



Briefly Brexit E-Commerce Newsletter

November 2020

NZTE London

The end of the transition period on 1 January 2021 will have implications for e-commerce in the UK and EU, regardless of whether a trade deal is reached or not.

Below is a high-level overview of some areas that companies who sell into the UK and EU via e-commerce should be considering when reviewing their operations in order to prepare for the end of the transition period. This is not intended to be exhaustive, and we encourage you to think about the specifics of your business operations.

NZTE - In October, NZTE held webinars on Preparing your Business for Brexit. You can access a recording and copy of the slide pack for the New Zealand webinar on [the event webpage here](#).

1. VAT

From 1 January 2021, the EU rules on VAT will no longer apply to the UK. VAT requirements for sales into the EU from the UK will no longer be 'intra-EU' but will become non-EU supplies and purchases, subject to EU import VAT.

Distance Selling – There will be a loss of distance selling thresholds for UK e-commerce sellers of goods to EU consumers from the UK. Goods will now be subject to import VAT, and UK sellers will have to consider registering for VAT in Europe. EU e-commerce sellers may now need to register for UK VAT also. You can read more about the implications of Brexit on distance selling into the EU on the Grant Thornton [website here](#).

UK VAT Changes - To help companies deal with upcoming changes, the UK has introduced a [postponed VAT accounting](#) scheme, which will apply to all imports into the UK.

From 1 January 2021, the UK B2C e-commerce reforms include:

1. All imported goods purchased will be subject to VAT - ending the current £15 VAT exemption threshold, known as Low-Value Consignment Stock relief.
2. Imported consignments of goods not exceeding £135 will be subject to sales (supply) VAT instead of import VAT. This will be charged to the UK consumer by the UK or non-UK seller in the checkout at the point-of-sale. The seller will then report and pay the collected VAT through a regular UK VAT return. A simplified customs declaration will still be required. Goods above this value will be subject to VAT and customs in the current way.
3. If an online marketplace (OMP) 'facilitated' the ≤£135 import sale, it will become responsible for charging and reporting VAT. For any OMP facilitated sale of any value made by non-UK sellers where the goods were already in the UK, the OMP will also be responsible for the VAT obligations.

You can read more about VAT changes on the UK Govt website here: [Changes to VAT treatment of goods sold to customers from 1 January 2021](#).

The UK has also released the below technical guidance on VAT:

- [Check when you can account for import VAT on your VAT return](#)
- [Complete your VAT return to account for import VAT](#)

Upcoming changes in EU VAT rules from July 2021 – New VAT rules will apply to B2C trade in the EU from July 2021. The new rules aim at simplifying VAT obligations for companies carrying out cross-border sales of goods or services (mainly online). The new rules include:

- Abolishing the current VAT distance sales registration thresholds in each EU member state. Retailers and other businesses making B2C online sales of goods within the EU will be obliged to charge local VAT in the member state to which the goods are shipped. However, the VAT due on sales to consumers in member states where the seller does not have VAT establishment can be remitted through a single EU wide VAT return (the One Stop Shop).
- Abolishment of the €22 low value consignment import VAT relief for goods from outside of the EU. VAT at the appropriate rate will become due on such imports.
- Electronic interfaces which 'facilitate' the sales of goods to consumers in the EU may have additional VAT collection and reporting obligations.
- Extension of the scope of the MOSS scheme, turning it into a One Stop Shop (OSS), to cover all supplies of services.
- VAT on consignments imported from outside of the EU (with a value not exceeding €150) can be reported and paid through the a single EU-wide return.

You can read the EU's summary on the upcoming changes here: [Modernising VAT for cross-border e-commerce](#). KPMG also has an explainer document on the EU's VAT e-commerce package [here](#).

2. E-commerce in the EU

Current EU rules on e-commerce have sought to reduce cross border delivery costs for EU customers, prevent geo-blocking, and allow firms to register for a .eu domain. At the end of the transition period, the eCommerce Directive will no longer apply in the UK.

- The [eCommerce Directive](#) currently allows European Economic Area (EEA) online service providers (currently including the UK) to operate in any [EEA country](#), while only following relevant rules in the country in which they are established. This framework will no longer apply to UK providers at the end of the transition period.
- UK based companies will need to consider whether their services are in scope of the Directive, and if so, ensure they are compliant with relevant e-commerce requirements in each EEA country they operate in.
- You can find guidance on how to check whether your business is in scope of the eCommerce Directive, what new legal requirements will apply and what steps you can take on the UK government website [here](#).

The [EU's guidance on e-commerce](#) sets out the 'Country of Origin' principle where online service providers that operate in the EEA will need to make sure they comply with e-Commerce regulations in each EEA country (eg online advertising, online shopping and contracting rules).

After the transition period, any New Zealand service providers established exclusively in the UK will no longer be able to rely on this principle and companies will be subject to the jurisdiction of each Member State in which they operate.

3. Online sales

The EU has technical guidance on the [online sales \(B2C\) of goods with subsequent parcel delivery here](#). Stakeholders are advised to assess the need to be established in the EU and adapt distribution channels as required. For the customs clearance of consignments, the legal framework from 1 January 2021 sets out the following requirements:

Value of consignment	Post	Express
Less than EUR 150	<ul style="list-style-type: none"> - entry summary declaration (ENS)⁹ - customs declaration with a super-reduced dataset - presentation to customs 	
Above EUR 150	<ul style="list-style-type: none"> - ENS - standard customs declaration (reduced dataset possible for goods up to EUR 1 000) - presentation to customs 	<ul style="list-style-type: none"> - ENS - standard customs declaration for VAT and customs purposes - presentation to customs

Amazon

Amazon has confirmed that as a result of Brexit, from 1 January 2021 it will no longer fulfil European Fulfilment Network (EFN) items across the UK/EU border and there will be an end to pan-European Fulfilment by Amazon (FBA) inventory transfers between the UK and the EU.

Amazon is recommending that companies consider splitting their inventory and sending it to a fulfilment centre in the UK and the EU so that there is sufficient stock either side of the new customs border.

You can read more about his upcoming change here: [Tamebay: Amazon EFN and pan-European FBA ends for UK](#) or here [Activ8: Amazon after Brexit, Preparing for EFN pan-European changes](#).

Upcoming dates companies should be aware of are **18 December** where pan-European FBA inventory transfers will stop between the UK and EU and **21 December** where cross-border fulfilment via EFN and Pan-European FBA will start winding down. You can read more about this on the [Tamebay website here](#).

Any questions? If you have any questions about Brexit or are after any more information, please email NZTE's Brexit address, Brexit@nzte.govt.nz.

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