ECOMMERCE ACCOUNTANTS®

AUTUMN BUDGET 2026

What it means for your ecommerce business

Ecommerce Accountants' guide to the Budget of 28 October 2026

A note from Joe

I've run Ecommerce Accountants for ten years, and this Budget has the biggest change to how UK marketplace sellers handle VAT that I've seen in that time.



From October 2027, Amazon, eBay and the other marketplaces will collect the VAT on your sales and pay it straight to HMRC. The total VAT paid won't change, but your marketplace payouts will be smaller, because the VAT comes off before you're paid. If the VAT in your payouts helps pay for your next stock order, now is the time to plan.

The rest of this guide sets out what else changed, who it affects and what to do next. Each section is labelled so you can go straight to the parts that apply to you.

If you're a client and have questions about how the Budget affects your business, your client manager will be happy to talk it through with you. If you're not a client yet, you can book a discovery call with our team.

Joseph Cox FCCA
Founder and Managing Partner

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The short version

John Healey's first Budget as Chancellor was a quieter one than the last two. The main rates of income tax, national insurance, corporation tax and VAT all stay where they are.

For online sellers, the big news is VAT. From October 2027, Amazon, eBay and other marketplaces will collect the VAT on UK sellers' sales and pay it straight to HMRC. That changes your payouts, your VAT returns and your cash flow, so it gets the most space in this guide.

Oct 2027
Marketplaces start collecting VAT on UK sellers' sales

£500,000
New lifetime limit for Business Asset Disposal Relief from 6 April 2027

£3,000
Trading allowance for side hustlers from April 2027, up from £1,000

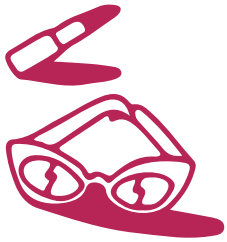
£13.21
National living wage per hour from 1 April 2027

The other changes worth knowing about:

- **Selling your business could cost more from 6 April 2027.** The lifetime limit for Business Asset Disposal Relief halves to £500,000, which affects you if your gains over your lifetime are above that amount.
- **Paying yourself from your company works as before.** Corporation tax and dividend tax rates are unchanged.
- **Side hustlers get a bigger tax-free allowance.** The trading allowance triples to £3,000 from April 2027.
- **Sole traders joining Making Tax Digital in April 2027** won't be fined for late quarterly updates in their first year.
- **Some overseas services could cost more if you aren't VAT registered.** From April 2027, all overseas suppliers will have to charge you UK VAT.
- **Wages go up.** The national living wage rises to £13.21 an hour from April 2027.
- **Tax on savings interest and rental income rises** by four percentage points from April 2027.

The Office for Budget Responsibility now expects inflation to average 3.4% next year, against the 2.0% it forecast in March. Plan for higher costs from suppliers, couriers and staff in 2027.

Marketplaces will collect your VAT from October 2027



AFFECTS: MARKETPLACE SELLERS, VAT REGISTERED BUSINESSES

From October 2027, when you sell on Amazon, eBay, Etsy, TikTok Shop or another online marketplace, the platform will deduct the VAT from each sale and pay it to HMRC for you. Overseas sellers have worked this way since January 2021. UK sellers now join them.

Who is caught

If you're VAT registered, the rules apply to all your marketplace sales of new goods to consumers. It makes no difference whether you sell £5,000 or £500,000 on that platform.

If you aren't VAT registered, the marketplace only collects VAT once your sales on that one platform pass £90,000 a year. Each platform is measured separately.

That second rule gives less protection than it seems. Say you sell £70,000 on Amazon and £70,000 on eBay. Neither platform has to collect VAT for you, but your total of £140,000 is well over the £90,000 VAT registration threshold, so you must register anyway. Once you do, Amazon and eBay start collecting.

What isn't covered

- **Second-hand goods.** You keep charging VAT on these yourself, as you do now.
- **Sales to other businesses**, such as Amazon Business orders where the customer gives a UK VAT number.
- **Your own website.** Sales through a Shopify store or similar carry on as now: you charge the VAT and pay it to HMRC.

What it means for you

Smaller payouts. At the moment the VAT on your sales arrives in your bank account with each payout and sits there until your VAT return is due. Some sellers use that cash to pay for their next stock order, even though it only belongs to them until it's paid to HMRC. From October 2027 it goes to HMRC before you see it.

More VAT refunds instead of VAT bills. You'll still file VAT returns and still reclaim the VAT on your stock, Amazon fees, postage and software. With no VAT on your marketplace sales to set against those costs, we expect sellers who sell mainly through marketplaces to be owed a refund from HMRC most quarters. If you sell mainly through your own website, the change will have little or no effect on your returns.

Here's an example. A seller has £120,000 of Amazon sales a year, which is £100,000 plus £20,000 of VAT. Their costs carry £8,000 of VAT.

	TODAY	FROM OCTOBER 2027
VAT on sales (paid by)	£20,000 (you)	£20,000 (Amazon)
VAT reclaimed on costs	£8,000	£8,000
Your VAT return	£12,000 to pay	£8,000 refund due

HMRC receives the same £12,000 either way. The difference is timing: the seller no longer has the £20,000 of VAT from its sales in the bank for a few months, and has to wait for HMRC to refund the £8,000 instead.

What to do before October 2027

- **Check the VAT rate on every product listing.** The marketplace will deduct VAT using the tax code set on each SKU. Books, children's clothing and some food and drink are zero-rated, for example, but we regularly find them set at 20% in marketplace listings. At the moment we can correct that on your VAT return. From October 2027 the wrong amount will already have gone to HMRC, because the marketplace relies on the tax codes you set.
- **Plan for the cash flow gap.** If the VAT in your payouts helps pay for stock or other large purchases, decide now what replaces it. Moving to monthly VAT returns gets refunds back faster, though HMRC checks repayment returns more closely.
- **Flat Rate Scheme users should take advice.** The Budget doesn't say how the scheme will work with the new rules. Unless HMRC announces special rules, we expect to recommend leaving the scheme before October 2027 if you sell mainly through marketplaces.
- **Unregistered sellers on more than one platform** should add up the last 12 months of sales across all of them. If the total is over £90,000, you need to register for VAT now.

The exact start date and the per-platform threshold will be confirmed in 2027, with HMRC guidance to follow. Our full guide, Marketplace VAT from October 2027, explains the change in more detail.

Our view: one of the main aims of the change is to tackle VAT non-compliance, including sellers who fail to register for VAT or don't account for it correctly. We welcome measures that put compliant businesses on a level playing field. Our concern is the cash flow cost for sellers who did nothing wrong. We'd like HMRC to commit to paying marketplace sellers' refunds quickly.

Other VAT changes

AFFECTS: ALL BUSINESSES

The registration threshold stays at £90,000 and the deregistration threshold at £88,000. VAT rates are unchanged.

Buying services from overseas, from 1 April 2027. At the moment, a UK business that isn't VAT registered doesn't normally pay VAT on services from overseas suppliers, although some large platforms already charge UK VAT if you haven't given them a VAT number. From April 2027, all overseas suppliers will have to charge UK VAT to businesses that aren't VAT registered. If you use overseas freelancers, agencies or software providers and aren't VAT registered, expect some of those costs to go up by 20%.

Direct debit for VAT and PAYE by April 2029. Every business will need a direct debit set up with HMRC for VAT and PAYE. You can still pay another way before the due date, but HMRC will collect any unpaid balance by direct debit.

Electronic invoicing. HMRC will get the power to require VAT invoices to be sent and received in a set electronic format. A consultation has been published. Most of your sales go to consumers, so this will mainly affect invoices from suppliers and to business customers. We'll update you when the rules are confirmed.

Paying yourself from your limited company



AFFECTS: LIMITED COMPANY DIRECTORS

Most of our clients run their business through a limited company and pay themselves a small salary plus dividends. Nothing in this Budget changes that approach.

- **Corporation tax** stays at 19% on profits up to £50,000 and 25% on profits over £250,000, with marginal relief in between.
- **Dividend tax rates** stay at 10.75%, 35.75% and 39.35%, with a £500 tax-free dividend allowance.
- **The personal allowance** stays at £12,570 and the higher rate threshold at £50,270. These thresholds are frozen until April 2031.
- **Employer national insurance** stays at 15% on salaries above £5,000 a year. If you're a director and the only employee, you can't claim the £10,500 employment allowance.

We'll confirm the most tax-efficient director's salary for 2027/28 as part of your year-end planning.

The government will also change how company distributions and repayments of share capital are taxed from April 2028. The detail isn't out yet, and we'll let you know if it affects how you take money out.

Savings and rental income. From April 2027, tax on savings interest and property income rises to 24%, 44% and 49% (from 20%, 40% and 45%). If you keep surplus cash in personal savings accounts or own a rental property, you'll pay more. Dividend rates aren't affected.

Pensions. Company contributions into a director's pension remain one of the most tax-efficient ways to take profit out of the business. The annual allowance is £60,000.

Sole traders and side hustlers



AFFECTS: SOLE TRADERS, SIDE HUSTLERS

The trading allowance triples to £3,000 from 6 April 2027. If you run a side hustle on Vinted, eBay or Etsy and your income is under £3,000, you won't pay tax on it or need to register for self-assessment.

The allowance replaces your actual expenses, so you claim one or the other. A reseller whose stock and postage costs are more than £3,000 should claim their actual costs instead.

Remember that marketplaces have reported sellers' details to HMRC since January 2024, once they make 30 or more sales or take more than about £1,700 in a year. Selling your own unwanted belongings isn't trading and isn't taxed. Buying items to sell on at a profit is.

Making Tax Digital for income tax. Sole traders and landlords with turnover over £30,000 join Making Tax Digital in April 2027. That means keeping digital records and sending HMRC a quarterly update. The good news is that there will be no penalties for late quarterly updates in 2027/28 for this group. You still need to be set up and filing.

Payments on account. From April 2029, self-assessment taxpayers who make payments on account will pay towards their tax bill more regularly during the year. Payments will be automated, with an option to pay through PAYE if you also have a job.

Young Entrepreneurs Allowance. The government will pilot an allowance in England to help young people with living costs in the first year of a new business. We'll share the details when they're published.

Equipment, vans and travel

AFFECTS: ALL BUSINESSES

Capital allowances. The first-year allowance for main rate equipment rises from 40% to 50% for spending after 31 December 2026. The writing down allowance falls from 14% to 12% from April 2027.

For most sellers this makes little difference. The £1 million annual investment allowance already gives full tax relief in the year you buy shelving, packing stations, computers or a van. The changes mainly affect cars, which don't qualify for the annual investment allowance, and spending above the £1 million limit. Talk to us before buying a company car or making a large purchase.

Mileage rates. If you use your own car or van for the business, the tax-free rate of 55p a mile for the first 10,000 miles is now permanent. The rate above 10,000 miles rises from 25p to 35p from 6 April 2027. Trips to collect stock, to the post office or to a trade show all count.

Fuel duty. The 5p cut in fuel duty is extended to 1 July 2027, which helps if you do your own deliveries.

Staff costs

AFFECTS: EMPLOYERS

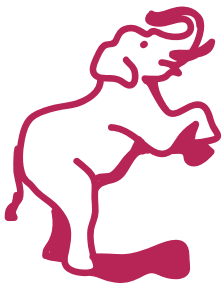
The national living wage and minimum wage rise by 3.9% from 1 April 2027. If you employ warehouse or packing staff, or take on extra help for peak season, build these into your costs now.

AGE	HOURLY RATE FROM 1 APRIL 2027
21 and over	£13.21
18 to 20	£11.27
Under 18 and apprentices	£8.31

Employer national insurance thresholds are frozen until April 2031. There's no employer national insurance on the first £967 a week for employees under 21 and apprentices under 25.

Share options for key staff. If you're growing a brand and want to reward key people with shares, the Company Share Option Plan limit doubles from £60,000 to £120,000 per employee from 6 April 2027.

Planning to sell your business



AFFECTS: ANYONE PLANNING TO SELL

This is the change to act on now if a sale is on the horizon.

Business Asset Disposal Relief. When you sell a qualifying business, this relief taxes the gain at 18%, where a higher rate taxpayer would otherwise pay 24%. From 6 April 2027 the lifetime limit on gains that qualify falls from £1 million to £500,000.

Here's what that means on a £1 million gain:

	SOLD BEFORE 6 APRIL 2027	SOLD ON OR AFTER 6 APRIL 2027
First £500,000 at 18%	£90,000	£90,000
Next £500,000	£90,000 (at 18%)	£120,000 (at 24%)
Total tax	£180,000	£210,000

That's £30,000 more tax for selling a few weeks later. If you're already in talks with a buyer, speak to us before you agree a timetable. If you've claimed the relief before, those earlier gains count towards the limit.

Founders' Relief

A new relief from 6 April 2027 taxes up to £10 million of gains at 10%. It's aimed at high-growth businesses and the conditions are strict. The company needs turnover of at least £10 million and at least 15 full-time staff, and must meet growth or research and development tests. You need to have owned at least 25% from the start and held the shares for five years. Most ecommerce businesses won't qualify, but a fast-growing brand might. The rules are still a proposal and could change.

Capital gains tax rates stay at 18% and 24%, and the annual exempt amount stays at £3,000.

HMRC is checking more closely

AFFECTS: ALL BUSINESSES

From 1 April 2028, you'll have a legal duty to correct errors in your tax returns once you find them. HMRC will also be able to send a "customer correction notice" if it suspects a mistake, asking you to fix it or explain why it's right.

HMRC already receives sales data from marketplaces every year, and it says it recovered nearly £500 million in capital gains tax in 2025/26 through extra compliance work, helped by AI. Accurate, up-to-date records are the best protection.

Also announced

AFFECTS: SHOPS AND SHOWROOMS, YOU PERSONALLY

For businesses: small business rate relief for shops rises from 1 April 2027, so full relief applies to retail premises with a rateable value up to £18,000 (from £12,000). This only helps if you have a shop or showroom. Companies also won't need to submit a notification form before claiming research and development tax relief from April 2027.

For you personally: ISA limits stay at £20,000 a year, and the planned cut to cash ISAs for under-65s has been scrapped. A new First Time Buyer ISA arrives in April 2029. Inheritance tax thresholds are frozen until April 2031. Households in England in council tax bands A to D will receive a one-off £100 energy payment from January 2027.

Your action checklist

Tick off the points that apply to you.

IF YOU SELL ON MARKETPLACES AND ARE VAT REGISTERED

- [ ] Check the VAT tax code on every product listing before October 2027.
- [ ] Work out how much of each payout is VAT you currently use for stock, and plan what replaces it.
- [ ] If you use the Flat Rate Scheme, talk to us before October 2027.

IF YOU AREN'T VAT REGISTERED

- [ ] Add up your last 12 months of sales across every platform. Over £90,000 in total means you need to register now.
- [ ] From April 2027, expect some invoices from overseas freelancers, agencies and software providers to include UK VAT.

IF YOU RUN A LIMITED COMPANY

- [ ] Ask us to review your salary and dividends for 2027/28 at your year end.
- [ ] If you hold surplus cash in personal savings or own a rental property, talk to us before the tax rate rise in April 2027.

IF YOU'RE A SOLE TRADER OR SIDE HUSTLER

- [ ] With turnover over £30,000, be set up for Making Tax Digital by April 2027.
- [ ] With side hustle income under £3,000 from April 2027, check with us whether you still need to file a tax return.

IF YOU EMPLOY STAFF

- [ ] Budget for the national living wage of £13.21 an hour from 1 April 2027.

IF YOU'RE PLANNING TO SELL YOUR BUSINESS

- [ ] Talk to us before you agree a timetable. A sale before 6 April 2027 can save tax.

Key dates

1 January 2027

- First-year allowance rises to 50%

1 April 2027

- National living wage rises to £13.21
- Overseas suppliers charge UK VAT to unregistered businesses
- Business rates relief for shops
- Writing down allowance falls to 12% for companies

6 April 2027

- Business Asset Disposal Relief limit falls to £500,000
- Founders' Relief starts
- Trading allowance rises to £3,000
- Making Tax Digital for turnover over £30,000
- Savings and property tax rates rise
- Mileage rate above 10,000 miles rises to 35p

October 2027

- Marketplaces collect VAT on UK sellers' sales

1 April 2028

- Duty to correct errors in tax returns

April 2028

- Changes to the tax on company distributions

April 2029

- Direct debit required for VAT and PAYE
- More regular payments on account

Tax rates for 2027/28 at a glance

TAX	2027/28
Personal allowance	£12,570
Basic rate (20%)	£12,571 to £50,270
Higher rate (40%)	£50,271 to £125,140
Additional rate (45%)	Over £125,140
Dividend allowance	£500
Dividend tax rates	10.75%, 35.75% and 39.35%
Savings and property income tax rates	24%, 44% and 49%
Corporation tax	19% up to £50,000 profit, 25% over £250,000
Employer national insurance	15% above £5,000 a year
Employee national insurance	8% between £12,570 and £50,270, 2% above
Self-employed national insurance (Class 4)	6% between £12,570 and £50,270, 2% above
Employment allowance	£10,500
VAT registration threshold	£90,000
Capital gains tax	18% and 24%
Capital gains annual exempt amount	£3,000
Trading allowance	£3,000

Income tax bands are for taxpayers outside Scotland. The Scottish Budget is on 3 December 2026.

We can help you

Accountants for ecommerce sellers. Supporting sellers on Amazon, Shopify, eBay, Etsy and more.

If you're a client, your client manager will be in touch where a change affects you, and you're welcome to contact them sooner. Marketplace VAT and the Business Asset Disposal Relief deadline are the two to raise first.

If you're not a client yet and want to know what the Budget means for your business, book a discovery call with our team.



UK team members planting 1,000 trees in Newbury

BOOK A DISCOVERY CALL

ecommerceaccountants.co.uk/discovery-call

Scan to book

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This guide was written shortly after the Budget on 28 October 2026 and is for general information only. The proposals may change before they become law. Please speak to us before acting on anything in it. Last updated 2 November 2026.

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