

Online VAT fraud goes unpunished

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The following press release was issued by Labour Front Bench Treasury spokesperson Rob Marris MP, working in association with long term anti-VAT fraud campaigner Richard Allen, who sent it to me:

In a reply to Rob Marris MP, the government has admitted that not a single prosecution been made in relation to online VAT fraud in the last five years. Treasury minister David Gauke MP termed it a “relatively new type of fraud” — despite internet shopping having been common for more than 10 years.

Internet retail sales are now about £57 billion per year, making up about one sixth of all UK retail sales — a figure which has gone up by two thirds since 2010, and one which continues to grow rapidly.

Many of the VAT frauds involve consignments of small but relatively valuable electrical items such as tablet computers and mobile phones. The number of small consignments arriving into the European Union from outside has gone up from 30 million in 1999 to 115 million in 2013.

The “tax gap” is the difference between the tax which is due to be paid and the tax which is in fact paid. HMRC estimates that 10.4% of the tax gap is caused by VAT fraud — that’s £3.4 billion uncollected every year. Online sales probably make up a significant proportion of this, but the government doesn’t even know ...

Labour’s Shadow Treasury Minister Rob Marris MP said, “I am surprised and disappointed that there have yet to be any prosecutions for this kind of VAT fraud, despite solid evidence of its growing prevalence. Honest retailers and small businesses are being undercut by these fraudsters. I am pleased that, after sustained pressure, the government has at last announced some measures — for example the new requirement for a non-EU based business to have a UK-established tax representative, but I am concerned that these long-overdue measures do not go far enough. What’s the government been doing for the last 6 years whilst this problem has been growing like stink?”

Richard Allen, of Retailers against VAT Abuse Schemes, commented, "HMRC have had the information they have needed to act since 2010. This is not a difficult or complex issue given the blatant non-payment of VAT and the close involvement of major online retail platforms. The evidence is overwhelming and the legal precedent exist for third party liability. It requires nothing other than enforcement and prosecution.

He added, "Whilst the due diligence for fulfilment operators and obligatory UK tax representation for non-UK sellers is welcome, the proposed third liability notice does not make anyone liable for any lost VAT. It is a lame duck. If anything this weakens any moral incentive they might have to prevent fraud in the first place because they only have to act if HMRC tell them to. True third party liability should introduce a clear legal and pecuniary incentive not to facilitate VAT evasion in the same way that the offence of handling stolen goods is a very clear incentive not to handle them."

Rob Marris confirmed that Labour will be pressing the government to tighten its proposals, saying. "To protect UK small businesses who play by the rules, the government must do a lot more, to enact strong measures to stamp out VAT fraud in online sales."

I find that fact, coupled with the fact that the new laws that it is suggested will tackle this are both wholly inadequate and not-EU compliant, quite astonishing.

And then people ask me why there is a tax gap.