June Technical newsdesk

Welcomes

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While writing this introduction, we are putting the final touches to our responses to the consultation exploring the proposal for an online sales tax (OST). As fans of the tax consultation framework, we are pleased that this is an early-stage consultation, and we are assured that no decisions have yet been taken on whether an OST will be introduced.

This can only be a good thing because my initial thoughts about how an OST would work do not seem to be reflect those of HMT and HMRC. My perception of an OST was that it would apply on a transaction-by-transaction basis, and be a percentage applied to each sale within its scope. As a customer, I thought that I might typically see ‘online sales tax’ or similar wording on my online receipt, which would explain the (potentially) higher price I would pay in lieu of travelling to the store to buy the goods (even though I may pay a delivery charge too). As it was seemingly intended to be a transactional tax (and as I was a VAT specialist for many years), it seemed odd to me that adding one or two percent to the rate of VAT on online sales had been ruled out.

But having delved into the consultation in greater detail, and discussed it with HMT and HMRC, they hope that an OST will work quite differently. An OST is not designed to change customer behaviour and get people back onto the high street. So, my idea of possibly buying a product cheaper by going into the store, as opposed to buying online, might be misconceived. Secondly, the possible approaches to levying the tax – on a totality of online sales (either as a percentage of such sales or a flat fee per sale) – reflect an intention that the OST would be absorbed by the seller, rather than being directly charged on.

If the consultation process works as it should, the characteristics of any OST – if introduced at all – will depend on the outcome of the various issues being consulted upon. For example, the consultation addresses things like what transactions would be in scope. Should it define an online sale as goods only or as goods and services,

and focus on business to consumer sales or also on business to business sales? These concepts require decisions on a transaction-by-transaction basis, perhaps making it more likely that the tax will be disclosed to the customer, and passed on. However, to minimise the inevitable compliance burden that an OST will bring, there are calls for a high threshold to take small businesses out of scope. This might indicate the tax applying at a macro level, and either being absorbed by the seller or forming another cost component passed on indirectly to the customer.

The recent CIOT and IFS debate ‘Should the government introduce an online sales tax?’ (tinyurl.com/bdfv24w) provided an illuminating discussion over how complex an OST would be, and on whom the burden of business rates falls. I will not pre-empt our responses to the consultation, as we will report on them next month. Save to say that an OST would mean 21 new taxes have been introduced since 2000 (www.tax.org.uk/pr21newtaxes). Do we really need another one?