

UK government to assess whether Online Sales Tax could address tax imbalance reported by retail sector

3 years ago



The UK government has published an early-stage consultation, exploring the arguments for and against an Online Sales Tax (OST).

The consultation was committed to at Autumn Budget as part of the government's conclusion to its review of business rates, where stakeholders, including some of the UK's most well-known high street businesses, called for an Online Sales Tax to help rebalance the tax system through funding a reduction in business rates for the retail sector. Given the significant changes in the retail market and shift online, it is right that the government reassesses the taxation of this sector, although no decision have been made yet as whether to implement such a tax.

Lucy Frazer, Financial Secretary to the Treasury said: "We want to see thriving high streets and a fair economy as we move forward from the pandemic, which is why our business rates review cut the burden by £7 billion for businesses, and committed to look at an Online Sales Tax – given the imbalance identified by some between online and in-store retailers

"Whilst we've made no decision on whether to introduce such a tax, it's right that, given the growing consumer trend to shop online, we work with stakeholders to assess the appropriate taxation of the retail sector."

As part of the three-month consultation stakeholders will be asked for their views on the challenges on the design of an Online Sales Tax, including which products and services would be in scope and whether it

would be a flat-fee tax based on the number of transactions or deliveries, or a revenue-based tax.

The consultation delves into what effect an Online Sales Tax would have on consumers and businesses alike, which will also be a key determining factor in policy decisions.

The UK government has supported retailers over the entirety of the pandemic through our economic support plan worth around £400 billion, including through tax cuts such as business rates and VAT relief, funding via business grants and loans, and wage support through our world-leading furlough scheme.

The Autumn Business Rates Review further supported the high street, reducing the rates burden by over £7 billion, and making the system fairer, including through more frequent revaluations, freezing the multiplier and cutting business rates in half for the retail, hospitality and leisure sector for 2022-23.

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