

## Input VAT newsletter

### European Commission proposes changed VAT rules for e-Commerce

6 December 2016

The European Commission published on 1 December 2016 its legislative proposal to drastically change the VAT rules for online sales of goods and services in Europe, over the 2018-2021 period.

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

#### **Simplifications**

As of 2018, it is foreseen that EU businesses selling cross border electronic services not exceeding a yearly turnover threshold of 10.000 € can opt to apply the rules of their home country, including possibly the exemption for small businesses. This rule allows a simplification for a large number of micro-businesses which can stay out of the MOSS regime in this way.

Another simplification targets small enterprises selling online services (like videostreaming or selling apps) whereby their yearly turnover from cross border sales stays below a threshold of 100.000€. Going forward, these companies will only have to collect one piece of evidence to demonstrate the location of the customer which defines the applicable VAT rate, whereas today they need two corresponding indicators (eg. Billing address, IP address, etc).

#### **Extension to the online sale of goods**

As of 2021, these rules and the MOSS portal currently existing for online services will be extended to the online sale of goods. This is a tremendous step towards simplification for a large number of small and large businesses that today are obliged to have VAT numbers in different EU Member States and meet corresponding reporting obligations and incur administrative costs.

Other changes include that businesses will be allowed to apply the invoicing rules as foreseen by their home country rather than the country of the customer.

The audit on businesses reporting VAT via the MOSS portal will always be effected by the tax authorities of the country where the business is established, allowing companies to deal with audits in a familiar environment and in their own language.

## **Equal treatment for EU businesses**

An important change that will come into effect in 2021 is the abolition of the different thresholds that exist for (VAT exempt) imports of goods for private consumers in the EU and for sales to consumers across EU borders. This mainly aims to remove the current unfair competition from non-EU businesses that can bring goods free of VAT within the EU.

## **Possibility to lower VAT rate for electronic publications**

As part of the changes dealing with cross border e-Commerce, the European Commission also proposes to allow Member States, as of 2018, to tax electronic publications at the same VAT rate (currently 3% in Luxembourg) as the printed equivalent. This allows to remove an existing discrimination suffered by e-books and online journals and periodicals.

# Your contacts

**Raphael Glohr**

Partner – VAT

T +352 451 452 665

[rglohr@deloitte.lu](mailto:rglohr@deloitte.lu)

**Christian Deglas**

Partner – VAT Leader

T +352 451 452 611

[cdeglas@deloitte.lu](mailto:cdeglas@deloitte.lu)

**Joachim Bailly**

Partner – VAT

T +352 451 452 824

[jbailly@deloitte.lu](mailto:jbailly@deloitte.lu)

Deloitte Luxembourg

560, rue de Neudorf

L-2220 Luxembourg

Tel: +352 451 451

Fax: +352 451 452 401

[www.deloitte.lu](http://www.deloitte.lu)

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