



## Modernising VAT for cross-border e-commerce: Commission launches public consultation

Brussels, 25 September 2015

**The European Commission has launched a public consultation to help identify ways to simplify the Value-Added Tax (VAT) payments on cross-border e-commerce transactions in the EU.**

The Commission is seeking to receive a [wide range of views](#) from business owners and other interested parties before it drafts its legislative proposals on the topic in 2016, as part of the [Digital Single Market strategy](#).

Andrus Ansip, European Commission Vice-President for the Digital Single Market, said: *"We promised to support companies, and especially smaller ones, to reduce burdens arising from different VAT regimes. Today we ask businesses and other stakeholders to help find the most effective and meaningful ways of delivering on this promise. In the Digital Single Market Strategy we have already put forward some measures we would like to take, such as a VAT threshold for startups."*

Pierre Moscovici, Commissioner for Economic and Financial Affairs, Taxation and Customs said: *"This consultation presents a real opportunity to ensure that future VAT revenues from the digital economy are distributed fairly and effectively. At the same time, we want to make it as easy as possible to comply with the rules. We also have an interest in ensuring that future legislation reflects the reality for businesses across the EU."*

This consultation is also part of the ongoing assessment of the new rules for VAT payments on cross-border telecommunications, broadcasting and electronic services which came into force last January. The Commission is keen to garner feedback on the associated [Mini-One Stop Shop \(MOSS\)](#), the tool that allows businesses that sell digital services to customers in more than one EU country to declare and pay all their VAT in their own Member State.

The consultation will run for 12 weeks and end on 18 December 2015.

### **The Digital Single Market Strategy**

In the context of the Digital Single Market, the Commission is working to minimise burdens attached to cross-border e-commerce arising from the different VAT regimes within the EU. It wants to provide a level playing field for EU companies, big or small, and ensure that VAT revenues flow to the country where the consumer is based.

The Commission will make a legislative proposal in 2016 to reduce the administrative burden on businesses arising from different VAT regimes. The consultation launched today will feed into preparations for these important proposed measures.

The Commission will propose simplification measures for small business including an appropriate threshold which can address the problems without causing further distortions to the single market or compliance challenges for tax administrations. Specifically, the Commission will propose reducing the administrative burden on businesses arising from different VAT regimes including:

- extending the current single electronic registration and payment mechanism to cover the sale of tangible goods;
- introducing a VAT threshold to help online start-ups and small businesses;
- allowing cross-border businesses to be audited only by their home country for VAT purposes;
- removing the VAT exemption for the import of small consignments from suppliers in third countries.

### **Current VAT rules for e-services**

The new "place of supply" rules for businesses dealing in cross-border telecommunications, broadcasting and e-services came into effect on 1 January 2015. This meant that such goods and

services would be taxed in the Member State of the customer buying the product. VAT is a consumption tax, and these rules aim to ensure that the taxation of e-services reflect where consumption takes place. In this way, VAT goes to the treasury of the country where the buyer is based.

As part of the changes, the Mini-One Stop Shop (MOSS) was set up to simplify cross-border VAT payment procedures for e-commerce. For the first time, businesses could register and account for VAT payable to other Member States through a simplified quarterly online return, hosted by the tax administration in their own Member State. Preliminary data indicates that more than EUR 3 billion VAT will be paid through MOSS in 2015 representing approximately EUR 18 billion in sales.

Despite the broad support for the new rules, some very small businesses have faced some difficulties, particularly in the UK where they were previously exempt from VAT up to a threshold. In its original proposal, the Commission had included a VAT threshold to exempt smaller businesses from the changes, but Member States rejected that option. The Commission would like to put that option forward again in order to support the EU's start up and smallest companies.

Link to public consultation:

<https://ec.europa.eu/eusurvey/runner/ModernisingVATcrossborderecommerce>

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Press contacts:

[Patrick Mc Cullough](#) (+32 229 87183)

[Vanessa MOCK](#) (+32 2 295 61 94)

General public inquiries: [Europe Direct](#) by phone [00 800 67 89 10 11](tel:0080067891011) or by [email](#)