

Online Sales Tax - Consultation

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[Condoc Link](#)

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UK Finance is the collective voice for the banking and finance industry.

Representing more than 300 firms across the industry, we act to enhance competitiveness, support customers and facilitate innovation.

General Comments

1. We welcome the opportunity to respond to the HM Treasury ('HMT') consultation regarding the potential Online Sales Tax ('OST').
2. Our responses to the specific questions raised in the public consultation are below, and focus on whether or not financial services could or should be within the scope of an OST.
3. The primary view of UK Finance and its members at this time is that financial services should be outside the scope of (or exempt from) an OST, to prevent distortions and unintended consequences from the tax on providing financial services. This would also be consistent with the exempt treatment of financial services in the Digital Services Tax.
4. We have also included other comments where raised by members within UK Finance, but otherwise we have not commented on most questions raised in the consultation, where these are more appropriately addressed by online retailers likely to be more impacted by an OST.
5. Should HMT proceed with implementing an OST, we would welcome further engagement on practical matters with implementation and the involvement of the financial services sector.

Specific Questions

Question 1: Would you favour a tax for all 'remote' sales or just a subset of 'online' sales?

No comment

Question 2: How should taxable sales be defined and what would the practical implications be?

It will be important to clearly define the value of sales for OST purposes. In particular – should this be inclusive or exclusive of costs added on top of the base value of goods (or services if applicable), for example, value added tax, import duties etc.

Question 3: Are there transactions that would be particularly difficult to classify as either online or remote? What are these, and how should these be addressed?

No comment

Question 4: Should click and collect be exempted? If so, how?

No comment

Question 5: Should an OST be applied to all goods? Are any exemptions necessary? If so, what are these and why?

Exemptions for goods bundled with services should be considered. For example, from a financial services perspective, hire purchase transactions have been identified as a potentially problematic products from an OST perspective. Such contracts involve the transfer of ownership of goods but are effectively a form of financing (hence for financial services providers, income is typically earned via the service element of the hire purchase arrangement). Imposing an OST on the goods-related cost component of a hire purchase arrangement – or indeed the whole value of a hire purchase arrangement – could be distortive assuming services are outside the scope of an OST.

Question 6: How would a goods-only approach apply to takeaway food?

No comment.

Question 7: Do you think that digital products should be included in an OST? How should a “digital product” be defined?

No comment

Question 8: How can the risk of value shifting from goods to services be reduced, for an OST that has services out of scope?

Issues like value shifting and categorisation of supplies as goods and/or services have been considered for value added tax. One possible option would be for an OST to align with value added tax treatment of bundled goods and services (and applying OST on the corresponding valuation of each supply for VAT purposes).

Question 9: Are there other ways you could foresee OST being avoided? How could this be defended against?

No comment

Question 10: Do you think some or all categories of services listed above (including any digital services) should be included in the scope of an OST? Would you add any additional services?

If digital services are in-scope of an OST, there should be a clear exemption for financial services delivered digitally (as there also is for financial services under the Digital Services Tax). For the purpose of simplicity, HMT may wish to consider making an OST a goods-only tax. UK Finance members wish to seek clarity on this point, and that there will be an exemption for financial services.

Question 11: To what extent do businesses currently distinguish between their sales of goods and services in business systems? On what basis do they currently make this distinction?

No comment

Question 12: Do you agree that an OST should be designed to exclude B2B sales?

We agree that any OST should be applicable only to B2C sales, to limit the risk of excessive administrative burdens and potential distortions on impacted businesses.

Question 13: Do you agree that an approach of removing all B2B transactions from scope would be preferable to applying the tax according to the individual transactions (e.g. according to the use of the item sold)?

We would agree with this approach,

Question 14: What is your preference from the above or any alternative approaches to exclude B2B sales from an OST while limiting administrative burdens on business?

No comment

Question 15: How do you think a business should be defined for the purposes of an OST?

No comment

Question 16: Are there other types of entities or transaction types which should be out of scope of an OST e.g. online sales by charities, public bodies or consumer to consumer transactions?

No comment

Question 17: Do you agree that an OST would be levied on vendors?

No comment

Question 18: How should different intermediaries that sell online on behalf of other businesses be treated with respect to an OST i.e. online marketplaces, franchises, auctioneers, agents and commissionaires?

No comment

Question 19: Are there situations in which it is not possible to distinguish the vendor from the intermediary, or in which the intermediary plays a crucial role in the sale? How should these be treated?

No comment

Question 20: Are there circumstances in which it would be appropriate for an intermediary to be liable for an OST, rather than the underlying seller? What are these?

No comment other than to note that responsibility should only be placed on such an intermediary if they have the information necessary to comply. As a further point, the definition of “intermediary” should be unambiguous, and should not inadvertently bring a payment intermediary or financial service provider within the scope of an OST (or make such a party liable in some way for OST that may be due in a transaction chain).

Question 21: How would an OST define UK customers?

On the basis that services will be outside the scope of the OST, we assume that services received from non-UK suppliers will always be outside the scope of the OST. If services are included in the scope of the OST, the issue of how to tax services received by UK customers from outside the UK will need further consideration.

Question 22: Should UK-based intermediaries play a role in identifying taxable transactions or be made liable in some cases?

No comment other than reiterating the point above in response to question 20.

Question 23: Would either a revenue or a flat fee approach have a greater distortive impact on consumer behaviour? What are the scope and design considerations that would lead to distortion caused by both models?

No comment

Question 24: Would either approach be particularly preferable? If so, why? Are there any preferences around scope (i.e. different exclusions or exemptions) which would make one of the approaches more preferable?

No comment

Question 25: Do you have experience to share of overseas' taxes on online sales using either model, or similar approaches not covered above?

No comment

Question 26: What factors should be taken into consideration in setting an allowance? How would this differ for revenue and flat-fee models of an OST?

We support a registration threshold being introduced for an OST. Such a threshold should be suitably high so as to not bring businesses within the scope of an OST that only have incidental

sales of in-scope goods (or services if applicable), whether by reference to value or number of sales.

Question 27: What would be a reasonable OST threshold and allowance to set in order to protect small businesses while also making sure the OST generates sufficient tax revenues?

No comment

Question 28: Do you agree that an OST threshold or allowance should apply once to all businesses under common control?

No comment

Question 29: Do you agree the threshold or allowance would apply to individual businesses when they operate franchises or sell through online marketplaces?

No comment

Question 30: Do you consider there to be strong arguments either for or against quarterly or annual reporting? If this hinges on any of the design options laid out in this consultation, please specify which options and why.

No comment

Question 31: Can you provide insight into the overall burden to administer all systems and processes required to support an OST? Do systems currently allow you to identify the features listed above; if so, please provide further details on how this distinction can be made.

No comment

Question 32: On balance, what would the impact be of an OST with business rates reductions on the scale described above, including on retailers that operate both online and offline?

No comment

Question 33: Do the potential revenues from such a tax justify the additional administration that it would require of businesses, as well as the design complexities detailed in the previous sections?

No comment

Question 34: To what extent do you think an OST would impact innovation, efficiency and productivity?

No comment

Question 35: To what extent do you believe that an OST would impact consumers' behaviour in favour of in-store retail?

No comment

Question 36: How do you expect online retail to evolve in the coming decade and how should an OST take account of these?

Question 37: What is the evidence for the degree of pass-through of the cost of an OST to consumers? To what extent will this vary depending on the type and value of the goods sold?

No comment

Question 38: Do you have any data which would support the Government in making an assessment of the incidence of the tax or its distributional impacts?

No comment

Question 39: In your assessment, what would be the distributional impact of an OST? Are there particular groups who are likely to be worse affected than others? How would this change if an OST were applied as a flat-fee per transaction (or some other similar metric) versus a percentage of firms' revenue from online sales?

No comment

Question 40: What environmental impact might an OST have? How would its design affect an OST's environmental impact?

No comment

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If you have any questions relating to this response, please contact Chris Chatting (chris.chatting@ukfinance.org.uk) or Sarah Wulff-Cochrane (sarah.wulff-cochrane@ukfinance.org.uk).

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Seconded, Tax Policy

