



Commission proposes new tax rules to support e-commerce and online businesses in the EU

Brussels, 1 December 2016

The European Commission has today unveiled a series of measures to improve the Value Added Tax (VAT) environment for e-commerce businesses in the EU. Our proposals will allow consumers and companies, in particular start-ups and SMEs, to buy and sell goods and services more easily online.

By introducing an EU wide portal for online VAT payments (the 'One Stop Shop'), VAT compliance expenses will be significantly reduced, saving businesses across the EU €2.3 billion a year. The new rules will also ensure that VAT is paid in the Member State of the final consumer, leading to a fairer distribution of tax revenues amongst EU countries. Our proposals would help Member States to recoup the current estimated €5 billion of lost VAT on online sales every year. Estimated lost revenues are likely to reach €7 billion by 2020 and it is essential that we act now.

Finally, the Commission is delivering on its pledge to enable Member States to apply the same VAT rate to e-publications such as e-books and online newspapers as for their printed equivalents, removing provisions that excluded e-publications from the favourable tax treatment allowed for traditional printed publications.

Andrus Ansip, Vice President for the Digital Single Market, said: *"We are delivering on our promises to unlock e-commerce in Europe. We have already proposed to make parcel delivery more affordable and efficient, to protect consumers better when they buy online and to tackle unjustified geo-blocking. Now we simplify VAT rules: the last piece in the puzzle. Today's proposal will not only boost businesses, especially the smallest ones and startups, but also make public services more efficient and increase cooperation across borders."*

Pierre Moscovici, Commissioner for Economic Affairs, Taxation and the Customs Union, said: *"Online businesses operating in the EU have been asking us to make their lives simpler. Today we're doing that. Companies big and small that sell abroad online will now deal with VAT in the same way as they would for sales in their own countries. That means less time wasted, less red tape and fewer costs. We're also simplifying rules for micro-businesses and startups, allowing them to tap new markets more easily. Our proposals mean that European governments stand to gain an additional €100 million a week to spend on services for their citizens."*

Today's proposals embrace a new approach to VAT for e-commerce and follow up on the commitments made by the European Commission in the [Digital Single Market \(DSM\) strategy for Europe](#) and the [Action Plan](#) towards a single EU VAT area.

In particular, we propose:

- New rules allowing companies that sell goods online to deal easily with all their EU VAT obligations in one place;
- To simplify VAT rules for startups and micro-businesses selling online, VAT on cross-border sales under €10,000 will be handled domestically. SMEs will benefit from simpler procedures for cross-border sales of up to €100,000 to make life easier;
- Action against VAT fraud from outside the EU, which can distort the market and create unfair competition;
- To enable Member States to reduce VAT rates for e-publications such as e-books and online newspapers.

These legislative proposals will now be submitted to the European Parliament for consultation and to the Council for adoption.

Key actions in detail:

New VAT rules for sales of goods and services online: Currently, online traders have to register for VAT in all the Member States to which they sell goods. Often cited as one of the biggest barriers to cross-border e-commerce, these VAT obligations cost businesses around €8,000 for every EU country

into which they sell. We are now proposing that businesses make one simple quarterly return for the VAT due across the whole of the EU, using the online VAT One Stop Shop. This system already exists for sales of eservices such as mobile phone apps, and has been proven successful with more than €3 billion in VAT being collected through the system in 2015. Administrative burdens for companies will be reduced by a staggering 95%, giving an overall saving to EU business of €2.3 billion and increasing VAT revenues for Member States by €7 billion.

Simplifying VAT rules for micro-businesses and startups: A new yearly threshold of €10,000 in online sales will be introduced under which businesses selling cross-border can continue to apply the VAT rules they are used to in their home country. This will make complying with VAT rules easier for 430,000 companies across the EU, representing 97% of all micro-business trading crossborder. A second new yearly threshold of €100,000 will make life easier for SMEs when it comes to VAT, with simplified rules for identifying where their customers are based. The thresholds could be applied as early as 2018 on eservices, and by 2021 for online goods. Other simplifications would allow the smallest businesses to benefit from the same familiar VAT rules of their home country, such as invoicing requirements and record keeping. The first point of contact will always be with the tax administration where the business is located and businesses will no longer be audited by each Member State where they have sales.

Action against VAT fraud from outside the EU: Small consignments imported into the EU that are worth less than €22 are currently exempt from VAT. With around 150 million parcels imported free of VAT into the EU each year, this system is open to massive fraud and abuse, creating major distortions against EU business. Firstly, EU businesses are put at a clear disadvantage since unlike their non-EU competitors, they are liable to apply VAT from the first eurocent sold. Secondly, imported high-value goods such as smartphones and tablets are consistently undervalued or wrongly described in the importation paperwork in order to benefit from this VAT exemption. The Commission has therefore decided to remove this exemption.

Equal rules for taxing e-books, e-newspapers and their printed equivalents: Current rules allow Member States to tax printed publications such as books and newspapers at reduced rates or, in some cases, super-reduced or zero rates. The same rules exclude e-publications, meaning that these products must be taxed at the standard rate. Once agreed by all Member States, the new set-up will allow – but not oblige – Member States to align the rates on e-publications to those on printed publications.

For More Information

[Q&A](#) on VAT for e-commerce

[Digital Single Market strategy](#)

[Action Plan on VAT – Towards a single EU VAT area](#)

[Digital Single Market - Moderning VAT for cross border e-Commerce](#)

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Attachments

[VAT E-commerce factsheet.pdf](#)