



NEW EU COMMERCE VAT RULE CHANGES IN 2015

Do you sell physical goods abroad? Then NO, these rule changes don't affect you – you are still obligated to charge VAT under the distance selling rules

Do you sell electronically supplied services, such as online training, music and film downloads, software? Then YES ... PLEASE READ ON..

If you supply any of the above, the new rules change the country of taxation from the country where you, the supplier is established, to where the customer is established.

Rather than charge your own, local VAT rate, you will have to apply the local VAT rate in any of the 28 European countries where your customer is located.

You can either VAT register in the country where your customer is OR you can register to use the Mini-One-Stop-Shop (MOSS) system. MOSS is the vehicle for cross-border e-commerce service providers to be registered in only one European member state and account for the VAT due in other countries through this one registration.

Your local tax authority in the member state where you are registered will collect your total VAT liability and in turn distribute it on your behalf to the relevant EU country tax authorities.

What You Need To Think About...

1. Applying Correct Information

VAT rates vary a lot across the EU. Be aware of the different rates and find out if any reduced rates apply to the services you are supplying. Each country also has different criteria for what information should be presented on an invoice – are you applying the right VAT rate and is the correct information on the invoice?

1. Capturing The Correct Information?

You will need to make sure you have adequate systems in place to record and report the correct VAT for each country where your customer is located.



1. Pricing

Having to account for different VAT rates will affect your profit margins – for example – a product sold in the UK will have 20% VAT on it, whereby the same sale in Hungary will have 27% VAT to account for. If you sell the product for the same price in these countries, your profit will be reduced by 7% in Hungary – something to think about when setting your pricing.

Since 2012, the tax offices are working closely together to help identify non-compliance and fraud amongst online retailers. They will apply penalties for non-compliance – as much as 300% in some cases.

The changes come into effect on the 1st January 2015 – time is whizzing by, so if these changes relate to you, start preparing now.

**PLEASE FEEL FREE TO CONTACT US WITH ANY QUESTIONS OR
QUERIES.**

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