

Indirect Tax Services

Newsletter



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On 1 December 2016, the European Commission has published proposals aimed at simplifying the VAT rules for e-commerce businesses. The proposed reforms, aimed in particular at start-ups and SMEs, include the introduction of a 'Maxi One Stop Shop' via which businesses could account for VAT due on supplies of goods and services in other Member States via a single portal; removal of the import VAT exemption for small value consignments, an annual threshold of €10,000 below which businesses selling cross-border could continue to treat sales as though they were domestic, and an option for Member States to align VAT rates on electronic and printed publications. Subject to agreement by the Member States, the reforms could start as early as 2018.

1. The Proposals at a glance

A. New Rules for sales of services electronically - expected to be introduced as early as 1 January 2018

- **Simplification for small businesses**

Businesses selling cross-border electronic services without exceeding a threshold of €10.000 per annum can opt to apply the rules of their home country. This rule brings simplification for a large number of small businesses which can remain out of the Mini One Stop Shop (MOSS) regime, this way.

Another simplification for small enterprises selling online services is the fact that if their yearly turnover remains below €100.000, these companies will only have to collect one proof of evidence to demonstrate their customer's location. Currently, they are required to collect two pieces of evidence.

- **E-books, e-newspapers**

The Commission proposes to grant all EU Member States the possibility to apply the same VAT rates to e-publications as they currently apply to their printed equivalents (possibly reduced rates).

B. New rules - expected to be introduced in 2021

- **Simplification for small businesses**

The simplification rules described above for the sale of electronic services are expected to be extended to the online sale of goods by 2021.

- **One Stop Shop portal**

As of 2021, the one stop shop is expected to be extended to the online sale of goods (distance sales). This will be a tremendous simplification for businesses engaged in the distance selling of goods since currently online traders are obliged to register for VAT in the EU Member State of their non business customers. Going forward they will be able to handle the VAT obligations across the several member states via the use of an online portal, the "One Stop Shop" (similar to the MOSS, currently available for the sale of services electronically).

Furthermore, businesses may be allowed to apply the invoicing and record keeping rules as foreseen by their home country, rather than the customer's country.

Moreover, the audit of businesses reporting VAT via the One Stop Shop portal will be undertaken by the tax authorities from the country where the business is established.

- **Abolition of thresholds for imports**

Currently, import into the EU of small value packages per consignment is exempt from VAT. This exemption will be abolished as of 2021.

In addition, the Commission proposed a new scheme for distance sales of goods imported from third countries not exceeding €150. The use of this scheme will allow VAT to be declared and paid on imported goods ordered online.

2. Impact for Cyprus

The proposed rules still have to be adopted by the European Council which is expected in the course of 2017, before they can be implemented at national level.

3. How can PwC help

The Indirect Tax team of PwC consists of a number of highly skilled technical professionals that are ready to assist your business in preparing for the changes.

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