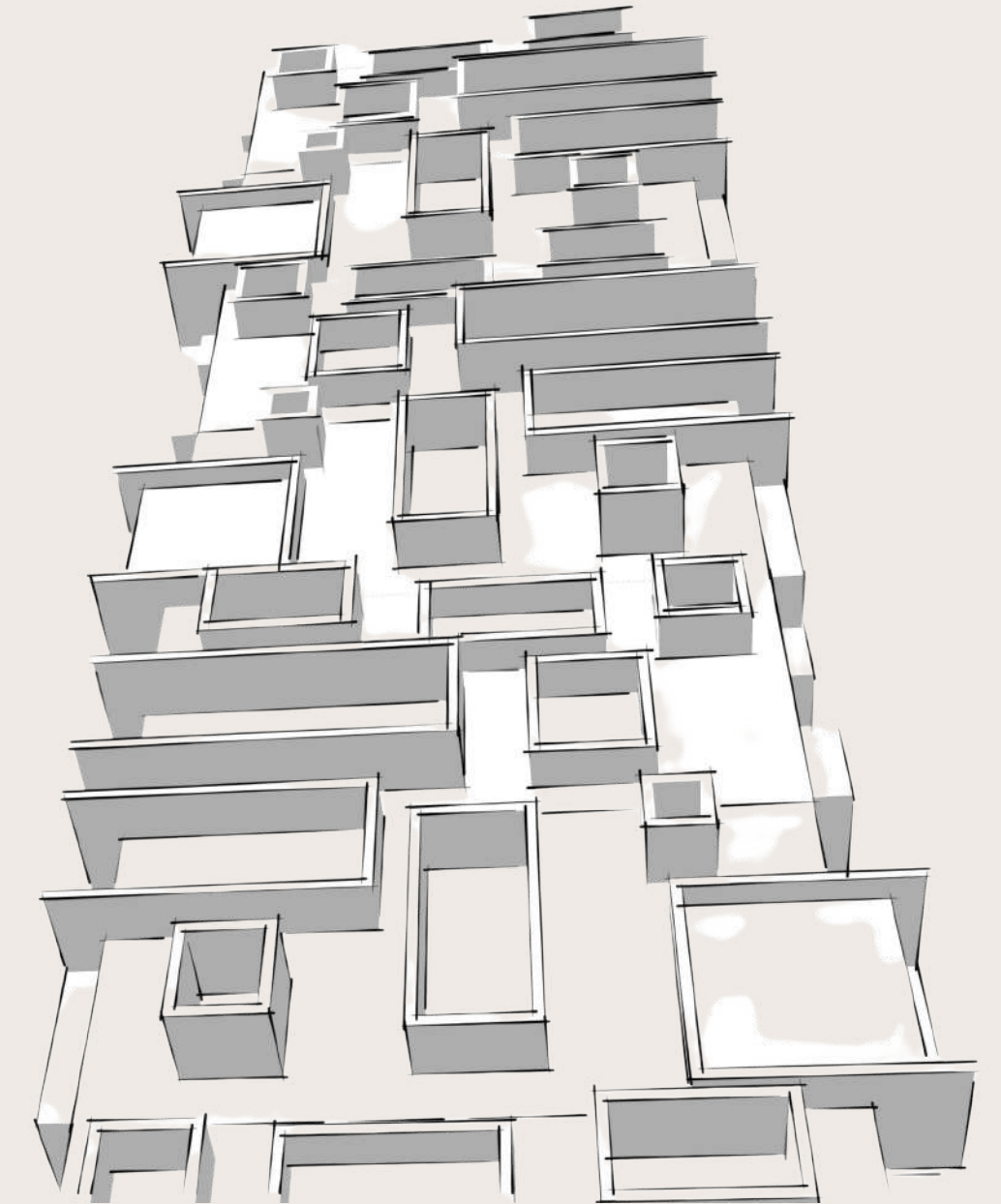
A Portuguese company reaching the online sales threshold for Spain, can instead of registering for VAT in Spain, pay the Spanish VAT through its Portuguese tax portal, Portal das Finanças, using the OSS

Non-EU-Sellers and the new regime for distance sales of goods within the EU

A non-EU seller will also be able to use the OSS regime for distance sales of goods within the EU, and can opt to nominate the Portuguese VAT number as its tax identification number to report all EU online sales (any Member State will be eligible)

In this case, a tax representative will be requested to the non-EU seller by Portugal (other EU countries waive this obligation)

In case the non-EU seller uses a marketplace (e.g.: Amazon) the collection of VAT will be made by the market place through the OSS

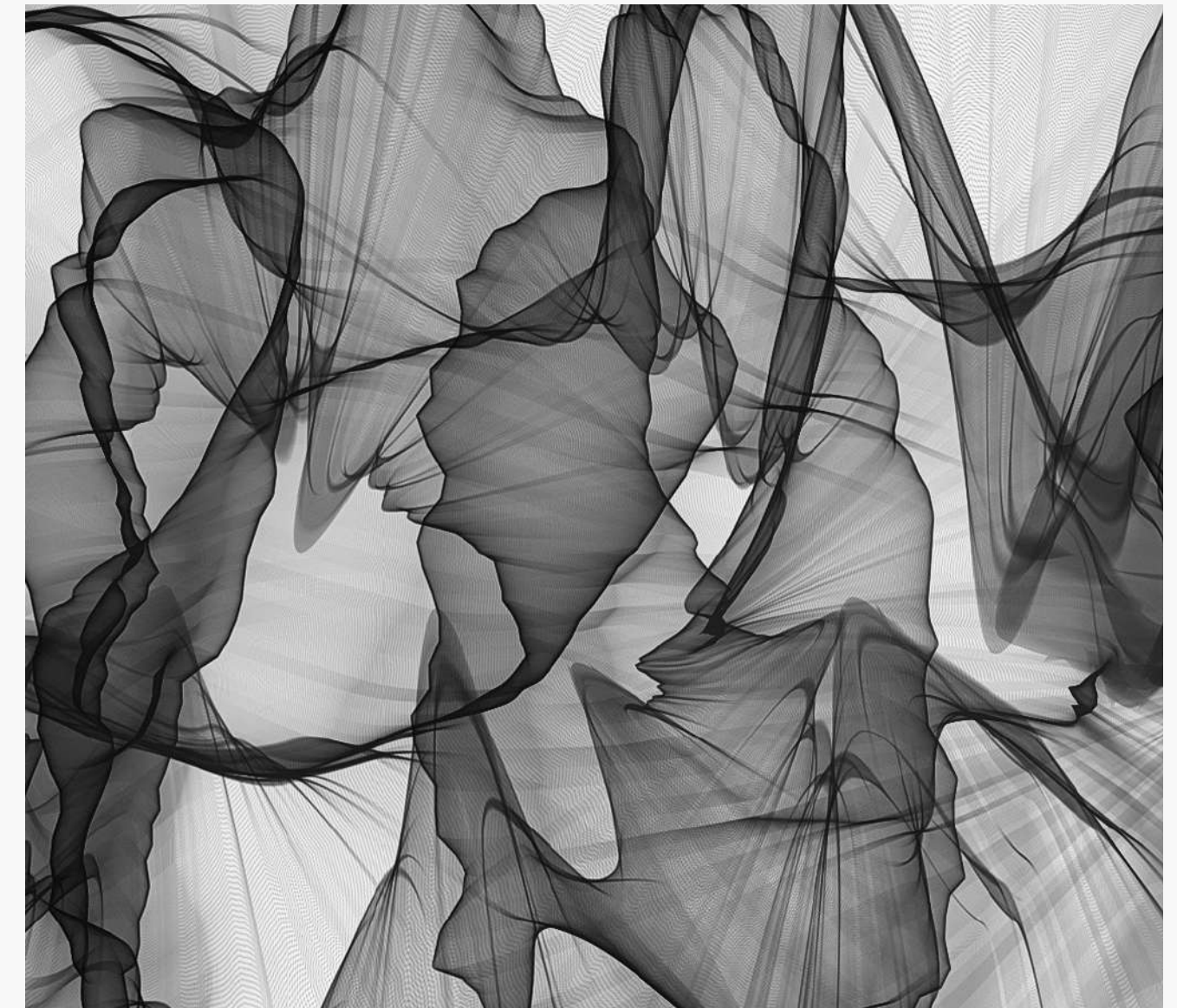


Invoicing requirements in Portugal

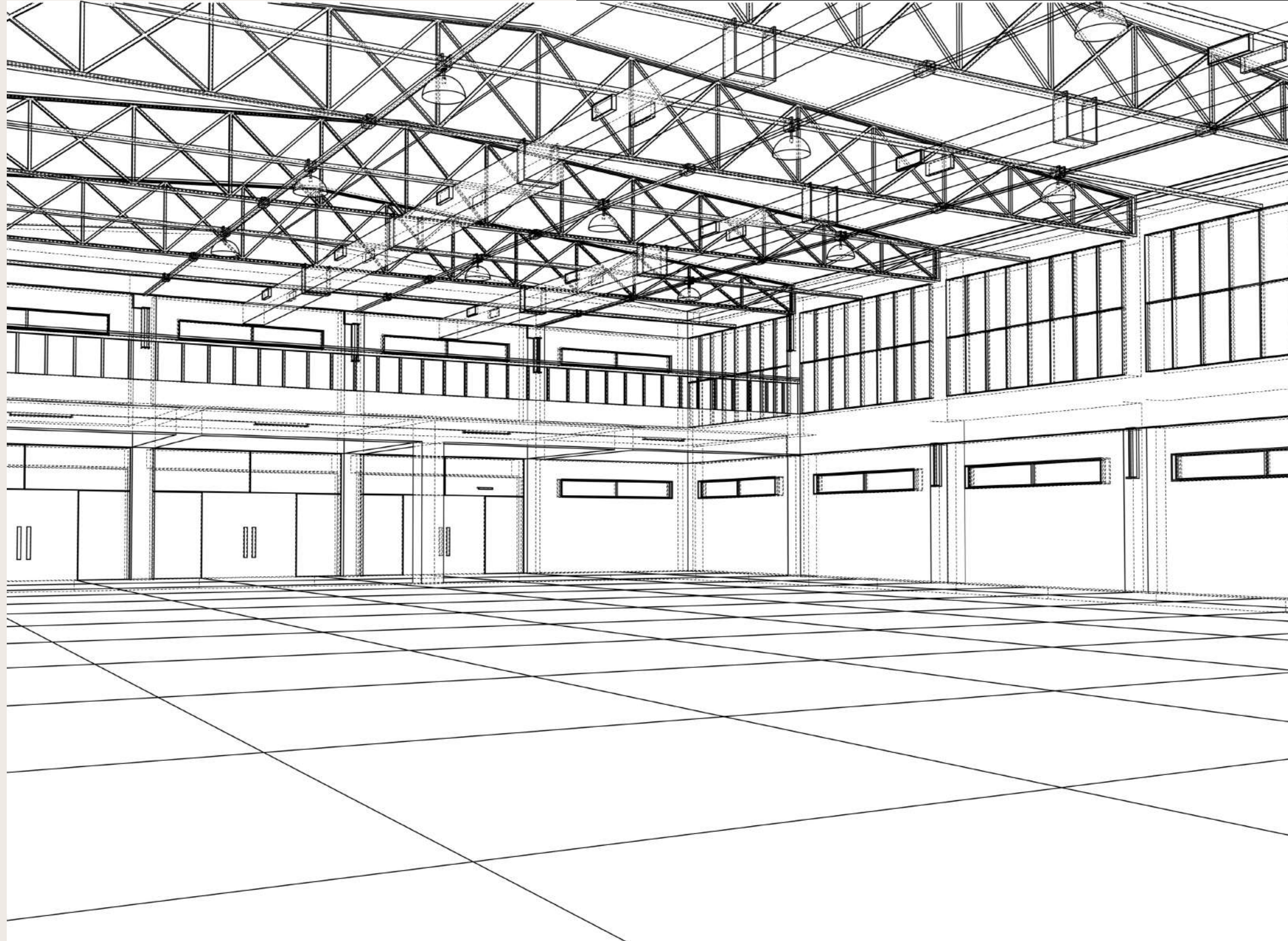


All taxpayers using Portugal as the Member State of tax identification will be required to issue invoices in accordance with the Portuguese VAT law requirements

In this respect, one of the main and most onerous requirements to comply with is the adoption of certified invoicing set out to take place as of 01.07.2021



EXCEPTIONS TO BE NOTED



Sellers holding stocks in warehouses in other Member States will still have to keep VAT registrations in those Member States.

Possible extension to 1 January 2022?

The effective date of the E-Commerce VAT Package has been postponed until 1 July 2021 (initially 1 January 2021). As Germany and the Netherlands have indicated the need to an additional six-month deadline extension, there is a risk that the new rules will operate in practice in 1 January 2022



What you should prepare for

- List your online sales market in the EU
- Identify the business turnover for each EU market
- Identify if you hold stocks in warehouses any EU country
- Validate the option to pay the VAT due through your country's One Stop Shop

