

Commission welcomes agreement on new rules paving the way for better VAT collection on online sales

The new rules agreed today will ensure a smooth introduction of the new VAT measures for e-commerce [agreed in December 2017](#) and which will come into force in January 2021. They should also help Member States to recover the €5 billion in tax revenues lost in the sector each year – a figure due to rise to €7 billion by 2020. EU Economic and Financial Affairs ministers took the decision at their meeting in Brussels this morning.

Commissioner for Economic and Financial Affairs, Taxation and Customs Union, Pierre **Moscovici**, said: *“Step by step we are plugging the gaps through which tax revenues are lost, depriving EU countries of funds that could be used for public services and investment. At the same time we are bringing VAT rules into the 21st century, adapting them to an increasingly digital and globalised economy. Businesses should look forward to a smooth transition to the broader VAT system for e-commerce in 2021.”*

Tackling VAT non-compliance on sales facilitated by online platforms

Non-EU companies, including those who make use of warehouses or so-called ‘fulfilment centres’ in the EU, can sell goods to EU consumers through online marketplaces. It can often be difficult for tax authorities to obtain the VAT due on those goods.

According to the measures agreed in December 2017, online marketplaces will be considered to act as the seller when they facilitate sales of goods with a value up to €150 to customers in the EU by non-EU businesses using their platform. Importantly, the same rules will apply when non-EU businesses use online platforms to sell goods from ‘fulfilment centres’ in the EU, irrespective of their value, allowing tax authorities to claim the VAT due on those sales. Online platforms will also be expected to keep records of sales of goods or services made by businesses using the platform.

The rules agreed today specify in more detail when online marketplaces are considered to facilitate such supplies or when they are not considered to do so, based on whether or not they are setting the terms and conditions of the supply as well as their involvement in the payment or ordering and delivery of the goods. They also specify in detail what kind of records have to be kept by platforms facilitating supplies of goods or services to customers in the EU.

A new VAT system for online sellers

Implementing rules agreed today will also ensure that a brand new VAT system is ready for all businesses that sell goods online as of 2021. The rules introduce new building blocks for the system that will be needed for online

companies to take full advantage of the EU's Single Market.

The updated electronic business portal for VAT or 'One-Stop Shop' put in place by these measures will allow companies that sell goods online to their customers to deal with their VAT obligations in the EU through one easy-to-use online portal in their own language.

Without the portal, VAT registration would be required in each EU Member State into which they want to sell – a situation cited by companies as one of the biggest barriers for small businesses trading cross-border. The system is already in place for e-service providers since 2015 and is working well.

Next steps:

Final adoption of the new rules will be possible when the consultative opinion of the European Parliament becomes available. That said, the Member States can rely on the rules adopted today to start extending their IT systems.

The new VAT rules will apply from 1 January 2021 with Member States having until the end of 2020 to transpose the new rules of the VAT Directive into national legislation. Businesses wishing to make use of the extended VAT One Stop Shop can start registering in Member States as of 1 October 2020.

For More Information

The measures follow up on the Commission's [VAT Action Plan](#) towards a single EU VAT area presented in April 2016.

The common Value Added Tax (VAT) system plays an important role in Europe's Single Market. VAT is a major and growing source of revenue in the EU, raising over €1 trillion in 2015, which corresponds to 7% of EU GDP. One of the EU's own resources is also based on VAT.

[DG TAXUD page on VAT for e-commerce including legal texts](#)

[Press release on the December 2017 deal on VAT for e-commerce](#)

[Q&A on VAT for e-commerce](#)

[Action Plan on VAT – Towards a single EU VAT area](#)

[Digital Single Market strategy](#)

[Digital Single Market – Modernising VAT for cross border e-Commerce](#)