



VAT NEWSLETTER

IOSS: future distance sales from non-EU only possible with EU registration – important information for distance sellers

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1 Status quo

The Import One-Stop Shop (IOSS) was introduced on 1 July 2021 (KMLZ VAT Newsletter 36 | 2020). The procedure replaced the fraud-prone small-value scheme for imports of goods with a value of less than EUR 22. The aim was to reduce EU bureaucracy, thereby encouraging suppliers, from non-EU countries in particular, to fulfill their VAT obligations within the EU. A supplier can import all shipments from third countries to private customers, worth less than EUR 150, for which it is liable for the VAT, into the EU without import duties under its IOSS identification number (IOSS No.). This is subject to the condition that the supplier declares the VAT owed in the EU in its IOSS declaration and thereafter pays it.

However, the hoped for breakthrough has, in practice, not materialized. Simply put, many suppliers from third countries are exploiting the flood of shipments in order to commit tax evasion. Every day, shipments are imported into the EU without import duties under foreign IOSS Nos. and the VAT is not reported. This is because, until now, customs authorities have had no way of checking whether an IOSS No. actually belongs to a particular supplier and whether the latter is currently fulfilling its obligations under the IOSS.

Against the backdrop of exponentially growing imports, the EU Commission considered it necessary to tighten the screws as quickly as possible, including giving customs authorities the means to carry out checks. To this end, it was already decided, with immediate effect as part of the VAT in the Digital Age package, to link the IOSS No. to the particular consignment (KMLZ VAT Newsletter 45 | 2024). And now further incentives are to be created for the use of the IOSS scheme.



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2 Changes agreed

On 13 May 2025, the EU Council agreed on a further (partial) reform of the IOSS. By strengthening the regulatory framework for the regular import processing of shipments to end consumers, the use of the IOSS is to be made more attractive for businesses. From 1 July 2028, all distance sellers, who do not process their distance sales from non-EU countries with a value below EUR 150 with the support of an electronic interface (KMLZ VAT Newsletter 18 | 2025) or under the IOSS, will be designated as liable for import VAT in the respective Member State of the final destination. They can no longer transfer the VAT liability to the purchaser (Art. 201 EU VAT Directive-Draft). This measure will inevitably lead to registration in each of these Member States. Since the supplier is liable for import VAT, the place of supply will automatically be transferred there in accordance with Art. 32(2) of the EU VAT Directive.

Distance sellers established in countries outside the EU will, in future, need a tax representative to take over all VAT obligations for imports of consignments outside the IOSS. This can also be the indirect customs representative. The tax representative can also be directly designated as the person liable for import VAT. The actual release of the consignment is subject to payment of import VAT. If the taxable person or its representative fails to fulfill its obligations upon importation, the goods will not be released for free circulation. To avoid a shipment being detained against the customer's will, Member States will allow the purchaser, with their consent, to pay the VAT due upon importation.

3 Future legal consequences

In future, distance sellers will have to declare all imports of shipments with a value of less than EUR 150, which have not been processed with the support of an electronic interface, i.e. via their own website, either in the IOSS or as regular imports:

- When applying the IOSS, the procedure remains the same as before: imports are VAT exempt, and the supplier then declares and pays the VAT in the country of destination in the IOSS.
- If the IOSS is not applied: The import is subject to VAT as before. However, the supplier is liable for the import VAT. The import VAT is levied by the Member State of destination and needs to be paid prior the import. This means that, in addition, the supplier is required to register for VAT.
- Only if the supplier fails to fulfill its obligations can the shipment be released for free circulation with the consent of the private acquirer after he has paid the import VAT.

4 Consequences for distance sellers

The agreement is a step toward reducing the susceptibility of the IOSS to fraud. Fortunately, EU legislators have recognized the urgent need for action on shipments from non-EU countries and are passing the IOSS reform in small packages. The first step was to link the IOSS No. to the shipment. Now comes the second, larger step. This has been separated from the measures still to be negotiated as part of the customs law reform — the abolition of the EUR 150 threshold and the mandatory introduction of the IOSS.

For distance sellers registered in the EU, the reform means a minimization of the competitive tax advantage of dishonest participants in the amount of VAT not paid. For the rest of the distance sellers, the regulation means that – as far as they do not supply via an electronic interface – they must register within the EU – either uniformly with little bureaucracy via the IOSS procedure or with more bureaucracy in the regular VAT assessment procedure in each Member State to which they supply goods to private customers. Otherwise, the shipment will effectively be held up at customs and will not be delivered to the customer. The new legal framework does not completely eliminate the IOSS's susceptibility to fraud. Nevertheless, the reform is a big step in the right direction.