



VAT in the Digital Age (Part 2): Single VAT Registration and its practical consequences in eCommerce

1 Background and entry into force

In the economy, a conflict between VAT law and practice has been smoldering for some time. Businesses today have to operate more and more globally in order to remain competitive. At the same time, many businesses have to fulfill an increasing number of legal obligations, which places a disproportionate burden on them, in terms of time and money. This was one of the reasons for the recently adopted "VAT in the Digital Age" reform. The new regulations are intended to reduce the number of necessary VAT registrations in other EU countries for many businesses, but especially for online retailers. In the future, this will save online retailers, that use fulfillment structures, from having to observe time-consuming and costly declaration obligations. In addition, businesses will be able to report a large proportion of the supplies, which are taxable in other EU countries, centrally and pay the VAT owed abroad in a uniform procedure.

2 New regulations as of 1 January 2027

- Currently, an "electronic interface" (e.g. an online marketplace) is treated, in certain constellations, as the customer of the online retailer's supply and as the supplier to the private person. As a result, the "electronic interface" becomes the person liable for VAT. This reseller model is to be extended, but (only) to B2B supplies from taxable persons established in third countries. In the future, such suppliers will always make a zero-rated supply without transport to the electronic interface, when the goods are supplied within the EU. (see KMLZ VAT Newsletter 44 | 2024)
- Until now, taxable persons in a third country could report services to private persons resident in the EU in the One-Stop-Shop (OSS). In the future, taxable persons established in third countries will be able to report services taxable within the EU to all private persons, regardless of their place of residence, in the OSS.



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- The EUR 10,000 threshold for intra-Community distance sales and cross-border B2C services is being clarified. This limit applies only to EU taxable persons who are established in only one Member State. And it is made clear that this threshold is only relevant for distance sales from the taxable person's own country of establishment. If the threshold is exceeded, each distance sale from the taxable person's own country of establishment is taxable in the country of destination. By contrast, each distance sale from another Member State (e.g. from a warehouse) is taxable in the Member State of destination, disregarding the threshold. The transactions can be reported in the OSS.
- Tax point: It is planned that the VAT for a supply will be due at the time of payment or, at the latest, when the supply is performed, provided that the supply is reported in the OSS.

3 New regulations as of 1 July 2028

- Local supplies in other EU countries, for which the supplier is liable for the VAT, can be reported in the OSS. In the future, it will also be possible to report local supplies, from a warehouse to customers, in the OSS.
- Intra-Community transfers of own goods can be reported in the OSS. The transfer of own goods, for example in fulfillment structures, will remain subject to reporting requirements, but now in the OSS and not in other EU countries. A separate OSS report must be submitted for this each month. The corresponding acquisition will be zero-rated.
- Corrections to OSS reports can be made up until the expiry of the respective submission deadline. After that, corrections to earlier reporting periods will only be permitted in the current report. If you submit an OSS declaration early and notice, prior to the deadline, that you have made a mistake, you can correct the current declaration. Previously, corrections were only possible in a future declaration.
- In the future, there will be a slightly extended right to choose for third countries with regard to the question of which Member State should be considered the Member State of OSS identification.

4 Consequences for the practice

Businesses in eCommerce have good reason to be pleased: the OSS is being significantly expanded. In the future, intra-Community transfers can be declared in the OSS. And local supplies in other EU Member States can also be reported in the OSS. Both of these features eliminate the need for registrations in other EU Member States. However, such registration may still be useful. For example, when input VAT or import VAT needs to be applied for refund in another Member State and the refund procedure for non-established persons shall be avoided since it takes a long time until the refund is granted. And not every online retailer would be able to manage without foreign registrations anyway. Not all supplies carried out in other EU Member States will be reportable in the OSS in the future either. Intra-Community supplies and export supplies taxable in other EU Member States will continue to require registration, even if they are actually zero-rated.

With all the simplifications, it should not be forgotten that the VAT reported in the OSS is VAT due in a foreign Member State. All tax and procedural modalities must be considered according to the VAT Code of the country in which the VAT is due, and not according to the VAT Code in the Member State of OSS identification. Thus, among other things, the corrective regulations and the regulations on the relevant legal procedure are to be followed, for the most part, in each case according to national VAT law.

There is also still a lot to be done in other respects. The fraud-prone IOSS procedure was not addressed at all, except for minor measures to link the IOSS number to the shipment. It is precisely in this area that online retailers suffer from unfair competition from third countries. Unfortunately, no compromise was found here. This is only expected to materialize with the planned customs law reform.