

Taxing influencers

Social media platforms such as Facebook, YouTube and Instagram have permeated most people's lives. With them has come a multitude of 'influencers', who can attract a large following and earn a living influencing people's buying choices. Many influencers might never have thought about whether their earnings are taxable.

Unsurprisingly, many businesses have recognised the potential of harnessing popular online personalities to promote their products or services and will pay them to do so. Payment may be in the form of free goods, but those influencers with big audiences and perceived credibility can earn large amounts of money.



This has not gone unnoticed by HMRC. In January 2023, using information from online platforms, HMRC started sending 'nudge' letters to people who they believe are earning at least £12,570 (the personal allowance) from their online content. Generating income from creating online content is likely to have

the characteristics of trading under principles established in a long line of decisions by the courts.

Types of income

Income may arise in various forms. An influencer might post content on a number of sites, and income is likely to depend on the number of views the content receives or from third-party advertisements placed alongside the content. Where a person is paid by a business to create social media content promoting its products, the influencer might even be taxable as an employee, depending on the contract terms. More often the influencer will be treated as self-employed.

Individuals whose social media activities only generate up to £1,000 a year need not worry because this is covered by the tax-free trading allowance. Those who earn more need to register with HMRC as self-employed and complete annual tax returns. Influencers may be able to deduct expenses incurred in generating their income, or simply deduct the £1,000 trading allowance. For more information on this topic and if you think this may be applicable to you, we recommend seeking guidance and advice from an accountant.

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