

# Trade in Digital Services

## Key facts

- 1 The UK will be outside the European Single Market, including digital services
- 2 This will have consequences for the validity of licences, tax treatment and data transfer for providers of digital services
- 3 In some cases digital service providers will need an EU presence, e.g. appoint a representative, open an office or have an EU-hosted website

Digital services include broadcasting services, telecommunications services, cloud-computing and certain e-services (electronically supplied service). An e-service classifies as a digital service if the sale of digital content is essentially automatic. For example, downloads of stock pictures or a link to downloadable content sent by email. If an e-service is individually commissioned, it is classified as a service or as distance selling. Examples include drafting content, designing websites for a client, booking websites or e-commerce.

After the transition period ends, businesses that provide digital services and e-services may face changes with regard to their licences, handling of VAT and data transfers. The audiovisual sector will lose its capability to stream in EU countries if they don't have a presence there.

With regard to VAT, the place of supply of digital services will be where the customer is located and the €10,000 (£8,818) sales threshold, above which you had to register for VAT in the EU, will no longer apply. Therefore, digital businesses have to either:

- Organise a VAT presence in one EU country and use the VAT Mini One Stop Shop (VATMOSS) to sell in the rest of the EU;
- Register in all the different countries of their customers;
- Use the Non-Union VATMOSS scheme

The legal basis for holding personal data from EU clients may become a problem. The EU will have to decide whether the UK's data protection rules are "adequate" to allow unrestricted data transfer. This process can take a while and may not be completed before transition expires. Businesses need to continue to apply GDPR standards and also consider the ICO guidance on how to keep data flowing from the EU to the UK.

Other issues that may be relevant for digital service providers are Geoblocking, Roaming, Broadcasting, Information security, Intellectual Property and eu-Domain names.

## To do

- Find out via the [UK](#) and the [EU](#) information portals what EU rules there are around your digital service and how they may change
- Read the EU's general guidance on [electronic communications](#), [network security](#) and [audiovisual media services](#)
- Check the [ICO website on complying with GDPR](#) and to use the [contract tool](#)

## What's next?

After the transition period ends, barriers to trade in digital services are expected to happen, as there will no longer be automatic freedom to provide services. However, the forthcoming EU-UK trade agreement may improve market access if the deal includes comprehensive chapters on Services and Digital Services. See chapters 9, 10, 15 and 16 in the [Comprehensive and Economic Trade Agreement](#) between the EU and Canada for examples of what the UK's access to the EU Digital Single Market could look like. In addition to a trade deal, the UK and the EU intend to negotiate a Security of Information Agreement. Also, the EU has started working on a so-called "adequacy decision" for transfer of personal data to the UK as a country outside country the EU.

For more information visit [London Growth Hub](#), [check out other fact sheets](#) or email [growthhub@london.gov.uk](mailto:growthhub@london.gov.uk)

### Disclaimer

At the time of writing, the transition period ends on 31 December 2020, and the changes outlined in this fact sheet will occur from 1 January 2021. If that date slips, the changes will still happen, but at a later date. For latest updates go to [www.gov.uk/transition](http://www.gov.uk/transition)

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