



# UK considers 1% Online Sales Tax (OST) for e-commerce

UK Treasury launched review on turnover tax on e-commerce goods and services. The open consultation has been launched on 25 February and is open until 20 May 2022.

Taxing e-commerce is aimed to rebalance the taxation of the retail sector between online and in-store retail and to subsidize high-street retailers' rates bill.

## Background

In November 2021, the UK Chancellor, Rishi Sunak confirmed that the government will publish shortly a consultation on an Online Sales Tax (OST). If introduced, the revenue from an OST would be used to reduce business rates for online retailers in England. A variation, Delivery Tax on services offering deliveries of goods to consumer's homes is also a potential money-raiser.

The UK Treasury is looking how to tap into the boom on e-commerce trade since the start of the COVID-19 crisis. Non-food online retail has expanded from 31% to 46% of all UK online e-commerce in 2020. In addition, UK is also said to be looking at a windfall levy on e-commerce, food delivery platforms and supermarkets that have prospered during the pandemic.

High-street retailers' rates, a charge based on rental value, raises £25 billion per annum for local government. Taxing e-commerce is aimed to rebalance the taxation of the retail sector between online and in-store retail.

## UK Treasury opens consultation on OST

The [consultation](#) opened 25 February and closes 20 May 2022.

This is an open consultation looking into taxing e-commerce. It explores the proposal for an OST as a means to rebalance the taxation of the retail sector between online and in-store retail.

Questions exist over many areas of any potential OST. These include the different forms an OST could take and how to define an online sale reflecting the range of transaction, delivery, and collection options.

### Three models are being reviewed:

1. Revenue-based turnover tax on e-commerce
2. Flat fee per sale
3. Delivery Tax

The UK estimates a 1% Sales Tax could raise £2 billion if a threshold on sellers of £2 million was included. This potential tax is separate from the existing UK Digital Services Tax, on large overseas providers of digital services, which should be withdrawn as a result of the recent OECD Inclusive Framework tax (Pillar 1) settlement.

However, challenging issues will need to be tackled:

- complexity vs revenues raise;
- non-resident evasion;
- risk of tax being passed to consumers; and
- how to tax click-and-collect from shop.

## Delivery Tax

There could also be a delivery tax to reduce traffic and pollution. This may be chargeable by the seller or delivery agent. This is in addition to the UK's Department for Transport position statement for a mandatory delivery charge on e-commerce sales. This has similar aims to plastic taxes: to influence consumer behavior towards more environmentally friendly behaviors such as reducing

returns, or encouraging more efficient bundling of multiple purchases.

**Grant Thornton's international indirect tax team and digital advisory team can assist you in your VAT refund claims as well as in any other VAT / customs matters, compliance and update of your systems and processes. Please contact us if you would like to discuss your options and possibilities.**

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#### Contact

Do you have questions or do you need more detailed information? Please do not hesitate to contact us.

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