

Press release

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Help and advice
for consumers
in Europe
European Consumer Centres Network


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VAT to pay from the 1st euro: consequences for your purchases on a marketplace or via dropshipping

STRASBOURG – To combat tax fraud, facilitate online sales between EU Member states and strengthen fairness between European and non-European sellers, VAT rules in cross-border e-commerce change on 1 July 2021.

VAT will be due from the 1st euro for any online purchase outside the European Union (EU), the exemption for purchases of less than € 22 being removed. For marketplaces or dropshipping sites, this new rule is accompanied by a reform on the payment of VAT: they will be considered as having bought and sold the products themselves and obliged to pay VAT on importation. Is this the end of orders blocked in customs? Will there be better price transparency for purchases in non-EU countries? Explanations from the European Consumer Centre France.

VAT from the 1st euro for purchases outside the EU

Any purchase in a third country, such as the United Kingdom, delivered or imported into France is in principle taxed: VAT on imports and possible customs duties. These costs are usually claimed on delivery by the carrier who invoices you for an administrative fee for the completion of these customs formalities. From 1 July 2021, the VAT rules change. The exemption granted so far for non-EU purchases of less than € 22 will be removed. If until June 30, you can order separately from an online seller established outside the EU, via a marketplace for example, several low-priced items to avoid import VAT, from July 1st, you will pay VAT from the 1st euro.

Exception for purchases under € 150 with seller registration

Import VAT and any customs duties will not be due if:

- Your package has a value of less than or equal to € 150 (price excluding VAT, without transport and insurance costs if they are invoiced separately);
- your seller based in a third country is registered in the new VAT payment system called "IOSS" (Import One-Stop-Shop). This system takes into account the new VAT payment rules which provide that from 1 July, beyond € 10,000 of sales in an EU country, the seller must pay VAT in that country.

If you order for less than € 150 from a seller registered in "IOSS", you will pay online a price including VAT without normally risking the blocking in customs of your order when it is delivered to France. Problem: difficult or impossible for the consumer to know if the seller is registered on the IOSS platform! For parcels with a value of more than € 150, check in the general terms and conditions of the webseller if customs duties and VAT are included in the sale price or will have to be paid upon receipt of the package.

More transparency for marketplace purchases

From July 1st, marketplaces, these online sales platforms which connect seller and buyer, will be considered as having bought and sold the products themselves. Consequences:

- if you order from a European seller on a marketplace, for less than € 150 of products from a third country, VAT will be part of the price to be paid and the marketplace will have to collect, declare and remit VAT instead of the sellers.
- The same applies if you buy on a marketplace from a seller outside the EU, regardless of the amount.

You should therefore no longer have to suffer from a blockage of your order in customs with additional fees to be paid to receive it.



Dropshippers better framed

More and more online sellers are practicing "dropshipping", selling online products of which they have no stock, which will be sent directly by the manufacturer to the consumer. Faced with the increasingly questionable practices of some dropshippers, France is creating a new specific tax regime for the "distance selling of imported goods" in application of the European package aimed at modernising VAT for cross-border e-commerce.

As of July 1, 2021, even if the online seller indirectly intervenes in the delivery of the good, like dropshippers, he/she will be considered as having bought and sold the products himself and he/she will be obliged to declare the transaction for tax purposes and pay VAT on importation. Enough to make some dropshipping sites a little more responsible. In case of problems, some of them easily refer the consumer to the manufacturer based often outside the EU.

Context:

Each EU country as well as Iceland, Norway and the United Kingdom have a European Consumer Centre and together they form the ECC-Net. The ECC-Net informs consumers in Europe about their rights and provides free help with cross-border problems. More information is available on the website of the EU Commission, which co-finances the network: www.eccnet.eu