



MHI's Ultimate Guide to IOSS

Import-One-Stop-Shop

EU VAT & Duty Exemptions

What you Need to Know About the EU VAT & Duty

1. The EU VAT exemption for B2C* goods below €22 does no longer exist. VAT must be charged at the point-of-sale for consignments below €150. This VAT may be declared and paid via a new submission, the 'Import-One-Stop-Shop' (IOSS)
2. The existing EU Customs Duties exemption for most goods not exceeding €150 will remain in place. Please see the graphic below as an example

From July 1st 2021

**IOSS is strictly B2C only*



-€150

- IOSS can apply
- Formal clearance
- Customs clearance fee



+€150

- IOSS will not apply
- Formal clearance
- Customs clearance fee
- Duties

3. IOSS is not compulsory but it is the most convenient way to manage the new VAT obligation
4. **What Determines the All-Important €150 Cut Over?**
The value of the product itself is referred to as the intrinsic value; this value excludes transport (shipping rate / freight) or insurance costs. Multiple parcels being shipped to the same buyer can still qualify for IOSS if the total intrinsic consignment value of the parcels is below €150 threshold
5. **How is Import VAT Calculated?**
VAT is still applicable on transport & insurance costs so these costs should be stipulated separately on relevant data feeds and documentation (commercial invoice), however these costs can be excluded from the IOSS threshold value of €149.99 per consignment. Please see below examples from the EU Commission illustrating how intrinsic value can be declared to customs

How to Determine the Intrinsic Value

Example 1:

Invoice indicating total amount of the price paid for the goods not split between net price of the goods and transport charges. VAT amount indicated separately

Invoice 1 	

Price of Goods:	€140
<hr/>	
VAT (20%):	€28
<hr/>	
Total: €168	

In this example, transport costs are not mentioned separately in the invoice and therefore cannot be excluded. However, the net price of the goods is not exceeding €150 and therefore, IOSS can be used and no VAT or customs duties is levied at importation

Example 2:

Invoice indicating total amount of the price paid for the goods split between net price of the goods and transport charges. VAT amount indicated separately.

Invoice 2 	

Price of Goods:	€140
<hr/>	
Transport Cost:	€20
<hr/>	
VAT (20%):	€32
<hr/>	
Total: €192	

In this example, transport costs are mentioned separately in the order/invoice. As such, transport costs are excluded from the intrinsic value. The intrinsic value of the goods is not exceeding €150 and therefore, IOSS can be used and no VAT or customs duties is levied at importation. To be noted that VAT is applied on the total value of the sale (e.g. the €160 value of the goods and the transport charges)

6. What VAT rate should be used at point-of-sale?

The correct VAT rate is the one applicable to your customer's country of residence. You can use the delivery address of your customer to identify the country of residence. Most goods are subject to the standard VAT rate, however certain goods are subject to reduced or nil VAT rates, depending on the type of products. Please check with your VAT specialist to confirm if IOSS will accommodate the reduced rate.

Customs Clearance Procedures

What to Expect in Terms of Customs Clearance Procedures

1. Formal customs declarations will be mandatory for all parcels, regardless of value.
2. Below €150 threshold & you are using IOSS then Central Customs Clearance is applicable.
 - a. MHI will utilise a number of central clearance gateways to access the optimum final mile solution.
 - b. Please contact your VAT specialist to determine the most up-to-date restrictions or surcharges relating to any products subject to Excise Duties (except from IOSS)
 - c. Customs checks IOSS number, goods, values declared etc.
 - d. Customs import declaration is processed with VAT exemption (i.e. no import VAT will be charged at point of clearing).
 - e. Pay VAT at end of the month via IOSS single portal in the member state where you have an establishment or an intermediary. VAT distance selling thresholds do not apply.
 - f. IOSS can be used if the following criteria is met:
 - i. B2C commerce.
 - ii. The goods are dispatched from outside the EU.
 - iii. The goods are not subject to excise duty.
 - iv. Consignment value (parcels going to the same recipient) does not exceed €150.

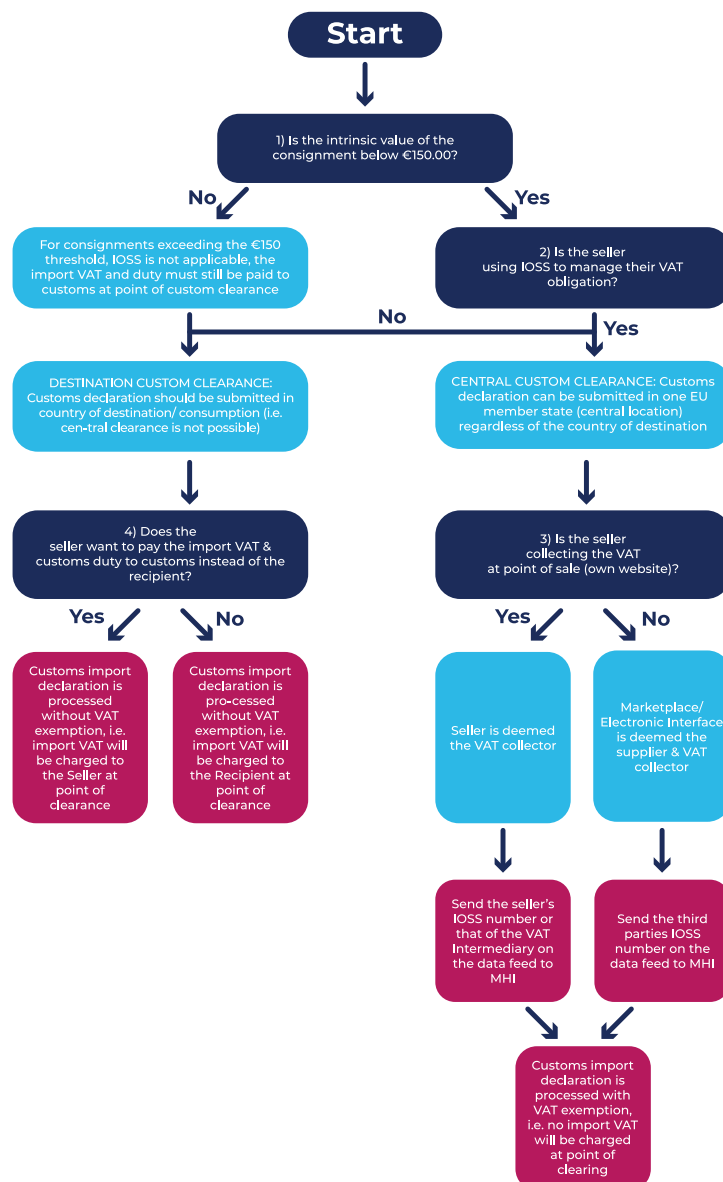
IOSS Central Customs Clearance into the Netherlands



Legend: Tax Authority Customs

3. If you do not use IOSS, the value of your parcel exceeds €150 threshold or this is a B2B transaction, then Destination Customs Clearance becomes applicable.
 - a. Parcels must be cleared in the country of destination (i.e. the country of consumption based on the recipients' delivery address).
 - i. MHI can offer solutions for the following countries of consumption:
 1. Ireland, Belgium and Netherlands.
 - a. MHI's current financing arrangement is available for these countries.
 2. Rest of EU
 - a. MHI's current financing arrangement may potentially change for these countries.
 3. Customs import declaration is processed without VAT exemption (i.e. import VAT is charged at point of clearing).
 4. VAT registration in each country is required when the distance selling threshold is exceeded.

EU VAT Changes Flowchart



IOSS Criteria:

1. The goods are dispatched from outside the EU
2. The goods are not subject to excise duty
3. Intrinsic value of the consignment (multiple parcels going to the same buyer) is less than €150.00.

When to Apply an IOSS Number

Know When to Apply an IOSS Number Dependant on Service

1. IOSS VAT Intermediary

If your business is based outside the EU and you do not have an establishment in the EU, you will require to appoint an EU-resident VAT Intermediary, a type of VAT agent, to represent you when using IOSS. The Intermediary shares responsibility for submissions of monthly returns and VAT payments.

An Intermediary should be registered with the tax authorities of their country of establishment to obtain their unique identification number to use with customs clearance processes. The Intermediary also registers the name of all sellers/marketplaces they represent with their home tax office and will receive in return a IOSS VAT identification number for each seller.

If you do not have EU representation, then our customs broker has recommended a suitable partner based in the Netherlands, please contact clientservices@mhi.co for further details.

2. Seller is deemed the Supplier & VAT Collector

In this scenario, you charge the customer VAT at the point-of-sale (own website) and declare it via your own EU establishment or VAT intermediary. Send your IOSS number or your intermediary's IOSS number on the data feed to MHI.

3. Electronic Interface (EI)/ Marketplaces become the deemed Supplier and VAT Collector

Definition of the marketplace: online marketplaces, platform, portal or similar means. In this scenario, the EI/ marketplace will charge the customer VAT at the point-of-sale and declare it instead of the seller. Send the EI's IOSS number on the data feed to MHI.

Different Marketplace IOSS Examples



Marketplace 1 DOES have an IOSS Registration

Central Clearance

You must use the IOSS number from Marketplace 1, allowing you to custom clear in any of the 27 EU Member States.



Marketplace 2 DOES NOT have an IOSS Registration

Destination Clearance

You can no longer use the IOSS service. You must customs clear the product in the destination country.clear in any of the 27 EU Member States.



The seller DOES have an IOSS Registration

Central Clearance

If you have EU representation, you can use your IOSS number. Otherwise, you must use the IOSS number from your intermediary to clear the product into any of the 27 EU Member States.

Labeling and Useful Links

Label Requirements

At present, there is no obligation to display the IOSS number on parcel labels. However, during the Brexit transition, we learnt that the following changes could avoid unnecessary delays and you may find it valuable to address these points:

1. Remove the sender address from CN22 label.
2. Remove the UK return address from your labels.
3. Clearly stipulate the content description as well as the product value, shipping & transport costs (including currency indicators too). These values should align with the commercial invoice and will assist in confirming the parcel's intrinsic value.

IOSS Useful Links

1. EU Commissions IOSS webpage:
https://ec.europa.eu/taxation_customs/business/vat/ioss_en
2. EU VAT rates as of 01 January 2020:
https://ec.europa.eu/taxation_customs/vat-rates_en
3. EU Tax Search function:
https://ec.europa.eu/taxation_customs/tedb/splSearchForm.html
4. Excise Duties (Gov.uk link):
<https://www.gov.uk/government/publications/uk-trade-tariff-excise-duties-reliefsdrawbacks-and-allowances/uk-trade-tariff-excise-duties-reliefs-drawbacks-andallowances>
5. VAT Buying Online:
https://ec.europa.eu/taxation_customs/citizens/buying-goods-and-services-online-personal-use_en

IOSS Checklist

Checklist for After July 1st 2021

- ✓ Decide on the approach to manage VAT obligation for parcels below the €150 threshold (IOSS registration or not).
- ✓ If you have no EU representation, then consult with your VAT specialist about appointing an EU VAT intermediary.
- ✓ Ensure the consignment value is accurate to qualify for IOSS approach.
- ✓ Ensure manifest data files include new fields (Note: for further support, please contact our team).
- ✓ Ensure your data is aligned on the manifest data file, parcel label, commercial invoice and sales weblink (full URL of item on the website).
- ✓ Ensure you are not sending prohibited/ restricted goods to the EU.



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