

VAT MINI ONE STOP SHOP – UPCOMING CHANGES

7 November 2018

Since 1 January 2015 businesses supplying digital services (telecommunication services, radio and TV broadcasting services and electronically supplied services) to non-business customers have been liable to account for VAT in the country where the customer belongs. These sales are referred to as sales to consumers or B2C sales. There is no de minimis threshold, meaning that any such sale made in another EU Member State requires the business to register there to account for the local VAT.

The Mini One Stop Shop (MOSS) was introduced to simplify the administrative burden by allowing a single VAT return to be filed in the business's home state covering supplies made across the EU (see our technical update on Cross-Border VAT Changes from 1 January 2015).

THE CHANGES TAKING EFFECT FROM 1 JANUARY 2019

From next year a threshold will be introduced such that businesses whose total supplies of digital services across the EU fall below a threshold of €10,000 (£8,818) are liable to account for VAT in their home country, rather than accounting for VAT in the country where their customers are located, through MOSS or registration in that country.

MOSS will be extended such that non-EU businesses can use the facility as well.

IMPLICATIONS OF THE CHANGES

- The threshold applies to a calendar year, with a further condition that it was not breached in the prior year. If the €10,000 threshold is breached during the calendar year, the applicable VAT rules will change from that date onwards and for the following calendar year.
- Businesses can opt to ignore the €10,000 threshold, and account for local VAT, by making an election, which is valid from the date of election for the remainder of that calendar year and following two years.
- If such businesses' total taxable turnover is below the UK VAT registration threshold they will be able to de-register from VAT completely. Currently, a business making supplies accounted for through MOSS must also be registered for UK VAT even if not required to charge UK VAT due to being under the UK VAT registration threshold.

The changes are likely to come as a welcome simplification for small businesses making occasional low value sales in other Member States. Until 1 January 2019 a UK business selling mostly to UK customers but making one sale a year to individuals in, say, France, Germany and Belgium would have to register in four countries, or register for MOSS as well as UK VAT.

EXAMPLE

A fitness expert supplies online coaching courses to consumers at a price of £50 each. During 2018 £5,000 of these B2C digital sales were made to consumers in EU Member States excluding the UK. The existing rules apply and either the business must register in each country in which its customers are based or register for MOSS to account for this non-UK VAT.

The business makes a further £8,500 of EU supplies in the period from January to May 2019 net of any VAT. Since B2C digital sales to EU consumers have not exceeded £8,818, all the sales to the end of May in 2019 are subject to UK VAT unless the business elects to account for local VAT through VAT MOSS or registering locally.

Further B2C supplies of £1,500 net of VAT are made during June 2019. The first supply which takes the business over the £8,818 threshold and all further supplies in 2019, are subject to VAT of the country where the customer belongs. The business can account for this through VAT MOSS or register locally.

All B2C digital supplies made to consumers in other EU Member States in calendar year 2020 will be treated as made in the country the customer belongs because the threshold was breached in the preceding year.

THE CHANGES TAKING EFFECT FROM 1 JANUARY 2021

Further changes are coming in two years' time. How exactly this affects UK businesses is yet to be determined as it will depend on the agreements made following Brexit.

CURRENT MOSS RULES

MOSS returns only cover services to a consumer (B2C services) for digital supplies which comprise:

- Telecommunication services
- Radio and TV broadcasting services

- Electronically supplied services.

PROPOSED NEW MOSS RULES

MOSS returns will be extended to cover the following:

- Non-EU businesses supplying any services to consumers in an EU Member State.
- Intra-EU sales of goods to consumers, subject to an EU-wide threshold of €10,000.
- Goods imported from outside the EU Member States, where the value of the goods is no more than €150.

IN SUMMARY

The forthcoming changes are largely aimed at start-ups, micro businesses and SMEs who operate within the online marketplace. The changes are intended to keep the administrative burden to a minimum whilst reducing the VAT gap and ensuring that VAT is accounted for fairly across the EU.

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