

**ONLINE SALES TAX  
CONSULTATION RESPONSE  
MAY 2022**

New West End Company is the Business Improvement District for London's West End. We represent 600 retail, hospitality and property companies in and around Oxford Street, Regent Street and Bond Street. In the last revaluation, business rates in our district rose by an average 80%. The COVID-19 pandemic has had a negative impact on city centre property values and business rates now fail to reflect either the values or trading conditions in city centres.

The aim of this measure is to reduce costs for high street retail and create a more level playing field between in store and online retailing by introducing an Online Sales Tax (OST), the revenue being hypothecated to reduce retail business rates.

However, business rates are too high. They are a burden on high street businesses. Retail accounts for around 5% of GVA but pays around 25% of all business rates. The Government made a manifesto commitment to reduce the burden of business rates. A small online sales tax is an unambitious response to a major problem for Britain's high streets.

**1. New West End Company oppose any new business tax**

As a matter of principle, we oppose any new taxes on retail. Retail currently accounts for 5% of GVA but pays 10% of all business taxes.

With the Online Sales Tax, the Treasury has stated that the new tax is not intended as an additional burden, and the Chancellor has pledged, in writing, to use any revenues raised by the OST to reduce business rates for high street retailers. However-

- There is no guarantee that an OST will remain at 1-2%. The multiplier for business rates started at 34.8p in 1990/901 and is now 50.4p.
- There is no guarantee that it would always be totally hypothecated
- Although the current aim is that the overall burden will not increase, it could do so for individual stores or businesses. With many stores now having an element of online sales they could end-up paying more in combined business rates and OST so increasing, not reducing the burden of business rates on them.

**2. Views on an OST, if introduced**

While New West End Company opposes the introduction of a new tax on retail, if HM Treasury was minded to introduce one, we make the following points.

**2.1 Scope – broaden and simplify**

The Government's consultation is creating a complicated system by narrowing the definition to online retail sales to equivalent high street retail sales of goods.

The amount raised will be small at £1bn, less than 10% of retail rates paid

It would be better to include all sales – goods and services (excluding financial services and theatre tickets) - not made instore. This would be a more inclusive system so minimising avoidance. It would also raise up to £14 bn (based on ONS figures of £700 bn in online sales 2018) and make a real impact on all business rates. This would include many goods and services previously bought in high streets, e.g. from travel agents or computer stores. It should exclude sales for hotels and theatres since these products/services are consumed "in store", many in town centres.

If the Government decides to restrict the scope of the tax to online retail sales, the definition should relate to the location of the sale. It should include sales which are made entirely online, without interaction with a physical shop owned by the same business at any point during the customer journey. This would mean that an online purchase, collected from a store owned by the same business, would not be liable for tax; whereas an online purchase delivered directly to the customer's home, or collected from a locker or unrelated business, would. This is the position that Westminster City Council would like New West End Company to take.

**2.2 Administration - simplify**

The proposed method of collections put additional administrative burdens on businesses to report and pay. It would be better to link to an existing tax system, e.g. VAT, i.e. raise VAT on online sales by 2%. Some may argue that this means that consumers will end up paying the tax. But all business revenue comes from consumers – there is no other source of revenue, so they always pay for taxes on businesses, either directly or indirectly.

### 2.3 Impact on all retailers

Any hypothecation to reduce business rates should apply to all businesses, regardless of size. In recent years, excluding COVID-19 emergency measures, most of the Government relief has been restricted to businesses with rateable values under £51,000. This excludes all West End businesses. If this continues, major companies will pay an additional tax but receive no reduction in business rates.

This is best done by reducing the multiplier for high street retail businesses.

Could HM Treasury introduce a cap so that no business pays more in a combined rates and OST than it did just in rates?