

Swiss Mail-Order Regulations as of 1 January 2019

1) What is the issue?

If a mail-order company generates at least CHF 100,000 turnover per year from small consignments from abroad¹ to Switzerland, under the law, the place of delivery for these and all of the company's deliveries from abroad will be deemed domestic. The mail-order company concerned will be subject to VAT, must register for Swiss VAT and invoice its sales with Swiss VAT.

2) What is the background of the new Mail-Order Regulations?

Until the end of 2018, goods delivered from abroad to Switzerland by mail-order companies did not trigger any VAT liability of the seller regardless of the amount of turnover generated. This was the case because with mere selling transactions, the place of supply under Swiss VAT law generally is where the shipment is initiated. I.e. regularly abroad. In addition, small consignments continue to be exempt from import tax. As a result, mail-order sales from abroad with small consignments used to be free of VAT, whereas the same goods delivered from within Switzerland were consistently subject to Swiss VAT. As such, retailers and domestic mail-order companies in the past were worse off than their competitors operating from abroad.

This unequal treatment should have been eliminated under the partial revision of the Federal Act on Value Added Tax as early as 1 January 2018, but it was postponed by one year to 1 January 2019 due to the complicated practical implementation.

3) What is a small consignment?

A small consignment is an import-tax exempt shipment. This is the case when the value of the shipment is so low that the import tax is CHF 5 or less².

The value of the goods here consists of the invoice amount including shipping costs, insurance, customs and other charges until the point of destination in Switzerland. This is the place to which the object is to be transported at the time of customs registration.

¹ Under customs and VAT law, the German municipality of Büsingen and the Principality of Liechtenstein are considered domestic.

² [Art. 1 let. d of the Ordinance on Tax-Exempt importation of items in small quantities, of insignificant value or with a negligible tax amount](#)

With a VAT rate of currently 7.7%, shipments valued under a maximum of CHF 65 are considered small consignments. For goods subject to the reduced tax rate of 2.5%³, this value is a maximum of CHF 200⁴.

4) How high is the delivery threshold?

The new regulations effectively lead to a delivery threshold of CHF 100,000 per calendar year for mail-order sales from small consignments.

5) Who is affected by the mail-order regulations?

The new mail order regulations affect

- all companies which transport or ship (have shipped) small consignments from abroad to Switzerland
- as part of selling activities, and which
- generate a turnover of at least CHF 100,000 per year with these small consignments.

Import deliveries not considered small consignments are excluded during the assessment of the VAT liability based on the mail-order regulations.

6) When does the tax liability begin?

Once the delivery threshold is exceeded, the VAT liability of the seller begins starting from the following month. The turnover from small consignments must be recorded separately to verify this threshold.

7) How do the mail order regulations work?

If a company meets the requirements of the mail order regulations, the company's place of supply is transferred to Switzerland, i.e. on the one hand for small consignments, and on the other for all transport and shipping deliveries from abroad to Switzerland. The domestic tax is thus payable on the small consignments AND on the other shipments which are subject to the import tax. The company is deemed an importer and must carry out the importation in its own name.

³ Medicines, foods, animal food, newspapers, magazines, etc.

⁴ Further details on import tax exemption can be found in the [Regulation 69-02 Tax Exemptions](#) of the Federal Customs Administration under Item 2.4.

8) Can the new mail-order regulations be voluntarily implemented?

If a seller reaches the delivery threshold towards the end of a month, the seller hardly has enough time to switch its processes and invoicing to the beginning of its VAT obligation. The seller can avoid this disadvantageous situation by having itself voluntarily entered in Swiss VAT register before reaching the turnover limit and obtaining the [Subordination Declaration – Abroad](#). In so doing, a mail-order company can manage itself the time starting from which it acts as an importer and invoices its shipments to Switzerland with VAT.

In the same way, foreign companies which also transact below the delivery threshold can arrange a voluntary VAT registration at any time and deliver to their customers in Switzerland the same way domestic companies do. In addition, they can more easily process returns and grouped consignments.

Even with a voluntary registration, mail-order companies must continue to monitor whether they reach the delivery threshold and if necessary, have their company entered on the list of mail-order companies (see Question 8). From that point on, import deliveries are mandatorily subject to domestic tax.

9) How does the customs authority know upon importing whether a parcel is subject to the mail-order regulations?

In order for the customs authority to know whether the import tax needs to be billed to the mail-order company or the recipient, parcels must be clearly labelled. The name and VAT number of the mail-order company must be listed on the address label. In addition, a VAT-compliant invoice or proforma invoice indicating the domestic tax must be affixed.

If a mail-order company contracts with a courier/shipping company for dispatch, the mail-order company must notify the courier/shipping company that the mail-order regulations apply and pass on this information to the individuals charged with the customs declaration.

The Federal Tax Administration maintains a [list of mail-order companies](#) and publishes it, updated on a daily basis on their website⁵ in various formats. This list enables companies charged with customs clearance to determine whether the import tax must be charged to the recipient of a parcel or the taxable mail-order company.

⁵ <https://www.estv.admin.ch/estv/en/home/value-added-tax/vat-tax-liability/mail-order-trade/list-taxable-mail-order-companies.html>

10) What transitional regulation applies?

Companies which had already generated a turnover of CHF 100,000 and more from small consignments in 2018 were mandatorily subject to VAT on 1 January 2019 if it was assumed that they would continue to carry out such deliveries in 2019 as well.

If in 2018 no small consignments were shipped from abroad to Switzerland or the annual turnover generated in 2018 with such consignments was less than CHF 100,000, or if this activity had not begun until after 01/01/2019, the place of delivery was considered to be abroad up to end of the month in which the mail-order company reached the turnover limit of CHF 100,000 from such deliveries. The mail-order regulation and associated VAT obligation thus takes effect starting from the following month.

11) What do mail-order companies need to keep in mind when registering for VAT?

Mail-order companies which register for Swiss VAT must obligatorily indicate when registering online that they are mail-order companies and agree to the publication on the list of mail-order companies.

Foreign mail-order companies without a registered office or business location in Switzerland must appoint a tax representative with a place of residence or registered office in Switzerland to represent them before the Swiss Authorities. They must also provide a financial guarantee to the latter. VAT Support GmbH handles such [fiscal representations](#).

12) What additional consequences does VAT registration in Switzerland have?

Under Swiss Law, the VAT registration abrogates the reverse-charge procedure. If a foreign company which is registered for VAT in Switzerland performs other supplies in addition to mail-order deliveries for which the place of supply is in Switzerland, then it must also tax these services itself starting from the beginning of its Swiss VAT obligation⁶.

Since 01/01/2018, administrative practice further provides that a VAT-registered foreign company in Switzerland must also invoice the domestic services of all its foreign operating sites via the Swiss VAT registration. This is because all foreign operating sites form a part of the same Swiss VAT subject⁷ and therefore reverse-charge can no longer occur.

⁶ The reverse-charge mechanism only applies regardless of supplier's VAT status in case of importation of data storage media with no market value as well as energy supplies from foreign companies to tax-liable persons ([Art. 45 para. 1 Act on Value Added Tax](#)).

⁷ [VAT Info 15 Invoicing and Tax Payment, Item 1.2](#), fifth bullet point

See also Expert Focus 10/2018: Benno Suter, Obligatorische Zusammenrechnung ausländischer Betriebsstätten (Obligatory Aggregation of Foreign Operating Sites), pages 823 – 824

Starting from the beginning of their Swiss VAT registration, foreign companies can only deduct import tax and other Swiss VAT as input tax in their Swiss VAT return. For those services invoiced **prior** to the start of the VAT obligation, they must however submit an application for VAT refund to be **submitted along with their first VAT return**.

13) What happens if the delivery threshold is later fallen short of again?

If the delivery threshold is fallen short of in a subsequent year, the transfer of the place of delivery is still in effect until the end of this calendar year. The mail-order company can thus not leave the VAT register in the middle of the year⁸. The deletion from the VAT register must be requested of the authorities within 60 days after the end of the calendar year. If not, the VAT liability remains in force for at least one more calendar year.

14) Do the mail-order regulations also apply to import chain transactions?

The mail-order regulations apply regardless of whether two or more parties are involved in the goods delivery.

15) What deliveries never fall under the mail-order regulations?

Deliveries for which the buyer takes possession of the goods abroad cannot be subjected to Swiss Value Added Tax either obligatorily or voluntarily.

16) How do the mail-order regulations differ from the subordination declaration?

When using the [Subordination Declaration – Abroad](#) the transfer of the place of delivery is voluntary. In addition, the company has the option, despite the subordination declaration, to forego the transfer of place of delivery.

17) Where do I find additional information?

- Detailed additional information can be found on the [Federal Tax Administration's website](#) as well as in [VAT Info 06 Place of Performance, Part IV \(Appendix\)](#).
- **Swiss Post** has also published [relevant information](#)⁹.

⁸ Excepted from this principle are cases in which business activity in Switzerland is completely ceased.

⁹ [Art 7, Para. 1 let. a Act on Value Added Tax](#)