

P R E S S R E L E A S E

Dublin

1 July 2021

The [European Consumer Centre Ireland](#) brings to the attention of the Irish public the following updates from the European Commission and other EU institutions on the matters of VAT changes and COVID-19 flight cancellations refunds/vouchers.

"VAT for Cross-Border E-Commerce Transactions Change on 1 July 2021

The European Commission has announced on 28 June 2021 that [e-commerce taxation rules](#) will change. The [new VAT rules](#) for online shopping enter into force on 1 July 2021 in order to both simplify cross-border e-commerce and ensure greater transparency for EU cross-border shoppers when it comes to pricing and consumer choice.

The new rules will apply to all:

- online sellers
- online marketplaces/platforms
- postal operators and couriers involved in online deliveries
- customs and tax administrations applying the tax regimes for online purchases
- individual consumers i.e., customers shopping online

outside the EU/EEA.

In brief, the changes are:

- VAT is now charged on all goods entering/imported into the EU from non-EU countries, irrespective of value.
- All e-commerce sellers based within or outside the EU/EEA, selling directly to consumers or via online marketplaces, need to have an EU VAT registration and pay VAT for all of their EU sales.

VAT exemption before and after 1 July 2021

Value of imported goods in consignments**	Before 1 July 2021		As of 1 July 2021	
	VAT	Customs duty	VAT	Customs duty
≤ EUR 10/22 ²⁸	Exempt from VAT ²⁹	Exempt from customs duty	VAT due in EU*	Exempt from customs duty
> EUR 10/22 and ≤ EUR 150	VAT due in EU*	Exempt from customs duty	VAT due in EU*	Exempt from customs duty
> EUR 150	VAT due in EU*	Customs duty due in EU	VAT due in EU*	Customs duty due in EU

* EU Member State where import takes place /goods are dispatched or transported to

** Except goods subject to EU excise duties

Source: EUROPEAN COMMISSION DIRECTORATE-GENERAL TAXATION AND CUSTOMS UNION - Indirect Taxation and Tax administration Value Added Tax - Explanatory Notes on VAT e-commerce rules. Published September 2020

For consumers, this means that VAT will feature as part of the total price paid directly to the seller, at the time of purchase and, therefore, not at destination, to customs authorities or courier services. In its communication, the Commission warns that, 'If the supplier is not VAT-registered, you will need to pay the VAT and possibly some clearance fees charged by the transporter of the goods when goods are imported in the EU.' It is believed that paying the VAT at source will also reduce fraud and improve the online consumer experience for online shoppers in the EU.

The consumer factsheet on the changes can be found [here](#).

More about the impact of these changes [here](#).

Read the Irish Revenue Commissioners' update on the changes [here](#).

Quote:

Dr. Cyril Sullivan, Director of ECC Ireland stated that 'this change to the application of VAT on online purchases from third countries outside the EU is relatively small change, but consumers need to make themselves aware of it especially since Brexit, as the UK is now a third country outside the EU'.

COVID-19 : Flight Cancellations and Refunds – One Year On

The **European Court of Auditors** recently published a special report entitled "[Air passenger rights during the COVID-19 pandemic](#): Key rights not protected despite [European] Commission efforts". It concludes that:

- "[...] key passenger rights were not protected in this unprecedented crisis, in particular in the early stages of the COVID-19 pandemic. Reimbursements to air passengers for cancelled flights were put on hold, and passengers were treated differently across the EU. At the same time, Member States provided unprecedented amounts of State aid support for airlines and package organisers. Member States never linked this aid to the reimbursement of passengers for airlines, but most Member States did so for package organisers. The Member States took these decisions for airlines despite the fact that the Commission had made it clear that under State aid rules they could do so.

- The Commission made efforts to protect air passenger rights and took action to mitigate the effects of the crisis on passengers, but the legal framework means that the Commission had limited power to ensure that Member States enforce these rights.
- During the first months of the crisis, many passengers were not reimbursed; many others had no choice but to accept vouchers. As of June 2020, many airlines started reimbursing, albeit with significant delays. However, the passenger's ability to secure reimbursement remains limited both when intermediaries (e.g. travel agencies) are involved, and when vouchers were imposed on passengers. Furthermore, most tickets and vouchers of passengers are not protected against airline insolvency."

Some of the measures recommended to rectify the above are:

- "creating guarantee funds for cancellations of flights and of travel packages containing flights, allowing airlines and package organisers to draw on to reimburse and, if needed, repatriate passengers in times of crisis, or
- setting aside a fixed percentage of the ticket pre-payment ("ring-fencing") in each airline, to cover claims of travellers;
- provide the [consumer rights] national enforcement bodies with the necessary means to enforce air passenger rights;
- clarify the roles and responsibilities for ticket reimbursement where intermediaries are involved;"

In its own latest [communication on air passenger rights](#) of 28 June 2021, the **European Commission** and consumer authorities across the EU also urge airlines operating in the EU to improve their practices with the help of a list of measures drawn up by the European Commission and the [CPC network of national consumer protection authorities](#) (of which [CCPC Ireland](#) is a member).

The Commission's investigation into airlines procedures following cancelled flights during the pandemic included instances of these bad practices by some airlines:

- presenting the right to cash reimbursement less prominently than other options such as re-routing or vouchers
- the written notice setting out rules for compensation and assistance required by EU law is either not provided or not easily accessible via cancellation e-mails
- cancellation-related communications may lead passengers to believe that the reimbursement in cash is an act of goodwill of the airline rather than a legal obligation under EU law
- many airlines issuing vouchers did not offer cash reimbursement at all
- many airlines subjected the passenger claiming cash reimbursement to completing a cumbersome refund process.
- some vouchers were found impossible to redeem before the end of their validity period.
- Some airlines unilaterally extended vouchers' validity period without informing passengers about their right to request a reimbursement
- Some airlines still have reimbursement backlogs and do not reimburse consumers within the 7-day time limit for new reimbursement requests.
- In most of the cases where passengers booked their flights via an intermediary, airlines do not inform passengers about their cancellation-related rights, nor do they accept direct requests for reimbursement in money, claiming that this responsibility falls on the intermediary."

The Commission states unequivocally that "airlines operating in the EU must provide a choice between a refund and a voucher and inform passengers that they have the right to exchange their vouchers for money at any

time and operate pending reimbursements by 1 September 2021 at the latest."

The measures requested by the European Commission are detailed [here](#).

Since the beginning of the COVID-19 pandemic in early 2020, through its 30 centres across the EU and the EEA, [ECC Ireland](#)'s parent organisation, the [European Consumer Centres' Network \(ECC-Net\)](#), secured cancelled flights reimbursements totalling over EUR 2,5m on behalf of passengers using its services. 75% of a total of 6,000 flight-cancellation complaints received by the network were successfully resolved following our direct intervention. Over the first COVID-19-year 2020, air passenger issues accounted for 64% of the total number of complaints received by **ECC Ireland**, of which 76% were resolved successfully through our dispute resolution service.

By far the biggest issue over 2020 involved passengers receiving vouchers instead of a cash refund for airline-cancelled flights. Pursuant to the European Commission's [COVID-19 Recommendation on EU Regulation](#) (EC) No 261/2004, airlines were obliged to refund the full cost of cancelled flights within 7 days, either in cash or in the form of a voucher; this latter option only possible with the passenger's express agreement.

These rules are applicable to all airlines based in and all flights departing/arriving from/into any EU Member State, Iceland, Norway and the United Kingdom. The rules apply on airline tickets bought both directly from the airline or through a booking agent/ platform intermediary; it should be noted that in the latter case, the refund process took longer as refunds were transferred from airlines to the passengers via the intermediaries.

If vouchers instead of immediate cash refunds were accepted (or offered as a sole option), they needed to be valid for 12 months, at which point they should have been cashed in. In many cases however, airlines extended their vouchers' validity further instead of operating refunds. Where this process did not take place at all or was severely delayed, passengers were assisted by the local European Consumer Centres in order to obtain a refund or extend a voucher's validity either from the airline or through a booking intermediary.

The European Consumer Centres' role in the consumer disputes over reimbursements following flight cancellations is to inform and assist consumers to know and claim their rights. The European Consumer Centre Ireland information resources are all available on its website, eccireland.ie.

Consumer resources on air passenger rights can be read [here](#).

Consumers can follow step-by-step instructions on flight-related compensation disputes [here](#).

All the redress options available to consumers in the EU are detailed [here](#).

Irish consumers who have a dispute with an airline located/headquartered in another EU/EEA country can avail of ECC Ireland's expert assistance with the practicalities of obtaining redress [here](#).

Quote:

Dr. Cyril Sullivan, Director of ECC Ireland says that 'consumer complaints to ECC Ireland tripled during the first months of the pandemic in 2020, with a large proportion of these related to flight and holiday cancellations. ECC Ireland welcomes the European Court of Auditors' and the European Commission's recommendations and looks forward to most, if not all, being implemented promptly in order to further enhance consumer protection across the EU.'

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