



HMRC's agreement to tackle online VAT fraud

HMRC has launched an agreement to be signed by UK online marketplaces, ensuring that sellers on the platforms are aware of the tax rules involved. It was estimated that the tax loss from VAT fraud and error on online marketplaces was between £1 billion and £1.5 billion in 2016 to 2017. So, the major aim of the agreement is to prevent this online VAT fraud.

The agreement asks online marketplaces to commit to:

- Educating online sellers from the UK and abroad about their VAT obligations in the UK either via their own help and support or by directing them to HMRC's GOV.UK guidance
- Responding swiftly when notified by HMRC that sellers are not playing by the VAT rules, and setting up a system to take appropriate action
- Finding a suitable and lawful way to provide HMRC with information about their sellers, when requested

Mel Stride, the Financial Secretary to the Treasury, said:

"The growth of online marketplaces has helped many businesses to sell more products across the UK and has contributed greatly to the economy. However, there is a small minority of sellers not paying their fair share of tax, and we're committed to working with marketplaces on multiple levels to tackle tax evasion."

According to HMRC, they will publish a list of all those online marketplaces who have signed the agreement. If the signatory fails to comply with all the commitments pledged then they will be removed from the list.

Jon Thompson, HMRC's Chief Executive, said:

"The UK has already led the way in holding online marketplaces accountable for VAT fraud committed on their platforms. The agreement goes even further to tackle this issue, with online marketplaces committing to helping their sellers understand their tax responsibilities and ensuring we have the information we need to take action against those who do not play by the rules."

The agreement builds upon joint and several liability (JSL) rules which received Royal Assent in 2016. This applies when different parties (i.e. the online marketplace and the online seller) can be held liable for the same event or act. This makes the online marketplace also accountable for VAT fraud committed by sellers on their platforms.

From September 2016 to January this year there have been roughly 2,100 investigations opened by HMRC into overseas non-compliant businesses selling via online marketplaces. This has led to around 1,300 JSL notices being issued to the online marketplaces involved. Applications to register for VAT from overseas online businesses has dramatically increased over the past couple of years, which is evidence that these measures are effective in tackling the online VAT fraud and error issues.

Published in the Wigan Observer – 12th June 2018