

2nd August 2019

Proposal for a simplified Norwegian VAT regime for e-commerce from 2020 – VAT on supplies of low value goods/small consignment

On behalf of Pitney Bowes (**"PB"**), a global technology company that helps our clients navigate the complex world of commerce, I would like to submit our response to the consultation document published by the Norwegian Government entitled *"Proposal for a simplified Norwegian VAT regime for e-commerce from 2020 – VAT on supplies of low value goods/small consignment"*.

As a leading e-commerce company, we believe that we are uniquely placed to offer our expertise and experience in this market. We have recently worked with both the UK and Australian Tax Authorities in relation to E-Commerce initiatives and, specifically in relation to the latter, assisted extensively on the development and implementation of their new GST rules for low value imports. We also have been a private sector participant in the World Customs Organization's Ecommerce Working Group, where a number of the items raised in our submission have been discussed.

On this basis, we would welcome the opportunity to discuss the VAT proposal with the appropriate Norwegian Tax Authorities policy staff as well.

In the meantime, we have outlined below our feedback and comments on the current document provided –

Implementation

Date

We note from document, that the proposed date of the new rules is 1st January 2020, and that the Norwegian Authorities will accept comments for consideration up to 5th August 2019. This leaves very little time to implement any technical and system updates to ensure compliance with the new mandate. If the final version of the legislation is not readily available before the effective date, it will make it difficult for taxpayers to determine if a VAT registration is needed or not and, if it is so required, to then get the necessary registration in place before the required date.

It is our view that a proper impact assessment of the new law has to be determined, so that the appropriate and timely instruction can be given to organisations' technical teams.

Language

The proposal provides that the full consultation papers are drawn up in Norwegian. As this legislation applies to non-Norwegian companies, we would recommend that this legislation is also published in English and other major languages. Additionally, we would strongly recommend the issuance of a Law Companion Guide to ensure a clear understanding of the proposed new rules, an approach that, we saw being very effectively used in the recently implemented changes to the GST regulations in Australia. (link: [LCR 2018/1](#))

Systems

We would respectfully request that the government consider and does not under-estimate the amount of time that it takes for large, multi-national organisations to prepare for these changes. Organisations must understand a country's legislative changes, to process these and to develop and

implement changes to Enterprise Resource Planning (ERP) systems and related back-office processes, especially if there has not been an active pre-education programme by the Tax Authorities. It can easily take many months to determine and implement technical and system updates, the resources for which are often not immediately available and have to be pre-planned into technical work-schedules.

Additionally, multiple countries are considering new e-commerce legislation, along with others, such as New Zealand, that have enacted new laws. New rules adopted by Norway must be considered and compared with these other countries' changes and their respective effective dates. Organisations will have to update not only their ERP systems but changes will have to be made to commercial invoices, import documents and perhaps sales invoices.

On that basis, we request that a more extended lead in time be provided to give sufficient time to implement any changes.

Soft Launch/Education Programme

Regardless of the amount of time that is provided to Taxpayers to implement new changes, it is important to start an education programme as soon as the new changes have been defined. This will ensure a clear understanding of what new processes need to be undertaken and enable greater clarity so that changes are implemented once, without the need for later patches and/or fixes.

In addition, if the changes are significant for both the tax Authorities and Tax Payers alike, we strongly recommend that a soft launch period be used to give all parties (especially the seller/marketplaces) time to resolve any technical issues once the law goes "live".

This also allows the Tax Authority to work with Tax Payers as a partner to understand the legislation, especially where there is only a short period between when the legislation being published and when it comes into force. We find that in these cases, the new legislation may not work in practice as intended in theory.

Compliance

The document provides that the proposed registration threshold of NOK 50,000 which is approximately EUR5,000. In other countries that have recently introduced similar legislation, the thresholds have been much higher –

- Australia – AUD\$75,000
- New Zealand – NZ\$60,000
- Switzerland – CHF100,000

While we would recommend a higher threshold to align with International standards, our primary concern is that with such a low threshold, it will act to encourage companies to artificially split their transactions to avoid the registration threshold or move their transactions to a supplier who is not adhering to the new law. If that happens, it has the effect of punishing those companies who are better established in the market and who are committed to compliance.

Also with a vendor collection model, it relies on the seller to voluntarily comply with the new regulations and to pay any VAT collected by them at checkout to the Tax Authorities. However, with an importation model, there is less opportunity to avoid the VAT liability due.

Based on the above, we believe that it is important the Norwegian Tax Authority clearly articulate what measures will be put in place to ensure that there is a high level of compliance.

Returns by Consumers

Online trading generates a significant percentage of purchases that are returned to the retailer by consumers, for a variety of reasons. It is essential for transparency and ongoing ease of compliance that a simple, streamlined process is put in place to enable Businesses to recover VAT when goods are returned.

At present the proposed legislation outlines a system whereby companies selling to consumers need to file an amended VAT return in order to secure refunds and credits of VAT. However, in practice, and depending on the retailer's returns policy, it is easily possible for a Merchant to be receiving returns up to 6 months after the original supplies were made. This being the case, there appears to currently be an expectation that the retailer will be constantly resubmitting VAT returns which we do not believe is efficient for either the Tax Authority or the Tax Payer. In order to keep the VAT compliance process as simple as possible we would recommend that any returns are dealt with in the VAT return during the quarter in which the return occurred.

VAT Compliance

Our final comments relate to the impact of VAT compliance on a company. In particular, we would raise the following points –

- While we agree that quarterly returns are appropriate, making the payment and submission by the 20th of the following month is a short time frame. Consideration should be given to extending this to give sufficient time to submit an accurate return. Examples include:
 - Switzerland - 60 days after the end of the VAT settlement period
 - Australia - 28th day of the month following the end of the relevant return period
 - UK – 1 month and 7 days after the end of the VAT return period.

As you can see, these countries give more than 20 days to complete, submit and pay the VAT. It should also be considered that payments will have to be made to Norwegian Bank accounts from non-Norwegian bank accounts which can add additional time to the process.

On that basis, further time should be given to the users of the VOSC scheme to submit and pay any VAT liability.

- Cost Impact - As there will still be a simplified customs clearance process, retailers will have to pay custom brokers costs but will now incur the new additional costs of having a VAT registration in Norway. These include the additional costs of maintaining ongoing VAT compliance, for example, some taxpayers may have to use an external company to submit the VAT returns on their behalf.

Has any cost impact analysis been completed to show the impact of this new legislation?

- Exchange rates – some retailers offer customers the opportunity to pay in any currency they choose. We would recommend that the Tax Authorities give retailers the opportunity of a choice of exchange rates – for example, a mid-market rate of a foreign exchange organization.

Pitney Bowes is dedicated to complying with the laws and regulations governing ecommerce. We also believe there are measures Norway can take that will encourage the greatest opportunity for

compliance of the other actors in ecommerce as well. We respectfully submit these comments for consideration and would welcome the opportunity to speak with a representative of Norwegian Tax Authorities policy staff.

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