



Greater Birmingham
Chambers
of Commerce



Black Country
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Coventry & Warwickshire
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The Ultimate Business Network

Briefing Paper

Changes to EU VAT Rules

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How have EU VAT rules changed since the 1 July?

The EU introduced changes to VAT rules on the 1 July 2021. The new rules affect UK companies that sell to EU consumers (B2C) and businesses must ensure that they are compliant with the new tax regime.

The previous rules meant that B2C sales of goods in the EU were taxed based on the location of the goods at the time of sales unless the distance selling threshold (applied by the EU member state of the customer) had been breached. If the threshold is breached, the goods would then be liable for the local rate of VAT and businesses would need to register for VAT in the customer's country.

However, VAT regulations have changed and all goods and services sold to consumers within the EU will now be taxed at the VAT rates set by the EU member state the customer is based in. The new rules have been introduced by the EU to give parity to EU businesses and non-EU businesses. The previous thresholds were set quite high which meant EU member states were missing out on VAT revenue. By implementing these changes, the EU is trying to address this issue.

The EU has also scrapped the VAT exemption on low value imports which previously allowed for goods being imported into the EU (€22 or below) to be exempt from customs duty and VAT. Import VAT is now due on all goods being imported into the EU.

The EU has set up a new import one stop shop (IOSS) for companies to report and pay VAT on low value imports. This will negate the need to pay VAT as goods enter the EU and businesses can instead pay VAT via a monthly IOSS return.

The IOSS is optional and can only be used for consignments valued at €150 or less. If businesses choose not to use the IOSS, then they will need to register for VAT in each country they have customers in. Businesses will not be able to use the IOSS for any goods being imported into the EU that are liable to excise duties.

The changes will also see new rules introduced for the sale of goods through online marketplaces. When businesses sell goods to EU consumers through an online marketplace, it will be the responsibility of the online marketplace to collect and pay VAT on any sales made.

How will the changes to EU VAT rules affect my business?

UK businesses will need to make changes to their website to ensure that for VAT purposes, they distinguish between customers ordering from different EU member states. It is imperative that EU customers are charged the correct local rate of VAT when purchasing your products.

UK companies will also need to decide whether to register for VAT in the EU or register to use the new IOSS system. For those businesses selling goods and services valued above €150 per transaction, the IOSS will not be an option for them and they will need to register for VAT in each EU member state they sell to customers (B2C).

If a UK business chooses to use the IOSS and they do not have an establishment in the EU; then they will need to appoint an intermediary based in the EU to represent them which brings with it increased costs.

The other options available to businesses are to either have their courier pay the VAT at the point of import and have the costs charged back to them; or to change their terms of sale meaning that EU consumers take over the responsibility for paying import VAT and any customs duties.

How can the Chambers of Commerce help?

We are committed to ensuring that businesses are kept informed of upcoming changes following the end of the transition period. We have held a number of webinars over the past few months to help businesses prepare for these changes, featuring guest experts.

Peter Williams from Chamber patron RSM joined us for a video briefing to outline what the new rules mean for businesses. We also recently held a webinar on the Import One-Stop Shop (IOSS).

Click [here](#) to watch our video briefing with RSM

Click [here](#) to find out more about the Import One-Stop Shop

Businesses can also access further support through our international services which offer advice on all aspects of international trade and a range of accredited training courses to help businesses.

Click [here](#) for further information on the Black Country Chamber of Commerce international services

Click [here](#) for further information on the Coventry & Warwickshire Chamber of Commerce international trade support.

Click [here](#) for further information on the Greater Birmingham Chambers of Commerce International Business Hub