



# **EU VAT 2021 changes**

## **Preparing your eCommerce platform to remain compliant**

## If you are a European Business selling goods to consumers in other EU member States, or UK-based business selling goods to EU consumers – you need to start getting your eCommerce platform ready for July 2021.

### Aside from not complying with local VAT requirements, failure to do so may result in:

- Increased cart abandonment
- Poor consumer experience
- Difficulties selling in some countries
- Charging incorrect tax to your customers
- Accruing unnecessary tax provisions
- Excessive or uncompetitive pricing
- Rushing to break-fix solutions
- Unnecessary eCommerce downtime

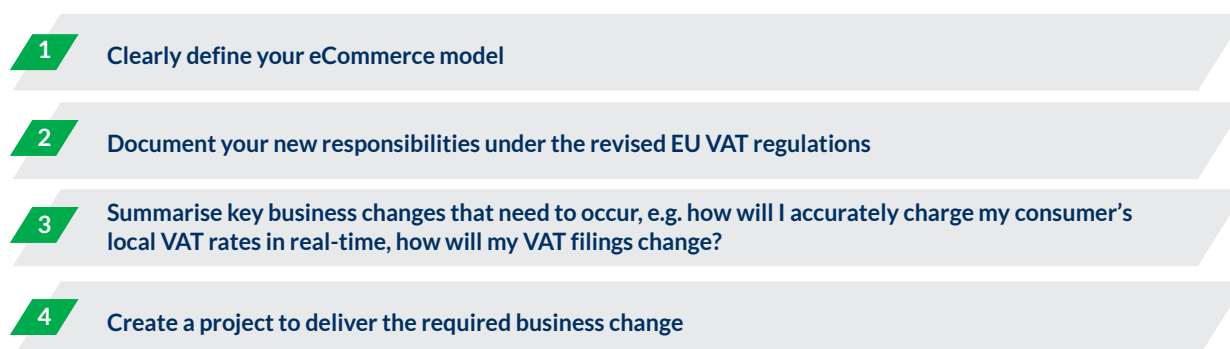
### July 2021 brings a fundamental change to the VAT on eCommerce rules that apply within the European Union:



**In brief** - businesses that sell goods over the internet are facing a raft of new VAT requirements. If your business sells significant volumes of goods to consumers in EU Member States over your business eCommerce site, you will become responsible to charge VAT at the applicable rate in the country of each consumer. The VAT rate that applies to product types can vary in each EU member state creating a considerable IT, Tax and Finance rules maintenance challenge.

Considering business Budgetary, Approval and Development Cycles, selling businesses must now take the appropriate steps to ensure you clearly understand how they are affected by the 2021 changes to eCommerce VAT rules.

### What should I do now if my business might be affected by the 2021 VAT on eCommerce rules?



Understanding the rules and charging the correct rate of local VAT applicable in your consumer's country is not simple, it requires real-time knowledge of some often nuanced or unusual international VAT regulations. Across the European Union there are large differences in how each country's VAT law categorises and prescribes the VAT rate treatments of certain goods, for example.

- Books
- Multi-vitamins and supplements
- Food and drink
- First-aid kits
- Clothing
- Safety equipment
- Medical aids and devices

From July 2021, sellers are required to correctly classify the goods they sell for VAT in 27 EU Member States, to be certain of the VAT rate that applies to each product in each country, and to adjust their systems to update according to any VAT rates changes brought into effect. In 2020 alone there have been more than 35 VAT rate changes enacted by EU States throughout the year, many on a temporary basis.

Ecommerce businesses also need to ensure that their eCommerce solutions pay real-time attention to the territory where their customer is located, as special VAT or sales tax rules apply in some sub-territories of EU Member States, such as for Madeira, Canary Islands, or San Marino.

A further complexity arises for businesses that make eCommerce sales to both consumers and to VAT-registered businesses – these businesses will need to operate parallel VAT logic for B2B and B2C Sales.

## How can businesses prepare for the new VAT 2021 rules?

**Given the fast-evolving tax landscape within the eCommerce sector, automating taxes using a tax engine can help address the challenges above, improve tax accuracy and reduce overall risk.**

A tax engine reduces the need for manual processes and in-house tax/IT resources as it maintains and automatically updates the latest tax rules, rates, & taxability logic for the e-commerce system. This increases accuracy on even the most complex transactions, globally and improves overall compliance allowing businesses to expand across borders and scale without having to worry about indirect tax.

Your KPMG team will be happy to have an exploratory discussion with you to look at how the 2021 might affect your business model and guide you to ensuring your business is fully prepared for the challenge ahead.



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### About Vertex

**Vertex Inc.**, is a leading global provider of indirect tax software and solutions. The company's mission is to deliver the most trusted tax technology enabling global businesses to transact, comply and grow with confidence. Vertex provides cloud-based and on-premise solutions that can be tailored to specific industries for every major line of indirect tax, including sales and consumer use, value added and payroll. Headquartered in North America, and with offices in South America and Europe, Vertex employs over 1,100 professionals and serves companies across the globe.

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