

Upcoming VAT changes for online sale of goods and services

VAT entrepreneurs that supply goods or services to private individuals in other European Union (EU) countries will have to deal with new VAT rules from 1 July 2021. It is important to consider what action is needed to be prepared for these new rules.

Current rules

Until June 30, as soon as the turnover in another EU country exceeds the threshold amount of that specific country for a calendar year, the VAT rate of that country (may defer per country) must be applied. Subsequently, the VAT must be declared and paid in that country.

New rules as from July 1, 2021

The new rules will enter into force as per July 1, 2021. From that moment on, one threshold amount of € 10,000 will apply for all EU countries (outside the Netherlands) together. For example: the turnover to Belgian consumers is € 9,000 and to German consumers also € 9,000. The total EU turnover is € 18,000. That means that the VAT entrepreneur exceed the threshold amount of € 10,000 with an amount of € 8,000.

In that case, the main rule is that the VAT entrepreneur must register himself in those different countries (Belgium and Germany) and declare and pay VAT in the different countries. However, this is impractical and therefore it is possible to use the EU's one-stop shop. If the VAT entrepreneur chooses to use the EU one-stop-shop return, he has to declare only in the Netherlands. In the OSS declaration one state the turnover and the VAT amount per EU country, whereby the VAT rate of the EU country must be paid. The Dutch Tax Authorities will process that VAT return and forward the payment to the origin of the VAT due.

If one does not register for the one-stop-shop system and you continue to pay 21% VAT to the Dutch tax authorities, you run the risk that the various countries will want to charge you additional amounts.

Points of attention

Prices: Certainly if one uses total prices including VAT, it is important that one pays the VAT rate on sales from 1 July 2021 per EU Member State. The percentage differs per country. There are also EU countries that have a higher rate than 21%. It is important to recognize this and to adjust the prices if desired.

Webshop: The consumer indicates at checkout to which address and country the items should be sent. This country code must be administered so that the (OSS) declaration can be made correctly.

Invoices: if 21% is currently stated on the invoice as standard, this must be adjusted. If OSS is used, no invoices are created. In that case, if desired, it would even suffice with, for example, the invoice text: "€121 including VAT/VAT included".

Administration: VAT codes must be drawn up in the administration for the various EU countries.

Registration: Registration for the one-stop-shop system can be done via the website of the Tax Authorities. You have to register for the one-stop-shop system before the first of July 2021, via the e-recognition system. The first OSS declaration must be filed after the third quarter of 2021.

Conclusion

Would you like to know what this means for you or do you have any other question? Please feel free to contact us!