

M A R C H 2 0 2 6

SPOTLIGHT ON:

E-commerce record-keeping
and HMRC reporting



WHAT ONLINE SELLERS MUST RECORD AND REPORT

Online selling can scale quickly. That's good for revenue, but it puts pressure on records, VAT decisions and how you report to HMRC. It also changes how your transactions "look" on paper. Instead of one sales ledger and one bank account, you often have several moving parts at once – a storefront or marketplace, a payment processor, a fulfilment partner and sometimes multiple advertising platforms feeding demand. Each one produces its own reports, timelines and deductions, and those do not always line up neatly with what hits your bank.

The other change is visibility. Digital platforms and marketplaces now report seller details and income information to HMRC each year. HMRC can cross-check what platforms report against self assessment returns, corporation tax computations, VAT returns and the digital records you keep under Making Tax Digital (MTD). That doesn't mean selling online creates a problem by default, but it does mean gaps show up more easily, and inconsistencies take longer to explain if your records are not structured and complete.

This guide is designed as a practical reference for UK businesses selling online. It focuses on what you should keep, how long you should keep it and the reporting rules that now apply to digital platforms. It also flags the most common problem areas we see for online sellers – such as mixing up net payouts with sales, losing track of refunds or treating platform fees inconsistently – and sets out straightforward controls that keep records clean without adding unnecessary admin.

WHY THIS MATTERS MORE THAN IT USED TO

Online shopping remains a large share of retail activity. In December 2025, the Office for National Statistics (ONS) reported that 28.3% of retail spending was online (up from 28.0% in November 2025), and online sales values were 11.1% higher than December 2024.

For businesses, that growth often comes with:

- more transactions (and more refunds and chargebacks)
- more intermediaries (platforms, payment processors, fulfilment providers)
- more cross-border sales and shipping, which can change VAT outcomes
- more data held by third parties that HMRC can compare to your filings.

The goal is simple: keep clean, consistent records so you can (1) run the business well, and (2) back up your tax position if HMRC ever asks.

WHAT COUNTS AS “SELLING ONLINE” FOR RECORD-KEEPING PURPOSES

From a compliance point of view, it does not matter whether you sell:

- through your own website (for example, via Shopify)
- through marketplaces such as Amazon, eBay or Etsy
- through social commerce or app-based storefronts
- via card payments and wallets like PayPal or Stripe.

What changes is where the evidence lives (your own system vs someone else’s dashboards) and whether the platform has its own reporting obligations to HMRC.



THE CORE PRINCIPLE: PROFIT IS TAXED, BUT PROOF IS WHAT HMRC ASKS FOR

Your tax position normally flows from profit.

- Sales income (turnover), less allowable costs, equals taxable profit.

But HMRC will not “take your word for it” if they ever check. They expect records that show:

- what you sold
- when you sold it
- what you were paid (and what fees were deducted)
- what it cost you to supply
- any VAT you charged or reclaimed (if VAT-registered)
- how you calculated the figures that went into returns.

That means you need to capture gross activity, not just what lands in your bank.

WHAT TO KEEP: A PRACTICAL E-COMMERCE RECORDS LIST

1) SALES RECORDS (GROSS, NOT NET PAYOUTS)

For each sales channel, keep evidence of:

- order date and order number
- customer location (UK, EU, rest of world)
- items sold, quantities and prices
- delivery/postage charged (if any)
- discounts and vouchers
- refunds and cancellations
- VAT charged (where relevant).

Common trap: Treating the platform payout as “sales”. Payouts are usually sales minus fees minus refunds/chargebacks. If you start from payouts, your bookkeeping will often understate turnover and overstate margins.

2) PLATFORM STATEMENTS AND SETTLEMENT REPORTS

Download and retain:

- monthly statements
- transaction-level exports (orders, fees, refunds)
- settlement/payout reports
- any VAT invoices the platform issues to you (for fees/services).

These reports can change if the platform reprocesses refunds or disputes, so saving periodic exports helps you evidence the position at the time.

3) PAYMENT PROCESSOR RECORDS

Keep:

- processor payout reports (and timing differences)
- chargeback/dispute logs
- fees and currency conversion charges
- any rolling reserves held back.

4) EVIDENCE FOR COSTS

Keep receipts/invoices for:

- stock purchases and import paperwork
- packaging and shipping
- fulfilment and warehouse charges
- website costs, apps, subscriptions
- advertising and marketing spend
- professional services (legal, bookkeeping, insurance)
- staff costs and subcontractors (plus contracts where relevant).

5) BANK RECORDS AND RECONCILIATIONS

Bank statements remain important, but you should also keep:

- reconciliation schedules showing how payouts map back to sales activity
- notes explaining unusual items (large refunds, one-off adjustments).

If you run multiple channels, separate bank accounts (or at least separate tracking) makes reconciliation far easier.

6) STOCK RECORDS

Stock can become a problem quickly for online sellers, especially where returns and damaged items are common. Keep:

- stock received notes
- inventory movement reports (including write-offs)
- returns logs (resellable vs scrapped)
- periodic stock counts.

This is operationally useful and also supports cost of sales and profitability analysis.



HOW LONG TO KEEP RECORDS

Different rules apply depending on your structure and taxes.

SELF ASSESSMENT (SOLE TRADERS/PARTNERSHIPS)

If you're self-employed or in a partnership, you must keep your tax records for at least 5 years after the 31 January filing deadline for the relevant tax year.

VAT RECORDS

VAT record-keeping is usually at least six years. If you use the VAT One Stop Shop (OSS) scheme (or previously used MOSS), HMRC notes a 10-year requirement.

LIMITED COMPANIES

For limited companies, you must generally keep records for six years from the end of the last company financial year they relate to (and longer in some situations, such as late company tax returns or ongoing compliance checks).

In practice, many businesses keep a consistent "six years plus current year" archive (digital where possible) because it reduces the risk of deleting something you later need.

DIGITAL PLATFORM REPORTING RULES: WHAT PLATFORMS REPORT TO HMRC

From 1 January 2024, UK digital platform operators must collect and report seller details and income information to HMRC annually. If you sell through a UK platform, the platform reports the information collected for a calendar year by the following January (for example, 1 January 2024 to 31 December 2024 reported by 31 January 2025).

WHAT DETAILS PLATFORMS CAN ASK FOR

For individuals, platforms may request name, address, date of birth and a tax identifier (such as a national insurance number). For companies, they can request the legal name, business address and a tax identifier (such as a company registration number).

WHEN PLATFORMS DO NOT REPORT (GOODS SELLERS)

The gov.uk guidance says your details will not be reported if you make fewer than 30 sales of goods in a calendar year and receive less than 2,000 euros (about £1,700) for those sales.

WHAT THIS MEANS FOR BUSINESSES (PRACTICALLY)

1. **Assume HMRC can see platform-level totals** (income and activity indicators).
2. **Expect questions if your tax return numbers do not align** with platform data. That does not mean you have done anything wrong, but it makes good record-keeping more important.
3. **Check your seller profile details** (legal name, address, registration numbers). Mismatches create admin later.
4. **Keep copies of what platforms say they reported.** Platforms must provide sellers with a copy of the information reported.

A SIMPLE CONTROL: RECONCILE PLATFORM TOTALS TO YOUR BOOKS

At least quarterly, reconcile:

- **gross sales per platform statement**
 - minus refunds
 - minus platform fees
 - equals net payouts (which should tie back to bank receipts, allowing for timing)

This control catches missing months, duplicated imports and miscategorised refunds early.

VAT ISSUES THAT SHOW UP OFTEN FOR ONLINE SELLERS

VAT is where online selling can change outcomes quickly, especially when you sell cross-border or store stock in multiple locations.

VAT REGISTRATION THRESHOLD (UK)

In the 2025/26 tax year, the UK VAT registration threshold is £90,000 taxable turnover (on a rolling 12-month basis). You can also register voluntarily below the threshold, which sometimes helps where you have VAT-bearing costs and sell to VAT-registered customers.

MARKETPLACE AND OVERSEAS GOODS RULES (HIGH LEVEL)

If you sell goods to UK customers and the goods are outside the UK at the point of sale, special rules can apply. The gov.uk website sets out rules where online marketplaces can become liable for VAT in certain scenarios, including where the consignment value is £135 or less and the goods are sold through an online marketplace.

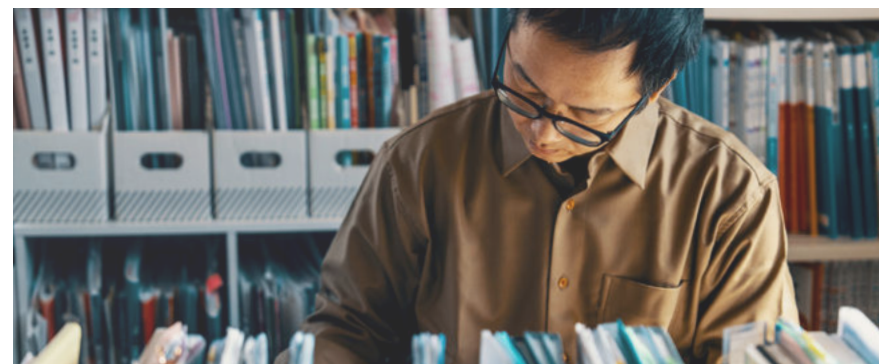
If you import goods, keep import documentation (including evidence of import VAT and duty where relevant). Missing import evidence is a common reason VAT reclaims get challenged.

VAT EVIDENCE: WHAT HMRC EXPECTS

For VAT purposes, HMRC expects readable, complete records and they generally require VAT records to be kept for at least six years. This includes:

- VAT invoices issued and received
- a record of supplies made and received
- import/export documents where relevant
- digital records required under MTD (see below).

If you sell to customers outside the UK, the VAT position can depend on customer location, delivery terms and where the goods are at the point of sale. Treat overseas VAT as a prompt to get specific advice early, rather than trying to “patch it later”.



MAKING TAX DIGITAL: WHAT CHANGES FOR ONLINE SELLERS

MTD FOR VAT (ALREADY LIVE)

All VAT-registered businesses must keep VAT records digitally and submit VAT returns using compatible software. (The rules became mandatory for all VAT-registered businesses regardless of turnover from April 2022.)

Separately, HMRC applies a points-based penalty system for late VAT returns, with a £200 penalty when you reach the relevant points threshold.

MTD FOR INCOME TAX (FROM 6 APRIL 2026)

If you are a sole trader (or landlord) with total annual income from self-employment and property over £50,000 (for the 2024/25 tax year), HMRC says you must use MTD for income tax from 6 April 2026.

Even though this start date sits in the 2026/27 tax year, it affects what you should do now because MTD relies on clean digital records and a workable bookkeeping process.

HMRC also confirms that for those mandated from 6 April 2026, they will not apply penalty points for late quarterly updates for the first year (2026/27), although penalties can still apply for late tax returns or late payment.

WHAT ONLINE SELLERS SHOULD DO DURING 2025/26

- Make sure your bookkeeping captures gross sales, fees and refunds correctly (per channel).
- Confirm you can produce a quarterly view of income and costs without a year-end scramble.
- If you use spreadsheets, check whether you need bridging software or a move to accounting software.
- Clean up your chart of accounts so “platform fees”, “payment processing fees”, “refunds” and “sales” are clearly separated.

A COMPLIANCE-FRIENDLY WORKFLOW

MONTHLY

- Import orders and fees from each platform.
- Reconcile payouts to bank receipts.
- Check that refunds and chargebacks are posted correctly.
- File purchase invoices and receipts (digitally, in a consistent folder structure).

QUARTERLY

- Review VAT position (if registered): sales by VAT rate, evidence and any unusual items.
- Run a management profit and loss (P&L) and compare margins by channel (platform fee changes often show up here first).
- Check platform-reported totals vs your bookkeeping totals (where available).

ANNUALLY

- Download full-year platform reports and keep a copy (even if you can access them online).
- Check year-end stock position and write-offs.
- Review whether turnover indicates VAT registration is needed (or whether voluntary registration still makes sense).
- Confirm that your business details are consistent across platforms (legal name, address, registration numbers).

COMMON ERRORS THAT CAUSE TAX AND REPORTING PROBLEMS

1) MIXING PERSONAL AND BUSINESS TRANSACTIONS

This makes reconciliations slower and increases the risk of missing income or claiming private costs. Even a basic separation (dedicated bank account and card) helps.

2) TREATING "PAYOUTS" AS TURNOVER

- If you only record what hits the bank, your accounts can miss:
- platform fees (which are costs, not a reduction of turnover for bookkeeping purposes in many set-ups)
- refund timing differences
- chargebacks and reserves.

It also makes VAT reporting harder because VAT normally starts from the taxable supply, not the payout.



3) INCOMPLETE VAT EVIDENCE

Missing VAT invoices, unclear supplier details or lost import paperwork can all block VAT recovery.

4) IGNORING OVERSEAS AND MULTI-LOCATION STOCK ISSUES

If you store goods in different jurisdictions (including fulfilment networks), you can trigger registration and reporting obligations outside the UK. This is one of the areas where early advice saves time and cost.

5) UNDERESTIMATING HOW OFTEN DATA CHANGES

Refunds, partial refunds, replacements and disputes can adjust prior periods. Saving monthly exports gives you an audit trail.

PRACTICAL NEXT STEPS

Selling online can be operationally simple for customers, but it is rarely simple behind the scenes. The volume of transactions, the speed of refunds and disputes, and the number of third parties involved (marketplaces, payment processors, ad platforms, fulfilment partners) all make accurate reporting harder if your record-keeping is not set up for it. The biggest risk is not usually a dramatic error – it's small inconsistencies that build up over time: missing a month of platform fees, recording payouts as turnover or letting stock adjustments and returns sit outside the bookkeeping. With the right set-up, though, it becomes very manageable.



Need further assistance?
We are here to help



The Civic Quarter, 19 King Street, Wakefield, West Yorkshire, WF1 2SQ

