Logistics UK Consultation Response – Extending VAT online marketplace liability to combat non-compliance

Summary

- Logistics UK supports extending VAT online marketplace liability (OMPL) to all sellers regardless of establishment status, helping tackle VAT fraud, protect Exchequer revenues and create a level playing field for compliant businesses.
- Logistics UK believes the reforms should be broad, simple and implemented swiftly (ideally from April 2027). Every exemption, carve-out or threshold creates opportunities for avoidance, increases compliance complexity and weakens the effectiveness of the regime. If the Government retains a threshold, it should be set as low as practicable.
- Logistics UK supports a nil Minimum Platform Threshold (MPT) as the preferred option. If Government decides to retain a threshold, it should be set as low as practicable and should not be aligned with the £90,000 VAT registration threshold.
- Logistics UK does not support excluding second-hand goods from the regime. Such an exemption would be difficult to verify in practice and could create a significant new route for VAT avoidance.
- Extending online marketplace liability to all sellers, regardless of where they are established, would help close this loophole, simplify VAT collection and enforcement, and create a more level playing field for legitimate businesses operating in the logistics, retail and e-commerce sectors.

About Logistics UK

Logistics UK is the champion of the logistics sector, providing a unique and authoritative voice for our members.

Logistics UK is one of the country's biggest business groups, representing one its largest economic sectors. We are the only trade association which represents all of logistics, with over 22,000 members, spanning road, rail, waterways, sea and air freight, in ports, airports and warehousing, as well as the customers of freight services such as retailers and manufacturers.

We deliver services, representation and thought leadership, helping members and policymakers to seize new opportunities for the sector and the economy as a whole, right across the country.

The logistics sector

Nothing moves without logistics. The sector contributes £175 billion in GVA each year and employs 8% of the UK workforce, providing good jobs with strong career progression in communities across the country – making it comparable to, and in some cases larger than, construction, manufacturing, and financial and professional services.

Logistics underpins the whole economy and is fundamental to our way of life, delivering for homes, businesses and public services every day, and enabling over a £1 trillion of international trade.

The sector plans and coordinates the movement and storage of the goods that we all rely on – using ports, airports, roads, railways, waterways, warehouses and smart digital systems to bring everything together.

As recognised in the Industrial Strategy, efficient logistics is essential to the competitiveness and resilience of the UK's supply chains. Oxford Economics found in 2023 that, with the right policies in place, the sector has the potential to boost UK growth by up to £8 billion a year.

Consultation response

Q1. What is your name or business/organisation's name?

- Logistics UK.

Q2. Are you responding as?

- Representative body.

Q16. Please provide any further information about your organisation or business activities that you think might help us put your answers into context.

- Logistics UK is one of the UK's leading business groups, representing 22,000 members across the whole logistics sector – businesses spanning road, rail, waterways, sea, and air freight, in ports, airports and warehousing, as well as the customers of freight services such as retailers and manufacturers.

Q17. What suggestions would you offer for how the government could improve the current rules?

- Logistics UK welcomes the government's consultation on extending VAT online marketplace liability rules. We believe this presents an important opportunity to tackle VAT fraud in e-commerce and create a fairer competitive environment for compliant UK businesses.
- The current system places responsibility on online marketplaces to collect VAT from non-UK sellers but not from UK-established sellers. This distinction creates opportunities for abuse, as some overseas businesses can seek to avoid VAT obligations by presenting themselves as UK-established. As a result, legitimate businesses can be placed at a competitive disadvantage while tax revenues are lost.
- We therefore support extending online marketplace liability so that marketplaces are responsible for collecting and remitting VAT on sales made through their platforms regardless of where the seller is established. This would simplify compliance, improve enforcement and help close existing loopholes that undermine the effectiveness of the current regime. The approach would also allow HMRC to focus compliance activity on a smaller number of marketplaces rather than a much larger number of individual sellers. Based on available evidence, extending online marketplace liability rules could recover hundreds of millions of pounds annually for the Exchequer while supporting compliant businesses and improving VAT compliance.
- To maximise the effectiveness of the reform, the scope of the regime should be as broad and simple as possible. Every exemption, carve-out or threshold creates additional opportunities for avoidance, increases administrative complexity for marketplaces and HMRC, and risks reducing both tax revenues and the level-playing-field benefits of the reform. Government should therefore seek to minimise exclusions and ensure any departures from full marketplace liability are tightly justified and narrowly drawn.

Q18. As the proposed policy change could have varying impacts on specific sectors, please state any sector-specific impacts you anticipate following the proposed rule change.

- For the logistics, retail and e-commerce sectors, we expect the primary impact to be the creation of a more level playing field. Businesses that comply with UK tax rules should not be disadvantaged by competitors who evade VAT obligations. Greater confidence in the integrity of online marketplaces would support fair competition, encourage investment and help ensure that legitimate businesses can compete on quality, service and efficiency rather than tax treatment.
- For the logistics, retail and e-commerce sectors, we expect the primary impact to be the creation of a more level playing field. Businesses that comply with UK tax rules should not be disadvantaged by competitors who evade VAT obligations. Greater confidence in the integrity of online marketplaces would support fair competition, encourage investment and help ensure that legitimate businesses can compete on quality, service and efficiency rather than tax treatment.
- Logistics UK considers a nil MPT to be the preferred option for delivering these benefits. A nil threshold provides the clearest and most effective way to minimise avoidance opportunities, prevent artificial fragmentation of sales activity and ensure consistent marketplace collection of VAT. As the MPT relates to marketplace VAT collection rather than the underlying VAT registration threshold, we see no policy rationale for aligning it automatically with the £90,000 VAT registration threshold.

Q19. What are your views on the MPT as a policy option?

- We support the government's objective of extending VAT online marketplace liability rules to tackle VAT non-compliance and create a fairer competitive environment for compliant businesses. In considering a Minimum Platform Threshold (MPT), we believe the overriding policy objective should be to maximise compliance and minimise opportunities for avoidance.

- In principle, a nil threshold would be the most effective approach, ensuring that all sellers are brought within the scope of the deemed reseller rules regardless of size. This would provide the greatest certainty for marketplaces, HMRC and sellers, while eliminating the risk that bad actors structure their activities to remain below a threshold and outside the regime.
- If the government concludes that an MPT is necessary, we encourage it to adopt the lowest practicable threshold rather than align it with the current £90,000 VAT registration threshold. A higher threshold would create a significant population of sellers outside the rules, increasing the potential for VAT leakage and creating opportunities for businesses to manipulate turnover to remain below the threshold. There is also a risk that linking the MPT to the VAT registration threshold could make future reform more difficult, even if evidence emerges that the threshold is facilitating continued non-compliance.
- At the same time, we recognise the need to ensure that reforms remain proportionate for genuinely small businesses. We would therefore support targeted mitigations for sellers below any MPT who are not VAT registered. For example, a reduced VAT rate applied automatically to qualifying sellers could help account for the fact that non-VAT registered businesses are unable to recover input VAT on their purchases. Any such mitigation should be simple to administer, operate automatically where possible, and preserve existing zero-rating arrangements for qualifying goods.
- However, these mitigations should be designed to support a lower MPT, not to justify retaining a higher threshold. The government should seek to strike a balance that minimises burdens on genuine small businesses while maintaining the integrity and effectiveness of the regime. In our view, a low or nil threshold, combined with proportionate mitigations where necessary, would provide the best outcome for reducing VAT fraud, protecting compliant businesses from unfair competition, and safeguarding Exchequer revenues.
- We also believe that any seller that has already provided a VAT registration number should be brought within marketplace collection regardless of the level of any MPT. Once a business has entered the VAT system, there appears to be little policy justification for excluding it from marketplace VAT collection solely because its turnover on a particular platform falls below a threshold.

Q20. Views on an MPT below the VAT threshold?

- Logistics UK supports a nil MPT as the preferred policy outcome. This would provide the strongest protection against VAT avoidance, remove opportunities for businesses to remain artificially below a threshold and maximise the effectiveness of the reform.
- If Government nevertheless determines that a threshold is required, it should be set significantly below the VAT registration threshold. A lower threshold would better support the objective of maximising compliance, reducing avoidance opportunities and creating a fair competitive environment for compliant businesses.
- We also note the Government's intention to use revenues generated by the reform to support improvements to the business rates system. A lower threshold would maximise revenue collection and therefore increase the resources available to support compliant high street and bricks-and-mortar businesses while reducing unfair competition from VAT non-compliance.

Q22. For all respondents, what would the administrative impacts of implementing such a scheme be?

- While there may be implementation costs for online marketplaces, we believe the overall effect would be to simplify VAT collection and enforcement. A system in which VAT obligations are administered through a relatively small number of established marketplaces should reduce complexity for HMRC, improve compliance across the wider e-commerce sector and allow enforcement activity to be targeted more effectively.
- Simplicity also argues for a lower or nil MPT. Thresholds and carve-outs require online marketplaces to determine which sellers or transactions fall inside or outside the regime, creating additional monitoring, due diligence and compliance requirements. These distinctions can perpetuate many of the administrative complexities that the reform is intended to remove. A broadly scoped regime with minimal exclusions would be easier for marketplaces, sellers and HMRC to administer consistently, while reducing opportunities for avoidance and improving overall compliance.

Question 24: How would the different options for second-hand goods impact your business? How would you address these impacts?

- Logistics UK does not support excluding second-hand goods from the extended OMPL regime. We are concerned that a second-hand goods exemption would create a significant new route for VAT avoidance. There is no straightforward or objective mechanism for a marketplace to verify at the point of sale whether an item is genuinely second-hand. As a result, there would be a risk that new goods are deliberately presented as used to avoid marketplace VAT collection.

- Such an exemption risks displacing rather than eliminating VAT non-compliance. As controls on seller establishment become more effective, bad actors may simply shift towards misrepresenting goods as second-hand. This would undermine the core objectives of the reform, create additional compliance burdens for marketplaces and increase enforcement challenges for HMRC. Logistics UK therefore believes second-hand goods should remain within scope of the regime.

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

- If second-hand goods are excluded from OMPL, the principal risk is the deliberate misrepresentation of new goods as second-hand to avoid marketplace VAT collection.
- Unlike seller establishment status, which can be assessed using a range of corporate and tax information, the condition of goods often relies heavily on seller declarations. This makes consistent verification challenging and creates opportunities for abuse.
- A second-hand goods exemption could therefore become a significant avoidance route, reducing revenues, distorting competition and undermining the effectiveness of the wider reform. Logistics UK believes that maintaining a broad scope, including second-hand goods, is the most effective way to minimise these risks.

Question 27: How long would it take you to implement the changes that would be needed to administrate this policy?

- Logistics UK supports implementation of the reforms as quickly as practicable and believes April 2027 represents an appropriate target date.
- VAT non-compliance through online marketplaces has been a longstanding issue that disadvantages compliant businesses and reduces Exchequer revenues. The benefits of reform, including fairer competition, improved compliance and increased revenues, should therefore be realised without unnecessary delay.
- We also note the Government's intention to use revenues from the reform to help support wider business rates measures. Early implementation will maximise the revenue available to support those objectives while providing greater certainty for businesses operating across the logistics, retail and e-commerce sectors.
- While implementation should allow sufficient time for businesses and marketplaces to prepare, the Government should avoid unnecessary delay and provide a clear timetable that enables commencement from April 2027.

Contact

Maddi Solloway-Price
Interim Deputy Director of Policy
Logistics UK
msolloway-price@logistics.org.uk