

Online Sales Tax – a boost or a threat to the Showroom?

In recent years the UK government has launched a series of new taxes, each of them presented as a method of tackling a perceived economic, environmental or health problem in society. The list includes air passenger duty, landfill tax, aggregates levy, Soft Drinks Industry Levy, Climate Change Levy, Digital Services Tax and most recently Plastic Packaging Tax.

The government is now consulting on another new tax to be levied on 'online sales'. This is likely to have a direct impact on the motor sector – COVID has driven innovation and growth in online sales in all sectors and the timing of this proposed new online sales tax (OST) is no coincidence. As with the other new indirect taxes, the government emphasise the potential benefits, arguing that OST will help level the playing field for the beleaguered high street. In particular, the government recognises that bricks and mortar retailers are overburdened with business rates which online retailers largely escape.

Ultimately however, all taxes raise revenue. OST, if introduced, is another method of increasing the overall tax burden on businesses and the consumer without the government breaking pledges not to increase the headline rates of VAT and income tax. OST would effectively be a VAT supplement, most likely starting at 1% or 2%. Its design will encounter all of the same difficulties as VAT in defining its scope and ensuring equitable application. Like VAT, a low starting percentage is a likely Trojan horse – when VAT was first introduced in the UK the standard rate was 8%. Even if OST is partly used to fund business rates relief, there is no guarantee that this will benefit the high street as landlords may simply see this as an opportunity to increase rents.

For the Motor Sector, particular questions arise:

- Should OST apply to all online orders or should 'click and collect' be excluded?
- Excluding click and collect would seem more in line with the stated aim of levelling the playing field, but how would 'click and collect' be defined? Does this prevent delivery to the customer's home or is it sufficient that the customer visits the showroom at some point during the sales process?
- Should OST apply to EVs?
Applying a new tax seems counter intuitive when our collective aim is to reduce emissions on the route to carbon neutral.
- What role would agents play in the collection and declaration of OST?
The agency model is a hot topic in the sector, so this question is a particularly important one.

The consultation is open for 12 weeks and closes to submissions on 20 May 2022. The full document can be found here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1057267/OST_condoc.pdf

It's vital that the sector makes its voice heard both individually and collectively. OST might be promoted as tax on Amazon, but the reality is that it will be a tax on all of us.

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