



International Shipments and VAT

Do not let VAT be a barrier to growing your business internationally

13 January 2014

“All content in this webinar and this presentation is prepared by Meridian Global Services. Amazon EU Sarl and Amazon Services Europe Sarl are not certified tax advisors, hence Amazon does not and cannot give any recommendations on tax-related issues to sellers using the Amazon Marketplace.”



The question we will be answering today...

Q: “What are the VAT rules that apply if I sell goods online to private individuals and ship them from one European Union (“EU”) country, e.g. the UK, to another EU country, e.g. France, Germany, the Republic of Ireland etc?”



For the avoidance of doubt...

- We will mainly be talking about sales to private individuals today. Different rules apply if you sell to businesses who are registered for VAT in other EU countries (we will touch on these briefly).
- We will only be talking about sales of goods today (i.e. products that are subject to physical shipment). Different rules apply if you sell services online, e.g. apps, music downloads, etc.



For the avoidance of doubt...

- We will mainly be talking about shipments from one EU country to other EU countries today. Different rules apply if you ship to / from non-EU countries such as Norway, Switzerland, the US etc (we will touch on these briefly).



For the avoidance of doubt...

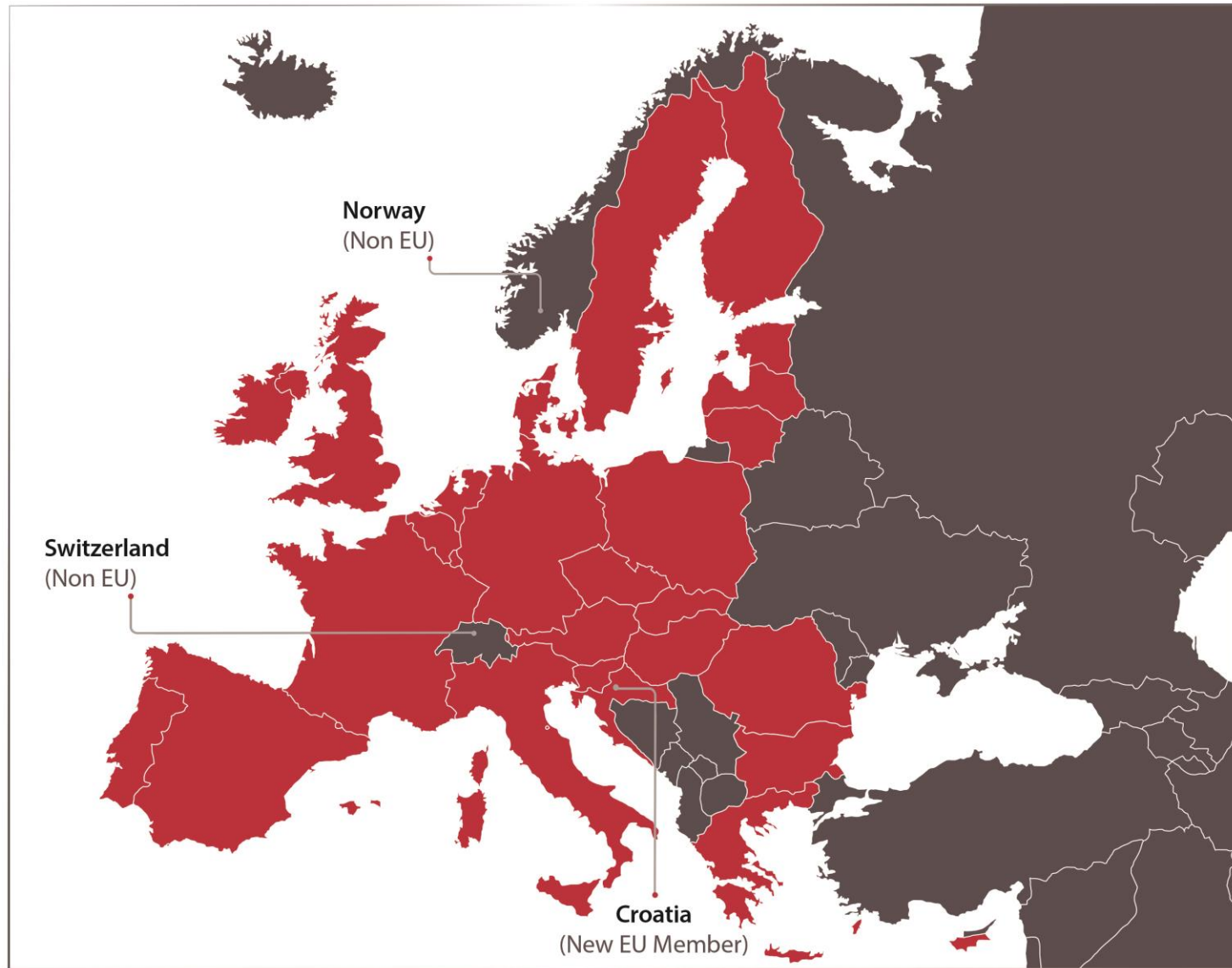
- “I have heard about changes to the EU VAT rules for online traders that are due to come into force from 1 January 2015. How will they affect me?”
- Those changes only relate to supplies of services, e.g. apps, downloads, not to supplies of goods that are subject to physical shipment.
- There are currently no plans to change the rules that we will be discussing today.



Making the Most of the European Single Market

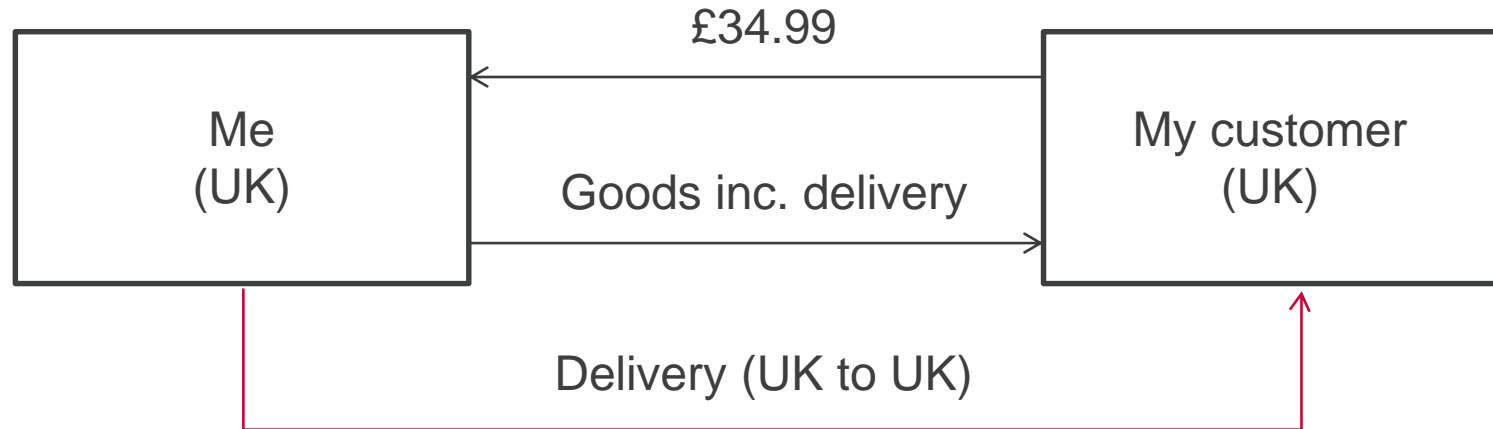
- 28 countries.
- More than 500 million people.
- Free movement of goods.
- VAT should not be a barrier to growing your business internationally.

The European Union





Recognise this scenario?



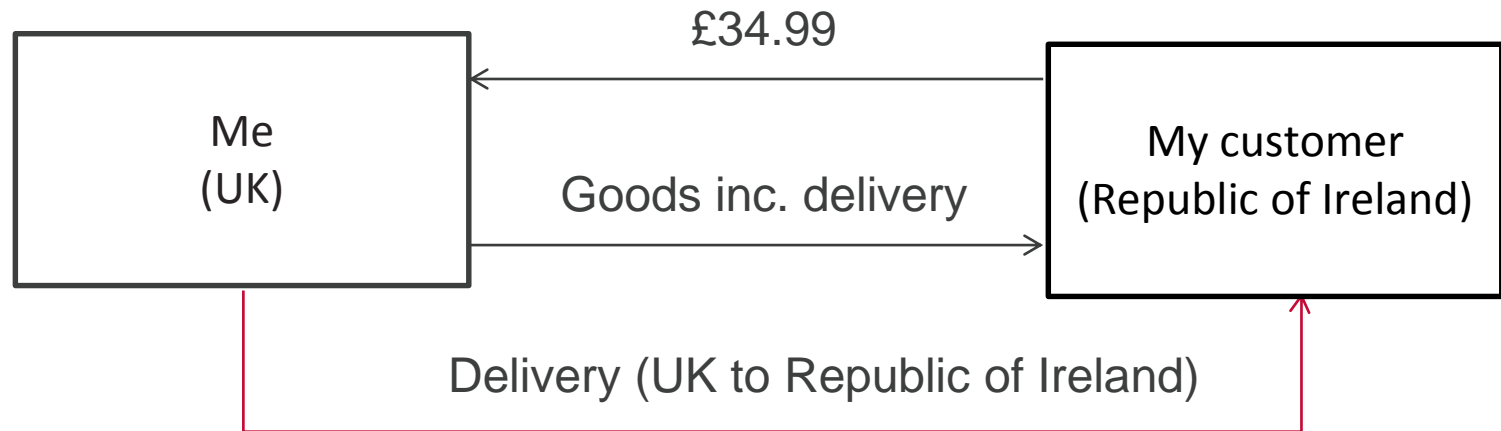
Gross: Customer pays £34.99 for the goods, including shipping.

VAT: UK VAT @ 20% = $\text{£}34.99 / 120 \times 20 = \text{£}5.83$

Net: $\text{£}34.99 \text{ (gross)} - \text{£}5.83 \text{ (VAT)} = \text{£}29.16$



How about this one?

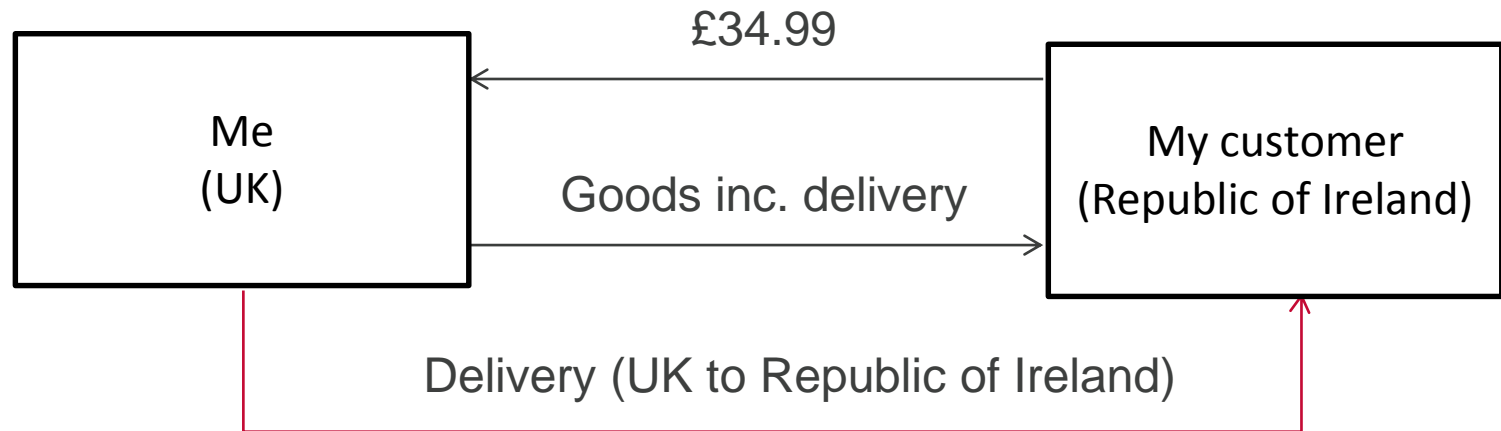


What VAT should I charge in this scenario?

- | | |
|--------------|---------------|
| A. UK VAT | B. No VAT |
| C. Irish VAT | D. It depends |



Let's take away the one wrong answer



What VAT should I charge?

A. UK VAT

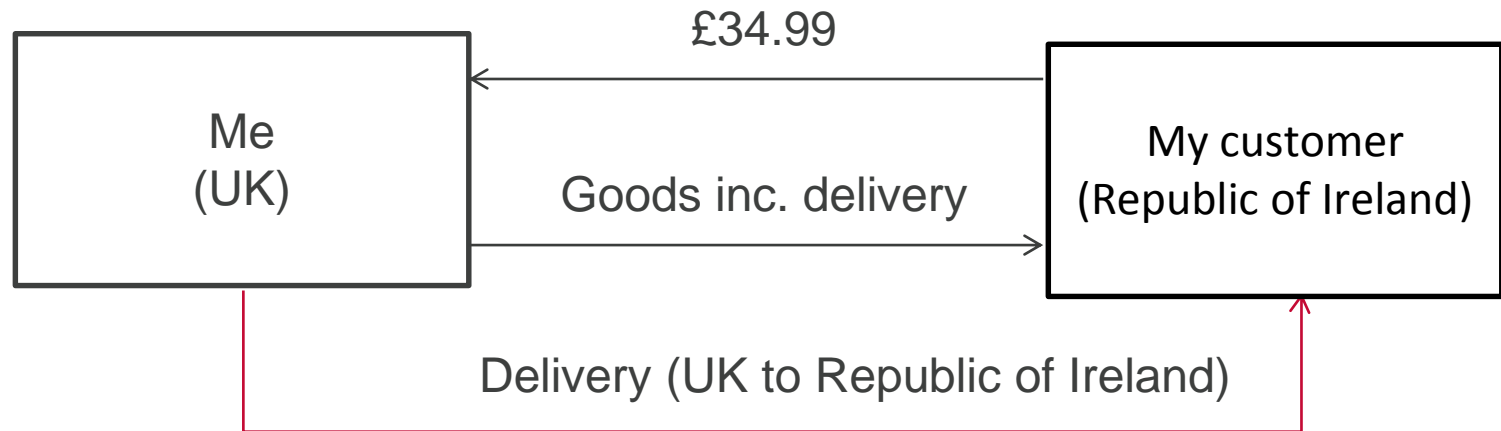
B. No VAT

C. Irish VAT

D. It depends



Phone a friend



What VAT should I charge?

A. UK VAT

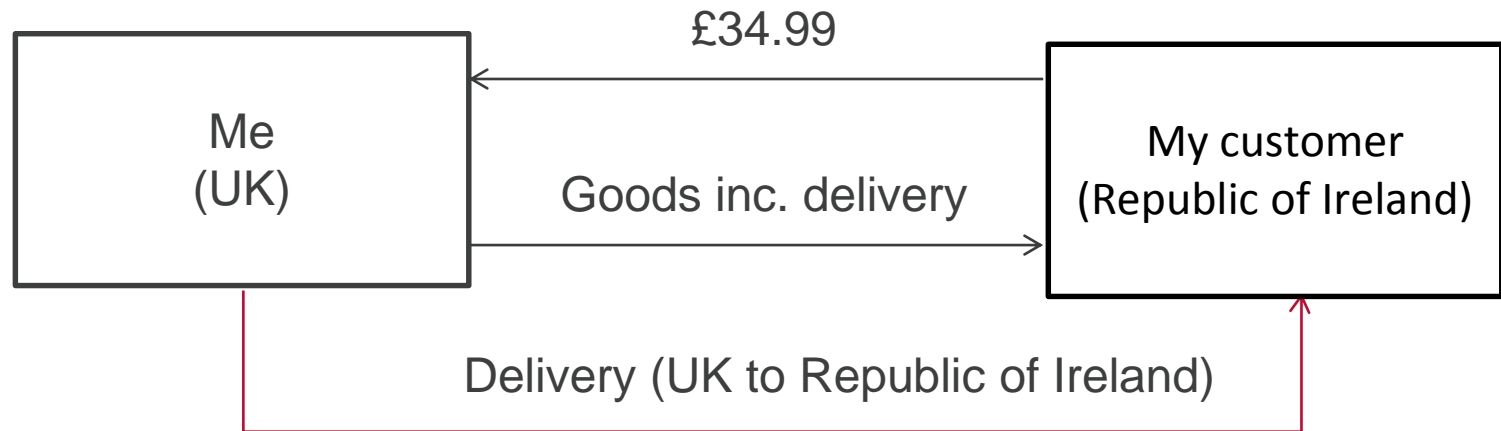
B. No VAT

C. Irish VAT

D. It depends



And the correct answer is...



What VAT should I charge?

A. UK VAT

B. No VAT

C. Irish VAT

D. It depends



It depends on what exactly?

- Which country (EU Member State) I am shipping to.
- The so-called “distance selling threshold” set by that country.



Distance Selling thresholds

1. EUR 100,000 (e.g. France, Germany); or
2. EUR 35,000 (e.g. Ireland, Italy, Spain); or
3. The (approximate) local currency equivalent of either in countries that have not adopted the Euro (e.g. Denmark, Sweden).



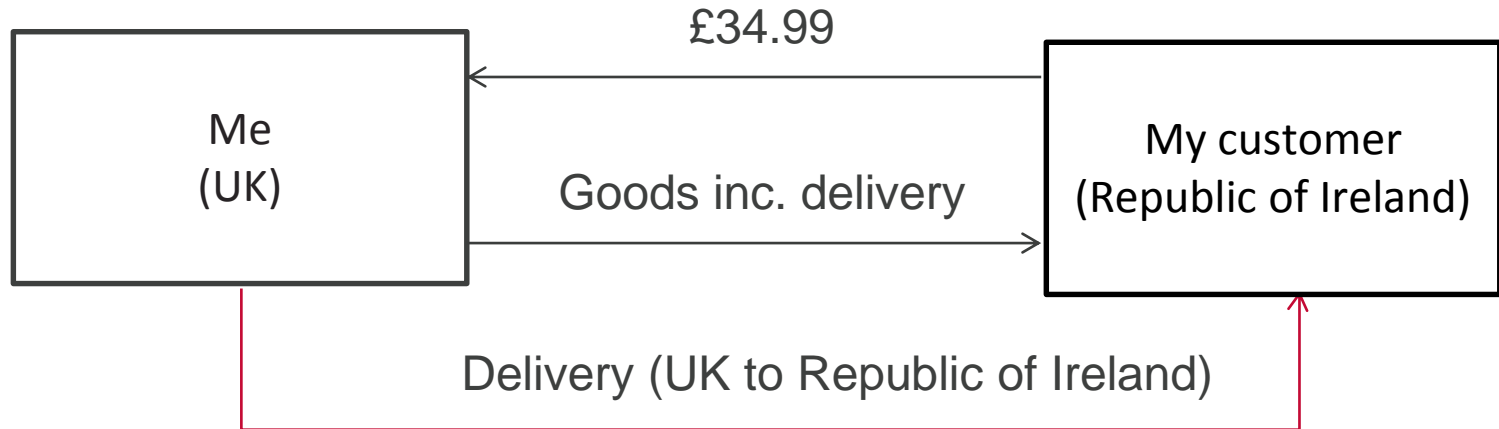
Distance Selling thresholds

- The threshold in each country can be found on the EU Commission website:

[Distance selling thresholds \(PDF, March 2012\)](#)



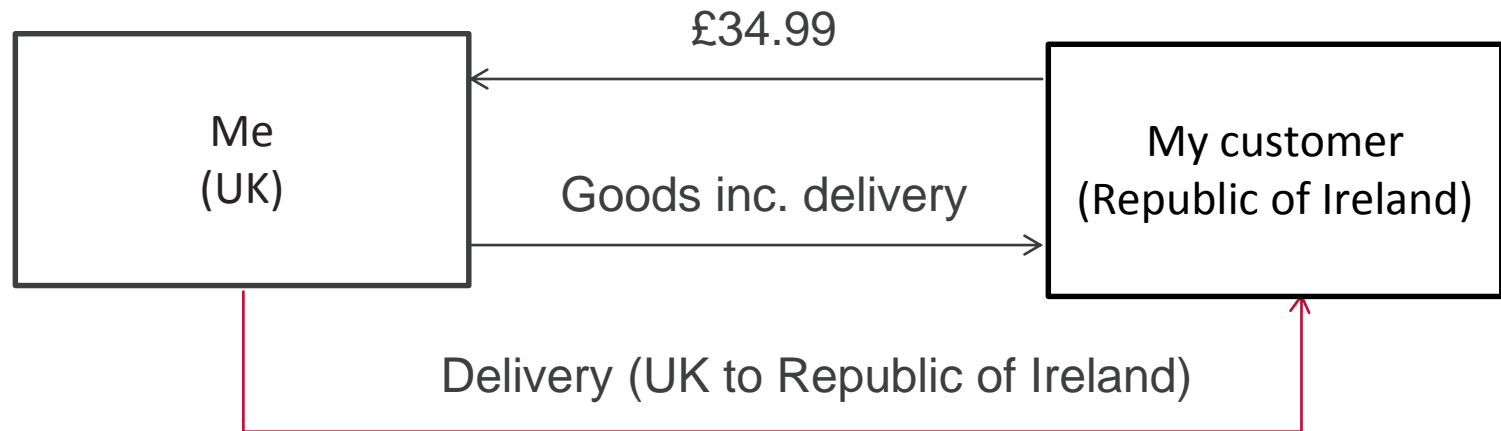
Back to our previous example...



Ship to country:	Republic of Ireland
Distance selling threshold set by "ship to" country (ROI):	EUR 35,000



So what does that mean for me...?



Relevant period:	Calendar year (1 January – 31 December)
Net sales:	< EUR 35,000 = UK VAT (VAT of “ship from” country)
	≥ EUR 35,000 = ROI VAT (VAT of “ship to” country)

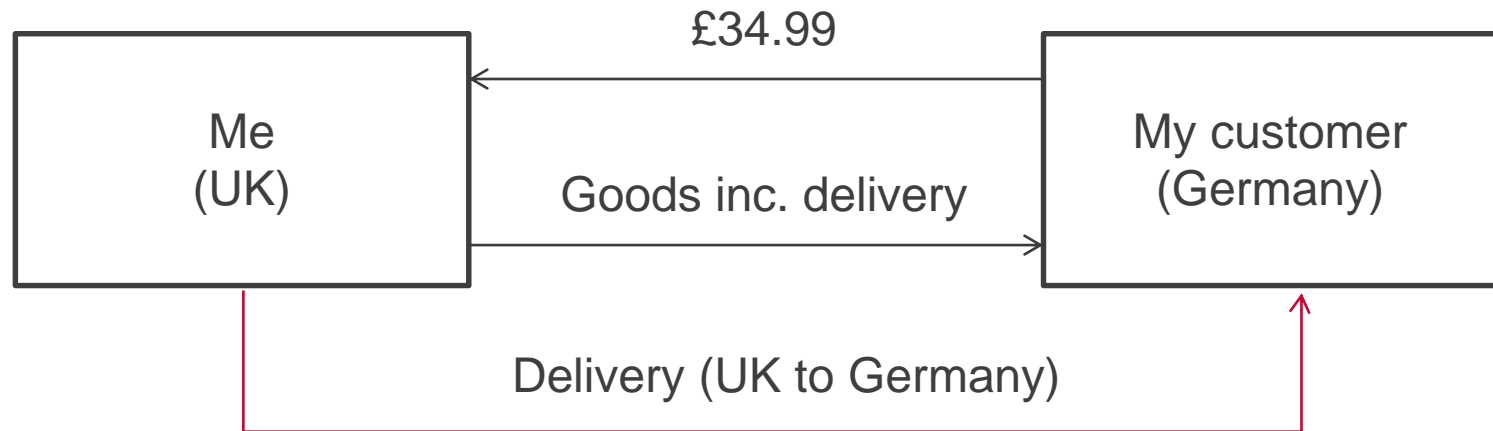


So what does that mean for me...?

- If my net sales to private individuals in Ireland exceed the Irish distance selling threshold, I need to register for VAT in Ireland (obtain an Irish VAT number).
- Once registered, I need to file Irish VAT returns in addition to UK VAT returns.
- I need to account for Irish VAT at the appropriate rate on all shipments to private individuals in Ireland going forward.
- I need to pay that VAT to the Irish tax authorities.



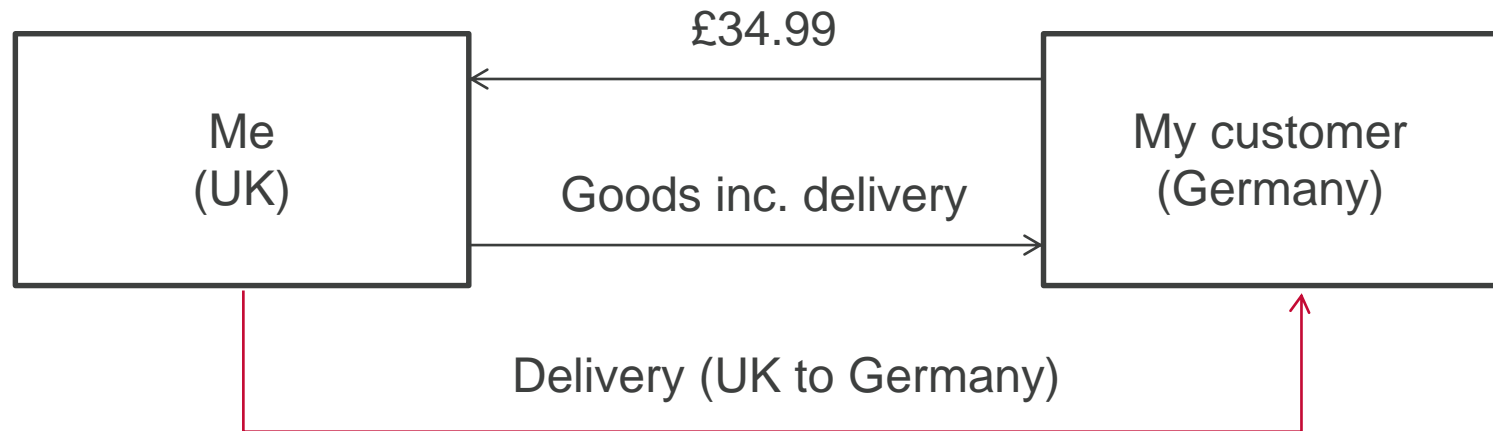
Another example...



Ship to country:	Germany
Distance selling threshold set by "ship to" country (Germany):	EUR 100,000



So what does that mean for me...?



Relevant period:	Calendar year (1 January – 31 December)
Net sales:	< EUR 100,000 = UK VAT (VAT of “ship from” country)
	≥ EUR 100,000 = German VAT (VAT of “ship to” country)



So what does that mean for me...?

- If my net sales to private individuals in Germany exceed the German distance selling threshold, I need to register for VAT in Germany (obtain a German VAT number).
- Once registered, I need to file German VAT returns in addition to UK VAT returns.
- I need to account for German VAT at the appropriate rate on all shipments to private individuals in Germany going forward.
- I need to pay that VAT to the German tax authorities.



Option to tax in customer's country

- Only if distance selling threshold not already exceeded.
- Requirement to notify tax authorities in “ship from” country.
- May be worth considering if the applicable VAT rate in the “ship to” country is lower than that in the “ship from” country – or simply for the sake of convenience (e.g. no need to monitor turnover).



VAT rates

- Vary from country to country.
- The standard rate of VAT in the UK is currently 20%...
- ...whereas the standard rate in Luxembourg is currently 15%.
- ...and the standard rate of VAT in Hungary is currently 27%.



VAT rates

- Just because a product is zero-rated / reduced-rated in one country...
- ...does not mean that it will be zero-rated / reduced-rated in another.
- For example, most books are zero-rated in the UK and the Republic of Ireland..
- ...but are subject to a positive rate of VAT in all other EU countries (25% in Denmark!).



VAT rates

- This may either work for you or against you.
- But if you are properly informed then you can at least take this into account when setting your prices.
- Further information on VAT rates can be found on the EU Commission website:

[VAT rates \(PDF, July 2013\)](#)



Obtaining a VAT number

- It typically takes 4 – 6 weeks from submitting your application...
- ...but it can take much longer.
- Putting the application together can sometimes take as long.



Filing a VAT return once registered

- Quarterly returns are the norm in the UK...
- ...but this varies from country to country.
- Some countries require returns to be filed every month; others every calendar quarter; bi-monthly is the norm in Ireland for example.



Filing a VAT return once registered

- The filing frequency may be dependent on the level of my turnover and may therefore be subject to change.
- Some countries also require annual declarations to be filed , e.g. Germany, Ireland, Spain.
- Intrastat declarations may need to be filed depending on the level of my turnover.



Filing a VAT return once registered

- The filing and payment deadline also varies from country to country.
- In Germany, for example, you generally only have 10 days within which to file your return and make your payment after each month end.
- The VAT payment must be received in local currency and may have to be made through a local bank account.



Filing a VAT return once registered

- Depending on the country, you may have the option of filing returns either on paper or electronically.
- In more and more countries, however, electronic filing is becoming mandatory.
- In order to file electronically, you may need to obtain an electronic signature.

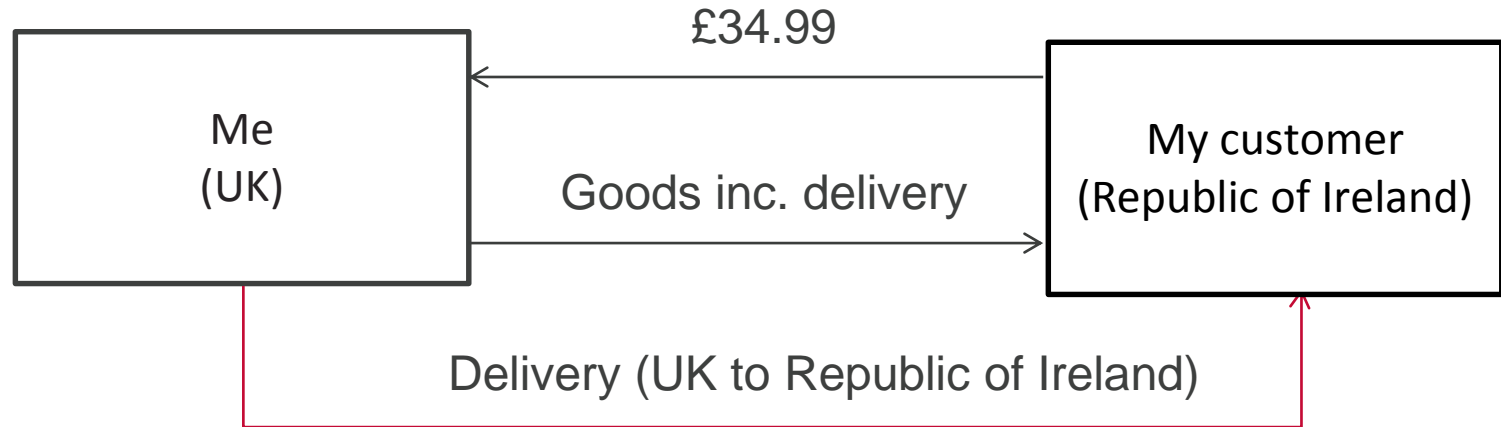


Filing a VAT return once registered

- In order to obtain an electronic signature, you may need an employee who is a national of that country and willing to allow their social insurance number to be used to obtain it.
- Which is just one of the practical issues which may mean that you need to outsource the preparation and filing of your returns.



Sales to EU business customers

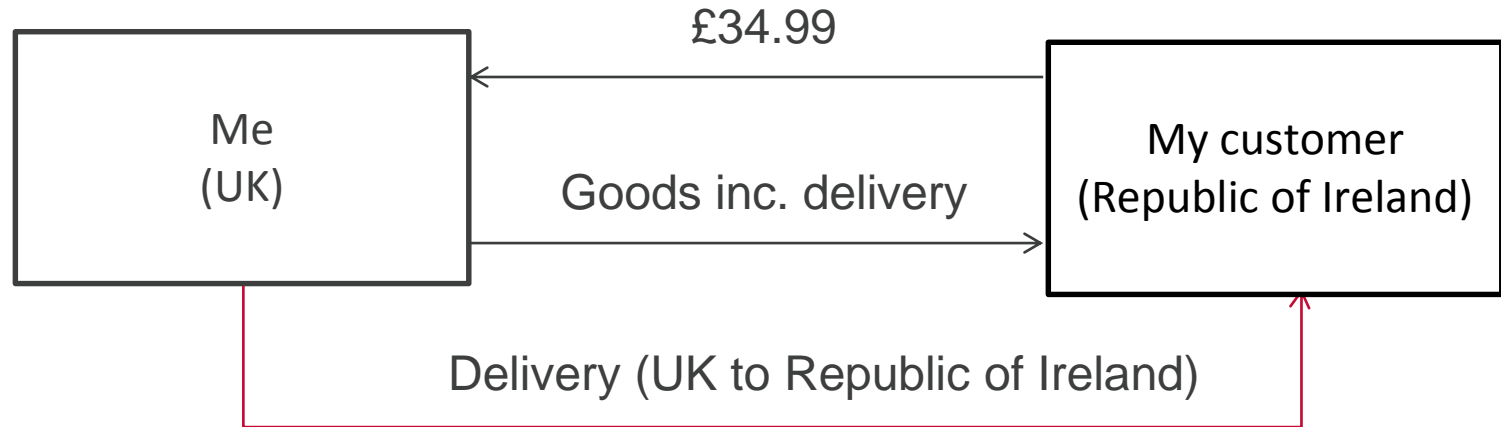


Provided that:

- You can prove the goods left the UK and went to Ireland; and
- Your customer provides you with a valid EU VAT number that belongs to them; then
- You should be entitled to zero-rate your sale from UK VAT.



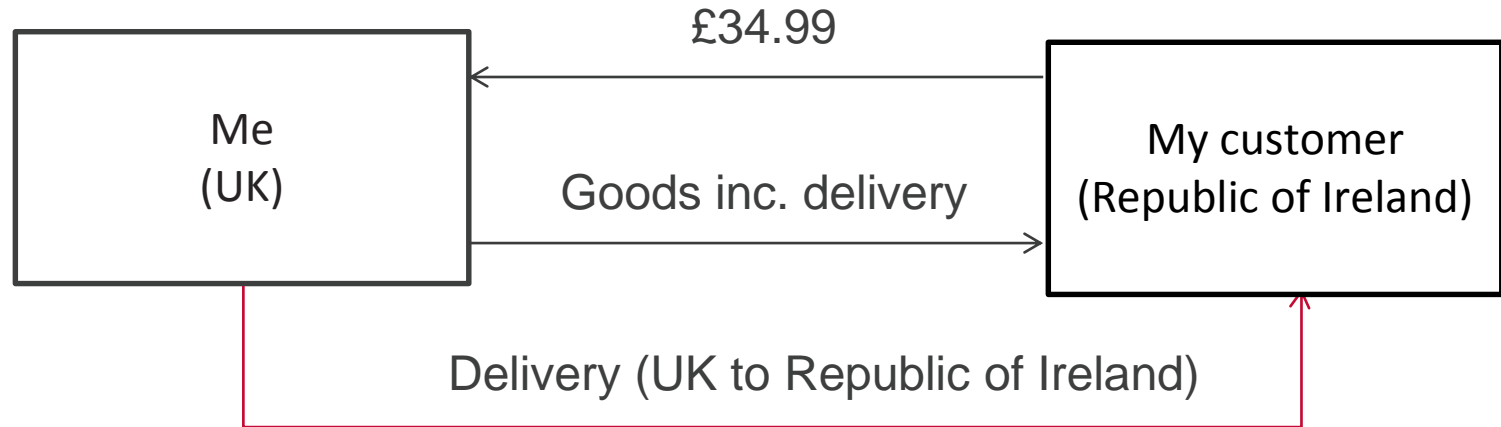
Sales to EU business customers



- There should be no obligation for you to register for VAT in the customer's country on account of this type of transaction (it does not matter if you are already registered for VAT there).
- You must report this type of transaction on your UK VAT returns. EC Sales Listings and (subject to threshold) Intrastat dispatches declarations.
- The goods must generally leave the UK within 3 months and you must obtain and retain the required proof of dispatch within this same time limit.



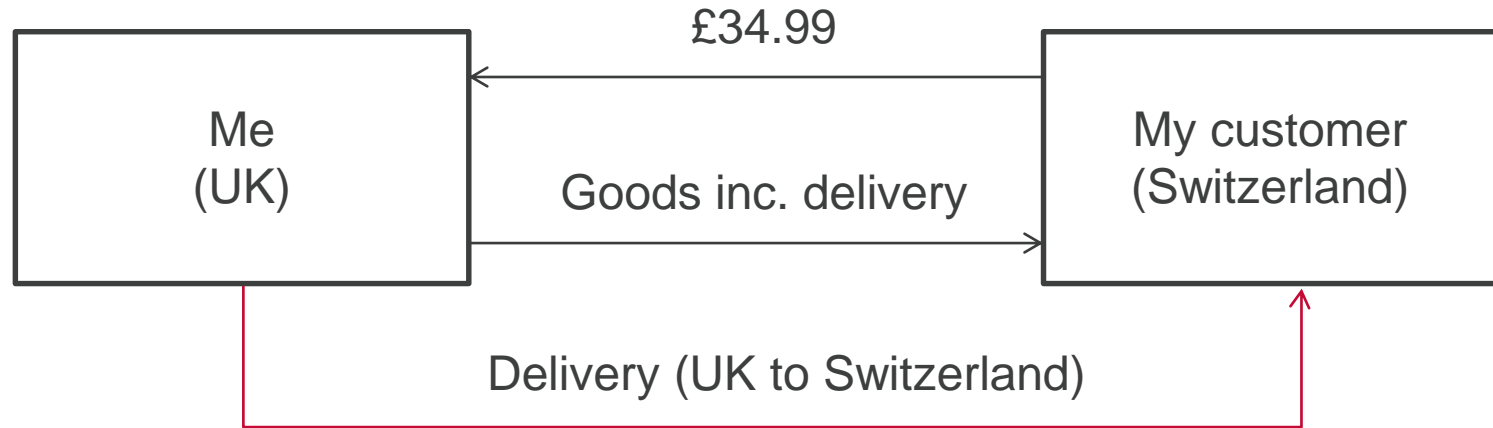
Sales to EU business customers



- The customer's VAT number must appear on your sales invoice.
- The legal basis for not charging VAT must also be mentioned, e.g. "intra-EU dispatch of goods, zero-rated according to Article 138(1) of EU Directive 2006/113/EC".
- This type of transaction is referred to as an "intra-Community dispatch", not an export.



Sales to non EU customers

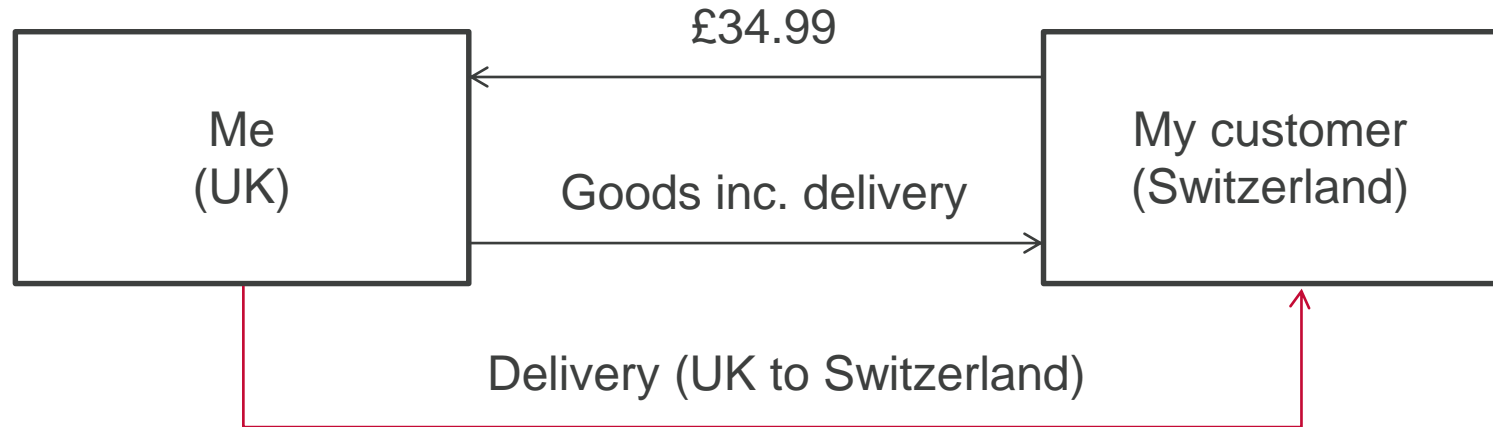


Provided that:

- You can prove the goods left the UK and went to Switzerland; then
- You should be entitled to zero-rate your sale from UK VAT.
- The goods must generally leave the UK within 3 months and you must obtain and retain the required proof of dispatch / export within this same time limit.



Sales to non-EU customers



- There should generally be no obligation for you to register for VAT in the customer's country on account of this type of transaction provided that you leave the customer to take care of the importation into their country.
- You must report this type of transaction on your UK VAT returns only.
- The status of the customer (private individual vs. business) is irrelevant as far as the EU VAT treatment is concerned.



Some common questions

- How will the different VAT rates affect my pricing? Do I need to charge different prices to customers in different countries?
- What rate of VAT do I charge on the shipping fees?
- Do I need to issue invoices?
- Can I do all of this myself or will I need help?



And finally, some words of advice

- Take your obligations seriously.
- Do not ignore the issue.
- Monitor your turnover closely.
- Plan ahead and act quickly if you need to be registered elsewhere.
- Understand the rules in each country and stay on top of any changes.
- Know your limitations.



Any questions?



Contact



Paul Quigley

Director of International VAT Consulting
Meridian Global Services

paul.quigley@meridianglobalservices.com

“All content in this webinar and this presentation is prepared by Meridian Global Services. Amazon EU Sarl and Amazon Services Europe Sarl are not certified tax advisors, hence Amazon does not and cannot give any recommendations on tax-related issues to sellers using the Amazon Marketplace.”

meridianglobalservices.com/crossborderwebinar