



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
TAXATION AND CUSTOMS UNION
The Director General

Dear petitioner,

Thank you for your message concerning the new VAT rules in relation to electronic, telecommunications and broadcasting services that entered into force at the beginning of this year.

First of all the Commission would like to underline that the new VAT rules concerning the place of supply of services are an important development that will create a level playing field for micro-businesses and other companies that cannot relocate to a lower-tax Member State and who, up to now, may have lost out to more mobile competitors.

Further it puts on equal footing domestic and non-domestic suppliers. Such a system is not completely new to digital micro-businesses, as it has been in place since 2003 for non-EU e-service suppliers selling to EU consumers.

To support the changes and to avoid the requirement for small business to register for VAT in all the other 27 Member States, a mini One Stop Shop has been launched which will considerably reduce the costs and administrative burdens for businesses whereby they will be able to make a single declaration and payment in their own Member State rather than register and account for the tax in each Member State to whom it makes supplies.

Moreover, supplies made by UK small businesses to UK customers will remain exempted.

Finally it is also relevant that businesses selling through web platforms and market places may not need to account for the tax because the intermediary will be liable for VAT in many cases.

The Commission fully understand that adapting to a new system requires some additional effort at the beginning but it hopes that after this initial stage using the system should become easier.

As you are a UK citizen, it is maybe worth directing you to the official UK webpages where you will find all the necessary information needed to register for the UK MOSS portal:

[Register for and use the VAT Mini One Stop Shop - Detailed guidance - GOV.UK](#)

[VAT: supplying digital services to private consumers - Publications - GOV.UK](#)

Moreover, if you have specific questions, and this might be your case, as you have broadly mentioned the on-line store/platform to which you supply your services, the Commission would recommend that you contact directly the UK tax administration, in order to obtain a precise, complete and binding answer to your query.

Useful information is also included on the Commission webpage dedicated to the 2015 VAT changes:

[Telecommunications, broadcasting & electronic services - European commission](#)

This includes information on how to determine the place where your customers are established. It is also recommended to have a look at Commission's Explanatory Notes (a chapter dealing with evidence is to be found on pages 68 to 73 of these Notes):

http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/how_vat_works/telecom/explanatory_notes_2015_en.pdf

In the context of the very specific problems raised by the micro businesses in the United Kingdom, it is also worth reading information on the site of the HM Revenue & Customs:

<https://www.gov.uk/government/publications/revenue-and-customs-brief-46-2014-vat-rule-change-and-the-vat-mini-one-stop-shop-additional-guidance/revenue-and-customs-brief-46-2014-vat-rule-change-and-the-vat-mini-one-stop-shop-additional-guidance>

The Commission would like also to stress that the long path which brought to the final entry into force of the new VAT place of supply rules was forerun by a very long preparation period where all stakeholders were consulted. Informative seminars and workshops were organised in order to discuss with Member States any business issues that should be included in the envisaged implementing measures. In addition, the Commission has prepared explanatory notes on the place of supply rules and guidelines on the practical application of the MOSS. These documents were prepared in close cooperation with Member States and businesses through meetings and workshops. The Commission also undertook a widespread communication campaign throughout 2014 in order to inform businesses about the upcoming changes. One of the 13 seminars the Commission participated in can be viewed in full through the following link:

<http://www.online-web-presentations.com/HMRC/>

The Commission will further continue to encourage Member States to communicate these changes to businesses on a national level. A lot of actions have already been carried out in this context, including in the UK.

Lastly, it is worth indicating that the Commission has in several occasions proposed to increase and standardise the VAT exemption for small enterprises. However, on each occasion, these proposals were rejected by Member States. Nevertheless, the Commission accepts that there is a need to further simplify the VAT regime for all micro enterprises and SMEs and we intend to work this year on the issue as a matter of priority.

To this end, any future proposal should not only look at thresholds but also at the administrative VAT burdens placed on micro enterprises and SMEs. Where cross-border transactions are concerned, there needs to be a harmonised approach with common thresholds to ensure a level playing field.

In conclusion, the 2015 changes in the place-of-supply rules are beneficial for SMEs that cannot simply relocate their place of supply to low-tax jurisdictions as compared to large multinationals that often chose their place of supply also in the context of an international tax-planning strategy.

These changes also lead to a fairer distribution of VAT revenues along the country-of-destination principle while minimizing the administrative burdens linked to such a system.

Finally, the Commission would like to assure you that during the ex-post-evaluation of the operation of this new system, that will be done in due course, the situation of all businesses in all the Member States will be taken into account.

Yours faithfully

e-signed
Heinz Zourek