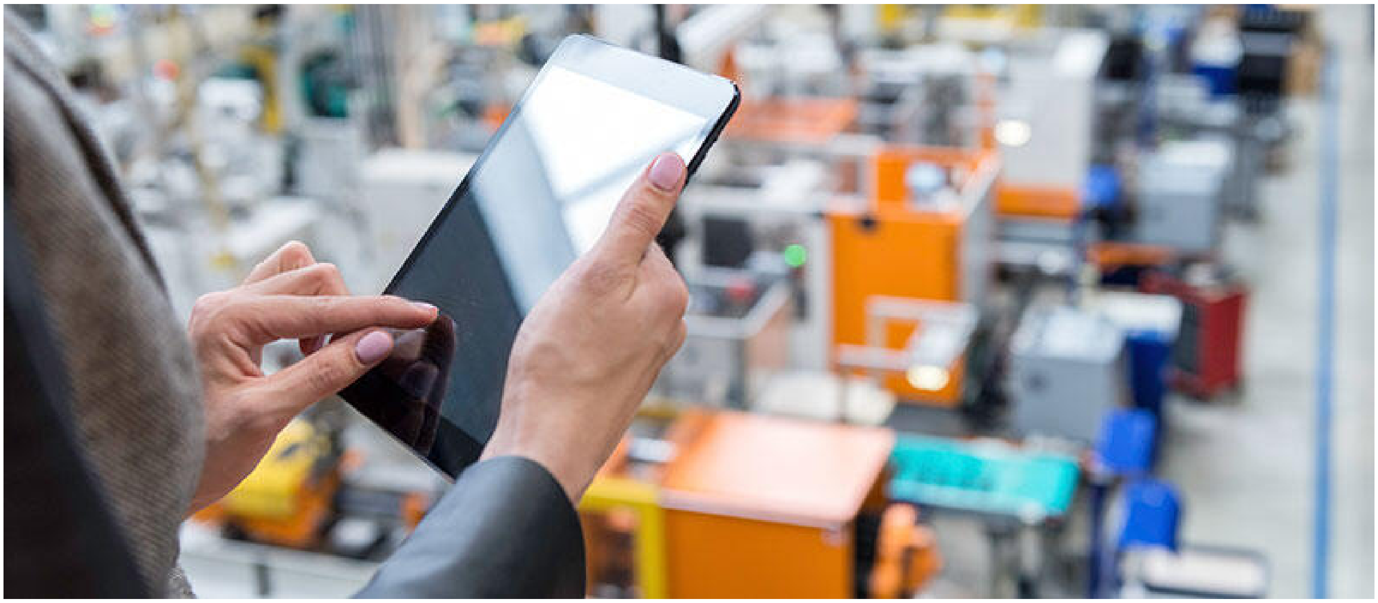
VAT: Extending online marketplace liability to combat non-compliance: CIOT and LITRG response

Indirect Tax

October 2026



23 September 2026

CIOT and LITRG have jointly responded to a consultation that considered the VAT rules for trading via online marketplaces.

The VAT rules for trading via online marketplaces were changed in 2021, meaning that the output VAT on sales made by overseas businesses, which were registered for VAT in the UK and selling to UK consumers via an online marketplace, would instead be declared by the online marketplace.

The measure increased revenue collection by reducing VAT losses from overseas missing traders. However, HMRC identified areas where compliance could be further improved and a consultation was published on 23 June 2026 ‘Extending online marketplace liability to combat non-compliance’ (tinyurl.com/ynzte4wd). The CIOT and LITRG jointly responded to the consultation, commenting on the consultation's three key objectives.

Objective 1: Addressing as much of the VAT non-compliance as possible

The CIOT and LITRG supported the anti-fraud measure that proposes to extend the liability for the obligation to declare output VAT to the online marketplace (OMP), meaning that the UK VAT registered seller would only be responsible for declaring VAT for non-OMP sales. This would tackle the increased evasion seen among overseas businesses that have falsely claimed a UK establishment, as well as reducing the loss of VAT arising from deliberate underdeclarations of output VAT by UK businesses, missing traders or dissolving the business before declaring the VAT.

For OMPs that have already updated their systems for the 2021 VAT rule changes, we recommended that HMRC engage with these businesses to establish whether the changes could be achieved in a shorter timeframe than for other OMPs that have only ever operated with UK-established sellers, and may therefore require a longer lead-in time to make the necessary system changes.

We also raised the point that although the OMPs are required to submit an annual digital platform report (tinyurl.com/4w58dm86) to HMRC, the data obtained can only be interrogated in arrears, meaning that there remains a period which could be exploited for the purposes of VAT evasion. More timely data sharing could reduce this opportunity.

Objective 2: Protecting businesses not required to register for VAT

There were two proposals in the consultation to reduce the loss of VAT: the minimum platform threshold (MPT) and the VAT rate relief for non-registered businesses (VRR).

The MPT would work by making OMPs liable to account for VAT on sales by UK businesses with total sales above a specified value per platform. We had concerns about how the MPT, if set at £90,000, would interact with the effective date of VAT registration for businesses liable to register based on the previous 12 months' trading income, as the two sets of rules would not be aligned. We also commented that where sellers trade across multiple OMPs, the MPT would become less effective.

We did not support the VRR as proposed, as the increase in burdens and the consequences for the smallest businesses appeared to be disproportionate.

Objective 3: Funding improvements for the business rates system for high streets

The CIOT, being an apolitical body, is not influenced by how a government chooses to spend additional tax receipts arising from proposed changes to existing tax policy. Spending decisions are a matter for government, so objective 3 did not impact our response to the tax policy points raised.

The joint response can be read at:
www.tax.org.uk/ref1714 and
www.litrg.org.uk/11274.

Jayne Simpson *jsimpson@ciot.org.uk*