

NEW DEVELOPMENTS IN RELATION TO THE E-COMMERCE VAT

Last April 28th, the Royal Decree-Law 7/2021 of 27th April was published, and among other amendments, it introduces **important changes to Value Added Tax (IVA, as per the Spanish acronym), especially in the treatment of distance sales of goods and provision of services,** applicable as from 1 July 2021, due to the transposition of Council Directive (EU) 2017/2455 of 5 December 2017 and Council Directive (EU) 2019/1995 of 21 November 2019.

The Directives at issue regulate the VAT treatment of e-commerce, setting out the rules for the taxation of supplies of goods and provision of services that are sent or provided by traders or professionals from another Member State or a third country or territory to final consumers.

Please find below the most relevant aspects and most significant changes that will be introduced with the transposition of the EU directives.

New definitions of distance sales, both intra-Community and from third countries, are incorporated. Thus, there are **three applicable regimes**, depending on whether they are services provided or distance supplies of goods, and from the place where the transaction is carried out:

- o **Union external regime:** applicable to services supplied by traders or professionals **not established in the Community** to recipients who do not have the status of traders or professionals acting as such, i.e., intended for the final consumer.
- o **Union regime:** applicable to services supplied by traders or professionals **established in the Community** and to intra-Community distance sales of goods and internal supplies of goods imputed to the holders of the digital interfaces that facilitate the delivery of those goods by a non-established supplier to the final consumer.
- o **Import regime:** applicable to distance sales of goods imported from third countries or territories; it is possible to benefit from it directly or through an intermediary established in the Community (marketplaces).

Another modification that has been introduced is the limit on sales, in other words, when sales abroad exceed 10,000 euros per year, they will be taxed at the place of destination.

Also, regarding the imports of goods with a value of less than 150 euros, the possibility of applying a special method of declaration, settlement, and payment of IVA before Customs is established for those who do not choose to use the special one-stop regime foreseen for distance sales of goods imported from third countries or territories.


Likewise, another of the new features to be implemented will be the elimination of the exemption for low-value imports, currently set at 22 euros.

The special regimes included with the entry into force of the European Union Directives, and therefore the entrepreneurs and professionals who make use of these regimes will have to keep a record of the operations included in them for ten years. They will also be obliged to issue and deliver invoices for the transactions declared.



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