



Online Traders – should you be paying tax?

If you're clearing out your house and selling a few things on eBay, then for most the answer is no. The law changed in April meaning that online traders are allowed to earn up to £1,000 tax free per annum. However, some outgrow this exemption.

Many traders start off in a small way and assume their activity is treated as a hobby. However, if you repeatedly buy things to resell, make things with a view to selling them, or frequently sell items online in order to make a profit, then you are trading and should notify HMRC. If you are unsure, we suggest you seek professional advice.

Deliberate Defaulters

As well as cracking down on tax evasion and underpaid VAT, HMRC is targeting online traders who underpay tax with tough penalties through its 'deliberate defaulters' programme.

Recent statistics show that these traders face average penalties of 59% of the tax owed, on top of the underpaid tax. This is far higher than the overall average of around 35-50%.

Lack of awareness is a major problem in this area as many small-scale traders who use online platforms such as eBay, Amazon, Gumtree or Etsy don't realise they have to pay tax on their activity with many not even registered with HMRC.

A spokesperson for HMRC said: "We are clear that everyone must play by the same rules, and pay the taxes due under the law. This applies to online trading as to more traditional platforms. When you are selling goods for profit, HMRC must be notified through the trader's tax return. Our penalties are focused on the minority of people who try to get around the rules. Our most recent figures show that last year HMRC brought in a record £26bn in extra tax for our public services, money that would otherwise have gone unpaid."

Card Transaction Programme

In March this year HMRC set up the Card Transaction Programme. This allows businesses who accept card payments - but haven't reflected all of these payments in a tax return - to bring their affairs up to date. They can then take advantage of lower penalties or even no penalties at all by volunteering potential underpayment information.

For those who decide not to disclose their income - HMRC is able to use its legal powers to obtain details of debit and credit card transactions from the companies that process the transactions. Therefore it is possible for HMRC to use this data to identify businesses who fail to declare all or part of this income.

For further details about the programme please visit www.gov.uk

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