

Extending VAT online marketplace liability to combat non-compliance

Consultation Response

18 August 2026

Question 1: Business/organisation name

TaxWatch (UK company number 11609849, charity number 1189585)

Question 2: We are responding to this consultation as:

An organisation

Question 4: Are you registered for VAT in the UK?

No

Question 5: Are you a sole trader, a partnership, or an incorporated company?

Incorporated company (limited by guarantee)

Question 16: Please provide any further information about your organisation or business activities that you think might help us put your answers into context.

TaxWatch (www.taxwatchuk.org) is an investigative think-tank and registered UK charity, dedicated to compliance and sound administration of the law in the field of taxation.

Established in 2018, TaxWatch publishes in-depth investigations looking at how the tax system is working on the ground. Its staff and advisors include journalists, financial investigators, lawyers and tax professionals.

TaxWatch first started policy work and research on VAT on online sales in 2019: specifically highlighting the problem of [VAT fraud by foreign sellers](#) on online marketplaces (OMPs), and showing the limited effects of the [joint liability rules introduced in Finance Act 2016](#).

Our [2021 research](#) also highlighted how major OMPs were not collecting VAT on sales to customers in many overseas countries, even those where the OMPs also had tax-resident subsidiaries or permanent establishments.

TaxWatch is grateful for the opportunity to participate in this important consultative exercise.

For any further information, please do not hesitate to contact Mike Lewis, Director,
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Question 17: What suggestions would you offer for how the government could improve the current rules?

TaxWatch's research, and no doubt HMRC's experience, indicates that fraud and evasion are always fuelled by administrative differences in treatment between different entities.

In our view, what appears to be persistent large-scale VAT evasion by overseas sellers to UK customers will not be stopped until UK law and administrative requirements reduce or end differences in administrative treatment between (i) foreign and UK sellers, (ii) sellers of different sizes, and (iii) sellers of different goods.

To avoid having to return again to the OMP VAT rules, after at least two iterations already (in 2016 and 2021), UK legislation should:

- (i) Require OMPs to collect VAT *a priori* on all sales made on their platforms;
- (ii) require that OMP sellers collect VAT *a priori* from all sellers whether 'private' or 'business', and with turnovers of all sizes; with applications for VAT refunds also administered straightforwardly via the OMP;
- (iii) align OMP definitions in UK law with the definition in the EU e-Commerce VAT package.

Administratively, much VAT evasion by overseas sellers relies on dysfunctions of Companies House and VAT registration due diligence. It remains relatively easy for overseas sellers to register a UK company and obtain VAT numbers using intermediary-provided UK physical addresses and in some cases UK-resident directors. UK presence can also be spoofed for the purposes of running seller accounts on OMPs using VPS or proxy servers.

TaxWatch is aware of several UK-based intermediaries offering this service via dedicated Facebook pages and groups, specifically marketing this administrative package to businesses selling online into the UK from particular foreign countries. The footprint of these intermediaries is easily visible through shared addresses of successions of short-lived companies at UK Companies House.

These dysfunctions have persisted even after the introduction of director and PSC identity verification.

We therefore recommend:

- (iv) enhancing ID and UK presence checks during VAT registration;
- (v) Requiring OMPs to collect proof of UK ID, UK address and UK tax status from all sellers claiming to be UK resident.

OMPs' ID verification could usefully be aligned with AML ID check standards.

Question 19: What are your views on the MPT as a policy option? If the MPT is set at the VAT threshold, how else could non-compliant smaller businesses be addressed?

TaxWatch understands the rationale for the MPT i.e. to avoid accusations that HMRC is effectively lowering the VAT threshold by stealth or proxy. However (setting aside the merits or otherwise of the VAT threshold at its current level), TaxWatch believes that the MPT risks partially replicating the loophole presented by the previous exemption of OMPs from collecting VAT from ostensible UK sellers.

It will be trivially easy for sellers to disaggregate sales across multiple online accounts and seller entities to keep below the MPT, just as disaggregation is currently a problem for the VAT threshold itself.

We therefore recommend not having an MPT, and requiring OMPs to collect VAT on all sales on their platforms. Sellers will still be able to sell VAT-free via their own websites, but blanket VAT collection for OMPs is justified by the size of OMPs, their global accessibility, and the particular risks of evasion and fraud these factors generate.

If an MPT is the preferred option, it must be backed up with requirements for OMPs to

- collect proof of UK address and UK tax status from all sellers claiming to be UK resident:
- resource a monitoring/due-diligence function to identify commonalities of sellers' IP addresses, physical addresses, personnel, bank/financial details, branding, inventory, and other potential indicators of disaggregation.

Question 20: What are your views on an MPT set lower than the existing VAT registration threshold, and would you be supportive of such a policy if the funds raised were used for improvements to the business rates system for high street businesses?

TaxWatch would support setting the MPT at zero. We believe this could be mitigated by requiring the OMP to operate a VAT refund mechanism integrated into its VAT collection function for those businesses that can verifiably show that they are below the VAT threshold.

Question 25: If second-hand goods are excluded from OMPL, what risks remain around misrepresentation of goods as second-hand?

From speaking to online sellers and VAT fraud campaigners, TaxWatch understands that misrepresentation of goods is already widespread. TaxWatch recommends making OMPs liable to collect VAT *a priori* from all online sellers, whether of second-hand or new goods. A VAT refund mechanism integrated into the OMP's VAT collection function would allow verifiable second-hand sellers to obtain VAT refunds.