

Public Accounts Committee say HMRC must be tougher on online VAT fraud

Published: January 14, 2026, 11:43 am

The Public Accounts Committee has now reported on its hearings on online VAT fraud. The summary of their report, which will be issued this morning, says:

British business is being hit hard by unfair and illegal tax practices by overseas competitors using online trading platforms. HM Revenue & Customs (HMRC) own estimates are that UK taxpayers lost £1 billion to £1.5 billion in 2015–16 from online value-added tax (VAT) fraud. Online sellers based outside the European Union (EU), who do not charge VAT when they should, are able to undercut the prices offered by law-abiding UK businesses by up to 20%, forcing many to lay off staff or even go out of business. Most customers are unaware of this fraud.

The issue is not new, the Committee first raised this in 2013 and campaign groups such as Retailers Against VAT Abuse Schemes (RAVAS) and VATfraud.org even before this, yet significant abuse continues and the online marketplaces and HMRC have been slow in catching up.

While HMRC has been slow to act it is playing a game of cat and mouse with companies based outside the UK and therefore harder to tackle. We believe that this is all the more reason for high profile enforcement action to send out the message that the UK is not a soft touch for VAT fraudsters. The common link is that physical goods are sold via online marketplaces, in many cases via warehouses or 'fulfilment centres' physically based in the UK.

HMRC needs to be tougher on these marketplaces. HMRC believes that the combination of its new powers-joint and several liability, the Fulfilment House Due Diligence Scheme and the split payments method of collecting VAT-will be sufficient to tackle the problem but these will not produce instant results and there is no guarantee that this will be enough.

The online marketplaces have not been taking the issue seriously. Just to register to sell a few personal belongings on eBay, for example, a seller has to provide numerous details, yet the overseas seller cheating on VAT can do so with relative ease. The

Committee conducted some mystery shopping which showed how easy it was to buy something, have it delivered the next day from a UK base and not pay VAT. We were even offered a partial refund when we repeatedly requested a VAT invoice.

With Brexit and the uncertainty over trading and customs this issue is only going to get more complicated.

In summary, they're saying actions needed because there is evidence that the law is not being complied with.

So what will HMRC do? Very little, I suspect. After all, who needs £1.5 billion? It's not as if, according to the prevailing government driven economic narrative, that we're short of tax revenue, after all.

And if HMRC do not act, as parliament has found the evidence demands, the question has to be asked why that might be the case? Who, and what, prevents the law being enforced in these cases when the breaches have been known for some time?

That appears to be the question needing an answer from ministers who will willingly impose the bedroom tax rather than demand money legally owing be collected. I would suggest that is the appropriate focus of attention here assuming, of course, that radical change is not seen in the online marketplaces.