



Order Fulfillment in the UK and the EU – VAT & EORI

What is VAT?

Value-added tax, or VAT as most commonly known, is a consumption tax that is added to a product's selling price whenever there is value added at each stage of the supply chain. This includes from production to the point where the product is sold.

Every country defines its own VAT rate with there being standard VAT, reduced VAT, as well as some products/services being zero-rated or exempt from VAT. Each VAT rate has its own definition, and each country interprets these rates onto products/services in their own fashion.

Import VAT, what is this and when is it due?

In order to clear goods into either the UK or Germany (DE), you are required to pay 'Import VAT', this is calculated at the VAT rate of the country on the value of the goods being Imported. This is a one-off fee; each time goods are imported into either the UK or DE and is required to be paid in order to have the goods cleared into the country.

What is an EORI?

An EORI number is connected to a VAT registration number and is required in order to have goods cleared into the country, for example if you are sending stock from overseas into the Rapid UK or Rapid DE warehouse.

Why do I need a VAT registration number to sell in the UK or the EU?

When you are carrying out taxable activities in the UK or the EU, but do not have a physical presence in the country, you will need to obtain a tax identification number – a VAT registration number.

The very basic rule for VAT registration is as follows: if your orders are fulfilled from a country, you must register for VAT in that country. It's as simple as that.

When fulfilling from the Rapid Fulfillment warehouse in the UK – you will need a UK VAT registration number, when fulfilling from the Rapid Fulfillment warehouse in DE, you will need a German VAT registration number. The warehouse location will be recorded as the country of 'origin' when your goods are then shipped to end customers in other countries.

What about the destination country, where your customers are based?

A) If fulfilling from Rapid's EU warehouse in Germany;

For sales from one EU country to another, **Prior to July 2021**, the distance selling regulations governed a seller's obligation to register in each destination country, and it was based on an annual revenue threshold of between €35,000 and €100,000 depending on the country.

As of July 2021, a simplification has been deployed which can completely remove this country specific threshold, and replace it with a €10,000 EU wide threshold, this is called the OSS (One-Stop-Shop). If you are fulfillment customer of Rapid in DE, this scheme can be taken advantage of, with a German VAT number, plus OSS on-top. With this, the obligation to register for VAT in each of the destination countries due will disappear in almost all cases

B) If fulfilling from Rapid's UK warehouse;

The storage of stock in the UK for re-sale triggers the need for a UK VAT registration. If you are also selling to EU customers from your UK located stock, there are a few variables depending for example, on the value of the goods. Our partner Vatglobal can advise on this.

What are the unique VAT requirements for selling into the UK?

Since 1 January 2021, post Brexit, the regulations for selling into the UK have changed. The UK is no longer considered part of the EU from a Customs Union perspective, which governs the VAT union. The new changes entail that companies need to register for UK VAT with HMRC from the first sale. The regulation regarding the owning of stock for subsequent re-sale has not changed and remains in force.

How do I register a company for VAT and an EORI in the UK or EU?

You would need to go to the local tax office, and if you have no physical presence within the country (i.e. Physical offices in the UK or DE), you would need to obtain a 'non-resident' VAT registration. Alternatively, our partner Vatglobal can register your company for VAT through their presence in more than 60 different countries, meaning you do not need to.

What scenarios trigger VAT obligations/registrations

There are various scenarios that would trigger an obligation to register for VAT. Some of the most common examples are:

- Importing goods into the UK from any country, or into the EU from outside of the EU.
- Buying and selling goods in the UK or the EU.
- Selling goods from the EU which are delivered to customers outside of the EU.
- Acquiring goods in the EU from another EU country (Intra-community acquisitions).
- Holding inventory in the UK or EU (i.e. at Rapids warehouse), for sale, distribution or consignment.
- E-commerce sales of goods to consumers, subject to Distance Selling VAT registration thresholds.

How is VAT charged and collected?

- VAT-registered businesses have a responsibility to:
 - Charge VAT on their goods or services within the UK and UK
 - Charge destination VAT to EU customers on their OSS
 - Reclaim any VAT they've paid on business-related goods or services
 - Report to the relevant tax office the amount of VAT you've charged and the amount of VAT you've paid.
 - This is done through your VAT Return, which is usually due every month or quarter, depending on the jurisdiction.

How do I manage VAT registration and compliance?

Many companies have an in-house VAT function that takes care of their local VAT obligations, which are usually relatively simple and easier to manage. When cross-border/foreign VAT obligations arise, many companies prefer employing specialists (such as our partner, Vatglobal), that have presence in these countries, and knowledge on how best to conform to the differing VAT rules, taking over the VAT process for them.

Rapid Fulfilment Services & Vatglobal Solution

Can provide EU Wide VAT compliance under a DE VAT registration + OSS (One-Stop Shop)

UK compliance with a UK VAT registration and compliance to ensure all obligations are covered and accounted for when selling to both EU and UK customers.

Vatglobal contacts

Bryce.cressy@vatglobal.com

Jonathan.Matthews@vatglobal.com



T: +44 203 961 7500
E: contact@vatglobal.com

1st Floor Omni House, 252 Belsize Road,
London, NW6 4BT, United Kingdom

