Council of the European Union
General Secretariat

PUBLIC

Interinstitutional files:
2023/0158 (CNS)

Brussels, 24 March 2026

WK 4546/2026 INIT

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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	VAT rules on the abolition of the €150 threshold and on customs warehouses for distance sales - Presidency steering note

VAT rules on the abolition of the €150 threshold and on customs warehouses for distance sales
Presidency steering note

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Background

On 17 May 2023, the Commission issued a package of proposals as part of a broad and comprehensive reform of the Customs Union, accompanied by a communication entitled: "Customs reform: Taking the Customs Union to the next level". This package also included a proposal on value added tax, namely a proposal for a Council Directive amending Directive 2006/112/EC as regards VAT rules relating to taxable persons who facilitate distance sales of imported goods and the application of the special scheme for distance sales of goods imported from third territories or third countries and special arrangements for declaration and payment of import VAT[1].

One of the aims of the customs reform was to remove the customs exemption for goods worth up to a threshold of € 150. Currently, this € 150 threshold still exists for the application of the "deemed supplier" provision in the VAT Directive, as well as for the use of the VAT import one-stop-shop (IOSS): its application is limited to distance sales of imported goods not exceeding € 150. The VAT proposal in the package aims to remove this threshold for the application of the deemed supplier provision and for the scope of the IOSS, to align the customs and VAT rules regarding e-commerce.

During the negotiations on this VAT proposal under the Belgian and Hungarian Presidency, a suggestion was made to insert into the text a provision to extend the definition of 'distance sales of goods imported from third territories or third countries' to supplies from customs warehouses for distance sales, in view of the possible benefits for customs control purposes. A parallel provision creating special customs warehouses for distance sales was also inserted into the text of the Union Customs Code (UCC) reform.

During the discussions on the file, concerns were raised on the robustness of the IOSS, which following the abolition of the € 150 threshold would be confronted with imported goods of a higher value and a greater scope for fraud. Also, many delegations expressed misgivings on the interaction of the VAT provisions with certain provisions from the text of the Council UCC mandate.

During the meeting of the Working Party on Indirect Taxation (VAT) on 11 September 2025 under the Danish Presidency, the Commission presented the state of play regarding the reform of the Import One-Stop Shop (IOSS), including the abolition of the EUR 150 VAT threshold and the extension of the IOSS to special customs warehouses, as well as the roadmap to secure the IOSS, which outlined the phased timeline: technical work in 2024-2025, pilot in 2026, implementing act in Q1 2027, and full application on 1 July 2028. Two technical models were discussed for securing the IOSS system, with the token-based model selected for the pilot stage.

Member States welcomed the clear timeline and progress achieved but expressed diverging views on the abolition of the EUR 150 VAT threshold. A majority supported the abolition in principle, subject to sufficient safeguards and alignment with the customs reform. Several delegations highlighted the need to address high-value consignments and prevent fraud, referencing possible

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1 To avoid confusion with the Directive with the same title adopted in July 2025, the Presidency suggest to refer to the "Directive on VAT rules on the abolition of the €150 threshold and on customs warehouses for distance sales".

alternatives such as increasing the threshold instead of complete deletion. Member States also requested clarity on the technical functioning and governance of the Customs Data Hub.

Most delegations supported synchronising the entry into force of the VAT and customs reforms on 1st July 2028, emphasising the importance of avoiding parallel systems, administrative burden, and gaps that could fuel fraud. Some delegations requested phased implementation due to resource constraints. Outstanding issues include safeguards for IOSS, treatment of high-value goods, the operationalisation of the Data Hub, and ensuring consistency between VAT and customs timelines.

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Next steps

Since the last meeting of the Working Party on Tax Questions (VAT) where the file was discussed, many developments have taken place, including the adoption in February 2026 of the Council Regulation as regards the elimination of the threshold-based customs duty relief , and the entry into force of a temporary flat-rate customs duty of 3€ per item from July 2026, as well as the finalisation of the trilogue negotiations on the Union Customs Code Regulation. The Commission will be invited to present the state of play at the meeting.

The Cyprus Presidency, considering that agreement on the substance of the customs reform package is expected to be reached soon, is determined to finalize the VAT negotiations concerning (i) the abolition of the EUR 150 VAT threshold to allow the use of the IOSS irrespective of the value of consignments, and (ii) the extension of "distance sales of imported goods" to supplies released from special customs warehouses for distance sales.

The Presidency would like delegations to consider the following questions:

1) **Do you have any remarks on the state of play as described by the Commission?**

2) **Do you agree to support the single VAT registration by removing the limitation of the IOSS and the deemed supplier provision to goods under the value of 150 €, in alignment with the abolition of the threshold for customs duty relief?**

3) **Do you agree that the entry into force of the provisions should be aligned with the operational readiness of the Customs Data Hub for e-Commerce data or would you prefer an alignment with the removal of the EUR 150 customs duty exemption threshold?**