

Tax for Amazon Sellers

Selling on Amazon means your stock often lives in Amazon's warehouses and your money arrives as net settlements after fees. That gap between what Amazon pays you and your true turnover is where most Amazon sellers get their tax wrong.

Tax year **2025/26** · Reviewed by **Kiran Boparai** · Last reviewed **6 June 2026** · Sources: gov.uk

VAT THRESHOLD	VAT RATES	CORPORATION TAX	FLAT RATE (LIMITED COST)
£90,000	20% · 5% · 0%	19% – 25%	16.5%

01 Settlement reports are not your turnover

Amazon pays you net of FBA fees, referral fees and refunds, but HMRC taxes your gross sales. Your taxable turnover is the full sale price, not the amount that lands in your bank.

i Always reconcile from gross sales, then deduct fees as expenses — never use the net payout as your revenue figure.

02 The £90,000 VAT threshold

You must register for VAT once your taxable turnover passes £90,000 on a rolling 12-month basis. FBA sellers cross this fast because turnover is gross sales, not net settlements.

03 Reclaiming VAT on Amazon fees

Once VAT-registered, the VAT charged on your FBA and referral fees is input tax you can usually reclaim. Standard, reduced (5%) and zero rates may all apply depending on what you sell.

- Standard rate 20% on most goods
- Reduced rate 5% on qualifying items
- Zero rate 0% on books, children's clothing and most food

04 Storing or selling in the EU

Pan-EU FBA and the European Fulfilment Network can move your stock into EU warehouses, which can trigger VAT registration obligations in those countries — separate from your UK VAT.

i Holding stock in an EU country usually creates a local VAT registration duty there, regardless of your UK position.

05 COGS and inventory accounting

Your profit depends on matching the cost of goods sold to the sales they relate to, so unsold stock stays on your balance sheet rather than reducing this year's profit.

06 Sole trader or limited company

As profits grow, a limited company can be more efficient, with Corporation Tax from 19% to 25%. If you use the Flat Rate Scheme, watch the 16.5% limited-cost trader rate.

Common questions

Is my turnover the amount Amazon pays into my bank?

No. Your taxable turnover is your gross sales before Amazon deducts fees and refunds. Use the settlement reports to identify gross sales, then treat the fees as deductible expenses.

Can I reclaim the VAT Amazon charges on its fees?

Once you are VAT-registered, the VAT on your Amazon fees is normally reclaimable input tax, subject to the usual rules and record-keeping.

Does storing stock in the EU affect my tax?

Yes. Holding inventory in an EU country through Pan-EU FBA or EFN typically creates a VAT registration obligation in that country, separate from your UK VAT.

NEXT STEP

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For guidance only — this factsheet does not constitute professional advice and is not a substitute for advice based on your specific circumstances. Whilst every care has been taken in its preparation, it may contain errors for which we cannot be responsible. Figures are for the 2025/26 UK tax year (England, Wales & Northern Ireland) and may change. Last reviewed 6 June 2026.

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