

OSS (One Stop Shop)

Simplifying VAT for EU Cross-Border Sales

The OSS (One Stop Shop) is an EU system designed to streamline VAT compliance for businesses selling goods to other EU countries.

Selling Goods from Cyprus to Other EU Countries

When selling physical goods from Cyprus to individuals/private customers in other EU countries, you may need to charge VAT based on your customer's location. This requirement kicks in once you surpass the EU-wide threshold of €10,000 in cross-border sales.

Reaching the Threshold:

If your total sales to customers in other EU countries exceed €10,000 in a calendar year, you must charge VAT based on the VAT rate of the customer's country and register for the OSS.

Example Scenario:

Imagine you have sold goods worth €10,000 to other EU countries—€5,000 to Spain and €5,000 to Italy. Once you reach this threshold, you need to register for the OSS in Cyprus and charge VAT according to each customer's country. For instance, if a customer in Greece makes a purchase after you've reached the threshold, you would need to charge 24% VAT, which is Greece's standard VAT rate.

Simplified VAT Reporting

With the OSS, you don't need to register for VAT in each EU country where you make sales. Instead, you report all your EU cross-border sales to the OSS system in Cyprus. The Cyprus tax authorities will then distribute the VAT payments to the respective EU member states.

Special Cases:

Different rules apply if you have a warehouse in another EU country or if you sell digital products. These scenarios can complicate VAT compliance, especially with services like Amazon FBA, which involves storage in multiple countries.

Non-EU Sales:

When selling goods to a non-EU country, the sale is typically subject to a zero-export rate. However, it's important to retain proof of delivery to support the zero-rating.

Clear Example of OSS Registration vs. Non-OSS Registration

Business A - Registered to OSS:

- **Scenario:** Business A is a Cypriot company selling handmade jewellery to customers across the EU.

- **Sales:** In a calendar year, Business A sells €4,000 worth of jewellery to Spain, €3,000 to Italy, and €5,000 to France, totalling €12,000.
- **VAT Implication:** Since Business A's total sales exceed the €10,000 threshold, they register for OSS. When they make a sale to a customer in Germany, they charge the German VAT rate of 19%.
- **Reporting:** Business A reports all their EU sales through the OSS system in Cyprus. Cyprus then distributes the collected VAT to the respective EU countries.

Business B - Not Registered to OSS (Below Threshold):

- **Scenario:** Business B is a small Cypriot company selling organic cosmetics.
- **Sales:** Business B sells €2,000 worth of products to France, €3,000 to Spain, and €1,000 to Italy, totalling €6,000 in a calendar year.
- **VAT Implication:** Since Business B's total EU sales are below the €10,000 threshold, they do not need to register for OSS. They charge Cypriot VAT on all sales, regardless of the customer's location within the EU.
- **Reporting:** Business B reports all their sales to the Cyprus tax authorities only.

By using the OSS, businesses can simplify their VAT obligations, ensuring compliance while reducing administrative burdens. Those below the threshold can continue to manage VAT locally until they reach the threshold, at which point they would benefit from registering for OSS.

Thank you for reading.