

## Snapshot view of retail industry shows overwhelming support for an online sales tax

3 years ago



89% of respondents to a Colliers snap survey of its retail landlord and clients revealed they would be in favour of the introduction of some form of online sales tax to take the pressure off business rates, with only 11% disagreeing to the new tax.

The survey was carried out following the [Government's announcement of a consultation on an online sales tax policy on 25 February](#), part of an ongoing engagement with the industry which is due to close on 20 May 2022. This consultation has grown from calls from the retail and rating industry for a fairer retail playing field and a tax system that does not penalize high street retailers, who pay business rates on their physical stores, whereas purely online rivals do not. High business rates on the retail sector have been cited as one of the key components for shop failures and the decline of the high street in recent years.

The survey reveals the responses of 100 retail landlords and retailers and shows that the vote for an online sales tax was most supported by retail landlords and investors with 98% agreeing with the tax. But even 71% of retailers, who already have an online presence, supported the new tax and unsurprisingly 100% of those who don't have an online presence support it too.

The survey also asked whether "click and collect" (where items are sold online but the high street retailer has a role in delivering them to the consumer) should be subject to online sales tax and here opinions were more divided with 54% of those surveyed saying yes and 46% saying no. Interestingly taxing click and collect products was supported by a higher percentage of high street retailers (57%) who also have an

online presence, than retail landlords (55%).

Given the complexities of introducing the new tax, Colliers also asked what products or size of retailer should be exempt from the online sales tax, or pay a reduced amount. 71% of those surveyed put essential items into the bracket of exempt or a reduced tax, 66% said small retailers, 55% said web-based apps in stores and 52% said digital products. However only 31% said sale by emails should be exempt or pay a reduced tax, with 69% saying these products should pay online sales tax.

Not everyone agreed with the introduction of a new online sales tax and of those 11% not in favour some cited that retailers need less taxation rather than more and a scepticism that the new tax would in fact be used to reduce the business rates burden; *"Adding another bad tax doesn't make things right"* said one commentator. Others said it was unfair to penalize online providers since *"Online retailers aren't responsible for discrepancies of high street retail."*

When asked for alternatives to an online sales tax, answers ranged from cutting the public sector hugely, increasing the VAT rate on all goods allowing the Government to reduce the rates for properties, introducing a delivery tax to the customer and bringing in local business taxes on profit. Four respondents even mentioned maintaining the existing business rate system.

[John Webber, Head of Business Rates at Colliers](#) said, *"Our survey is part of our engagement with the consultation, which we will be replying to in full and which has been the subject of much debate with our retail clients.. Although our survey is a snapshot of our retail clients it does throw up some interesting pointers. It certainly seems there is overwhelming support to bring in some sort of online sales tax to try and level the playing field and take the full burden of business rates off bricks and mortar retailers."*

According to ONS physical retailers pay a disproportionate amount of the business rates burden paying between one quarter and a third (£7.26 billion) of the total bill, despite the gross value-added from retail is less than 10%. And of the total rates bill paid by the retail sector in 2018/9, 94% was funded by the high street and only 6% by on-line retailers.

Webber continued *"We are not saying an online sales tax will solve all the issues facing the high street, and there are several grey areas as our survey shows. However given the increasing trend of buying online – a trend that was amplified during the pandemic and looks likely to continue\* – it is only right that we should try and re-balance the system and create a fairer playing field for all. But it is also essential any monies raised by an online tax is used directly to alleviate the high business rates burden and does not go into a government black hole. It should also not take the Government's attention away from what is essential – a fundamental reform of the current business rates system."*

\*According to Edge by Ascential Future Retail Disruption 2021-2022 report – some 32% of UK sales took place online in 2021, up from 29% in 2020. The report forecasts that UK shoppers will continue to shift online, with 38% of UK retail sales taking place online by 2026 – up from 21% in 2019.

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