

REDSKY

Europe

*What you need
to know about
VAT*



The background of the slide features a faded, high-angle photograph of a desk. On the desk, there is a calculator, a pen, and some papers. In the foreground, there are two small, light-colored cylindrical objects. The entire background is overlaid with a pattern of light grey, wavy, concentric lines that resemble topographical map contours.

What you need to know about VAT

When selling goods and services in Europe, many aspects of VAT can be confusing. In this E-book we will outline the essential information you need to know about VAT.

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What is European Union VAT¹?



How is VAT calculated?

VAT is calculated as a percentage amount of the total product or service cost.

For example: If the product or service cost to the consumer is €123 and the VAT rate is 23%, the vendor keeps €100 and the collected amount of €23 VAT goes to the government.



REDSKY
Europe

Name Surname

02/09/2025

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INVOICE

Invoice #

00000123

PRODUCT	PRICE	VAT	QTY	TOTAL
Item Name / Description	€10.00	€2.30	10	€123

Subtotal €100

VAT 23% €23

Total €123



Is VAT in European Union countries and SALES TAX in the USA the same thing?

NOT ENTIRELY.

While VAT and Sales Tax are both types of indirect tax, they differ in the way that they are collected. For example:

AS AN E-COMMERCE¹⁵ RETAILER SELLING B2C:

European Union:

When a vendor sells an item, VAT is included in the price.

USA:

When a vendor sells an item, the sales tax is not included in the price. The vendor adds sales tax at time of customer purchase.

AS A FINAL CONSUMER¹⁶ BUYING:

European Union:

When you purchase an item and see that the price is €10. €10 is the final price you will pay as VAT is included.

USA:

When you purchase an item and see that the price is \$10. \$10 + tax is the final price you will pay as Sales Tax is added at point of purchase.

Sample Case

STORING GOODS IN IRELAND WITH REDSKY EUROPE

- When you import goods into Ireland, you will pay VAT on that import.
- The VAT you paid on the importation of those goods can be reclaimed⁶ if you have a valid Irish VAT Number.
- A VAT Return¹² shows the calculation of how much VAT you owe to the Irish Tax Authority or how much is owed to you.
- The VAT owed to you is VAT you paid on the goods imported into Ireland.
- The VAT you owe is the VAT you collected on sales to customers.





Is it required to charge VAT in the European Union?

If you are an Ecommerce company and have a valid VAT number, there are a number of VAT scenarios depending on who and where you are selling to:

Consumer	B2C⁷	B2B⁸
In the same EU country	VAT	VAT
In another EU country	VAT	No VAT **
Outside the EU	No VAT	No VAT

*** VAT can be excluded in B2B transactions if both parties (Buyer & Seller) have a valid EU VAT number.*

VAT Number

When you apply to register for VAT your company receives a VAT identification number.

It is an identification number for all VAT purposes in the country where such number was issued.

The VAT number has between 4 and 15 digits.

It starts with the country code where it was issued.

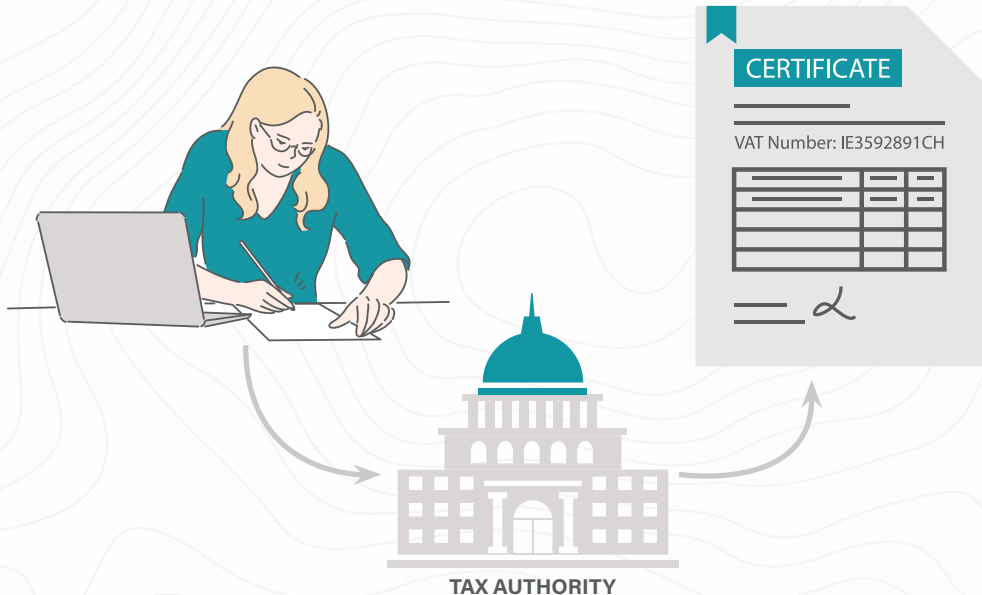


Sample VAT Number
IE3531091CH

When is it required to register for a VAT number?

If you are importing and holding goods in an EU country, you must register for a VAT number in that country.

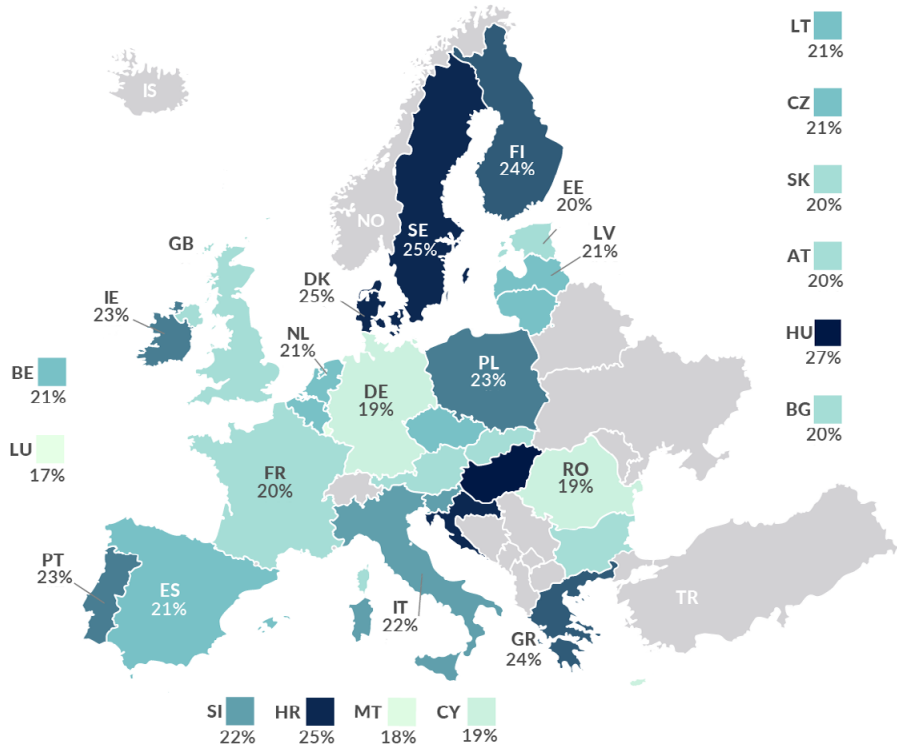
If your company is established⁹ in an EU State, you or your tax agent¹⁰ can register your business for Value-Added Tax (VAT) with a local tax authority.



What are the VAT rates in Europe?

VAT Rates in Europe

Standard Value-Added Tax (VAT) Rates in European Union Member States and the United Kingdom, as of January 2022



Sources: European Commission, "Taxes in Europe Database v3," and Richard Asquith, "2021 global VAT & GST rate changes."



What is an Intra-EU VAT number?

THERE ARE TWO TYPES OF VAT NUMBERS YOU CAN REGISTER FOR:

A Domestic VAT number;

is valid only for transactions inside the country where the VAT number was issued.



Ireland

An Intra-EU or intra-community VAT number;

is for transactions across all other EU member states¹¹.



Europe

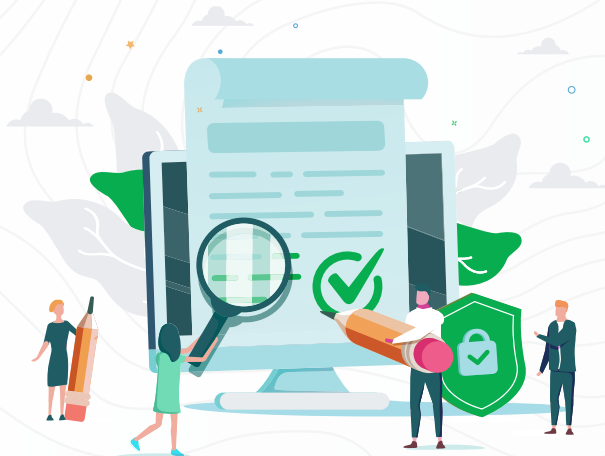
What are my VAT obligations?

Once you have your VAT number and start selling to all clients across the European Union, you have VAT obligations within each country you sell.

Note that the Domestic VAT and the Intra-EU VAT have different obligations to be compliant with.

Each country in the European Union has its own VAT Returns requirements with different rules, deadlines, local languages, and local tax authorities.

You are required to keep your original documents for all transactions for six years.



What is an EORI number?

- EORI stands for “Economic Operators Registration and Identification number”.
- If you are a trader who imports or exports goods into or out of the European Union, you will need an EORI number.
- This number is valid throughout the European Union. It is used as a common reference number for interactions with the customs authorities¹³ in any Member State.
- As soon as you register for VAT, you can then apply for an EORI number.
- Once registered for EORI, the number will be the same as the VAT number.



What is IOSS and OSS?

IOSS (Import-One-Stop-Shop) is for non-EU companies who sell goods to customers in the EU, of a value of €150 or less.

OSS (One-Stop-Shop) is for companies selling goods from one EU Member State to customers in other EU countries.

If you are established in an EU country, you can register for OSS in that country.

When filing the VAT returns, it must contain a breakdown of the total VAT amount to be paid in each member state and the company must keep records of all transactions for a period of 10 years.





VAT Management Considerations

You can always manage your company's VAT obligations by yourself.

However, if you prefer to concentrate on growth, there are a number of companies in Europe offering a variety of VAT services for online retailers.

It is very important to have a clear understanding of what exactly these service providers are doing for you and what obligations are left for you to manage.



We hope that this e-book has helped to clarify some the complexities of VAT.

We know that this is a lot of information!

RedSky provides a VAT Management Solution to make sure that you are compliant with all of your VAT obligations across Europe.

If you have any queries regarding VAT, please, do not hesitate to e-mail our VAT Team at any time:

rse.vat@redsky europe.com



*When selling in Europe,
it is very important
to consider the implication of VAT on margins
when pricing your goods or services.*





Common questions



So are you telling me, that I need to register for VAT?

Yes, If you import and hold goods in an EU country.



So when I sell to someone in the European Union, I have collected VAT¹⁴ on the sales price?

Yes.



Do I have to charge my customers VAT?

In a B2C transaction in the European Union VAT is part of the sales price and in a B2B transaction VAT can be excluded if both seller and buyer has a valid VAT Number.



What happens if I don't pay VAT collected on sales to the tax authorities?

Similar to countries around the world, non payment of taxes has serious penalties.





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1. VAT – Value Added Tax.
2. Indirect Tax - a tax levied on goods and services rather than on income or profits.
3. Supply Chain - the sequence of processes involved in the production and distribution of a commodity.
4. VAT Collector – Company responsible for collecting VAT.
5. Tax Authorities - Any Governmental Authority having jurisdiction over the assessment, determination, collection or imposition of any Tax.
6. Reclaimed - Claim a refund of VAT paid.
7. B2C - Business to Consumer.
8. B2B - Business to Business.
9. Established in an EU state - Establishment implies the effective and real exercise of activities through stable arrangements.
10. Tax Agent - is a person representing taxpayers to file online tax returns, pay the tax due (if any) at the time of filing, or perform any other duties as prescribed by law.
11. Member States - Is a member of an international organization or of a federation or confederation.
12. VAT Return - A VAT Return Filing calculates how much VAT you owe to the Tax Authorities or how much they owe you.
13. Customs Authorities - Is an authority or agency in a country responsible for collecting tariffs and for controlling the flow of goods into and out of a country.
14. Collected VAT – The VAT collected from the customer for submission to the government.
15. Ecommerce - Commercial transactions on the internet.
16. Final consumer - The ultimate consumer of a product.

NOTE:

This book intends to provide information on VAT.

It does not constitute or should not be relied on as tax advice.

We strongly recommend you consult with a tax expert in relation to your own affairs.

Interested in learning more?

Feel free to contact us.

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