

VAT Alert – August 2018

Streamlining Distance Selling Supply Chain for Swiss Market

Due to a change in Swiss VAT law with effect as from 1 January 2019 non-Swiss established distance selling businesses may become required to register for Swiss VAT. In cases where a non-Swiss established distance selling business generates an annual revenue from Swiss resident customers of CHF 100,000 from consignments that are import VAT free, it must register for VAT in Switzerland and charge domestic VAT on all its shipments to Swiss customers.

Based on current Swiss VAT and Customs law a consignment is considered import VAT free, if the import VAT amount is CHF 5 or less. A consignment subject to the standard VAT rate of 7.7 % is import VAT free, if the selling price is not more than CHF 65 (currently approx. EUR 56). A consignment subject to the reduced VAT rate of 2.5 % is import VAT free, if the selling price is not more than CHF 200 (currently approx. EUR 174). Typical goods subject to the reduced rate are foodstuff, medicine, newspapers and magazines. If a non-Swiss established distance selling business has to register for Swiss VAT, all of its shipments to Swiss customers become subject to Swiss VAT irrespective whether small value or not.

Based on current VAT law a non-Swiss established distance selling business can send such small value consignments to Swiss customers import VAT free and without charging Swiss domestic

VAT (due to place of supply abroad). This puts Swiss established sellers at a disadvantage as they have to charge VAT on their supplies to Swiss customers irrespective of the value of the shipment. By the introduction of the new distance selling provision for non-Swiss established businesses, this disadvantage for Swiss domestic businesses is partly removed.

Apart from a possible mandatory registration for Swiss VAT, a non-Swiss established distance selling business may consider voluntary registration for Swiss VAT in order to offer their Swiss customers a final price, and avoid that their Swiss customers are charged with Swiss import VAT on top (if the consignment does not qualify for the import VAT exemption). Such a structuring of the distance selling supply chain may be considered as customer-friendly and price-transparent. Moreover, this set-up would prevent the non-Swiss established distance selling business from trapping into mandatory VAT registration without

noticing it timely, with the consequence of retrospective VAT payments, late interest, and possible legal proceedings.

Grant Thornton Switzerland is well positioned to advise non-Swiss established distance selling businesses in streamlining their supply chain for the Swiss market and ensure compliance with Swiss VAT law.

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