

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

- As committed to at Autumn Budget, the UK government has published a consultation to explore arguments for and against an Online Sales Tax (OST)
- Consultation follows concerns reported by businesses of a potential tax imbalance between in-store retailers and online
- • Whilst no decisions have been made on whether to go ahead with an Online Sales Tax, consultation will look at potential designs and impacts on consumers and businesses of implementing such a tax.

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.

Today the government has delivered on that commitment.

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.

Further information

- The consultation will run from 25 February to 20 May 2022
- The government recognises that an array of business models operate in UK retail, which is a mark of the vibrant and innovative sector. It also recognises the value of lively high streets and town centres to the local communities as places to live, work, and visit.
- Whilst no decisions have been made yet as to whether to proceed, if implemented, revenue from such a tax would be used to fund reductions in business rates for retailers with properties in England and fund the block grants of the devolved administrations in the usual way.
- Should the government proceed with an Online Sales Tax, the precise nature of associated business rate reductions will be considered at a later date.
- This is a complex issue, and therefore it is right that the government looks in detail at the policy options before making a decision.
- [Read the online sales consultation](#)
- [Read the business rates review final report](#)