

HMRC have introduced a new “side hustle” tax? No, they haven’t...

Gig economy platforms are big news this week, with new regulations from HMRC that went live on the 1st of January. Social and written media is rife with stories about “new taxes on side hustles”, and “why are HMRC going after my innocent side gig instead of the super rich?”. There’s a lot of confusion and misinformation going around, so here’s a few facts to clear things up:

No new taxes have been introduced

It has always been the case that if you earn income in anyway, you are liable for income tax. It is the responsibility of the individual to work out if a self-assessment tax return needs to be completed and if any additional taxes are due. And completing a self-assessment doesn’t necessarily mean there are more taxes to pay, everything is dependent on the individual’s personal circumstances.

The new regulations are on the platforms, they are required to collect a few more personal details now, including a Tax ID Number (in the UK, this is your National Insurance Number), and at the end of every year, they will report to HMRC how much income is earned on their platform. This is not just happening in the UK, but the EU actually started this on the 1st Jan 2023, and since then, Canada, Australia and New Zealand have also introduced these new rules.

HMRC will be using the data from platforms to help further enforce what was already the law. There’s no doubt that there are people out there earning significant income in this way who have not been paying their taxes correctly – whether this be intentional, or a just a lack of understanding on how self-employment works, HMRC and other international tax authorities don’t want there to be a blind spot for them in an industry that has seen massive growth over recent years.

What some people call a “side hustle” is actually a self-employed job

Odds are, if your full-time job is from freelance platform work like being a delivery rider or an rideshare driver, you already know that you need to register as self-employed and complete a tax return. If you are not employed by any company directly, where tax is deducted directly from your pay (PAYE), then you have an annual income allowance of £12,570 before any tax is due (this is the UK personal tax allowance for 2023/24), and you also have tax deductible expenses, which means it could be significantly more than that before any tax is due. <https://www.gov.uk/income-tax-rates>

Renting out your own properties is another area where there may be some confusion – your tax-free allowance to rent out a flat or a holiday home is £1000 but did you know if you are renting out your garage or car parking spaces etc that is also considered to be property rental? There are lots of other conditions and thresholds here too, which mean you don’t necessarily owe tax after the first £1000, depending on the circumstances: <https://www.gov.uk/renting-out-a-property/paying-tax>

You do not automatically need to pay tax on selling your old stuff

Selling goods in on online marketplace is probably getting the most attention. This is a more complex one. If you are doing a one off sale (clearing out the attic type situation) and the value of the goods you are selling is less than £6000, then you most likely won’t need to do a tax return. If you make more than that in your one off sale, then you should look at the HMRC guidance and work out from there if you are liable – whether or not you have made a profit from this one off sale will also be relevant, but this will be because of a Capital Gains tax liability, not Income Tax. HMRC have provided a short questionnaire which can help you understand if you need to declare this type of activity <https://www.tax.service.gov.uk/guidance/check-non-payee-income/start/how-did-you-receive-additional-income>

If you are regularly selling goods online, then you could be considered to be 'trading'. You do not need to declare earnings under £1000 if your activity is considered trading. Again, if you are crafting or repurposing things, you will have expenses, so you may have to complete a tax return if you hit the £1000 threshold, but if you keep good records and receipts of materials used and postage costs etc, you may not actually have more tax to pay. Some more information on this is available from HMRC <https://www.gov.uk/government/publications/selling-online-and-paying-taxes/selling-online-and-paying-taxes-information-sheet>

HMRC are not picking on people who are just trying to earn an extra few quid

Know that HMRC are not looking for someone who is selling their unwanted Christmas gifts or their kids' old school shoes online. They are looking for people who are regularly earning an income as if it were employment but haven't been declaring their taxes correctly.

As the UK rules stand now, information that will be shared from digital platforms with HMRC:

- Personal services apps (riders, drivers, gardeners, cleaners) – all of your income earned on any platform will be reported to HMRC
- Property rentals and transport rentals – unless you are professional company letting out thousands of properties each year, all your income earned this way will be reported to HMRC
- Sale of goods – there is a threshold in place, and platforms only have to report those with more than 30 transactions or 2000 Euros (around £1700) of sales. However, if it is easier for the platform, they may report everything.

Just because this information is reported to HMRC, does not mean that you are liable to pay tax on it. You need to look into your own circumstances against the rules and thresholds to determine. But if you get it wrong, HMRC will now know that you got it wrong.

Please Note: Nothing in this article is deemed as personal tax advice and you should always seek professional tax advice related to your personal circumstances.

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Hartford Consulting is a specialist firm that can help platforms navigate the changes that have come into force and what their obligations are. If you are a platform and would like some help navigating the new digital platform regime, then please get in contact one of our specialist team members will be happy to assist on sales@hartfordcoulants.co.uk