

**Fashion Industry: are you ready for the new
Indirect Tax rules in e-Commerce?**



Let's dive into it!

30 March 2021



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MATTERS
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Content

- 1 VAT e-Commerce Package
- 2 Brexit impact on e-Commerce
- 3 Other Indirect Tax focus areas
- 4 Q&A
- 5 Contacts



VAT E-Commerce Package



Introduction

VAT e-Commerce package

Key take-aways

B2C Distance sales

VAT in country of consumption

Country specific distance sales thresholds abolished

Simplifications?

Own webshop or external platform?

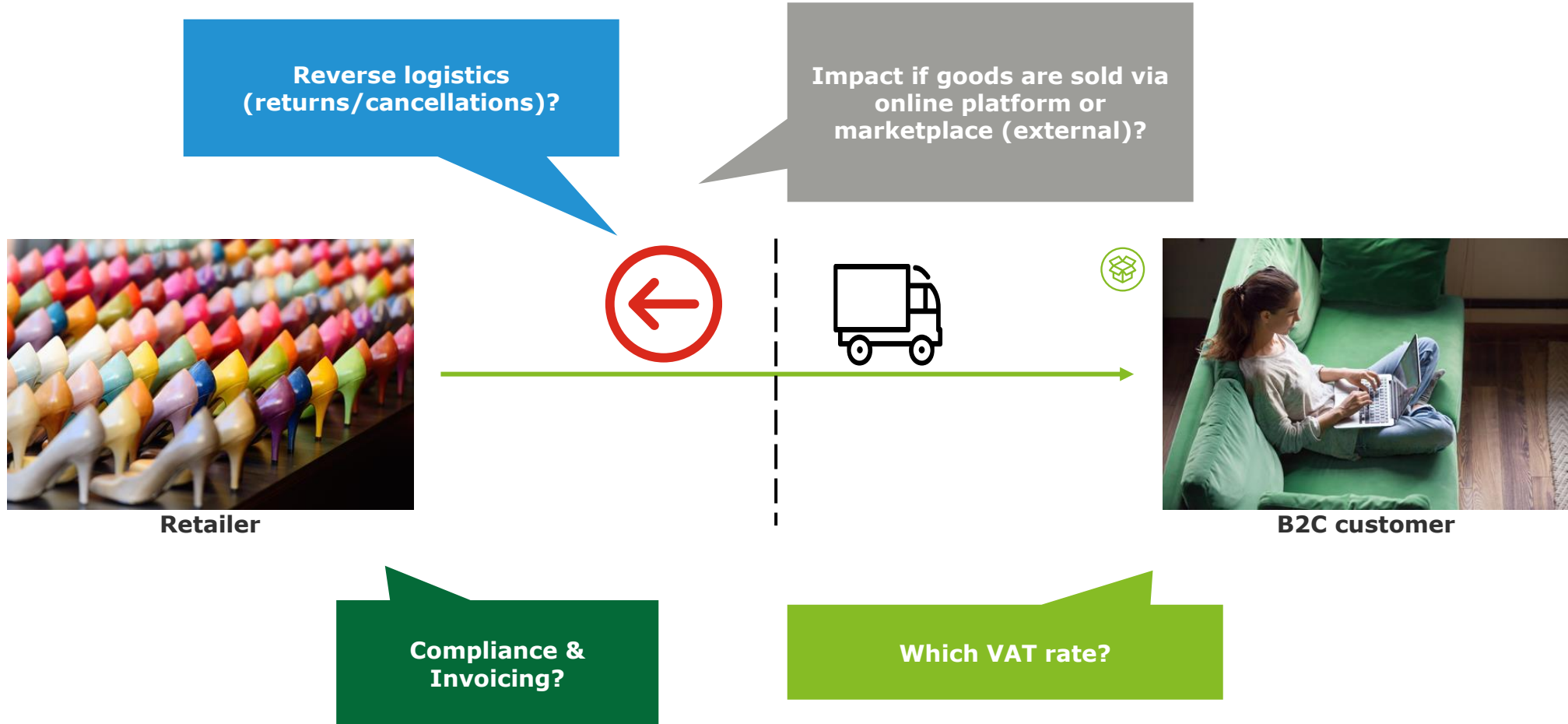
22 EUR threshold for import VAT exemption abolished

Customs – Brexit?



VAT e-Commerce package

Impact on fashion business

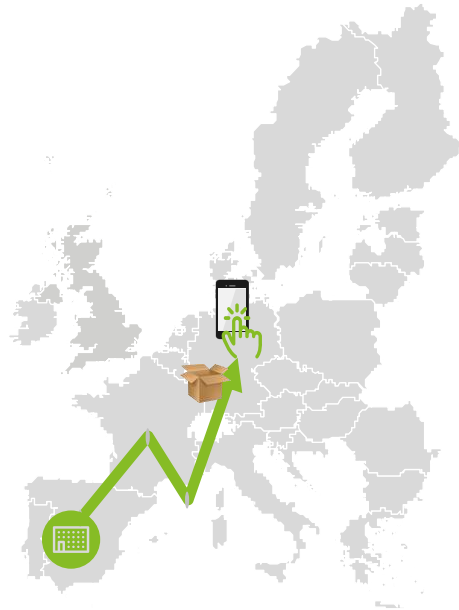




B2C sales within the EU
(Intra-EU distance sales)

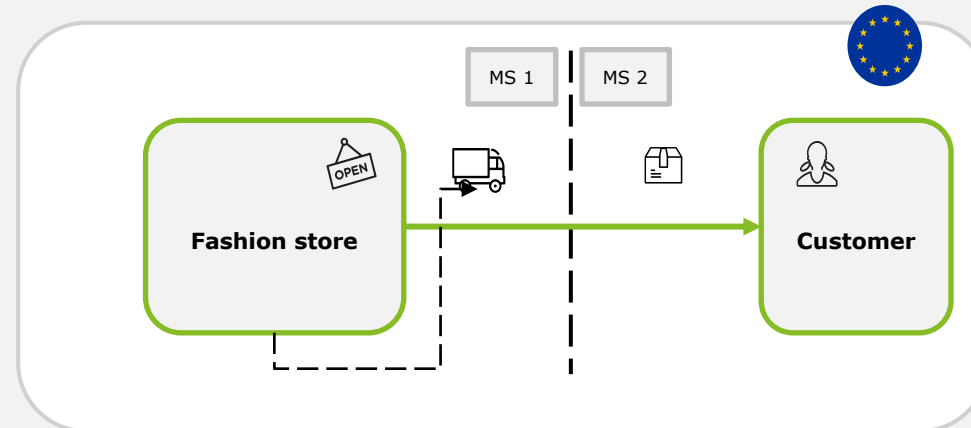
Detailed walkthrough

Intra EU distance sales



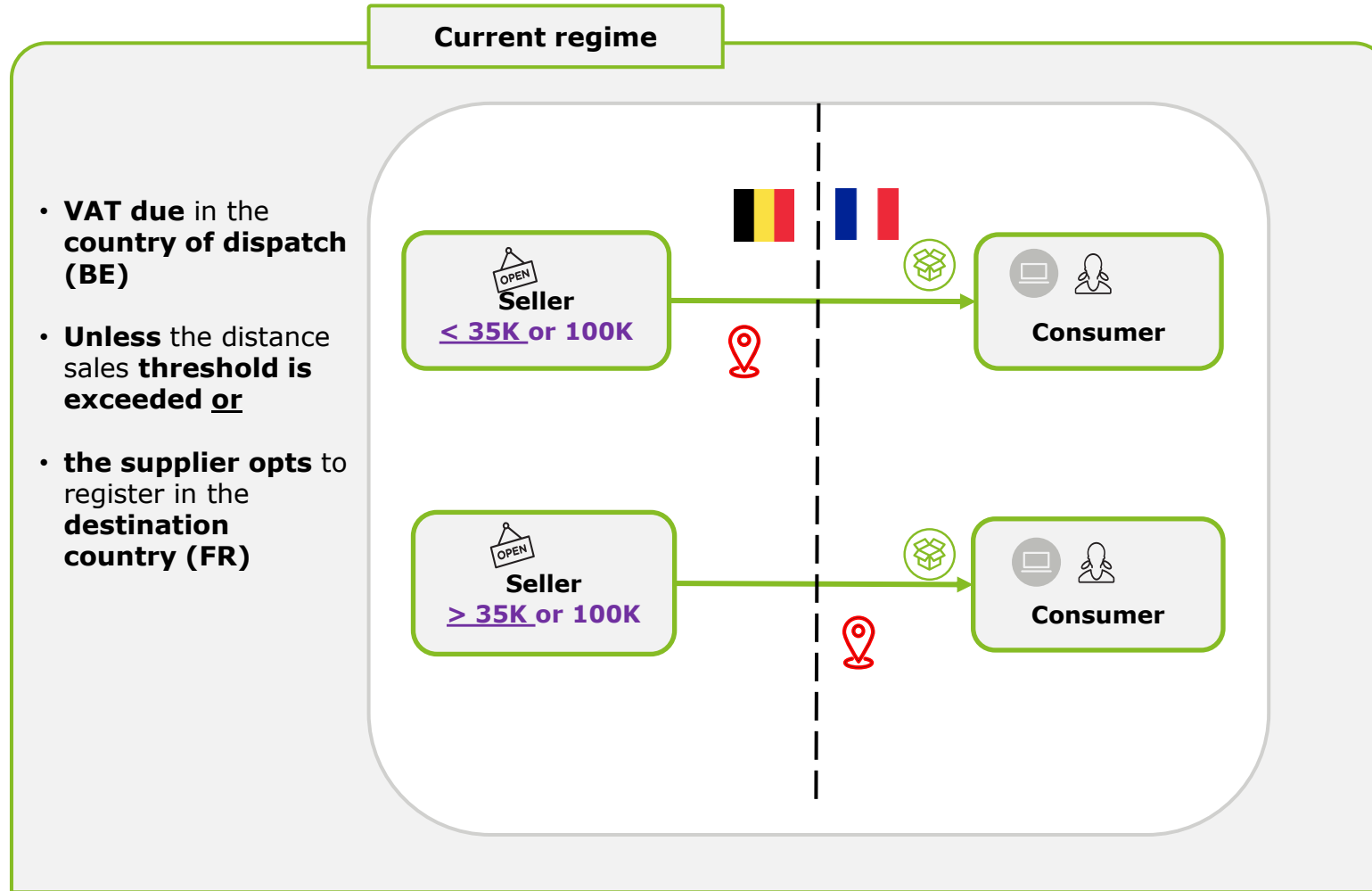
Core elements

- **Cross-border (within EU)** supplies of goods
- **Transported by or on behalf of supplier** (even if indirectly)
- Made towards a **non-taxable person** or a taxable person not obliged to make IC acquisitions



Detailed walkthrough

Intra EU distance sales



For fashion companies selling **across the EU** :



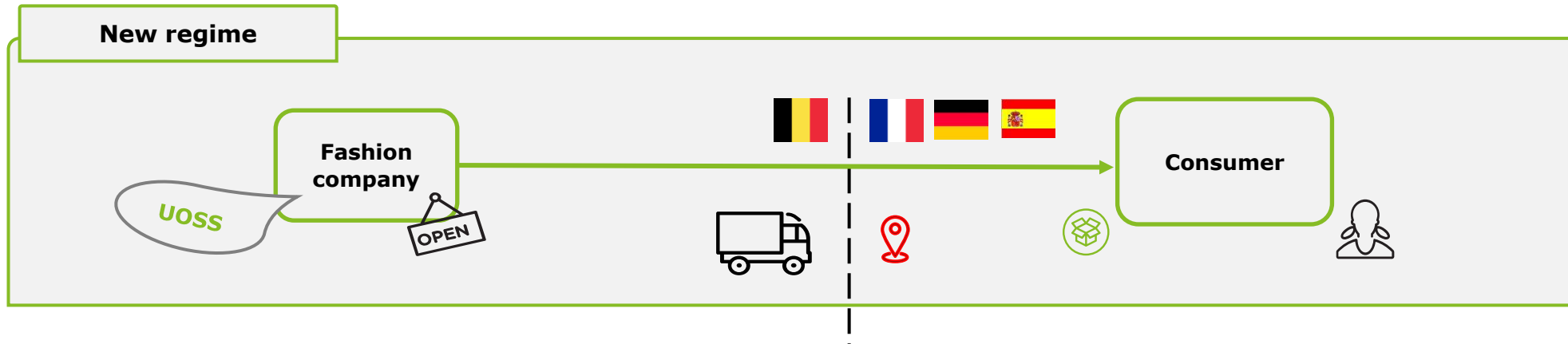
Various thresholds



Local VAT registration & Compliance obligations

Detailed walkthrough

Intra EU distance sales



UNION ONE STOP SHOP (optional):



- UOSS VAT registration (MSI)
- Single VAT return/payment (Q)
- VAT rate country of arrival (consumption)
- No invoicing obligation (MSI)
- Record keeping obligation 10 years
- VAT recovery (!)

→ VAT deregistrations?



Imported distance sales



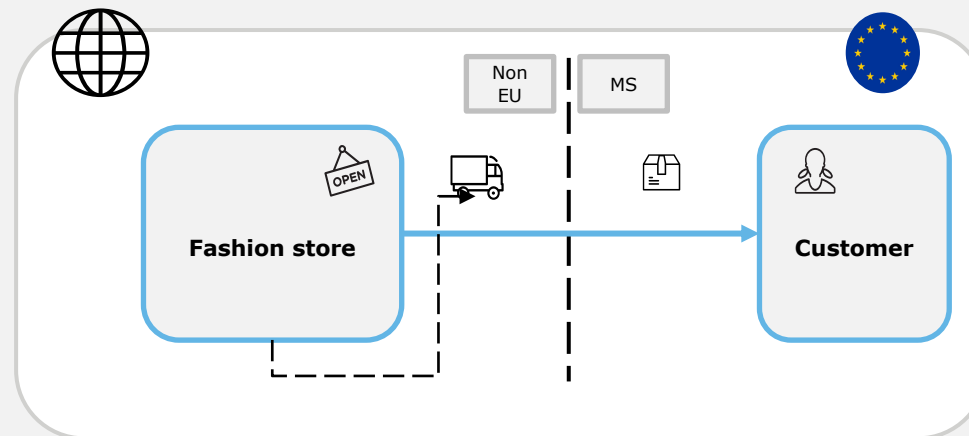
Detailed walkthrough

Imported distance sales



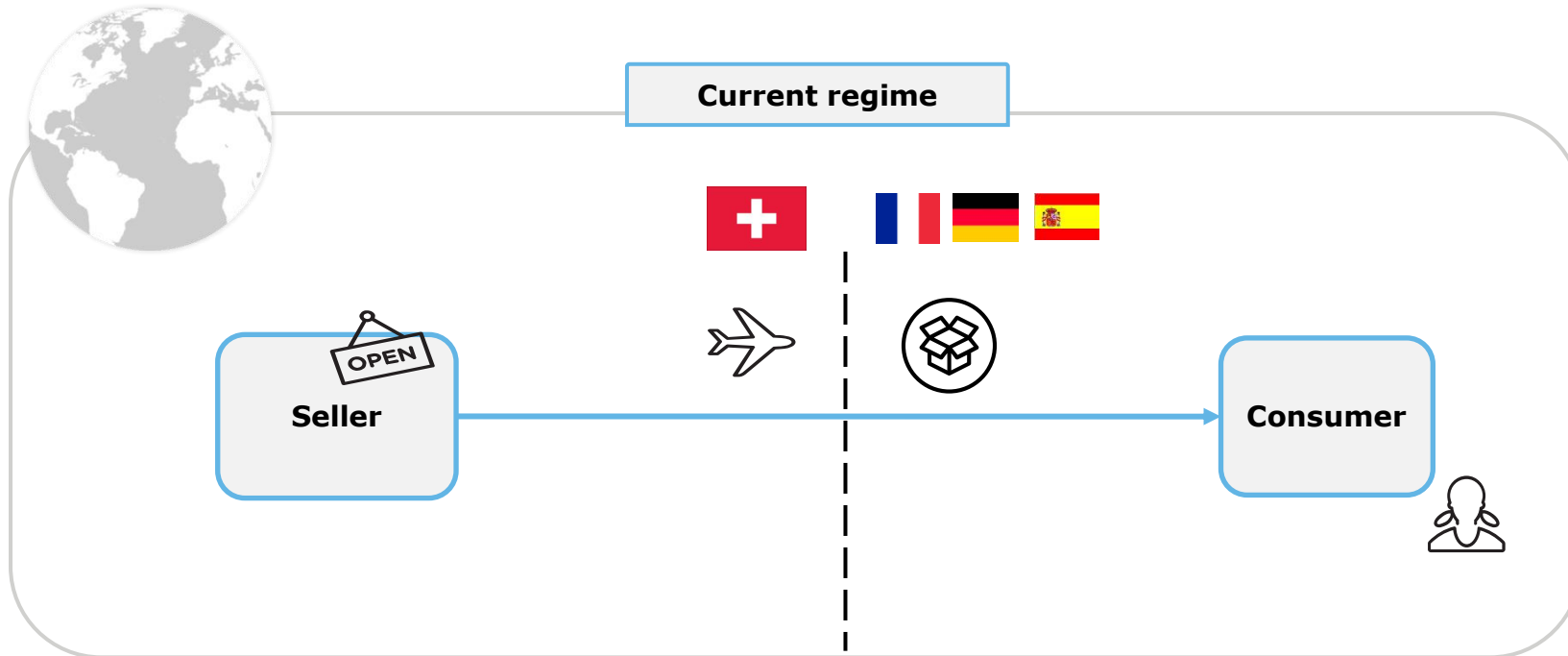
Core elements

- **Cross-border** supplies of goods
- **Transported by or on behalf of supplier** (even if indirectly)
- **From a non EU country** to an EU country
- Made towards a **non-taxable person** or a taxable person not obliged to make IC acquisitions



Detailed walkthrough

Imported distance sales



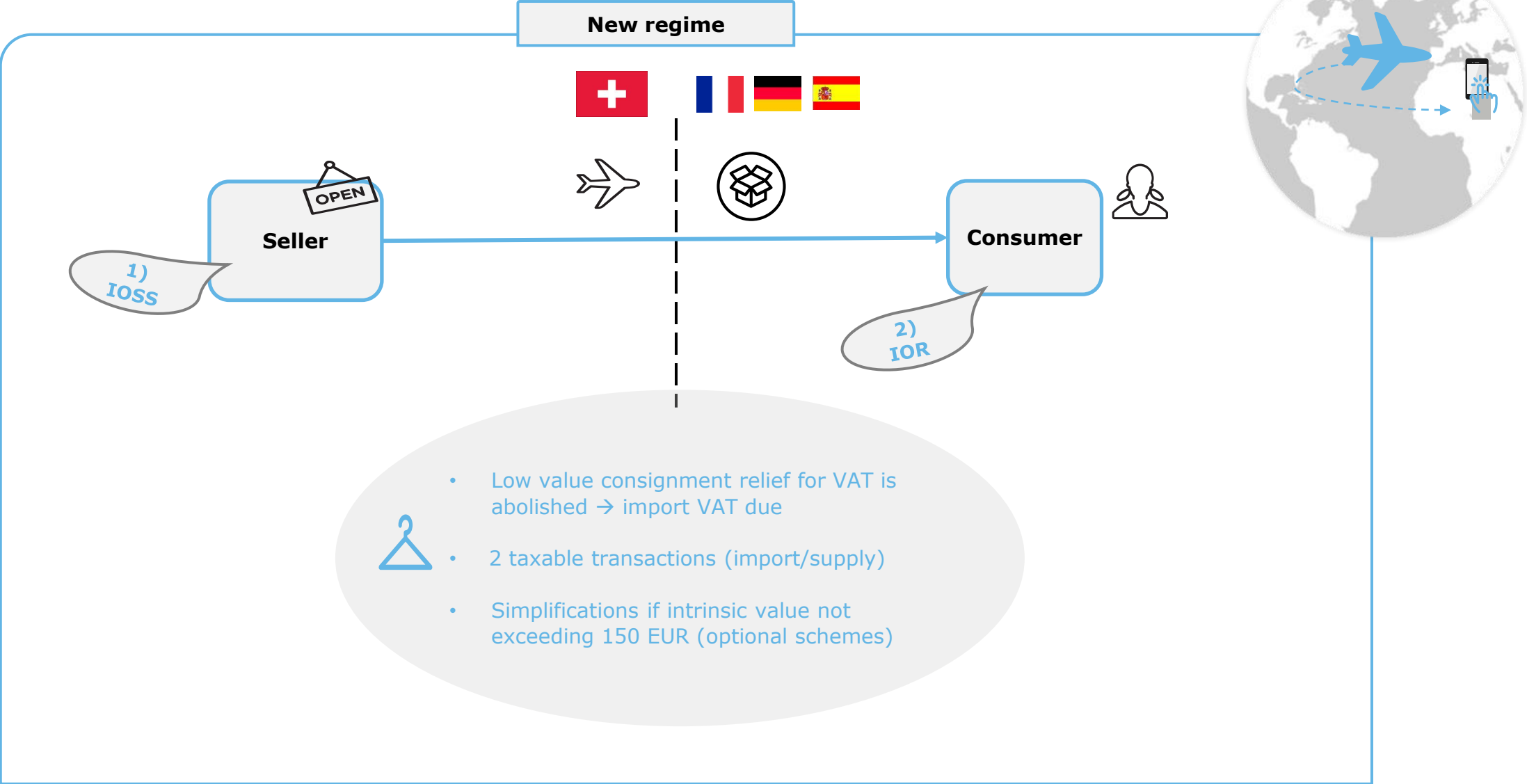
≤ 22 EUR : import VAT exemption + simplified customs (verbal) declaration



> 22 EUR : import VAT due by the importer of record + formalized customs declaration

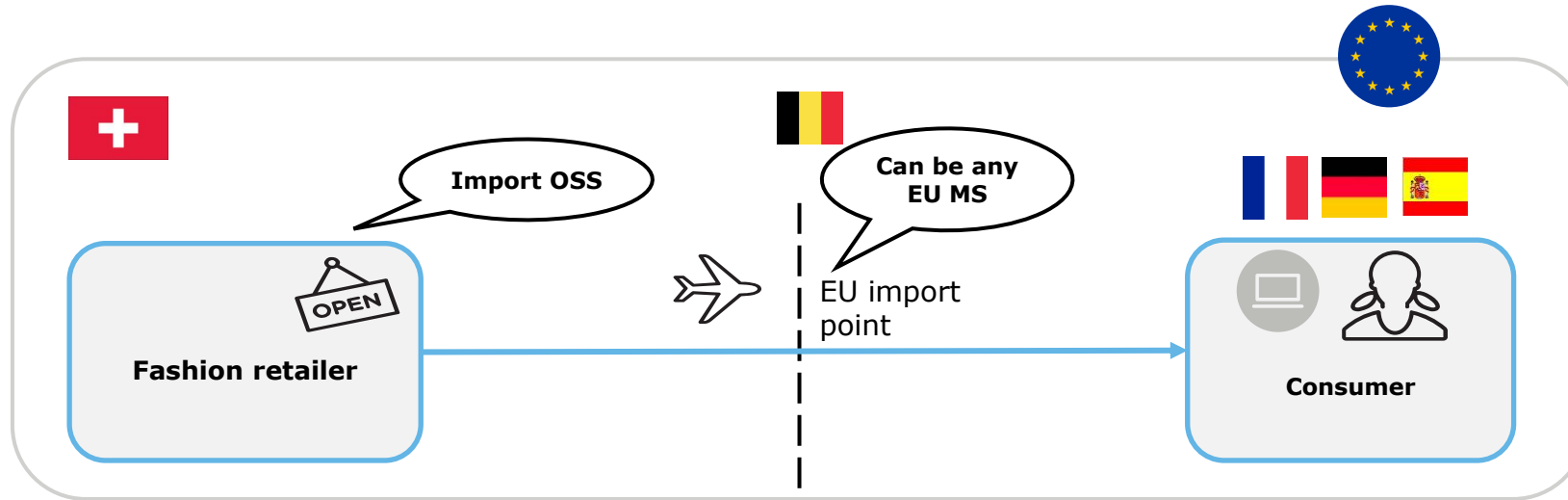
Detailed walkthrough

Imported distance sales



Detailed walkthrough

Imported distance sales (≤ 150 EUR) - IOSS



Import:

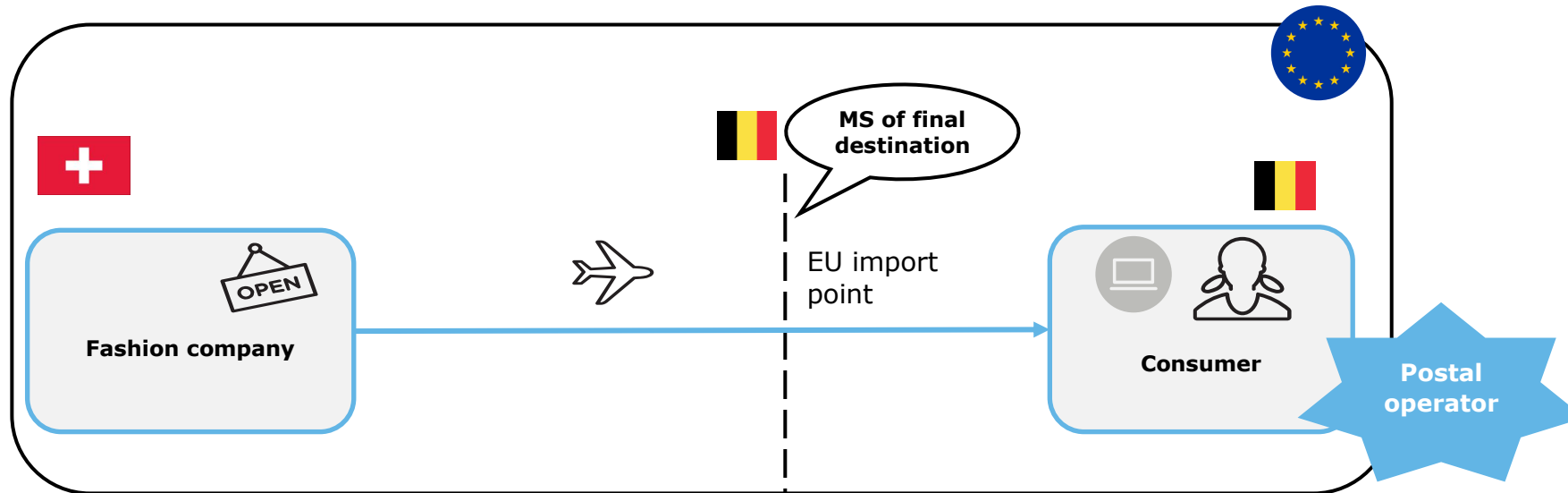
- Simplified customs clearance
- VAT exempt (IOSS n°)
- In any MS

Supply:

- VAT in MS of consumption
- IOSS registration (MSI)
- Single VAT return/payment (M)
- Invoicing according to MSI
- Record keeping: 10 yrs

Detailed walkthrough

Imported distance sales (≤ 150 EUR) – customer = IoR



Supply:

- Out of scope of EU VAT
- Invoicing obligation depends on MS establishment seller

Import:

- Simplified customs clearance
- Import VAT in MS of consumption (!)
- Only VAT paid by customer is due

Selling through external platform



Platform responsibilities

Role of the platform?

- **What's in a name?** Website, portal, gateway, marketplace, platform, etc.
- **Role of the platform:** “buy-sell” versus “facilitating a supply” (or combination of both!)



Platform buys and sells (contractual)

Platform = commissionaire

B2C transaction between platform and consumer

Impact new rules only for platform

Check contracting, transport conditions, incoterms, VAT n° usage, ...



Seller and consumer conclude a sale 'through the platform' (ab initio no buy-sell)

Platform = service provider

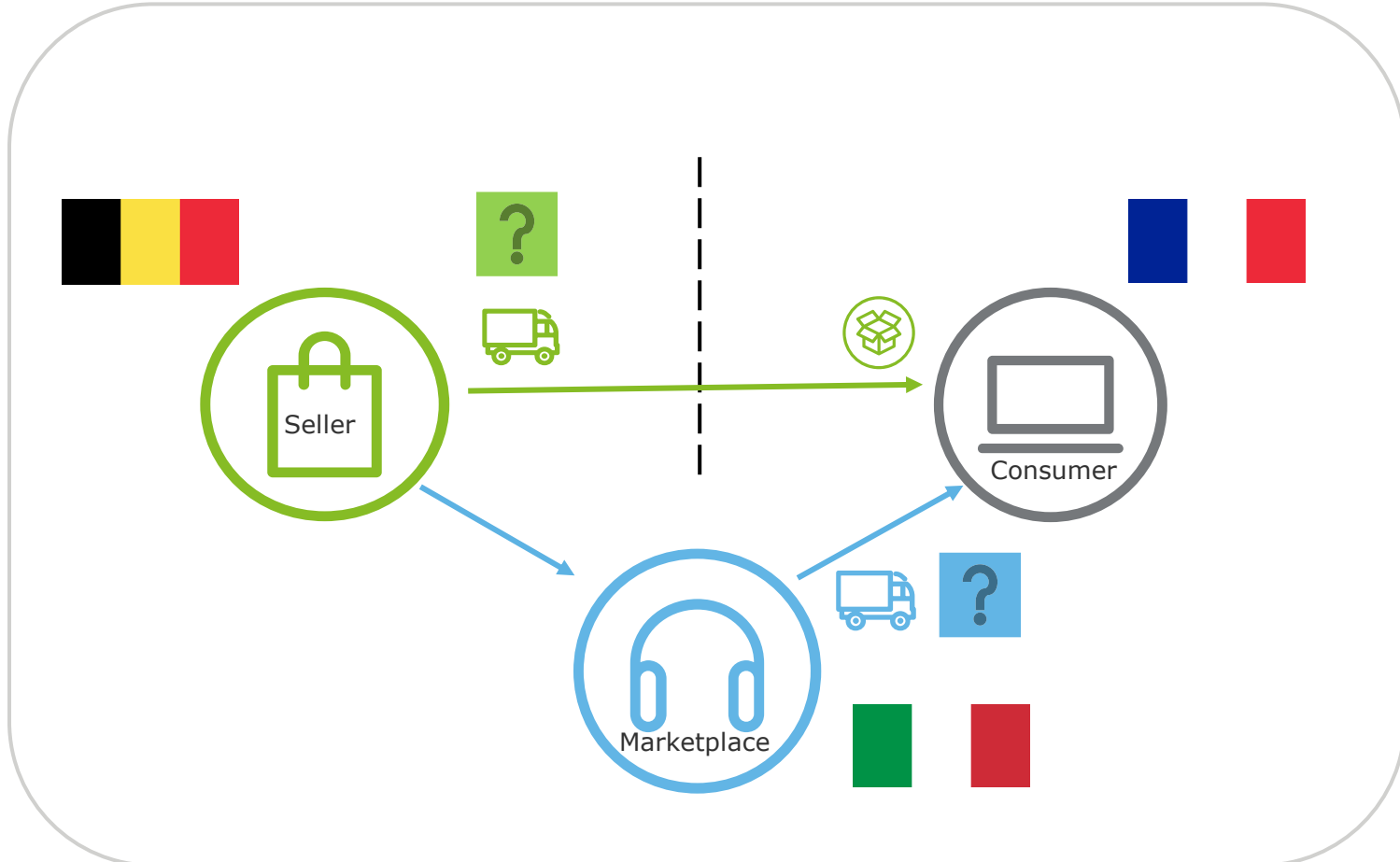
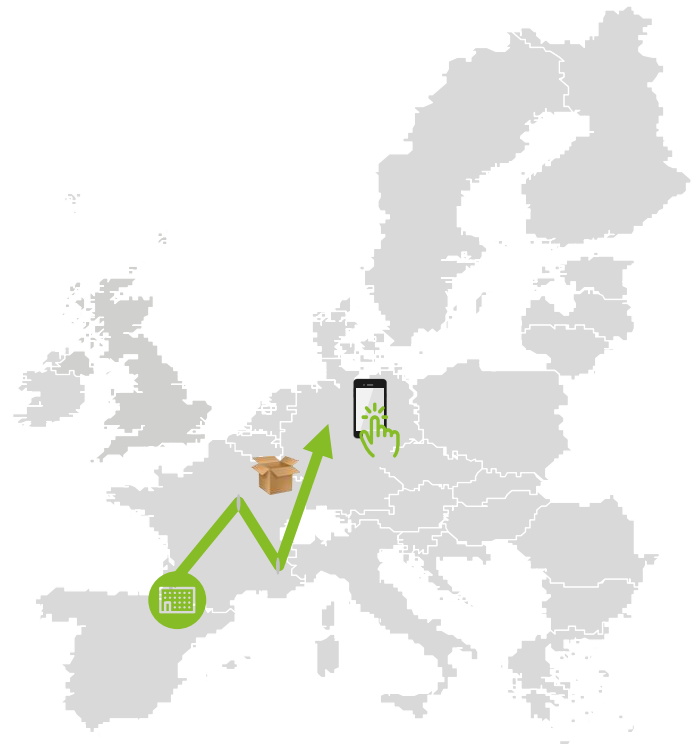
B2C transaction between seller and consumer or between platform and consumer (set by law)

Impact new rules for seller or platform

Deemed reseller: transport conditions set by law

Platform responsibilities

Buy-sell



Platform responsibilities

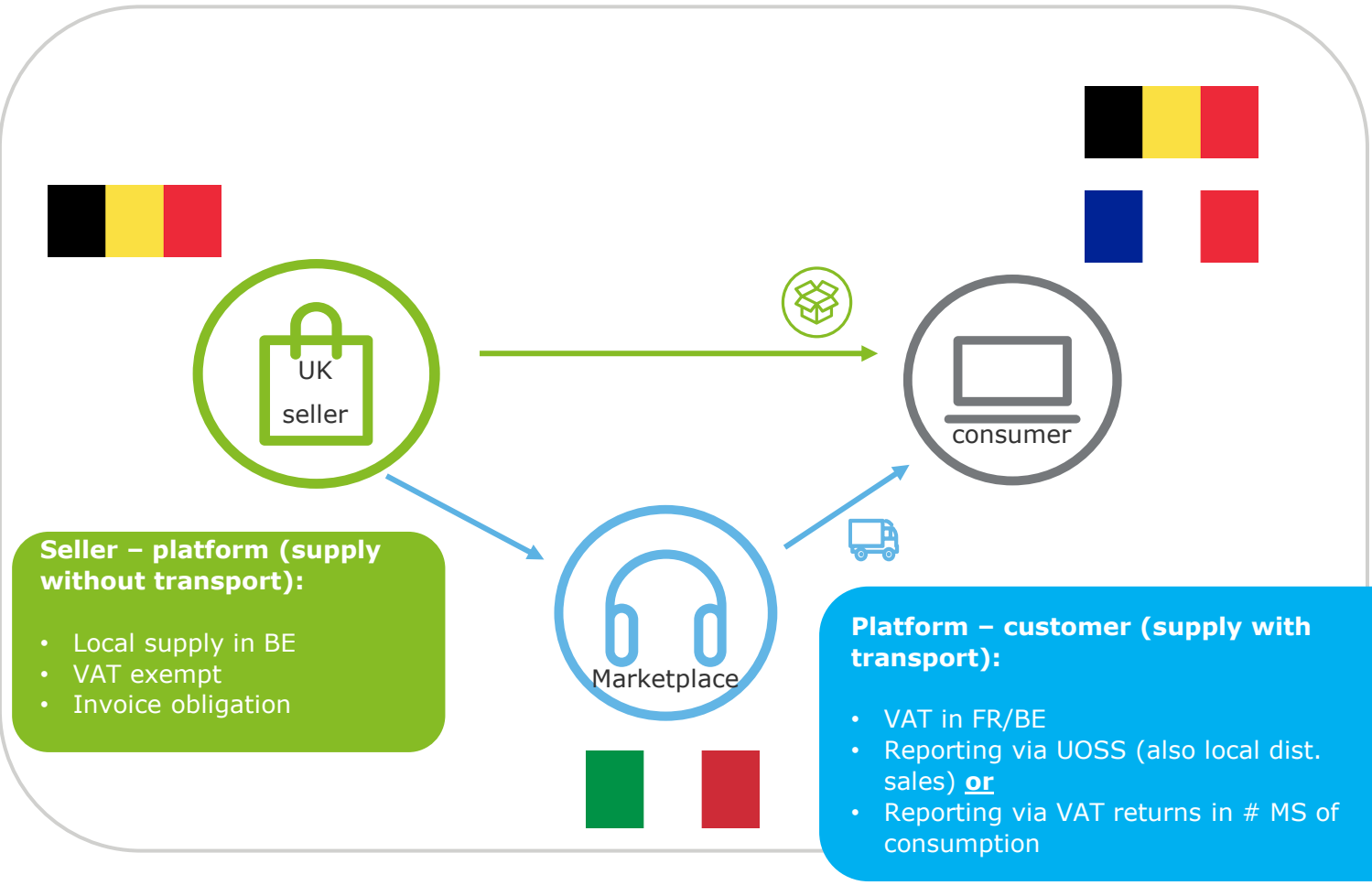
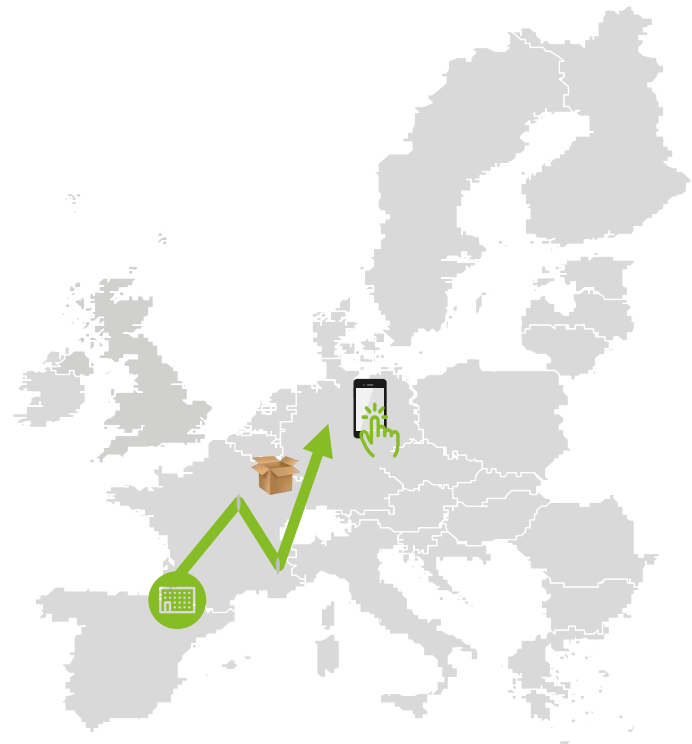
Facilitating platform – NEW OBLIGATIONS

FACILITATING ELECTRONIC INTERFACE

- **Electronic Interface (EI):** website, portal, gateway, marketplace, API, etc
- That is **facilitating a supply:** electronic interface allows **customer and supplier** to enter into contact and **conclude a sale through** that **interface**
- **Ordering and checkout process**
- **“Deemed supplier”** concept for :
 - Imported distance sales with intrinsic value up to 150 EUR
 - Intra-EU (+ local) distance sales by non-EU sellers
 - Marketplace is deemed to buy / sell
 - Transport in relationship platform-customer (by law)
 - Deemed supply by vendor to platform: local supply
 - VAT exempt (EU distance sale) or outside EU VAT scope (imported distance sale)
 - Deemed supply by platform to customer: distance sale (cfr. e-commerce rules)

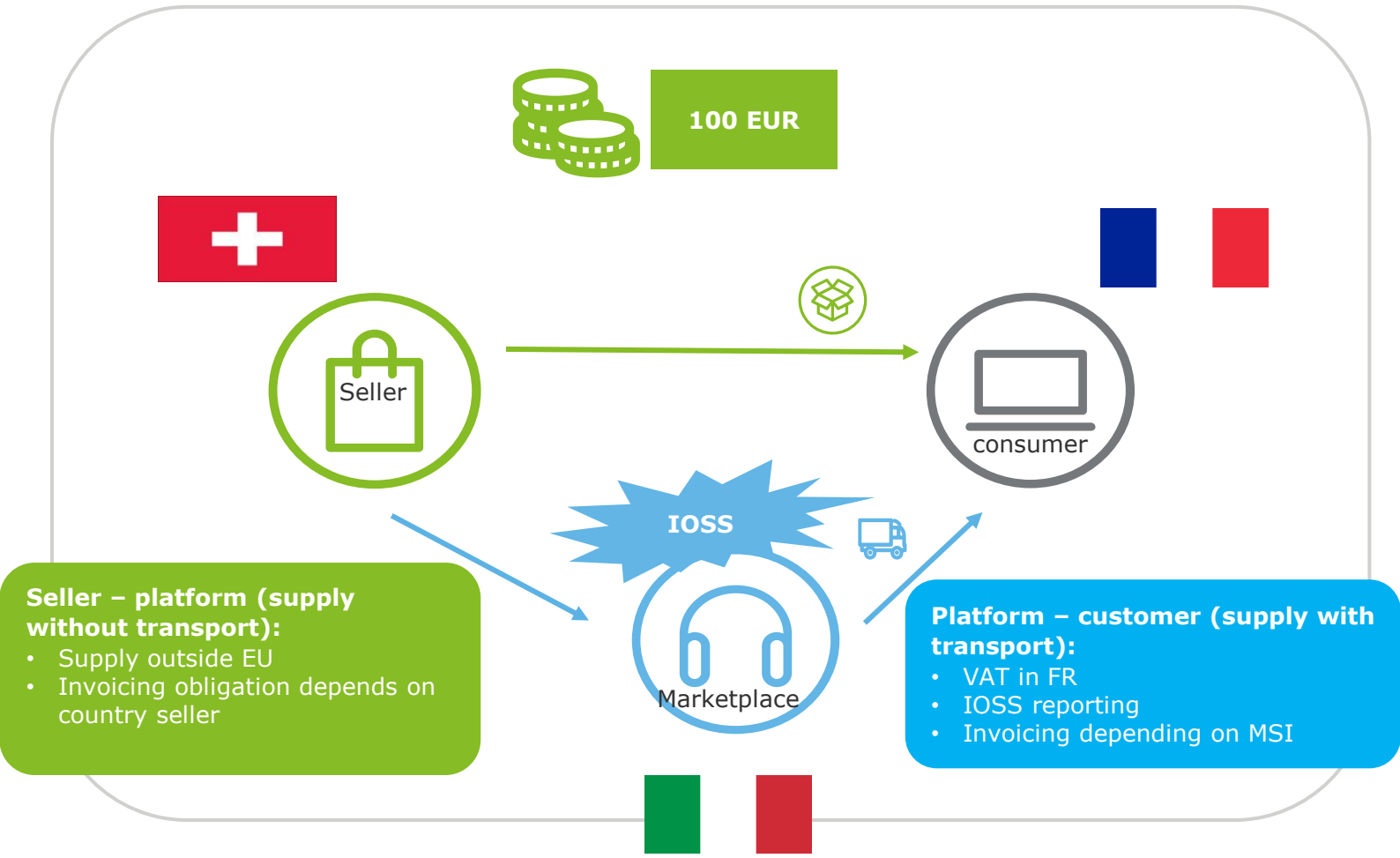
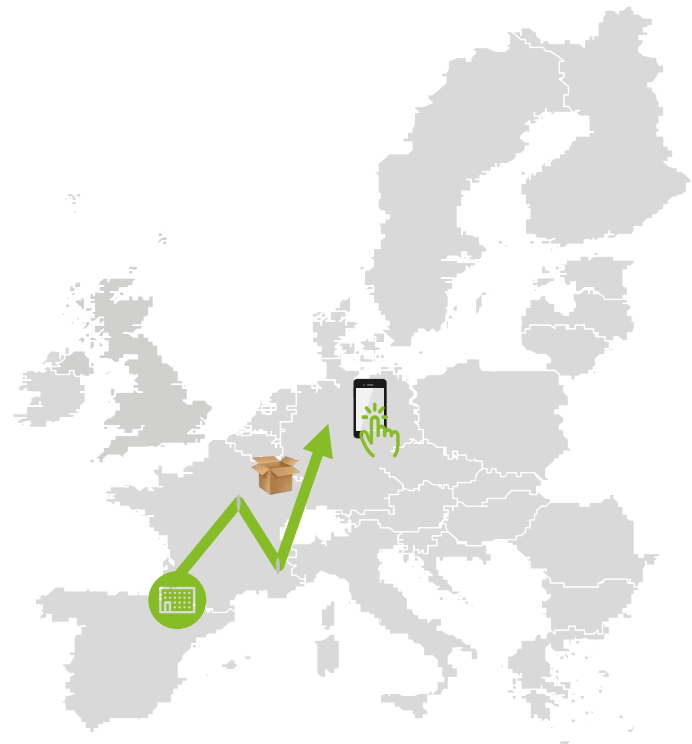
Platform responsibilities

Facilitating platform – example 1

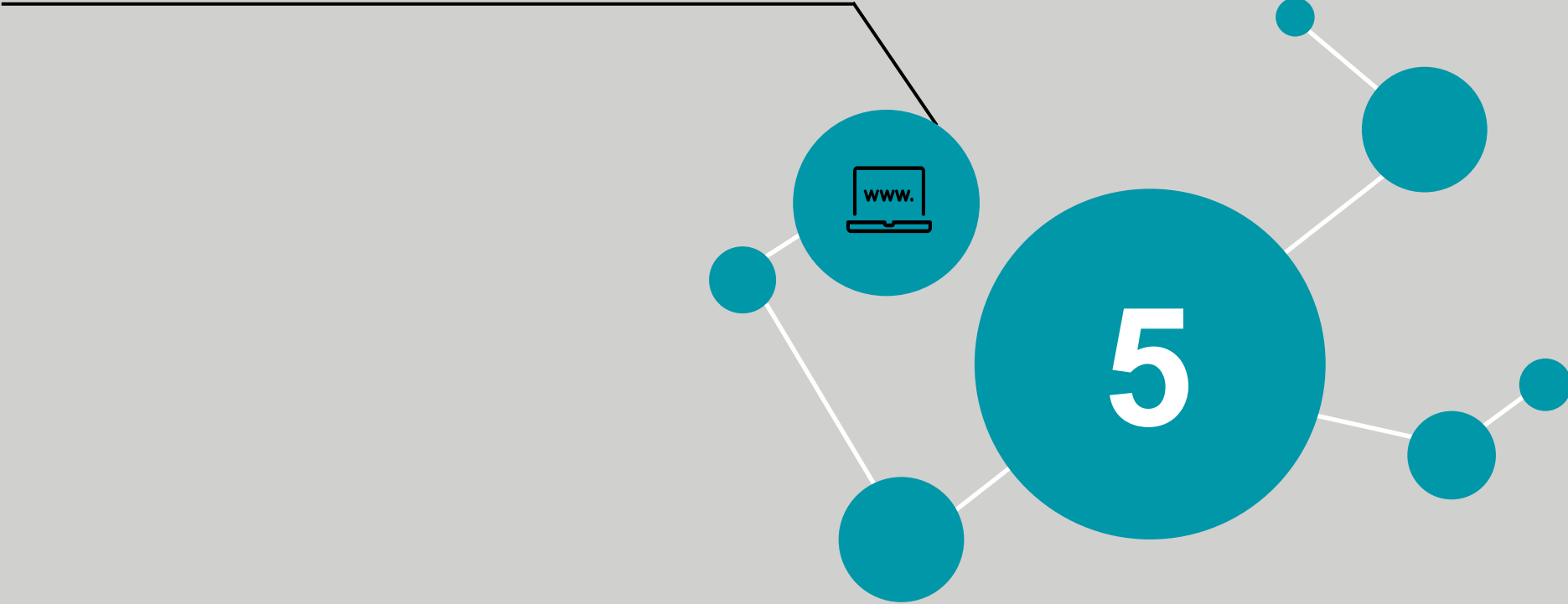


Platform responsibilities

Facilitating platform – example 2

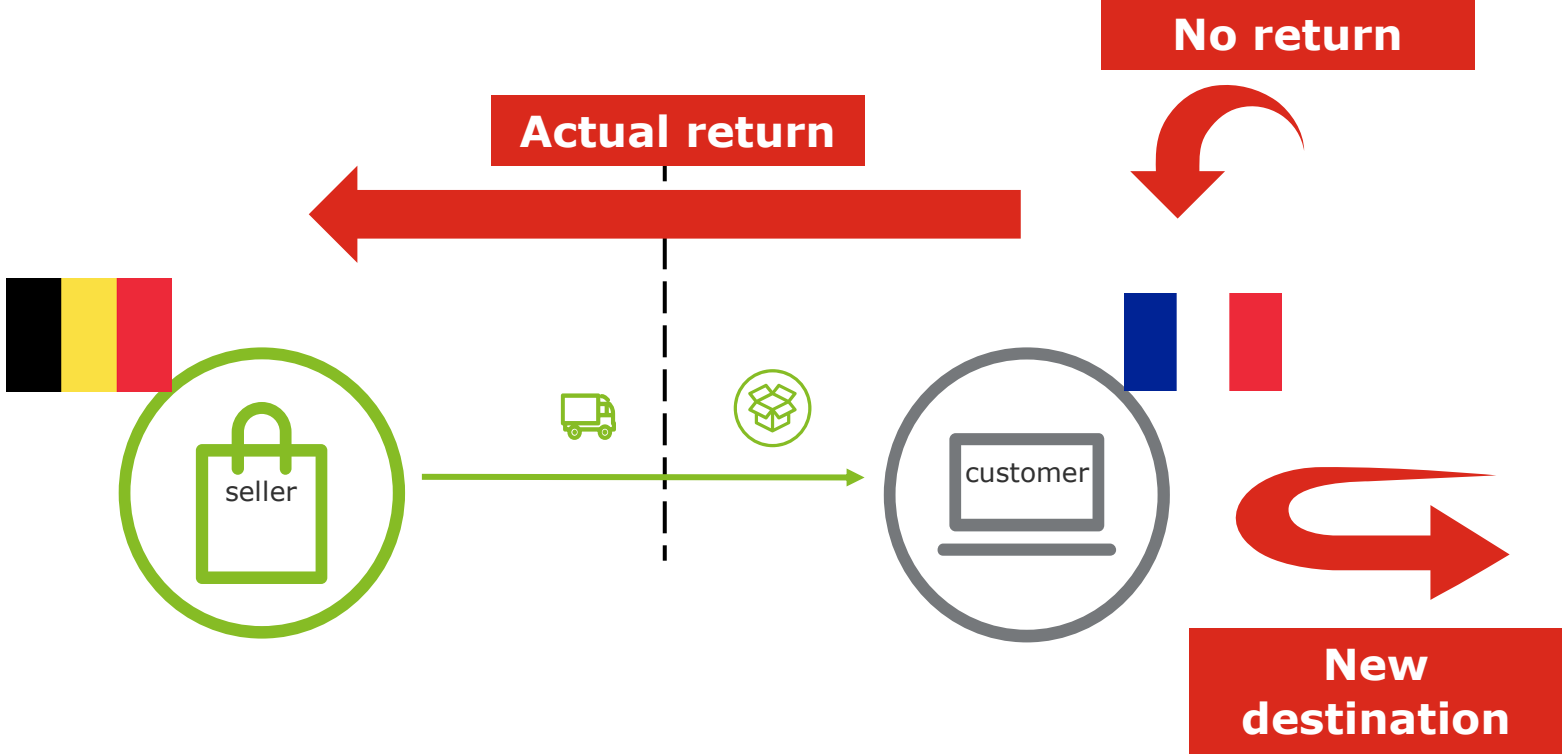
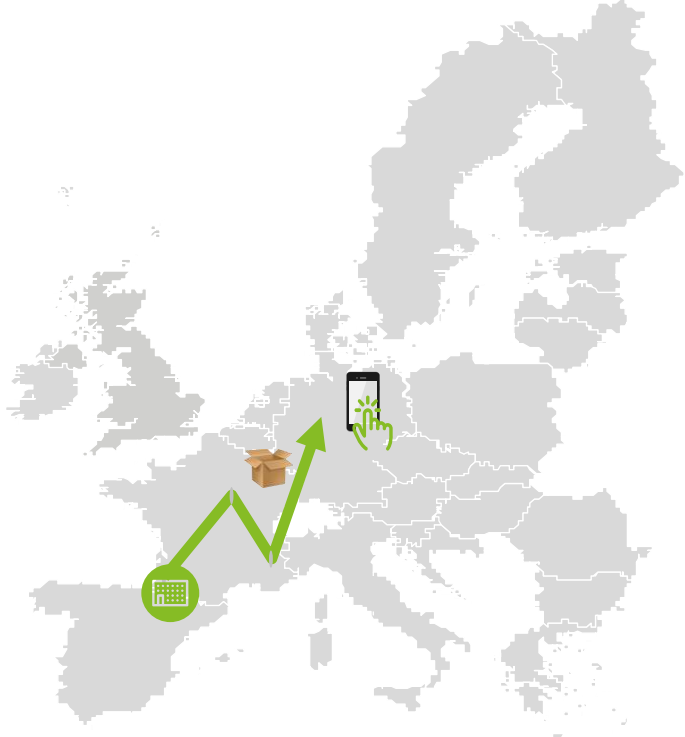


Reverse logistics



Reverse logistics

Attention points

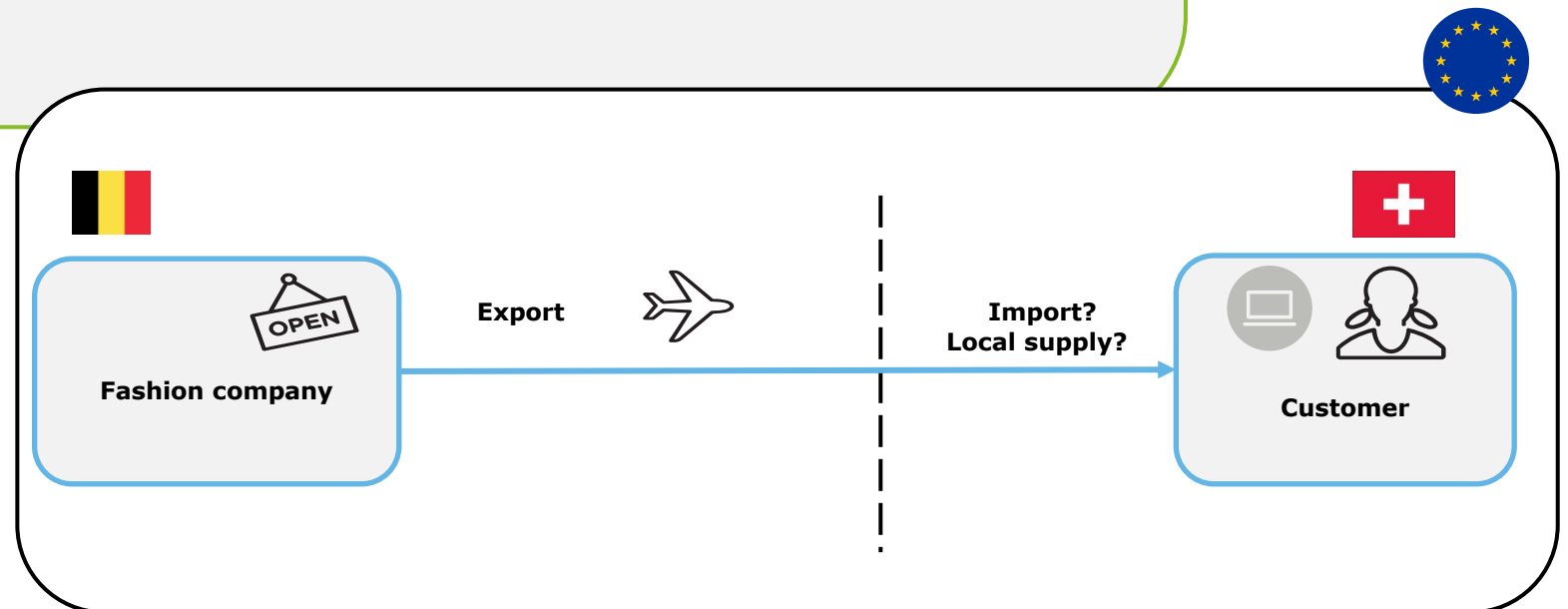




Brexit impact on e-Commerce

B2C and B2B sales outside the EU

- New EU VAT e-commerce rules **will not impact sales to non-EU customers**
- From EU VAT point of view: **VAT exempt export** (conditions/customs declaration!) for B2B and B2C
- To be checked whether the EU seller has VAT obligations in the country of destination!
 - **B2B** supplies: check incoterms!
 - **B2C** supplies: check local VAT legislation non-EU country of destination



Brexit : B2C sales to GB



UK rules similar to EU rules concerning e-commerce

- *New VAT e-commerce rules in UK **as of 1 January 2021 (Brexit)***
- **"GB"** (England, Wales, Scotland) **vs. "NI"** (Northern Ireland)
 - *Supplies of goods from EU MS to NI or from NI to EU MS → EU VAT rules still apply (so also EU e-commerce rules)!*

Goods shipped from EU to GB at moment of supply

- Destined for GB Market
- EU supplier may need to **import** goods in GB before supplying to its customers
- Specific VAT regime if goods **≤ 135 GBP** (customs duty relief)
 - VAT exempt **import**
 - UK VAT accounted on **local sale** -> UK **VAT registration** required
 - If goods **≤ 135 GBP** and **platform 'facilitates'** the supply → **Platform is "deemed reseller" (VAT obligations shifted to platform)!**



Other Indirect Tax focus areas

IDTX & DIGITAL DISRUPTION

- Increase efficiency & productivity within inventory management and supply chain
- Assistance of Robotics in indirect tax compliance processes
- Impact of 3D printing and advanced manufacturing on indirect tax supply chain
- Advanced warehousing and track on trade
- Applying new ways of working such as AR/VR technology, smart tagging, smart checkout in your business
- Customs classification automation through robotics and AI

IDTX & GLOBALISATION

- E-commerce rules
- Brexit
- Supply chain and VAT registrations
- Inward Processing/Outward Processing
- VAT & customs warehousing
- CITES
- Anti-counterfeit through blockchain
- Customs valuation – quid second hand?
- Customs process mapping (theft management, returns)
- Duty burden optimization (Free Trade Agreements)

IDTX & CONSUMER BEHAVIOUR

- Omnichannel approach in business set-up
- Shift from product delivery to service models
- Concept stores & branding fees (interior design)
- Vouchers, reward programs, discounts etc.
- Product launches (catwalk/shows) and catering
- Promotion & contracting (models)
- Customizing
- Sales to diplomats

IDTX & RISK & CONTROL

- Protection of your brand in times of change – no tax related negative press
- Stay up-to-date with the changing landscapes
- Update of ERP systems aiming at complying with the rapidly growing control mechanisms of the authorities (e.g. Real time reporting and advanced audits)
- Indirect tax control framework
- Indirect tax processes
- S².W.A.T.-analysis

IDTX & SUSTAINABILITY

- Alternative ways of working (e.g. eco-fashion, use of alternative materials etc.)
- Reverse logistics, donations and/or destruction of leftover stock etc.
- Need for qualified staff to achieve sustainable & efficient business growth
- Circular economy focus



WE CONNECT
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Poll



Q&A

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