

NEW E-COMMERCE RULES (NO. III)

New VAT rules for import of the goods of small value

From 1 July 2021, the VAT exemption for goods imported into the EU worth up to EUR 10/22 will be abolished. All commercial goods imported into the EU from a third country will thus be subject to VAT, irrespective of their value. The customs duty relief for goods with an intrinsic value not exceeding EUR 150 imported into the EU remains in place. That means that no customs duty has to be paid for goods in a consignment imported into the EU whose intrinsic value does not exceed EUR 150 (except for alcoholic products, perfumes, toilet waters, tobacco and tobacco products).

In order to be able to collect VAT on small value consignments (the intrinsic value of a consignment up to EUR 150) as easily as possible, the following new optional VAT collection procedures are being introduced (these are two completely different VAT payment systems):

1. The special scheme for distance sales of goods imported from third countries – the import scheme (hereinafter only “**IOSS**”)
2. The special arrangements for declaration and payment of import VAT (hereinafter “**the special arrangements**”)

In practice, from 1 July 2021, the VAT on low value consignments can be paid as follows:

- Payment as part of the purchase price to a supplier using the IOSS whereby the importation of the related goods is exempt from VAT
- Payment upon importation in the EU, if the supplier does not use the IOSS, to the person presenting the goods to customs if that person chooses to use the special arrangements
- Payment upon importation in the EU, if the supplier does not use the IOSS, using standard VAT collection mechanism

Irrespective of which of the above procedures is used, customs formalities in respect of low value consignments imported into the EU must be completed for (an import customs declaration must be lodged, except for transitional provisions).

Import scheme IOSS

Supplies of goods are covered by the import scheme IOSS when:

- the goods are dispatched/transported from a third country at the time they are supplied
- these goods are dispatched in a consignment of an intrinsic value not exceeding EUR 150
- the goods are transported or dispatched by or on behalf of the supplier, including where the supplier intervenes indirectly in the dispatch or transport of the goods from a third country, to a customer or any other eligible person in a Member State, and
- the goods are not subject to EU harmonized excise duties (typically alcohol or tobacco products etc.)

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Intrinsic value for commercial goods equals to the price of the goods themselves when sold for export to the customs territory of the EU, excluding transport and insurance costs, unless they are included in the price and not separately indicated on the invoice, and any other taxes and charges as ascertainable by the customs authorities from any relevant document(s).

The supplier wishing to benefit from the IOSS scheme must register for this scheme in one Member State (the so-called “state of identification”); that Member State assigns the supplier a VAT IOSS identification number. IOSS can be used by both suppliers established in the EU and the suppliers established outside the EU. However, the suppliers established outside the EU must generally register for the IOSS scheme through a nominated intermediary established in the EU, who then fulfills the tax obligations on behalf of the supplier.

When using the IOSS scheme, suppliers selling goods transported from a third country to final consumers in the EU will collect VAT on the sale of low value imported goods from the final consumer and will pay this VAT through IOSS scheme in the state of identification. Given that the place of supply under the IOSS scheme is the Member State in which the transport of the imported goods is terminated, the supplier will have to pay in respect of each consignment the VAT at the rate applicable in the particular Member State of destination (so called “Member State of consumption”). In practice, the supplier will show the price of the goods and the amount of VAT due on the respective order and the customer will need to pay the entire amount to the supplier.

The supplier is obliged to declare and pay the VAT collected in the IOSS scheme at the moment when the payment is received. This is the time when the payment confirmation, the payment authorization message or a commitment for payment from the customer is received by the supplier selling goods, regardless of when the actual payment of money is made, whichever is the earliest.

The supplier pays VAT through a tax return for the taxable period (calendar month) when he received the payment in the Member State of identification (broken down by Member States of consumption). The tax return is filed electronically and must be submitted and the tax paid by the end of the month following the reported month.

When using the IOSS import scheme, imports of low value consignments into the EU are exempt from VAT. A necessary condition for the application of the exemption is, inter alia, the indication of a valid IOSS VAT identification number in the import declaration. The supplier must therefore provide this identification number to his carrier / customs declarant of the relevant goods.

If the supplier does not sell the goods through his own electronic platform but through an electronic platform operated by a third party, that external electronic platform becomes the person liable to pay the tax; the supplier realizes a B2B transaction. Some of the next sequels will be devoted to the involvement of electronic platforms.

*Next time we will focus on the special arrangements for declaration and payment of import VAT. **The specialized online seminar will take place on 16th March 2021.** If you have any questions, please contact us at tomicek@stanek-tomicek.com.*

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