

2015 EU Digital VAT

New EU VAT legislation was introduced in 2015 to stop companies such as Amazon, Apple and Google from taking advantage of tax loopholes. Regardless of the size of your business, you must now charge your customer the VAT rate of the country they are in when they buy your product and store their personal data for 10 years.

This legislation applies to anyone selling any cross-border digital product in the EU. Most micro businesses (sub €2m turnover) cannot comply because they do not have access to the data required to meet the administrative burden. **This new law negatively affects millions of businesses.**

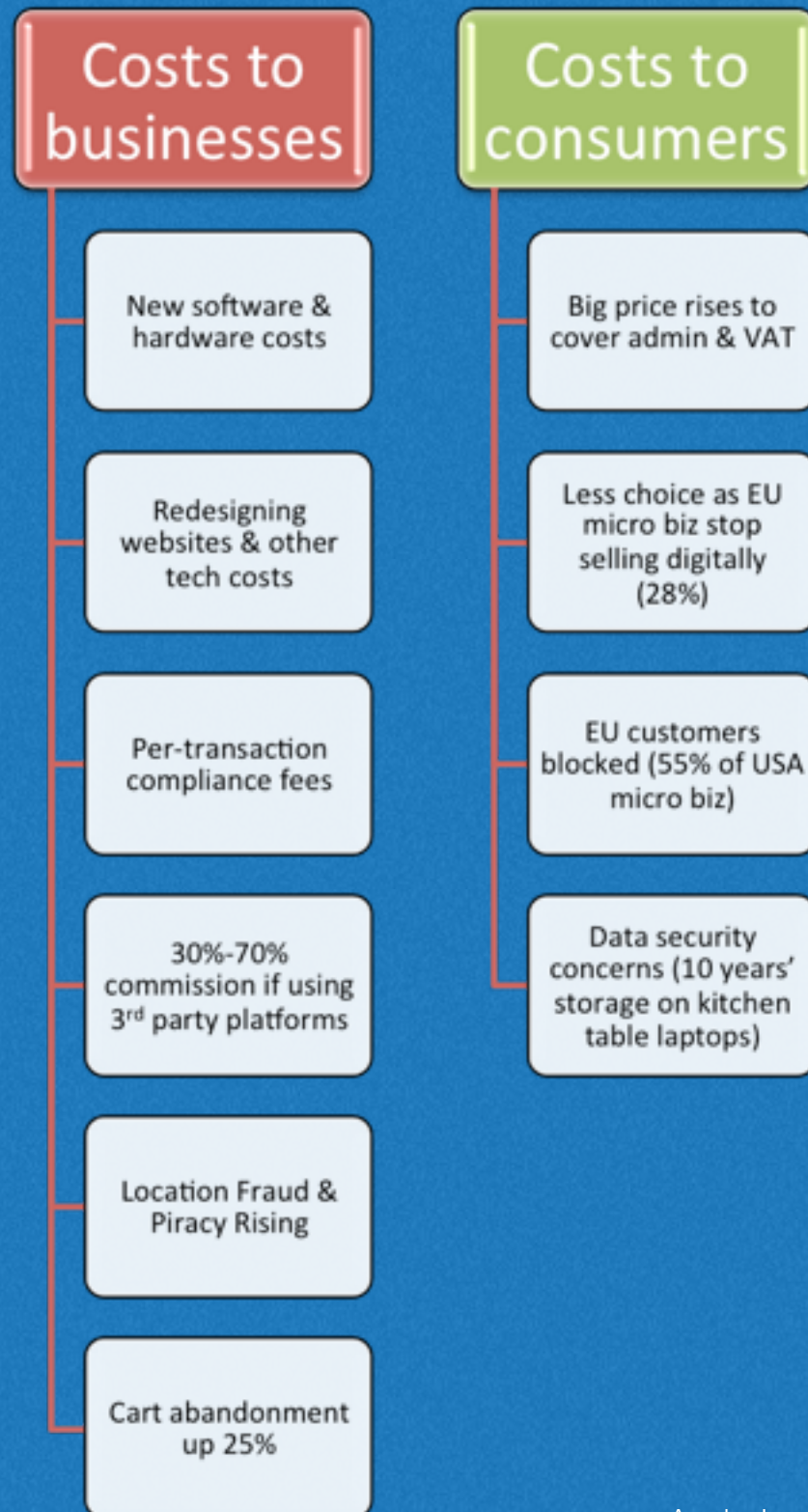
Businesses need to demonstrate where their customers are by collecting 2-3 pieces of location information to calculate how much tax they owe.



Businesses now have to use 81 EU VAT rates in 28 Member States, instead of 1-2.

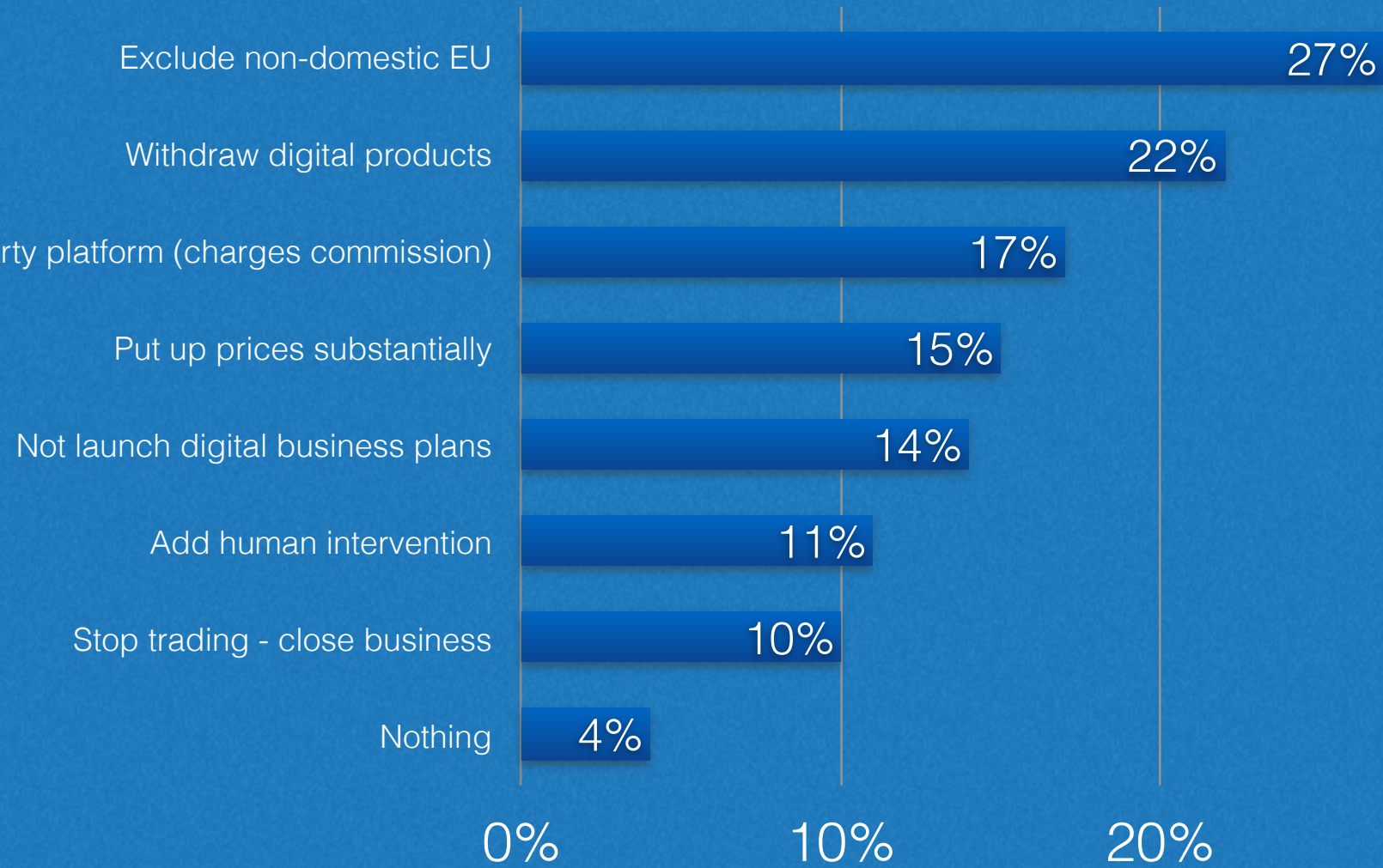
What are the costs?

Thousands of micro businesses are being forced, against their will, to move to trading solely through 3rd party platforms who will handle the new EU VAT rules for them, but take a 30% - 70% cut in their sales. These platforms are often the ones for whom the legislation was introduced in the first place.



What are EU businesses planning to do?

We surveyed over 2000 companies that turnover less than €100,000 per year and this is what they told us they will do:



The actions that businesses are having to take will lose them sales and increase costs.

What are businesses telling us?

We surveyed over 2000 businesses across the EU. This is what they told us:



Software Developer - €50k (20% non-UK EU)

“The legislation imposes a severe barrier to my ability to trade freely within the EU. As a sole trader entering the second year of trading, I do not have the resources to obtain and store this information within the requirements of the Data Protection Act. So my choices are between non-compliance or losing 50% commission to a 3rd party platform.”

Craft Pattern Seller - €6,000 (2% non-UK EU)

“Devastating. I don't know how to block non-UK sales. I am seriously considering closing my business completely as I didn't even make enough to pay NI this year. It really is not worth all the hassle for a few pennies at the end of the day. “

MP3 Downloads - €65k (not yet exporting)

“This legislation will prevent me opening up a planned line of business as I simply can't afford the time and cost overheads of sorting out the VAT for European sales. I am scrapping the plans to expand my business outside of the UK.”



Craft Pattern Seller - Turnover €800 (20% non-NL EU)

“I have spent weeks of my time and in the future also 5% of every sale, in addition to the VAT, due to the extra costs associated with sales through the 3rd party platform that will handle the VAT.”

Online Membership Site - Turnover €60,000 (20% non-NL EU)

“I cannot afford to make the changes to my site, or to manage the data each months, so I am going to have to stop selling to customers outside of The Netherlands. This means I will lose 20% of my business.”

Software Apps Company - Turnover €400,000 (80% non-NL EU)

“It is almost impossible to estimate the time and money this change has cost us. This will put a large dent in our profit for 2014. It might cause us to have no profit at all.”



“It already cost me 2000 Euro in fees to my accountant to get it all understood and sorted.”

“Moving to a 3rd party platform will cut my profit by about 50%.”

“This is a showstopper. I won't launch my digital plans now because I know I can't comply with these new rules.”

“It's threatening my whole business. I don't think my business model is viable any more, once I have to do all of this.”

“I am closing my business. The costs of the new EU VAT process are astronomical for me and I can't afford to keep going.”

“I estimate that making all of the changes will cost over €20,000 - that is a huge chunk of our profit margin.”

“It's so complicated that I don't know where to start, to be able to do this.”

We need urgent change

This legislation was never intended to hit micro businesses. The legislation was drafted in 2008 - **seven years ago** - when hardly any small-scale digital businesses even existed. It was assumed that none were affected, which is why no micro business impact assessments were carried out.

The Mini One Stop Shop (MOSS) is **NOT** the solution

Third-party platforms are **NOT** the solution

PayPal is **NOT** the solution

It is a reporting and payment tool for people who already comply with the new law.

They take 30-70% commission on each sale and already control the market.

Most digital sellers use simple PayPal buttons & aren't told where their customers live.

A derogation for micro businesses is needed, below which domestic VAT rules would apply.

Stop the new #EUVAT laws from killing small business.

To download the full report, go to <http://www.euvataction.org/report>