



**E-COMMERCE**

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# IMPACT OF THE VAT-OSS PROCEDURE ON FOREIGN SALES IN THE E-COMMERCE INDUSTRY

A COMPENDIUM OF  
KNOWLEDGE AND  
CONCLUSIONS 3 YEARS  
AFTER THE LAUNCH

- ▶ PROCEDURE FOR REGISTERING AND FILING VAT-OSS RETURNS
- ▶ IMPACT OF VAT-OSS ON E-COMMERCE SALES STRATEGIES



**THE GLOBAL ADVISORY  
AND ACCOUNTING NETWORK**

# IMPACT OF THE VAT-OSS PROCEDURE ON FOREIGN SALES IN THE E-COMMERCE INDUSTRY

VAT-OSS, being a key element of the VAT package for e-commerce introduced in July 2021, facilitates VAT-related requirements for companies selling goods and services to consumers in other EU countries. The procedure allows e-commerce businesses to declare and pay VAT in one EU country for all transactions carried out in other member states, thereby significantly simplifying the tax settlement process. Introduced in July 2021, the VAT-OSS procedure represents a significant step toward reducing the administrative burden faced by online merchants, while improving compliance.

Targeting e-commerce, VAT-OSS opens up new opportunities for e-commerce companies in terms of sales strategies and managing cross-border VAT obligations. Covering all EU countries where the seller makes sales, the system does not limit foreign expansion to only certain countries. By shipping from Poland, for example, and using the VAT-OSS procedure, an online store can make mail order sales to virtually all EU countries. In this way, VAT-OSS addresses the challenges of VAT accounting in the e-commerce sector, allowing companies to focus on growth and expansion in European markets.

## WHAT IS VAT-OSS AND HOW DOES IT WORK?

VAT-OSS (Value Added Tax One Stop Shop) is a system that facilitates the VAT compliance process for companies selling goods and services online within the EU. With this system, businesses can declare and pay VAT in their own country, instead of registering for VAT in every EU country to which they sell goods or services.



### AVAILABILITY AND SCOPE OF VAT-OSS

- Available to companies selling goods or services online to consumers in other EU countries.
- Covers distance intra-Community transactions, B2C services for companies with headquarters or permanent place of business in the EU.
- For companies outside the EU, non-EU VAT-OSS applies to the provision of electronic, telecommunications, broadcasting and certain other services to consumers in the EU.

### PROCEDURE AND BENEFITS

- Companies can register for VAT-OSS in the EU country where they are established.
- Participation in the VAT-OSS procedure is voluntary.
- The system allows registration for VAT purposes in one EU country, which then handles all VAT obligations related to sales within the EU.
- Companies must submit quarterly returns detailing all transactions subject to the VAT-OSS procedure.

### CHANGES AND SIMPLIFICATIONS

- The new rules have expanded the catalog of entities subject to the new rules to include online sellers offering goods and services in other EU countries.
- VAT-OSS reduces and unifies the limits to EUR 10,000 or the equivalent in the country's currency. In Poland, this is PLN 42,000.
- Sellers who exceed the threshold must still pay VAT in the buyer's country, but they can register for VAT-OSS in the country where they have a registered business. There, they file a single declaration before the US, which then distributes the funds to the countries to which the sales took place.
- A seller accounting for VAT-OSS in Poland must file a separate VAT-OSS return with the Head of the Second Tax Office Warsaw-Śródmieście.
- The new rules eliminate the need for VAT registration in another EU country after exceeding the sales limit.

### CONDITIONS FOR QUALIFYING FOR THE VAT-OSS SYSTEM

To qualify for the VAT-OSS system, businesses must meet certain conditions and go through a registration procedure. Here are the key points about qualification and registration.

#### ELIGIBILITY CONDITIONS

**Sales threshold:** Businesses should register for VAT-OSS if their annual sales to consumers in other EU countries exceed a certain threshold (€10,000). Before

exceeding the threshold, too, they can register for VAT-OSS. Additional documentation is then required, but it is possible.

**Place of business:** To use VAT-OSS, businesses must be registered for VAT in the EU country where they are established.

**Availability to non-EU companies:** Non-EU companies can also use VAT-OSS to simplify VAT compliance when selling goods or services to EU consumers. A physical presence in an EU country or the use of a tax representative is required.

## PROCEDURE FOR REGISTERING AND FILING VAT-OSS RETURNS

To successfully register and file VAT-OSS declarations, businesses must go through several steps. The following is a simplified guide to the registration and declaration procedure:

### REGISTRATION PROCEDURE

- 1. Access to the One Stop Shop portal:** Businesses registered for VAT in their home country can register for VAT OSS through their home country's One Stop Shop portal.
- 2. Form VIU-R:** Registration for VAT-OSS is voluntary and can be done through Form VIU-R, with registration taking effect on the first day of the quarter following the quarter in which the application is made.
- 3. Use of UPL-1 and PPS-1 forms when registering by proxy:** If an e-commerce company wishes to register by proxy, it is necessary to provide a qualified electronic signature and submit a UPL-1 form for signing and filing returns and a PPS-1 form for authorization.
- 4. Registration deadlines:** The deadline for registration is the 10th day of the month following the month in which the sales threshold of EUR 10,000 was exceeded, or which was the first to be reported to the VAT-OSS procedure. It is important to note that it is not possible to register for VAT-OSS retroactively, i.e. to account for previous quarters. The VAT-OSS registration process itself takes from 2 to 5 working days from the time of application.

### SUBMISSION OF DECLARATIONS

- 1. Quarterly VAT OSS returns:** Once registered, vendors must submit quarterly VAT-OSS declarations through their home country's One Stop Shop portal. These declarations should include information on sales, VAT rates and the amount of VAT due. Payments are made by one bulk transfer in euros.
- 2. VIU-DO declaration details:** the VIU-DO declaration, which must be submitted quarterly, must include all transactions covered by the VAT-OSS procedure. It is a key document that allows VAT to be settled for sales in all EU countries.
- 3. Declaration deadlines:** VAT-OSS returns must be filed by the end of the month following the end of the quarter. It is not possible to file retroactive or corrective declarations.

## THE ROLE OF VAT-OSS IN SIMPLIFYING TAX SETTLEMENTS

Under the VAT-OSS procedure, online sellers, both from within and outside the EU, can significantly simplify the tax settlement process. Here are key aspects of how VAT-OSS simplifies VAT settlements:

- **Reducing the number of VAT registrations:** VAT-OSS eliminates the need for multiple VAT registrations in each EU country where sales are made, and this significantly reduces the administrative burden. E-commerce companies can thus avoid, among other things, the language barrier of communication with tax authorities in other countries.
- **Uniform billing procedures:** The system allows a single quarterly VAT return to be filed for all transactions in the EU, which significantly simplifies the settlement process.
- **VAT compliance:** VAT-OSS makes it easier to comply with legal requirements, ensuring better VAT compliance in the EU.
- **Reduction of administrative costs:** By eliminating the need for multiple VAT registrations, businesses can save on administrative costs.
- **Predictability of VAT costs:** VAT-OSS increases transparency and predictability of VAT costs, making financial planning easier.
- **Competitiveness enhancement:** The system creates a level playing field for EU and non-EU companies, improving the competitive position of the former in the e-commerce market.

At the same time, it should be noted that the VAT-OSS procedure also has its advantages for non-EU companies:

- VAT-OSS allows non-EU companies easier access to the European market, simplifying the process of accounting for VAT on transactions made in the EU.
- For companies supplying electronic, telecommunications and broadcasting services, VAT-OSS offers a simplified way of accounting for VAT.

Using the VAT-OSS procedure, online merchants can significantly reduce the administrative burden and costs associated with VAT settlements, resulting in better operational efficiency and greater opportunities for growth in the European market.

## IMPACT OF VAT-OSS ON E-COMMERCE SALES STRATEGIES

The introduction of the new VAT-OSS regulations has affected the sales strategies of e-commerce companies, both those selling goods and services to EU consumers and businesses. A key element of these changes is the role of platforms such as Amazon and eBay, which now have to check the VAT status of sellers and provide information to the tax authorities. This, in turn, forces businesses to understand and adapt to the new operating conditions.



## DIFFERENCES IN THE USE OF VAT-OSS BY AMAZON SELLERS

- A. Amazon FBM (Fulfillment by Merchant):** Sellers who handle their own logistics and customer service can take full advantage of the benefits of VAT-OSS, allowing them to simplify VAT accounting and become more competitive in the European market.
- B. Amazon FBA (Fulfillment by Amazon):** Sellers using Amazon's logistics services may face limitations in taking full advantage of VAT-OSS, because when giving goods to Amazon warehouses in countries other than the company's home country, they must register for VAT locally in the countries where their products are stored.

Adapting to these changes requires e-commerce businesses not only to understand the new regulations, but also to have a well thought-out strategy for their operations. For example, companies need to decide whether it's beneficial for them to use the logistics services of e-commerce platforms in the context of VAT-OSS, or whether it's better to handle logistics in-house to take full advantage of the potential to simplify VAT settlements. Or perhaps it would be best to combine both models and take advantage of both the advantages of storing goods closer to customers and the benefits of the VAT-OSS procedure.

A key aspect is also awareness of the responsibility for checking VAT status and providing the required information to the tax authorities, which may influence the choice of sales platform. These changes to the VAT-OSS procedure bring both challenges and opportunities for e-commerce entrepreneurs, requiring them to actively adapt and optimize their operations in the new regulatory environment.

## VAT-OSS EXCEPTIONAL CASES AND LIMITATIONS

Under the VAT-OSS procedure, there are some exceptional cases and limitations that e-commerce entrepreneurs should take into account. Here are the most important of them:

### 1. VAT rates and exemptions:

The new regulations introduced under VAT-OSS do not affect the VAT rates or exemptions applicable in Poland. This means that businesses must continue to comply with local national VAT rates and exemptions, which may affect how they account for tax.

## 2. Changes to exemptions for small shipments:

One significant change is the elimination of VAT exemptions for small shipments (up to €22 in value) imported from countries outside the EU. This change means that all shipments imported into the EU, regardless of their value, are subject to VAT. This is especially important for e-commerce entrepreneurs importing goods from non-EU countries, who must now include VAT in the cost of their products.

In conclusion, e-commerce entrepreneurs need to be aware of VAT-OSS exception cases and restrictions in order to adjust their sales and logistics strategies accordingly. Understanding these aspects is key to ensuring compliance and optimizing business costs.

## PENALTIES FOR LATE SUBMISSION OF OSS DECLARATIONS

The IRS can exclude a business from the OSS procedure if it systematically fails to meet OSS-related obligations and deadlines. Persistent disregard of the EU procedure rules occurs, for example, when a taxpayer has not filed a return to account for VAT for three consecutive calendar quarters. For more on the topic of sanctions, see the article [Penalties for late submission of OSS declarations](#).

## KEY BENEFITS OF VAT-OSS FOR ENTREPRENEURS

As mentioned earlier, the use of the VAT-OSS procedure brings a number of benefits to e-commerce entrepreneurs that significantly affect their daily operations and growth strategies. The following are the key advantages of implementing this [system](#):

### 1. Simplification of VAT reporting:

Instead of filing separate VAT returns in each EU country to which B2C mail order sales are made, businesses can use a single, quarterly VAT-OSS return. This process significantly simplifies the management of VAT obligations, saving time and resources.

### 2. Reduced administrative burden:

The VAT-OSS procedure eliminates the need for multiple VAT registrations in different EU countries, reducing the administrative burden and associated costs. The system centralizes settlement processes, resulting in greater operational efficiency.

### 3. Increased efficiency in managing VAT liabilities:

With VAT-OSS, businesses can better plan their activities with clarity on deadlines and procedures, which increases efficiency in managing VAT liabilities. The procedure also enables faster response to changes in VAT regulations, which is particularly important in the rapidly changing e-commerce environment.

In conclusion, VAT-OSS is a significant convenience for entrepreneurs who want to focus on developing their e-commerce business, while minimizing the associated administrative burden and costs.

## CONCLUSION

The introduction of the VAT-OSS procedure represents a significant step forward in simplifying VAT accounting processes for e-commerce entrepreneurs, especially those selling consumer goods and services within the European Union. By allowing VAT to be centrally declared and paid in one member state, VAT-OSS reduces the administrative burden and allows entrepreneurs to better focus on growing their business. The benefits of this procedure are particularly apparent in terms of reducing administrative costs and reducing the need for multiple VAT registrations in different EU countries.

Therefore, it is worthwhile, being an e-commerce entrepreneur, to familiarize yourself with the requirements and the VAT-OSS procedure and take advantage of the registration option. Such an action will not only simplify the management of VAT obligations, but also contribute to increased operational efficiency while meeting legal requirements. Ultimately, VAT-OSS offers a robust platform that can support entrepreneurs in expanding their presence in European markets, providing greater growth opportunities and increasing competitiveness in the rapidly changing e-commerce market.





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**DOMINIKA**  
Account Manager  
for online retailers  
regarding new clients  
Localization: Wrocław



- ▶ **Phone:** +48 71 388 13 54
- ▶ **Mobile:** +48 608 34 32 32
- ▶ **Phone:** +49 151 46107772
- ▶ **Contact:** <https://amavat.eu/contact/>

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FEEL FREE TO CONTACT US

**amavat Sp. z o.o.**

ul. Zwycięska 45  
53-033 Wrocław

Mobile: +48 71 388 13 54  
E-mail: [info@amavat.eu](mailto:info@amavat.eu)

▶ [amavat.eu](https://amavat.eu)  
▶ [hlb-poland.global](https://hlb-poland.global)

