

# HOT TOPIC: Online sales tax

United Kingdom  
One issue that everyone agrees on is that international tax rules are out of date and need to change to reflect modern business.

As with most other jurisdictions, the UK has adopted the OECD's model of taxing businesses that are managed and controlled in or

that have a 'permanent establishment' in the UK. And therein lies the problem for the Government - without a permanent establishment there is nothing to tax.

Crucially, HMRC takes the view that 'a server either alone or together with web sites could not as such constitute a PE of a business that is

conducting e-commerce through a web site on the server.' As a result, businesses selling to UK customers online are not subject to UK corporation tax simply because their servers are located in the UK. The UK Government, knowing that it cannot unilaterally change its approach, is taking the issue to

numerous bodies, including the EU and OECD.

While some steps to bring UK tax in line with online businesses have been taken, this lags behind business developments.

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