

PUBLIC

# EUROPEAN UNION (EU) VAT DE MINIMIS REMOVAL

WEBINAR 14/06/2021

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# EU VAT De Minimis Removal Agenda



**Overview of EU VAT Changes**

**Formal Customs Declaration**

**VAT Payment**

**Key Takeaways**

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# EU VAT De Minimis Removal Overview

## EU VAT De Minimis Removal

The **Value Added Tax (VAT) rules in the European Union (EU\*)** were amended and the changes become **effective as of July 1<sup>st</sup> 2021**:

- Previously, commercial goods imported into the EU with a value up to 22 EUR were exempted from VAT.
- **As July 1<sup>st</sup> 2021:**
  - ✓ All commercial goods imported into the EU will be **subject to VAT**.
  - ✓ All imports of goods into the EU will require a **formal customs declaration**.
  - ✓ A **new (optional) VAT collection scheme** will be introduced for online sellers/online platforms, known as **Import One-Stop Shop (IOSS)** – which is only applicable for **B2C transactions** of goods with a **value up to 150 EUR**.

\* European Union (EU) countries: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden.



# EU VAT De Minimis Removal

## What does this mean for you?

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There are two key elements to be aware of:

#### 1) Formal Customs Declaration

In order to ensure a smooth customs clearance at destination, it is KEY that you provide accurate Commercial / Pro Forma invoice data, such as **goods descriptions, itemized values, HS code,** and other information. Generic description such as “samples” or “spare parts” are not allowed.

#### 2) VAT Payment

As of July 1st 2021, you can choose between the following **options to pay VAT** for goods imported into the EU:

- a) **Without IOSS** (for B2C or B2B | any goods value)
- b) **With IOSS** (only for B2C | only for goods up to 150 EUR)

► **This presentation will help providing a brief overview regarding these two elements**



# EU VAT De Minimis Removal

## VAT Payment - Overview

Goods Value*	DUTIES		VAT	
	Until June 30 <sup>th</sup> 2021	As of July 1 <sup>st</sup> 2021	Until June 30 <sup>th</sup> 2021	As of July 1 <sup>st</sup> 2021
€0 – €22**	Exempted	Exempted	Exempted	Levied <i>(with IOSS for B2C, or Upon Import for B2C/B2B)</i>
€22** – €150	Exempted	Exempted	Levied <i>(Upon Import, Standard VAT Payment)</i>	Levied <i>(with IOSS for B2C, or Upon Import for B2C/B2B)</i>
Above €150	Levied <i>(Upon Import)</i>	Levied <i>(Upon Import)</i>	Levied <i>(Upon Import, Standard VAT Payment)</i>	Levied <i>(Upon Import, Standard VAT Payment)</i>

\***Goods Value:** intrinsic value (the price at which the goods are sold, excluding transport and insurance costs, unless they are included in the price and not separately indicated on the invoice). It is important to note that the threshold applies to the **value of the consignment, not to each individual item.**

\*\* **EUR 22 De Minimis:** please note that in certain EU Member States (e.g. BG), the De Minimis value is of €10 (instead of €22); other EU Member States (i.e. PL, FR, SE) have already decided to curb the use of this exemption to certain (mail) orders or in whole.

**NOTE:** please note the abbreviation **B2C** = Business to Consumers and **B2B** = Business to Business



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# EU VAT De Minimis Removal Formal Customs Declaration

## Import Customs Declaration in the European Union (EU)

- Currently, low value shipments **below €22** are cleared with a **Manifest Clearance**, where multiple low value shipments are **grouped under one (1)** declaration.
- With the **EU decision to abolish the VAT relief as of 1<sup>st</sup> of July 2021**, all shipments imported to the European Union (EU) will require a **FORMAL Customs Declaration (1 per shipment)**.

## Customs Data Quality *(provided by Shipper)*

**For a smooth customs clearance process with Customs Authorities and to ensure a positive end-customer experience, it's essential that you provide:**

- ✓ **Commercial / Pro Forma Invoice Line Item Data**, transmitted **electronically to DHL Express** with **high-quality** information, including:
- ✓ **Complete & Accurate Goods Descriptions**, which clearly describe the shipment content
- ✓ **Accurate & Itemized Values** on the Invoice
- ✓ Other key data elements

→ see next slides with the **Key Data Element Categories** for a Successful Customs Clearance





# EU VAT De Minimis Removal

## Key Data Element Categories for a Successful Customs Clearance



### Key Data Element Categories for a Successful Customs Clearance (Minimum Requirements)

#	Data Element Category	Example	Why Is This Important?
1	<b>Shipper &amp; Exporter of Record (EOR)</b>	<b>Shipper &amp; Exporter of Record (EOR):</b> John Shipper   Road Name, No   Zip Code   Country	Legally required for security filing and as part of a compliant customs declaration
	<b>Receiver &amp; Importer of Record (IOR)</b>	<b>Receiver:</b> Paul Receiver   Road Name, No   Zip Code  Country <b>Importer of Record (IOR):</b> Tom Importer   Road Name, No   Zip Code  Country	
2	<b>Contact (e-mail, mobile number)</b>	John.Shipper@email.com   +12 3456789	To contact in case of missing paperwork / information, avoiding clearance delays so we can clear customer shipment as quick as possible
		Paul.Receiver@email.com   +98 7654321	
		Tom.Importer@email.com   +45 6478391	
3	<b>Registration Number</b>	Number: 12345678910	Critical info for DHL to clear the shipment (i.e. tax & customs registration of the parties involved). If customer wants to use a shipper VAT collect model, DHL requires the shipper's VAT Registration (e.g. IOSS, LVG, OSR), otherwise VAT potentially is charged twice.
	<b>Type</b>	Type: EORI Number	
	<b>Issuing country</b>	Issuing Country: Belgium	
4	<b>Type (Business / Private)</b>	Type: Private or Commercial , B2C or B2B	For compliant customs clearance and to ensure the correct Deminimis threshold and duty exemptions are applied
	<b>Reason for Export</b>	Reason for Export: Repair and Return	

# EU VAT De Minimis Removal

## Key Data Element Categories for a Successful Customs Clearance



### Key Data Element Categories for a Successful Customs Clearance (Minimum Requirements) - continued

#	Data Element Category	Example	Why Is This Important?
5	<b>Line Item Goods Description</b>	Sunglasses with lenses optically worked	Legally required for security filing and as part of a compliant customs declaration
	<b>Line Item HS Code for Export / Import</b>	9004.10.XXXX* (*last digits are country-specific)	
	<b>Line Item Country of Origin</b>	China	
	<b>Line Item Quantity and Measure</b>	3 units (sunglasses)	
6	<b>Goods Line Item Value &amp; Currency</b>	Goods Line Item Value: US\$150 (x 3 units)	Legally required for as part of a compliant customs declaration
	<b>Total Other Monetary Amount</b>	Insurance: US\$ 25	
	<b>Total Freight Value &amp; Currency</b>	Total Freight: US\$ 50	
	<b>Total Invoice Value &amp; Currency</b>	Total Invoice: US\$ 525	
	<b>Incoterm and Place</b>	Incoterm: EXW Place: Shanghai / China	
7	<b>Total Gross Weight &amp; Unit</b>	0.5 kilograms (KG)	Legally required for security filing
8	<b>Customs Document Type and ID</b>	Type: Commercial Invoice   ID: 98765543	Legally required for compliant customs declaration
	<b>Customs Document Date</b>	Date: July 22 <sup>nd</sup> 2020	

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# EU VAT De Minimis Removal

## VAT Payment



### VAT Payment

- From **1 July 2021** the EU Value Added Tax (VAT) exemption for the importation of goods with a **value not exceeding EUR 22** will be removed.
- As a result, **all goods imported to the EU will be subject to VAT**, with **different VAT collection possibilities** available:

#### **A** without IOSS (for B2C or B2B | any goods value)

**DHL pays VAT to Authorities upon import** (and then DHL charges the pre-selected payer)

**or**

**Importer pays VAT directly to Authorities upon import** (via its own import deferment account)

- As it is today, if you **pre-select to pay all DHL charges when booking a shipment (on behalf of your customers/ receivers of the goods)**, then VAT will be outlaid by DHL, and then charged back to you (together with other Customs-related charges if applicable). This ensures **no charges to your customers/receivers** of goods.
- This allows the shipper to be able to sell goods to a receivers on an **all-inclusive price basis**, avoiding charges to the receiver. This service is known as the **DHL Duties & Taxes Paid (DTP) Billing Service** – please contact your DHL Sales Representative for more information.

#### **B** with IOSS (only for B2C | only goods up to EUR 150)

**VAT collected by the Online Seller at the moment of purchase**

(and then Online Seller then pays to the local Tax Authority in the EU via monthly VAT return)

- IOSS removes the need to register for VAT payment in each EU country that you sell to (only for B2C goods up to 150 EUR), and a single **IOSS identification number applies in all 27 EU countries**.
- If you are not an EU-based seller, you must **appoint an intermediary** (such as a tax representative) to fulfil VAT obligations on your behalf.
- The IOSS registration is done by the **online seller** of goods. If goods are **sold via an online marketplace**, then the online marketplace is the one that can be also IOSS registered and fulfil VAT obligations (and **the IOSS number of the marketplace has to be provided in this case**).
- **IMPORTANT:** if you opt for using IOSS, you **must provide the IOSS identification number electronically to DHL with the invoice data** so DHL can use it in the Clearance Process – otherwise, VAT will be levied upon the import of goods. Please see section **'Appendix: Where to Indicate the IOSS Number'**



## VAT deferment

With a ET14000 license you:

- No prefinancing your VAT, regularize your VAT with your periodic declaration
- Less administration
- Valid without time limit
- Faster customs clearance
- Free license

[https://financien.belgium.be/sites/default/files/Customs/Brexit/2019-03-14-ET\\_14000\\_NL.pdf](https://financien.belgium.be/sites/default/files/Customs/Brexit/2019-03-14-ET_14000_NL.pdf)

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## Key Takeaways

### Key Takeaways

#### WHAT IS CHANGING?

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#### WHAT DOES THIS MEAN FOR YOU?

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## External Links | European Commission



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For additional information, please consult the European Commission websites below:

- **Modernizing VAT for cross-border e-commerce**  
[https://ec.europa.eu/taxation\\_customs/business/vat/modernising-vat-cross-border-ecommerce\\_en](https://ec.europa.eu/taxation_customs/business/vat/modernising-vat-cross-border-ecommerce_en)
- **The Import One-Stop Shop (IOSS)**  
[https://ec.europa.eu/taxation\\_customs/business/vat/ioss\\_en](https://ec.europa.eu/taxation_customs/business/vat/ioss_en)
- **Customs Guidance for the Importation and Exportation of Low Value Consignments**  
[https://ec.europa.eu/taxation\\_customs/business/union-customs-code/ucc-guidance-documents\\_en](https://ec.europa.eu/taxation_customs/business/union-customs-code/ucc-guidance-documents_en)
- **VAT Explanatory Notes**  
[https://ec.europa.eu/taxation\\_customs/sites/taxation/files/vatecommerceexplanatory\\_28102020\\_en.pdf](https://ec.europa.eu/taxation_customs/sites/taxation/files/vatecommerceexplanatory_28102020_en.pdf)
- **Information and communication materials on the new e-commerce rules**  
[https://ec.europa.eu/taxation\\_customs/business/vat/resources\\_en](https://ec.europa.eu/taxation_customs/business/vat/resources_en)

In addition, please visit the DHL website which covers the 2021 European Regulatory Changes:

<https://www.dhl-eucustoms.com/>

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# Q&A

## *Questions and Answers*



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