



Online Marketplaces and Platforms

A Guide to VAT Compliance
in the EU and UK

Changes to VAT rules in the European Union and the UK for Marketplaces and Online Platforms

There have been significant changes in recent years to EU and UK VAT laws, driven by the rapid growth of eCommerce and the platform economy.

One key development is the introduction of deemed supplier rules for online platforms and marketplaces.

In January 2021, the UK implemented the deemed supplier rules. These rules require online marketplaces that facilitate the sale of goods to be treated as the supplier, which in turn makes the marketplace responsible for collecting and

remitting VAT on sales to consumers. The EU enacted a similar requirement in July 2021.

These changes aim to combat VAT fraud by shifting the responsibility for VAT collection from individual merchants to the marketplaces or online platforms where transactions occur. The EU's VAT in the Digital Age (VIDA) initiative spearheads these reforms to make the VAT system more efficient at tax collection while also simplifying compliance for online sellers by reducing their administrative burden.

This guide gives you an overview of the VAT rules in the EU and UK, along with tips and guidance on how to effectively manage your VAT obligations as a marketplace or online platform.



EU deemed supplier rules

The EU has defined an electronic interface as a website, portal, gateway or marketplace where transactions occur.

To determine whether a marketplace or online platform falls under the deemed supplier rules, the following needs to be considered.

- Controlling the terms and conditions of the sale.
- Authorizing the charge to the customer for the payment of goods.
- Ordering or delivering the goods.

The marketplace or online platform is not deemed to facilitate the sale if:

- It does not set, either directly or indirectly, any terms and conditions for the goods' supply.
- It is not, either directly or indirectly, involved in authorizing the charge to the customer for the payment made.
- It is not, either directly or indirectly, involved in the ordering or delivery of the goods.



Supplies of physical goods

Once it is determined that the marketplace could be considered the deemed supplier, the next step is to evaluate the actual supply.

The EU Marketplace deemed supplier rules cover two scenarios in which the electronic interface facilitates sales:

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

In both scenarios, the marketplace is regarded as the deemed supplier and is responsible for reporting and remitting VAT in the EU. Two of the simplified VAT schemes - Union One Stop Shop "OSS" and Import One Stop Shop "IOSS" - are available to online platforms and marketplaces to help streamline their remittance process.

The deemed supplier rules create a two-stage VAT transaction:

1. The merchant is deemed to sell the product to the marketplace as a B2B sale. There is a special 0% VAT rate that applies to these deemed supplies.
2. The marketplace is deemed to sell the goods to the end consumer.

Supplies of digital services

In addition to goods, marketplaces are now considered the deemed supplier for VAT with all third-party sellers' sales of digital services to EU consumers. In this situation, the online platform or marketplace may choose to use the Union OSS return, as previously mentioned.

A marketplace is considered to facilitate a sale and thus becomes a deemed supplier where they:

- Provide invoices and/or receipts to customers.
- Set terms and conditions.
- Authorize the charge for payment.

UK deemed supplier rules

UK legislation is similar to EU law and considers online marketplaces the deemed supplier for VAT in certain circumstances.

HMRC defines an online platform or marketplace as any online platform that facilitates a sale of goods or services which meets all the following conditions:

- in any way sets the terms and conditions on how goods are supplied to the customer.
- is involved in any way in authorising or facilitating customers' payments.
- is involved in the ordering or delivery of the goods.



Supplies of physical goods

There are two scenarios where the marketplace will be the deemed supplier.

1. Where the goods are located outside the UK at the point of sale, and the value of the consignment is £135 or less.
2. Where the goods are located inside the UK at point of sale, and the seller is an overseas business.

The £135 threshold refers to the intrinsic value of the order. This is the price the goods were sold for, not including:

- transport or insurance costs, unless they are included in the price and not separately shown on the invoice.
- other identifiable taxes and charges.

Supplies of digital services

The platform / marketplace operator is considered the deemed supplier for VAT, where they set the general terms and conditions, authorises payment or handles delivery or download of the digital service.

Operators of an online marketplace are responsible for ensuring that sellers on their platform comply with VAT regulations. They can be held jointly and severally liable for unpaid VAT if an overseas seller should have registered for UK VAT but has failed to do so, or if they knew or should have known that an overseas seller should be UK VAT registered.

If a marketplace identifies a seller who has not met their VAT obligations, they should notify HMRC and remove the seller from their marketplace.

Practical tips and guidance

Handling VAT compliance for marketplaces involves dealing with a complicated set of rules and responsibilities. From determining the deemed supplier status to overseeing VAT registration and reporting, marketplace operators confront a multitude of challenges.

Here are some tips and guidance to help ensure your marketplace is effectively prepared for VAT compliance.

Seller on-boarding:

This is a critical part of the process, gathering all of the required 'KYC' documentation and validating their VAT position and VAT registrations. Gathering information on their supply chain is critical to determining who the deemed supplier for VAT purposes will be.

Keep up to date with VAT Laws:

Partner with a trusted VAT service provider that understands your business model and can provide you with VAT legislative changes that are relevant to your business and will ensure your business is tax compliant.

Automating VAT Compliance:

Line-item liability, back-to-back invoicing, interactive dashboard, VAT reports and filings are just some of the features you need to consider when choosing an automated VAT compliance service for your marketplace.



