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NOTE OF MEETING WITH AMAZON

Subject: Informal meeting to discuss policy option 3a of the Single VAT Registration (SVR) pillar of the VAT in the Digital Age proposal, which covers transfers of own goods

7 December 2021

Attendees:

TAXUD:



Amazon:



1. Introduction:

The Commission met with representative of Amazon to discuss Amazon's paper, which covers practical considerations regarding the possible implementation of option 3a of the SVR pillar of the VAT in the Digital Age proposal. The meeting was arranged to stress test the ideas proposed by Amazon in its paper.

2. Presentation of Amazon's paper:

Amazon presented its proposal, which aims to achieve an automatic offset of input VAT for transfers of own goods by applying a VAT exemption with credit on transfers of own goods in the country of dispatch and the country of acquisition. The solution is conditional on the goods being destined for onward taxable sale in that country or onward transfer from that country.

In its presentation, Amazon guided the group through a number of different scenarios to help illustrate the practical aspects of its solution.

To demonstrate its solution, Amazon tested a 'use case' to compare the current situation with its proposed solution. Amazon used an example of a retailer who made a domestic purchase of stock from a wholesaler in FR (incurred VAT of EUR 1 000). The retailer then moved the stock from FR to AT (recorded as an exempt movement of goods, transferred at the VAT exclusive cost), where it sold the stock to consumers in that MS. As part of its solution, Amazon proposed that the EUR 1 000 VAT incurred by the retailer on acquisition of its stock should be claimed as input credit in its national FR VAT return. The intra-

Community transfer of own stock is then recorded at the VAT exclusive cost in the FR OSS VAT return as a transfer out of FR, with a corresponding entry in the AT OSS return page to show the transfer into AT. The output VAT (EUR 2 000), which arises on the supply to the customer in Austria, is also recorded in the OSS Return AT page.

Amazon also presented a scenario whereby the goods were onward transferred to another Member State before being sold to the customer.

Amazon noted that the vast majority of transfers of own goods within the EU relate to taxable transactions and, therefore, the right to full deduction should arise in the majority of cases.

COM noted that Amazon's proposed solution went beyond the scope of policy option 3a insofar as the solution stretches further than the mere transfer of own goods to another Member State. COM also noted that it cannot endorse a solution that is based solely on Amazon's business model as there are wider factors to consider. COM also raised the point that some traders may prefer to retain domestic registrations rather than having to rely on the 8th/13th Directives for refunds of VAT. Amazon mentioned that other businesses use similar algorithms.

COM raised concerns of the potential for VAT fraud with this solution. To address this, Amazon noted that the policy option could be accompanied by an additional stock movement reporting, which would support and compliment the DRR pillar of the VAT in the Digital Age proposal.

3. A.O.B.

3.1 Double Taxation – IOSS

COM queried whether Amazon had an internal estimate on scale of the double taxation issue. Amazon stated that the problematic MS were BE, NL and IE in terms of P&R goods and goods subject to excise duties. Amazon indicated that approximately 2% of the shipments to these problematic MS were blocked. In terms of ratio, Amazon indicated that the issue is evenly split between P&R and excisable goods (50:50). COM noted that excisable goods are outside the scope of the IOSS but Amazon clarified that the issue in relation to excisable goods relates specifically to certain national excisable goods as opposed to EU excisable goods. Amazon stated that this is a particular issue for the importation of certain goods that are subject to national excise duties in IE and NL

As a take-away, COM noted that the scale of double taxation was measured at approximately 2% imports to these specific problematic MS.

3.2 Italian Budget Bill proposal

Amazon also raised concern about a proposed amendment to Italian VAT law as part of IT's 2022 budget law. COM noted that the amendment has not yet passed and, as such, is currently moving through parliament pending approval. Amazon stated that the amendment is seeking to impose joint and several liability on marketplaces for VAT not paid by 3rd party sellers, while also requiring some sellers to adopt new e-invoicing and VAT payment mechanisms. Amazon agreed to inform the COM of the outcome of the Italian Budget Bill process.