

UK implements new e-commerce VAT rules effective 1 January 2021

EY Tax News Update: Global Edition

EY's Tax News Update: Global Edition is a free, personalized email subscription service that allows you to receive EY Global Tax Alerts, newsletters, events, and thought leadership published across all areas of tax. Access more information about the tool and registration [here](#).

Also available is our [EY Global Tax Alert Library](#) on ey.com.

The United Kingdom (UK) is implementing fundamental changes to the value-added tax (VAT) accounting and reporting requirements for online sellers, businesses with a direct-to-consumer channel, and online marketplaces. These changes will be implemented from 1 January 2021.

Similar VAT changes in the European Union (EU) become effective from 1 July 2021.

These changes coincide with the removal of the low-value consignment relief for goods and the end of the Brexit transition period. These rules will replace the current arrangements for sales of goods to consumers in the UK and from the UK into the EU (e.g., under the EU distance sales VAT regime).

These changes will have an impact on many businesses, including:

- ▶ Any business that sells goods to consumers in the EU Member States and the UK - whether directly or using an online marketplace
- ▶ Any business that has a business-to-consumer (B2C) sales channel
- ▶ Any online marketplace (OMP) that facilitates the sale of B2C goods
- ▶ Freight forwarders, postal operators, and express carriers, among others
- ▶ Any business importing goods into the UK with a consignment value of less than £135 for sale to UK customers both on business-to-business (B2B) and B2C sales

Businesses affected by these changes should be considering the associated systems, tax, commercial, contractual and pricing implications as soon as possible.

UK VAT changes from 1 January 2021

Abolition of low-value consignment relief for goods under £15

All goods imported into the UK will be subject to UK VAT (at the relevant rate 0%, 5% or 20%).

Goods imported into the UK in consignments valued at less than £135

UK VAT to be due at the point of sale instead of at importation on B2B and B2C sale of goods if the consignment is valued at less than £135. This value relates to the whole consignment, not the value of individual goods in the consignment.

If the customer is not VAT registered, the seller (or OMP facilitating the sale) must register for VAT in the UK and charge UK VAT. If the customer is VAT registered, its VAT registration number should be obtained by the seller/OMP and the customer should apply the reverse charge (i.e., account for VAT itself on behalf of the seller).

Online marketplaces

OMPs (regardless of where they are established) will be liable for UK VAT on the following supplies facilitated by them:

- ▶ Sale of imported goods valued at less than £135 by UK or non-UK sellers
- ▶ Sale of goods (any value) by non-UK sellers if the goods are located in the UK at the time of sale

Brexit - UK businesses selling into EU

The EU distance selling threshold will not apply for sales by UK sellers; instead, these sales will become exports from the UK and imports into the UK by the customer. An Import One Stop Shop will be introduced in the EU from 1 July 2021 for consignments valued at less than €150.

For additional information with respect to this Alert, please contact the following:

Ernst & Young LLP (United Kingdom), London

- ▶ Simon Baxter sbaxter1@uk.ey.com
- ▶ Ethan Ding eding@uk.ey.com
- ▶ Gaurav Patney gaurav.patney@uk.ey.com

Ernst & Young LLP (United Kingdom), Leeds

- ▶ Andy Jones andy.jones@uk.ey.com

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Indirect Tax

© 2020 EYGM Limited.

All Rights Reserved.

EYG no. 007699-20Gbl

1508-1600216 NY

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com