

Extending VAT Online Marketplace Liability to Combat Non-Compliance

Summary of Responses



HM Treasury



HM Revenue
& Customs

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Chapter 1

Introduction

1.1 In 2021, the previous government introduced reforms to strengthen VAT compliance in the online marketplace (OMP) sector by making online marketplaces (OMPs) responsible for accounting for VAT on sales facilitated by overseas businesses on their platforms. These reforms were successful in improving compliance and tackling VAT losses, demonstrating the important role online marketplaces can play in supporting VAT compliance.

1.2 Despite this progress, VAT non-compliance persists among both overseas and UK-based businesses selling through online marketplaces. HMRC estimates that tens of thousands of UK-based businesses trading through OMPs are not fulfilling their VAT obligations meaning that hundreds of millions of pounds of tax owed is not paid each year. Furthermore, this non-compliance distorts competition by enabling businesses that do not meet their VAT obligations to undercut compliant businesses, both online and on the high street.

1.3 The Government is determined to support high streets. This measure will help level the playing field between high street businesses and those selling through online marketplaces. It will also help to fund measures that reduce business rates liabilities for retail, hospitality, and leisure premises across the country.

1.4 To build on the 2021 reforms, the Government published a consultation on 23 June 2026 to seek views on extending online marketplace liability to UK businesses. The central proposal was to make OMPs responsible for accounting for VAT on relevant sales they facilitate on behalf of UK businesses operating on their platforms.

1.5 Following the consultation, and informed by the views and evidence provided by stakeholders, the government announced at Budget on 28 October 2026 that it would extend VAT online marketplace liability to UK businesses where goods are in the UK at the point of sale. VAT registered businesses, or those with annual sales above £90,000 on an individual platform will be in scope. The rules will not apply to business to business sales, personal sales or second-hand goods.

1.6 The government's approach to reform is guided by three key objectives: minimising VAT non-compliance, minimising impacts on businesses legitimately below the VAT registration threshold, and raising revenue through improved compliance to fund improvements to the business rates system for high streets. In pursuing these objectives, the government also aims to ensure that any reforms minimise administrative burdens for businesses and OMPs.

1.7 The consultation ran for eight weeks, from 23 June 2026 to 18 August 2026, and was jointly conducted by His Majesty's Revenue and Customs (HMRC) and His Majesty's Treasury. Alongside the written consultation, the government ran a programme of stakeholder engagement, including roundtables and public forums, to provide further opportunities for interested parties to share their views on the proposals.

1.8 This document summarises the responses received through the consultation and sets out the government's response to the issues raised.

1.9 The government would like to thank all those who responded to the consultation and engaged with officials.

Chapter 2

About the respondents

2.1 The consultation asked a series of questions about respondents and their business activities to better understand the profiles of the organisations that could be impacted by the proposed reforms. The government sought views from online marketplaces, businesses that use online marketplaces to buy or sell goods, organisations representing these groups, and anyone with a view on the balance of simplicity and fairness in the proposed changes to the VAT rules.

2.2 Respondents were asked questions about their businesses/organisations, including their size and activities, VAT registration status, and use of online marketplaces and other sales channels. Online marketplaces were similarly asked about their business models and the seller population operating on their platforms. These questions provided context for understanding the responses to the substantive policy questions that followed.

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

Q2: Are you responding to this consultation as a UK-based business selling on OMPs, an OMP, a representative body, an organisation, an individual or other?

Q3: If you are responding as a business, please tell us about the number of employees in your business and your annual turnover.

Summary of responses

2.3 The government received 67 responses to the consultation from a broad range of stakeholders. Of these, 19 were from businesses selling through online marketplaces, 17 from online marketplaces, 14 from representative bodies, 4 from professional advisers, 3 from individuals and 10 from other organisations or respondents including think tanks and charities.

2.4 Responding businesses and organisations varied considerably in size and included small independent businesses as well as larger, national businesses and organisations. The responses represented businesses with a wide range of employee numbers and annual turnovers. To protect respondent confidentiality, further breakdowns of business size have not been provided.

These following questions were for UK-based businesses:

Q4: Are you registered for VAT in the UK?

Q5: Are you a sole trader, a partnership, or an incorporated company?

Q6: What types of goods do you sell? What proportion of your sales are made up of each?

Q7: Do you sell on OMPs? If so, how many?

Q8: Do you also make sales via any other channels? For example, your own website or a physical shop. What influences this pattern?

Q9: If you sell via other means than an OMP, what is the approximate percentage split of sales per channel?

Summary of responses

2.5 Of the 19 businesses selling on OMPs that responded to the consultation, 15 identified themselves as VAT registered. Respondents included sole traders and incorporated companies, as well as businesses operating at different scales.

2.6 UK-based business respondents represented a wide range of consumer goods and business models. Products sold included stationery and office supplies, hardware and homeware, handmade and craft goods, pet products, food and beverages, and second-hand or refurbished goods including electronics, photographic equipment, and antiques and collectables.

2.7 Respondents also varied in their business practices. Some sold through several OMPs alongside other channels, including their own websites, wholesale and direct sales, while others relied predominantly or entirely on OMPs. Among those providing sales-channel information, reliance on OMPs ranged from businesses making most of their sales through their own website to businesses making around 80% to 99% of their sales through OMPs.

These following questions were for OMPs:

Q10: Are you registered for VAT in the UK?

Q11: What types of goods are available on your platform? What proportion of your sales are made up of each?

Q12: What proportion of businesses on your platform are VAT registered businesses?

Q13: What proportion of businesses on your platform turnover less than £90,000?

Q14: What proportion of businesses on your platform are UK established?

Q15: If you are a takeaway food delivery platform, do you also facilitate the sales of other goods? What types of goods, and what proportion?

Summary of responses

2.8 Online marketplace respondents represented a diverse range of business models and product categories. These included general retail marketplaces, specialist second-hand and refurbished goods platforms, fashion and lifestyle marketplaces, and grocery and food delivery platforms. The products facilitated through these platforms ranged from broad general merchandise and fashion to refurbished electronics, physical media, grocery and convenience goods, and restaurant takeaway food.

2.9 Responses also highlighted that some platforms facilitated the sale of a mixed range of goods. For example, some food delivery platforms also facilitated sales of pharmacy products alongside restaurant takeaway food.

2.10 The composition of sellers trading on online marketplaces also varied considerably between platforms. Some OMPs reported that all or nearly all businesses selling on their platforms were VAT registered and/or UK established, while others had substantial populations of smaller sellers or sellers from different countries.

2.11 Among OMPs that provided data on sellers' platform sales, the proportion with sales below £90,000 varied from 99% to nil. This variation appeared to be driven by the OMPs' business models, with some OMPs reiterating a business decision to only work with larger businesses.

The rest of the questions were for all respondents

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

Summary of responses

2.12 Respondents provided further information about their business activities and operating models to contextualise their responses. This highlighted the importance of the VAT margin schemes for some businesses operating in the second-hand and refurbished goods sectors, and the significant reliance of some businesses on OMPs as a route to market. Respondents also highlighted sector-specific VAT and accounting arrangements, particularly in the hospitality and franchise sectors, which they considered relevant to how an extension of OMP liability would operate in practice.

Chapter 3

The online marketplace liability extension proposal

3.1 The consultation sought views on the overall proposed extension of online marketplace liability to UK businesses, where the goods are located in the UK at the point of sale, to further understand respondents' views on how the extension should operate and how it could interact with the existing VAT system. This chapter summarises respondents' views on extending the liability rules, options considered for minimising impacts on businesses legitimately below the VAT registration threshold, and the treatment of second-hand goods.

Extending the liability rules

3.2 As explained above, the consultation set out the proposal for extending the online marketplace liability rules and asked the following general questions.

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

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.

Summary of responses

3.3 Across respondent groups, there was broad support for the government's objective of tackling VAT non-compliance and supporting fair competition. Many respondents supported extending online marketplace liability, although views differed on how broadly the extended rules should apply. Support for reform was frequently accompanied by views on the need for the final policy to be proportionate, workable and supported by appropriate safeguards and implementation arrangements.

3.4 Some respondents favoured a broad extension of marketplace liability, considering that this could simplify VAT collection, reduce opportunities for non-compliance and remove incentives for overseas businesses to present themselves as UK-established. Respondents from parts of the retail and logistics sectors and some representative bodies also considered that broader OMPL rules could support fairer

competition for compliant businesses operating online and on the high street. Other respondents favoured a more targeted approach to OMPL, including mechanisms through which non-VAT registered businesses below the VAT registration threshold could demonstrate their VAT status to marketplaces.

3.5 Some respondents proposed alternative or complementary compliance measures outside the design of the OMPL extension. These included stronger verification of sellers' identity, VAT status and place of establishment through HMRC and Companies House, enhanced monitoring of marketplace sales, and greater sharing of sales data between OMPs and HMRC. These respondents considered that such measures could help target intervention towards businesses presenting a compliance risk.

3.6 Respondents also highlighted that the impacts of extending OMPL would vary across sectors and business models. Food delivery and hospitality respondents highlighted the treatment of mixed VAT rates, frequently changing product information, promotions, existing VAT arrangements and franchise models. Some smaller or specialist marketplaces highlighted the relative impact of systems and compliance changes, while multi-channel businesses highlighted the implications of operating different VAT accounting arrangements across marketplace and other sales channels.

Government response

3.7 Having carefully considered the views and evidence submitted, the government announced at Budget that it would proceed with extending OMPL to certain sales by UK businesses. While HMRC's existing systems enable it to identify and tackle non-compliance, there are limits to what can be achieved through retrospective data and enforcement alone. OMPs are involved at the point of sale and are therefore well placed to ensure that VAT is accounted for when transactions take place. The government considers that this upstream approach will provide a more effective and sustainable means of strengthening compliance than relying solely on action after non-compliance has occurred.

3.8 The government recognises respondents' suggestions for greater use of marketplace data, stronger verification and more targeted compliance activity. HMRC will continue to use its data, information and enforcement powers to identify and address VAT non-compliance alongside the extension of OMPL. The government considers that these activities and the extension of OMPL are complementary, with the extension strengthening VAT collection at the point of transaction and HMRC's wider compliance activity continuing to address other risks.

3.9 The government recognises that the practical implications of the extension will vary between sectors and OMP business models. The government will continue to engage with OMPs and affected

businesses as it develops the legislation and guidance, with the aim of ensuring that the new rules are clear and proportionate.

Impact on Non-VAT Registered Businesses

3.10 The government recognised that extending OMPL could have impacts on businesses that are legitimately not required to register for VAT. The consultation therefore sought views on options to minimise impacts on these businesses while maintaining the effectiveness of the policy in tackling VAT non-compliance. One option considered was a Minimum Platform Threshold (MPT), whereby OMPs would become liable to account for VAT once a UK business's sales on an individual platform exceeded a specified amount. The government sought views on setting the MPT at £90,000, in line with the VAT registration threshold, as well as the potential impacts of setting it at a lower level.

Q19: 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?

Q20: 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?

Summary of responses

3.11 There was broad support for a policy which minimises impacts on businesses that are legitimately not required to register for VAT, while maintaining effective action against VAT non-compliance. Views differed, however, on whether this balance would best be achieved through an MPT aligned with the £90,000 VAT registration threshold, a lower MPT, or no MPT accompanied by additional design features, or an alternative mechanism.

3.12 Business sellers generally favoured an MPT of £90,000, with 11 of the 13 business sellers responding to these questions expressing serious concerns about a lower threshold. These respondents included sole traders and incorporated businesses selling a range of goods through OMPs. Those supporting alignment with the VAT registration threshold cited consistent VAT treatment across sales channels and protection from potential price and margin impacts for businesses below the registration threshold. Some also expressed the view that a lower MPT could affect business growth or influence where businesses choose to sell.

3.13 Other respondents, including several marketplaces, representative bodies and other organisations, supported a lower or no MPT. They indicated that this would bring more non-compliant sales

within scope of OMPL by reducing opportunities for businesses to structure their sales in ways that keep them below the MPT (which is known as disaggregation), while simplifying VAT collection by applying a more consistent approach to marketplace sales. Some respondents also proposed measures to mitigate the impact of no MPT on legitimate small businesses, including relief or refund arrangements (see point 3.23 for further detail on these suggestions).

3.14 A minority of respondents questioned whether an MPT was the most appropriate mechanism at any level. Some preferred alternative approaches under which HMRC would verify a seller's status, for example through a credential or trusted-trader-style arrangement, alongside wider compliance measures to tackle non-compliance, as explored previously in question 17.

3.15 Respondents also identified practical considerations for the operation of an MPT, including how sales would be measured, the treatment of returns and refunds, when an OMP's liability would begin after the threshold was crossed, and the need for clear rules and guidance.

3.16 Respondents were generally supportive of using revenue raised through improved VAT compliance to fund improvements to the business rates system, recognising the benefits this could bring to compliant high-street businesses facing unfair competition from businesses not meeting their VAT obligations. However, for some respondents, concerns about the potential impacts of a lower MPT outweighed their support for funding business rates improvements. The proposed use of revenue did not alter their views on the appropriate level of the MPT.

Government response

3.17 Having considered the consultation responses, the government announced at Budget that the MPT will be set at £90,000. This means that an OMP will be required to account for VAT under the extended rules once a non-VAT registered UK business's annual sale on that platform exceed £90,000. For VAT-registered UK businesses, OMPs will be required to account for VAT on sales regardless of the value of their sales through the platform. The MPT does not change businesses' existing VAT registration obligations and does not apply to overseas sellers.

3.18 A £90,000 MPT provides an appropriate and proportionate balance between strengthening VAT compliance and limiting unintended impacts for small businesses not required to VAT-register. It will ensure that no businesses legitimately trading below the VAT registration threshold will be in scope of the policy, while increasing the number of businesses fulfilling their VAT obligations. It also maintains consistent VAT treatment for legitimately sub-threshold businesses across marketplaces and other sales channels.

3.19 The Government recognises that some respondents favoured a lower or nil MPT for increased simplicity and because this could bring more sales within OMPL to further reduce opportunities for non-compliance through disaggregation. However, the £90,000 MPT is simpler to implement than alternative policy options considered, such as the VAT rate relief. Moreover, HMRC will continue normal compliance activity where non-compliant actors are operating below the MPT.

3.20 Aligning the MPT with the VAT registration threshold provides a proportionate way to extend OMPL to UK-established businesses, while ensuring that smaller businesses are not brought within the reforms solely because they make sales through an OMP.

3.21 The Government will monitor the impact of the MPT following implementation and consider evidence on its effectiveness as it emerges.

3.22 The Government will continue to consider the operational detail of the MPT and will provide detailed guidance before implementation.

VAT Rate Relief for Non-VAT Registered Businesses

3.23 Alongside the MPT, the consultation sought views on an alternative option to reduce the impact of extending OMPL to businesses operating below the VAT registration threshold. Under this option, a form of VAT rate relief would be available for eligible UK businesses below the VAT registration threshold, helping to offset the impact of VAT being applied to their sales by an OMP. The consultation sought views on how such a relief could affect businesses, its administrative implications, and other options for minimising impacts on the smallest UK businesses.

Q21: If you are a UK business under the VAT registration threshold, how would a scheme such as this effect the impact of the overall policy for you? Would it make you more or less likely to voluntarily register for VAT?

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

Q23: What other options could you suggest for reducing the impact on the smallest UK businesses?

Summary of responses

3.24 Some respondents, particularly small businesses, saw merit in a VAT rate relief as a means of mitigating the impact of extending OMPL to businesses below the VAT registration threshold, should a lower MPT

be introduced. However, respondents generally favoured £90,000 MPT rather than introducing a separate relief mechanism.

3.25 Respondents raised concerns about the administrative complexity of a VAT rate relief. OMPs highlighted the additional processes and systems that could be needed to determine eligibility, apply different VAT treatment and manage reporting and corrections. Small businesses also identified potential additional bookkeeping and reconciliation requirements, particularly where they made sales both through OMPs and other channels. Some respondents considered these impacts could be reduced if any relief were highly automated.

3.26 Views on how a rate relief could affect voluntary VAT registration varied. Some businesses operating below the VAT registration threshold indicated that a relief would make them less likely to register voluntarily, while other respondents considered that registration could become more attractive for some businesses where it allowed them to recover input VAT. Respondents also noted that the impact would depend on the design of the relief and individual businesses' circumstances.

3.27 Respondents suggested a range of alternative ways of reducing the impact of OMPL on the smallest businesses. These included retaining an MPT aligned with the VAT registration threshold, simplifying VAT arrangements for affected businesses, and providing transitional or other targeted protections. Similar suggestions on verification and wider compliance activity were also raised in response to earlier questions.

Government response

3.28 The Government has carefully considered the views expressed by respondents and does not intend to introduce a VAT rate relief in light of the decision to introduce a £90,000 MPT.

3.29 The £90,000 MPT carves out businesses legitimately operating below the VAT registration threshold, removing the need for a separate VAT rate relief. This keeps those businesses outside the extended OMPL rules altogether, rather than bringing them within scope and introducing a separate mechanism to mitigate the impact. The Government considers this to be a simpler and more certain approach for businesses and OMPs.

Excluding Sales of Second-Hand Goods

3.30 The consultation also considered how the extension of OMPL should apply to second-hand goods. Under existing VAT rules, eligible businesses can use the Second-hand Margin Scheme, under which VAT is accounted for on the profit margin rather than the full selling price. Extending OMPL to these sales creates particular challenges because the information needed to determine the taxable margin is held by the seller and may not be reliably available to the OMP. The consultation

sought views on whether second-hand goods should remain within OMPL without access to the Margin Scheme, or be excluded so that qualifying businesses could continue to apply the existing VAT treatment.

Q24: How would the different options for second-hand goods impact your business? How would you address these impacts?

Q25: If second-hand goods are excluded from OMPL, what risks remain around misrepresentation of goods as second-hand?

Summary of responses

3.31 The majority of respondents commenting on second-hand goods supported excluding these goods from the scope of online marketplace liability, or, as second preference, otherwise preserving the benefits of the VAT Margin Scheme for businesses selling second-hand and refurbished goods.

3.32 Respondents noted that applying VAT to the full selling price of these goods would likely increase prices and reduce margins to an extent which would threaten the viability of the large number of businesses which sell second-hand goods on online marketplaces. Respondents also highlighted the potential for price rises to dampen demand for second-hand goods and negatively impact the circular economy.

3.33 A minority of respondents highlighted the risk that an exclusion could create opportunities for new goods to be misrepresented as second-hand in order to evade OMPL. However, many respondents also suggested that this risk could be managed through measures including appropriate verification and marketplace controls, seller declarations and record-keeping requirements.

Government response

3.34 The Government has decided to exclude second-hand goods from the extension of OMPL. This will preserve the benefits of the VAT margin scheme for businesses selling second-hand and refurbished goods, avoiding the price and margin impacts identified by respondents.

3.35 The Government recognises there is some risk that new goods could be misrepresented as second-hand to evade OMPL. However, we believe this risk is suitably mitigated by the deterrent posed by the lower sale prices of these goods compared to new goods in the majority of cases. The government is committed to working with OMPs to manage this risk through the development of detailed guidance.

Chapter 4

Administration and business impacts for OMPs and their users

4.1 The Government is committed to designing the extension of OMPL so that it is practical for OMPs and affected businesses to implement, minimising unnecessary administrative burdens. The consultation sought views on the changes OMPs may need to make to implement the proposals and the time required to do so. It also sought views on the administrative, commercial and cashflow impacts for UK businesses selling through OMPs, including those operating below the VAT registration threshold.

Administration for online marketplaces

Q26: What would the administration impacts of implementing the policy options outlined be to your business?

Q27: How long would it take you to implement the changes that would be needed to administer this policy?

Summary of responses

4.2 OMP respondents generally expected the extension of OMPL to require some administrative and operational changes, although the scale of these changes was expected to vary depending on their existing systems, business models and the final design of the policy. Respondents identified changes would be required to systems and tax engines, accounting and reconciliation processes, reporting, seller verification and cashflow arrangements.

4.3 Some respondents highlighted differences between OMPs in the extent of the changes required. OMPs with systems supporting the existing deemed-supplier rules could be able to adapt existing infrastructure, while respondents operating in sectors generally not in scope of the existing deemed supplier rules, such as the food delivery

industry, identified the need for more extensive systems and operational changes.

4.4 Respondents expressed a range of views on the time required to implement these changes. A common view was that at least 12 months would be required following publication of detailed guidance. Some respondents considered implementation could be achieved as quickly as within 6 months, whilst others sought a period longer than 12 months. Several respondents also noted that the time required would depend on the final policy design and the availability of detailed legislation and guidance.

Government response

4.5 Given the level of non-compliance and the tax revenue at stake, the Government feels obliged to act quickly on this issue. We therefore intend to implement the extension of OMPL from October 2027, nearly twelve months from now. The government will continue to engage with OMPs alongside providing detailed guidance and legislation to support preparations for October 2027 implementation.

Administration for UK Businesses Operating on OMPs

Q28: What might be the additional costs to your business as a result of this policy?

Q29: How long would it take you to implement the changes outlined in this policy proposal?

Q30: How do you think that this proposal would affect your goods pricing decisions, cashflow and influence how and where you sell?

Q31: How would the zero-rating of supply to OMPs impact your VAT accounting practices? Would you be in a net repayment position?

Q32: Do you operate the VAT Flat Rate Scheme? If so, what impact would losing access to the scheme to continue selling through an OMP have on your business?

Summary of responses

4.6 Respondents identified a range of potential impacts from implementing the proposal. These included changes to accounting and reconciliation processes, systems and software, staff and professional-advice requirements, and cashflow and financing arrangements. The scale of these impacts was expected to vary between businesses, and several respondents said costs could not be reliably quantified until the final policy and technical requirements were known. Some respondents also identified the potential for aspects of VAT administration to be simplified under the proposed arrangements.

4.7 Views on the time businesses would need to implement the changes varied. Some respondents expected relatively limited changes, while others considered that a longer implementation period would be required. A recurring point was that implementation would depend on the changes made by OMPs, software providers and other systems on which businesses rely. Respondents therefore emphasised the importance of clear guidance and sufficient time for implementation and testing.

4.8 Respondents identified cashflow and working-capital concerns as an important consideration. Some expected the proposal to increase reliance on VAT repayments or external financing where VAT on marketplace sales was accounted for by the OMP. Respondents also identified potential effects on pricing, margins, investment and sales channels, although views varied according to businesses' circumstances and the design of the policy. Some respondents considered that more consistent VAT collection between compliant and non-compliant businesses could also reduce VAT-related price distortions.

4.9 Respondents expressed mixed views on the effect of the proposed deemed zero-rated supply on their VAT accounting. Some expected businesses to move into net VAT repayment positions and identified additional reconciliation and reporting requirements associated with this change, particularly where businesses sell through both OMP and non-OMP channels.

4.10 The limited number of responses from businesses using the VAT Flat Rate Scheme meant the consultation responses do not provide sufficient evidence for analysis of respondent views on this question.

Government response

4.11 The Government recognises that implementing the extension of OMPL will require affected businesses to make changes to their existing processes and may result in transition costs. We will continue to work with OMPs and businesses trading on their platforms as the detailed policy is developed to further understand these impacts and, where possible, minimise unnecessary administrative burdens. The government must, however, weigh these impacts against the benefits of tackling VAT non-compliance, and reducing the competitive advantage it gives non-compliant businesses over businesses that meet their VAT obligations.

4.12 A response on the implementation timelines is set out in paragraph 4.5 which considers the responses to this question. The Government will continue to engage with affected businesses throughout the development of the policy and provide detailed guidance to support implementation.

4.13 The Government recognises the cashflow impacts identified by respondents and that these will vary depending on individual business

circumstances. The decision to set the MPT at £90,000 will carve out the smallest businesses against any cashflow impacts. To help mitigate cashflow impacts for businesses within scope, businesses can apply to move onto monthly VAT returns.

4.14 The Government also recognises the different views expressed about the effect of the proposals on VAT accounting. To support businesses through the transition, HMRC will provide clear guidance on the operation of the new rules to help businesses understand how the changes affect their VAT accounting and reporting obligations.

4.15 Finally, the Government notes the very limited engagement from businesses using the VAT Flat Rate Scheme with the consultation, and will therefore take more time to consider how the Flat Rate Scheme will function in conjunction with the extension of OMPL.

Businesses Operating Below the VAT Registration Threshold

Q33: If the OMP were to account for VAT on your behalf, would your business preference be to register for VAT voluntarily or would you implement a different commercial approach?

Q34: What might be the additional costs to your business as a result of this policy?

Q35: How long would it take you to implement the changes outlined in this policy proposal?

Summary of responses

4.16 Among business sellers operating below the VAT registration threshold who provided substantive responses, there was little support for voluntarily registering for VAT if they were in scope of the OMPL extension. Respondents instead identified a range of potential commercial responses, most commonly changes to prices or margins. Some respondents said they may reduce their use of OMPs or move towards direct sales, while a minority raised concerns about whether continuing to trade would remain commercially viable.

4.17 Other respondents, including tax experts, noted that voluntary VAT registration could become more attractive for businesses where they incur significant recoverable input VAT. Respondents therefore considered that the effect on registration decisions would vary according to individual business circumstances, including their costs, margins and scale of recoverable input VAT if registered.

4.18 Respondents identified a range of potential costs for businesses below the VAT registration threshold were they to be in scope of the

OMPL extension. These included the effect of VAT on margins or consumer prices, as well as potential marketplace fees, bookkeeping and accounting changes, software and professional advice, and additional staff or owner time. Several respondents were unable to quantify the costs at this stage.

4.19 Relevant respondents expressed differing views on the time they would need to prepare for the changes were they to be in scope. Some considered that changes could be made relatively quickly, particularly where OMPs automated much of the process, while others anticipated longer implementation periods. Several respondents emphasised that implementation would depend on the final policy design and the availability of clear guidance and sufficient time to prepare.

Government response

4.20 The Government recognises that, were businesses legitimately trading below the VAT registration threshold to be in scope of the OMPL extension, they would see potential impacts, including on their commercial decisions, costs and would require time to prepare for change. These considerations have informed the Government's approach to the final policy design.

4.21 As previously set out, the Government has decided to set the MPT at £90,000, aligned with the VAT registration threshold. This will ensure that businesses legitimately operating below the VAT registration threshold are not brought within the extension of OMPL. As a result, these businesses will not need to consider voluntary VAT registration, changes to pricing or sales channels, or bear additional costs as a consequence of the extension of OMPL.

Chapter 5

Next Steps

5.1 The Government intends to implement the extension of OMPL from October 2027. Ahead of implementation, HM Treasury and HMRC will continue to engage with OMPs, businesses and other stakeholders as we further develop the design of the new rules.

5.2 HMRC will publish guidance before the policy comes into effect to support OMPs and businesses in preparing for the changes.

5.3 Extending OMPL to UK businesses will build on the approach introduced in 2021 to strengthen VAT compliance and support fairer competition between businesses that meet their tax obligations and those that do not, while carving out businesses legitimately operating below the VAT registration threshold.

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This document can be downloaded from www.gov.uk

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