

Audit of the levying of value added tax on mail-order sales

Federal Tax Administration and Federal Customs Administration

Key facts

Since 2019, all foreign mail-order companies with annual turnover of more than CHF 100,000 from small consignments are subject to VAT in Switzerland and must register with the Federal Tax Administration (FTA). For foreign mail-order companies whose annual turnover is less than CHF 100,000, no VAT is levied on small consignments with a VAT amount (import tax) of less than CHF 5, as was previously the case.

The Swiss Federal Audit Office (SFAO) examined whether the new mail-order regulations can ensure full registration of all taxable foreign mail-order companies and comprehensive collection of VAT.

The SFAO concluded that proper implementation of the statutory requirements related to the new mail-order regulations is not possible. It cannot be guaranteed that all those who have a duty to declare are registered, nor is it possible to ensure the accuracy of VAT declarations for unregistered mail-order companies. The challenges and problems were recognised and addressed in terms of policy, and appropriate measures are proposed in the current partial revision of the VAT Act.

Despite new registrations, an unknown number of foreign mail-order companies are missing

As a result of the amendment to the VAT Act (VATA) for mail-order companies, over 200 foreign mail-order companies had registered with the FTA by mid-2020. In 2019, these generated VAT receipts of around CHF 26 million. However, there are foreign mail-order companies that have not registered, even though they have a duty to declare. Due to a lack of information and data, it is not possible to identify them in an efficient manner at present.

The FTA estimated the potential loss in tax receipts from untaxed online sales in 2019 at around CHF 60 million.

Legal amendments should end existing tax loopholes

There are major challenges in the taxation and customs clearance process for foreign mail-order companies that send small consignments of goods. For example, hardly any electronic information is available. With over 30 million small consignments each year, this makes it difficult to detect untaxed goods or false declarations. Furthermore, in terms of administrative and mutual assistance, Switzerland has hardly any means at its disposal to take action against offending mail-order companies.

Appropriate measures are being proposed as part of the current partial revision of the VAT Act. One of these is for electronic trading platforms themselves to become liable to pay tax on the goods traded on them in the future. This would greatly reduce the current VAT shortfall. However, ensuring that all platform traders are registered and that the turnover declarations are correct will remain a challenge.

Original text in German