

Tax Hotline

December 18, 2001

EU MOVES TOWARDS E-COMMERCE TAXATION

The United Kingdom has agreed as a member of the European Union (EU) in moving towards an agreement on e-commerce taxation with regards to a tax on video downloads and other digital products purchased and delivered via the Internet. The member states will now have 18 months to incorporate the directive into national law.

EU has decided that non-EU businesses will only be obliged to register in one member state, as opposed to in all fifteen of them. That country will then collect the VAT on the purchases and remit it to the purchaser's country of residence. However, there are fears that this could cause complications in terms of additional administration and compliance, as VAT rates vary widely across Western Europe.

Britain withdrew its opposition to the law following an agreement to revisit and streamline the legislation in three years time but however as a precondition it is required that agreement must be formally drafted and approved at a forthcoming meeting.

Source: www.taxfundas.com dated December 18, 2001

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