



vat's important
Distance selling update

Anita Machin anita.machin@primetax.ch
Florian Hanslik florian.hanslik@primetax.ch

In our [July 2018 newsletter](#), we looked at the new Swiss VAT obligations for the e-commerce business that were to come into force from 1 January 2019. We want to explain again today when the tax obligations for so called distance selling companies begin and why additional registration with Swiss Post is necessary in certain cases. And why do Chinese dealers send goods (almost) free of charge?

In accordance with the new VAT regulation from 1 January 2019, a distance selling company that generates an annual turnover of at least CHF 100,000 with consignments of low value goods from abroad into Switzerland is required to charge Swiss VAT. A small consignment is when the import tax is CHF 5 or less and is therefore not imposed. Other consignments into Switzerland are not considered in the assessment of the VAT threshold for e-commerce businesses.

What does this mean for my company?

If a distance selling company exceeds the VAT threshold of CHF 100,000 with consignments of low value goods, it will be liable for tax in the following month. The time for the implementation in accounting, billing, instructions to the carrier, etc. is very tight. In our [newsletter of July 2018](#), we described the possibility of early, voluntary VAT obligation by means of subordination declaration abroad, which allows better plannable implementation.

Distance selling companies that have already exceeded the VAT threshold in 2018, became subject to mandatory Swiss VAT as of 1 January 2019 if they remain active in the distance selling business in 2019.

What do I have to think about?

If the VAT threshold of the distance selling regulation has been reached, the place of supply is shifted from abroad to Switzerland. This then applies not only to the low-value consignments that had to be included for the assessment of the tax liability but also to all other import consignments into Switzerland with the exception of so-called pick-up consignments ("Abhollieferung"). The taxable company acts as importer of record and pays any import VAT owed. Swiss VAT must be disclosed on the invoice to the recipient.

Shipping via Swiss Post

Foreign distance selling companies that use Swiss Post to ship their consignments into Switzerland must also register with the Swiss Post. This condition means that the correct customs clearance and settlement of shipments can be guaranteed. If the company is not registered, the import VAT might be charged erroneously to the recipient or the shipment returned where necessary.

Following successful registration at "Kundenlogin Post" (Swiss Post customer log-in), the next step in the process is registration for "Kundenrechnung der Post CH AG" (Customer invoice by POST CH AG) in order to open the billing relationship between the foreign distance selling company and Swiss Post. A security deposit must be paid on the basis of the registration.

Swiss Post will then physically charge the foreign distance selling company the import VAT every two weeks with a payment term of 10 days. The tax assessment decision regarding the import VAT can be downloaded from the Swiss Post if the foreign distance selling company does not have its own ZAZ account via which it can access the Bordereau of Levies and the VAT assessments directly from the Federal Customs Authority.

Digression: Why do Chinese dealers ship extremely cheaply or even for free?

China is – together with 191 other countries, including Switzerland – a member of the Universal Postal Union (UPU). The UPU regulates the international collaboration of postal authorities as well as the equalisation payments that are calculated in both directions according to the difference in the amount of transported mail. This calculation is also weighted with country-specific factors such as service quality, size of the country, per capita income, etc. China has been classified by the UPU as still being a developing country. This old regulation grants the Chinese dealers cheaper conditions in cross-border mail, since the shipments from China are subsidised. Every country that belongs to the UPU is required to deliver incoming shipments from abroad in accordance with the UPU-regulated conditions. In the case of shipments from China, the costs for this are, however, only compensated by the shipping fee to a very small extent.



At the latest UPU congress, an amendment was adopted with regard to shipments from China: The compensation from China is to increase from 2018 to 2021 to the extent that it matches the fee for a package from the industrialised countries. The Chinese dealers will largely pass the higher shipping fees directly on to the customers. After all, the delivery of Chinese packages will then be cost-covering for the Swiss Post.

Now that we have been able to learn more about the “Universal Postal Union” and the global aspects of sending packages, let us concentrate once more on Europe and Switzerland. As you know, there are currently a great many changes and adjustments in the field of e-commerce business, but also in the area of electronic marketplaces. As always, we are gladly here to answer any questions you may have.

With best regards from your VAT team

Anita Machin Barroso
MLaw, Cert. Tax Expert,
CAS FH in customs law
anita.machin@primetax.ch
+41 58 252 22 04



Florian Hanslik
Dr. iur., LL.M., DAS in VAT
florian.hanslik@primetax.ch
+41 58 252 22 15

