

May 15<sup>th</sup> 2020

**COVID-19**  
**VAT package on e-commerce**  
**Postponed until July 1, 2021**

Reminder: on December 5, 2017, the Council adopted the VAT package on electronic commerce which included a directive and two regulations. Furthermore, on November 21, 2019, the Council adopted implementing measures for the VAT package by [Council Directive \(EU\) 2019/1995](#) and [Council Implementing Regulation \(EU\) 2019/2026](#).

Finally, on February 12, 2020, the Commission finalized the reform by adopting [Implementing Regulation \(EU\) 2020/194](#) laying down the procedures for the operation of the VAT single window.

First, with regard to **intra-Community sales**, the new e-commerce package was to introduce two major provisions:

- new rules allowing the companies concerned to fulfill all their VAT obligations in the EU using an **online digital portal**, hosted by their own tax authorities. These rules already exist for online sellers of electronic services (the MOSS one-stop shop) and they will be extended to distance selling by transforming MOSS into a **one-stop shop** (OSS);
- the current thresholds specific to each Member State (from € 35,000 to € 100,000) will be replaced by a common threshold at European level, namely by **a single annual VAT threshold of € 10,000** below which cross-border sales to other countries within the EU are treated as domestic sales for online businesses, which pay VAT to the tax authorities on which they depend. Sales made by companies crossing this threshold will be subject to the **rates applicable in the Member State of destination**. Those who exceed the threshold no longer have to register with the tax authorities of each Member State as before, because they can use the one-stop shop.

Furthermore, with regard to **distance sales of goods imported from third countries**, two major provisions are provided for:

- the **abolition of the VAT exemption in force for imports of small consignments with a maximum value of € 22 from third countries**;
- the establishment of a rule according to which the large **online market sites must assume responsibility for the collection of VAT** on sales made on their platforms

by companies from third countries to consumers in the EU. Sales processed through these electronic markets will be mainly processed at the rates of the Member State of destination.

All of these significant changes were to entry into force on January 1, 2021.

However, due to the current crisis, the European Commission decided on May 8, 2020 to postpone the entry into force of the reforms for 6 months. Thus, these rules will apply **from July 1, 2021** instead of January 1, 2021, which will give Member States and businesses more time to prepare for the new rules (including their IT systems).

The European Parliament and the Council have been informed of these proposals and the Commission hopes that they will adopt these proposals as soon as possible to ensure legal certainty for all stakeholders.

For more information, you can consult the Commission's proposals on the following links:

- [Proposal for a COUNCIL DECISION amending Directives \(EU\) 2017/2455](#) and (EU) 2019/1995 as regards the dates of transposition and application due to the outbreak of the COVID-19 crisis
- [Proposal for a COUNCIL REGULATION amending Regulation \(EU\) 2017/2454](#) as regards the dates of application due to the outbreak of the COVID-19 crisis
- [Proposal for a COUNCIL IMPLEMENTING REGULATION amending Implementing Regulation \(EU\) 2019/2026](#) as regards the dates of application due to the outbreak of the COVID-19 crisis

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**DS Customs & Trade team is at your disposal to provide you with any additional information.**

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