

Why won't the government take action to beat VAT fraud ...

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The [Guardian has reported](#) that:

Guardian investigations found many tax-evading sellers were trading without displaying VAT numbers on Amazon or eBay. Others were showing made up numbers, or numbers cloned, without authorisation, from unsuspecting legitimate businesses.

Several sellers purported to be operating through UK trading companies, but checks showed these firms had been dissolved, sometimes years earlier. None responded to questions about VAT.

HMRC estimates the explosion in VAT fraud on Britain's shopping websites will [cost £1bn to £1.5bn in lost VAT revenues this year](#), with much of it going missing in the current festive period.

It added that this is despite new legislation enacted this year:

Under the new rules, HMRC now has the power to issue Amazon and eBay with warning notices about suspected VAT fraudsters using their sites. If they then fail to take action, Amazon and eBay can be held liable for any VAT that later goes missing.

In reality, however, these changes have had little impact and VAT evasion remains widespread.

The reason for the failure is obvious: the onus is not on Amazon and eBay to spot errors but on HMRC to tell those on-line platforms that errors have been identified by our tax authority, which is absurd and also seems contrary to EU law as expressed in the [Kittel principle](#).

So, as the Guardian also reports:

Guardian investigations found Amazon even offering extensive support services at its British warehouses to overseas sellers that were doing little to mask their VAT evasion.

As well as advertising these sellers' goods on Amazon.co.uk, it holds items in Amazon UK warehouses, arranges delivery to addresses across Britain, and deals with complaints and returned goods.

Amazon warehouse staff even offer gift-wrapping services on behalf of the fraudster sellers.

There is no suggestion Amazon or eBay knowingly facilitate specific fraudulent VAT-free sales, but the two US groups are nevertheless well aware that evasion in online shopping is a major problem.

So, whilst I agree that Amazon and eBay might have done nothing wrong that is only because the UK's new law supposedly intended to tackle this issue and passed this year does not put them on the hook for this crime which can only take place because of the facilities that they provide. If the law was changed so that anyone trading on Amazon and eBay and similar platforms has to:

- a) Prove their identity, place of trade and tax residence and publish that data on the web site;
- b) Prove their VAT status and publish their VAT number prominently on the site;
- c) Withhold VAT payments due to third party vendors located outside the UK shipping from warehouses in this country, which may be those managed by the platforms themselves;

then the risk of this fraud would be massively reduced.

So why won't the government do that? Whose side are they on?