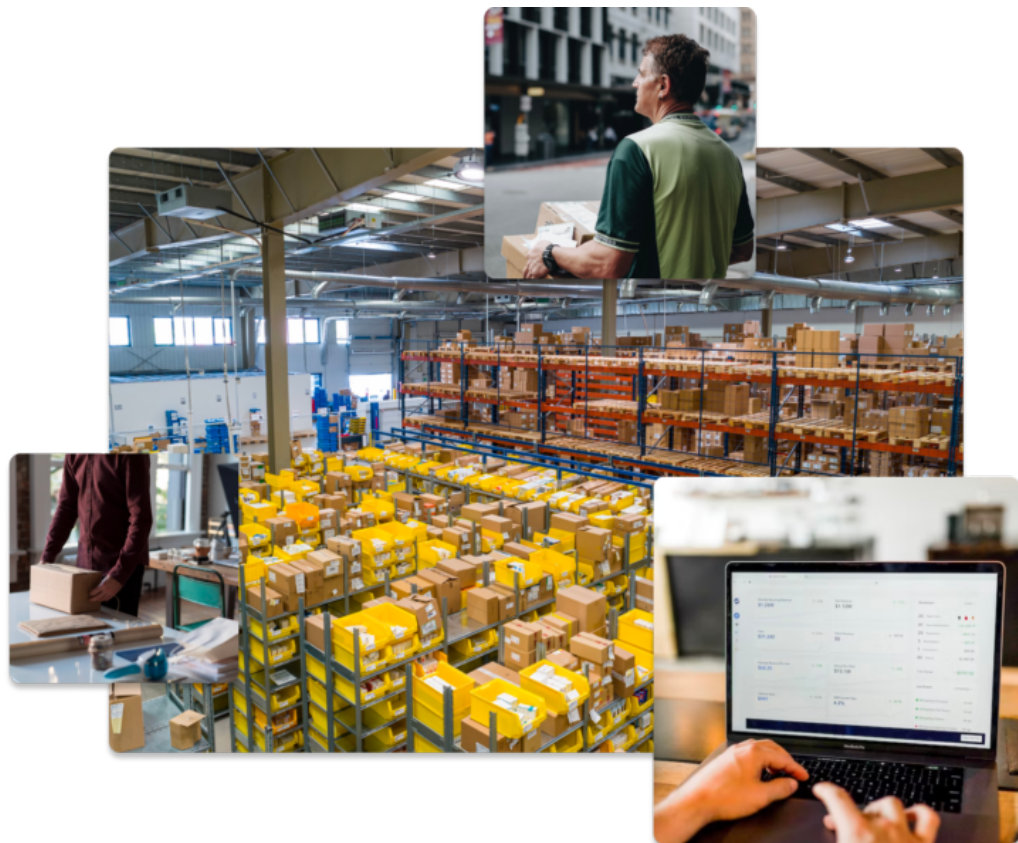


VAT FOR AMAZON FBA PROGRAM

A Guide for eCommerce
B2C Sellers



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OVERVIEW

WHAT IS THE AMAZON FBA PROGRAM

Fulfillment by Amazon (FBA) is a program designed for eCommerce businesses to outsource orders, storage, and delivery of orders to customers, while focusing on growing the business within new markets.

eCommerce sellers can store products in Amazon's global network of fulfillment centers, enabling faster delivery times to their customers.

When a customer places an order, Amazon will pick, pack, ship the product as well as offering customer service and returns support, to complete the service package delivered directly by Amazon. Some of the advantages of the Amazon FBA program may include:

- Lower Shipping Costs
- Time Saving
- Expand Business Reach
- Optimize Operations

While joining the Amazon FBA program may offer numerous advantages, there are VAT obligations tied to the program, with associated costs of VAT compliance, that are important for eCommerce sellers to be aware of.

EU VAT OBLIGATIONS

Understanding the complexities of EU VAT obligations for eCommerce businesses can seem challenging, but it is important that sellers seek impartial advice when considering expanding their business into new markets.

In general, a business will need a local VAT registration in all countries where they hold inventory. If a seller uses an Amazon fulfillment centre in the EU to hold inventory through the FBA program, they will require a local VAT registration number.

An additional streamlined approach within the EU is the 'One Stop Shop,' offering a single VAT registration for all cross-border EU sales directly to consumers.

This measure alleviates the administrative complexities for businesses engaged in transactions across multiple EU countries, as it involves a single registration with quarterly VAT submissions. Under this arrangement, the applicable VAT rate should be levied based on the country where the goods are delivered. There are 27 member states in the EU so it can become difficult to apply the correct VAT rates, as each member state has the autonomy to determine the VAT rate applicable in their country and these rates can change year on year.

ONLINE MARKETPLACES DEEMED SUPPLIER FOR VAT

As of 1 July 2021, the VAT treatment for certain B2C sales made on online marketplaces changed. Online marketplaces are now deemed suppliers for VAT in the following scenarios.

1. Goods dispatched from outside the EU to a consumer within the EU, provided the consignment value doesn't exceed €150.
2. Sales B2C within the EU where the seller is not established in the EU, with no limit on the transaction value.

For Amazon FBA merchants selling from a fulfillment center located in the EU, where the merchant is not established in the EU - for example any US or UK based eCommerce business – then Amazon would be the deemed supplier for VAT on sales to consumers and would be responsible for reporting and paying the VAT.

Where the online marketplace is deemed supplier for VAT, two separate transactions need to be reported for VAT.

1. The merchant sells the goods to the marketplace, treated as a tax exempt B2B sales with no EU VAT being due. However, the transaction must be reported on the local VAT return of the country the order is fulfilled from.
2. The marketplace sells the goods to the consumer, this is a B2C sale with the marketplace responsible for collecting the VAT due based on the country the goods are being dispatched to.

In summary, although the online marketplace is the deemed supplier for VAT in the EU, the Non-EU Merchant still has EU VAT obligations in the country that the products are held in and fulfilled from.

INTRASTAT AND EC SALES DECLARATIONS

Additional filings that Amazon FBA eCommerce Sellers should be aware of are Intrastat and EC sales filings.

Intrastat

These are statistical filings that are required when certain thresholds are breached on cross border sales or movements of product within the EU. These reports provide detailed information on the trade of goods, including the quantity and value of goods traded between countries within the European Union. Intrastat filings are used to collect data for statistical purposes and to monitor the flow of goods within the EU. The thresholds for submitting these declarations vary by country and businesses need to consider both arrivals and dispatches of goods between member states.

EC Sales

These filings are to report B2B cross border EU sales to validate the application of 0% VAT. The primary purpose of EC Sales reporting is to monitor and validate the customers VAT number so the reverse charge treatment tracked applied. It is important to note that even for movement of a businesses own stock from one EU fulfilment centre to another would constitute a supply for VAT purposes and would need to be reported on an EC sale report.

PRACTICAL VAT TIPS AND GUIDANCE FOR AMAZON FBA MERCHANTS

Before enrolling in the Amazon FBA program, seek guidance regarding your VAT compliance responsibilities in the EU and any ongoing expenses associated with the program.

Be aware that while Amazon is considered the deemed supplier for VAT purposes, every eCommerce business participating in the FBA program will be required to fulfill certain VAT compliance requirements, including the submission of local VAT returns in all countries where their products are stored.

Also, in certain countries within the European Union, any non-EU business may require fiscal representation within a member state to complete their local VAT registration, which will incur additional time, and expense for your business.

Taxmatic Guide – VAT for Amazon FBA Program, A Guide for eCommerce Sellers

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