

HMRC, eBay and second-hand news



May 2024



Introduction

The media storm surrounding HMRC taxing eBay and other online sellers from the start of 2024 was, in fact, itself counterfeit goods.

A crop of stories across social and traditional media swirled across the start of the new year about HMRC cracking down on 'side hustle' tax from 1 January, leaving sellers using sites like eBay and Vinted feeling uncertain. Coming after an early December announcement that HMRC had effectively closed its main self-assessment helpline until 1 February 2024, the story only fuelled the outrage directed at the Revenue.



Except that it was not fresh news or, even, news at all. There was no new 'side hustle' tax. HMRC was starting the first year in which digital platforms, such as eBay, would be required to automatically report details of sellers who in a calendar year:

- Had sales of at least €2,000 (about £1,725 at current exchange rates); or
- Made at least 30 sales.

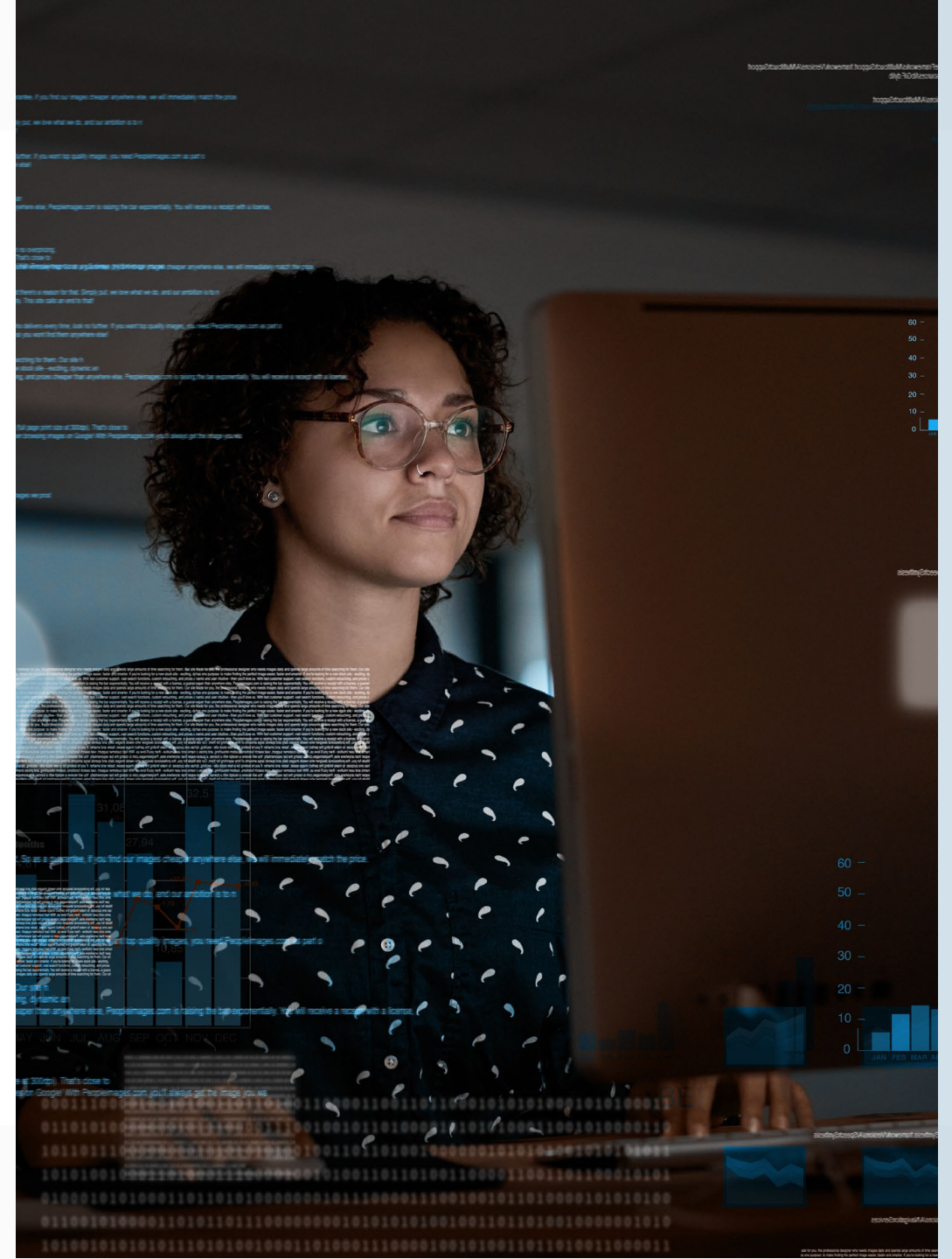


Further, this was not a UK-led law as revealed by the denominating currency. The initiative started with a set of model rules published in July 2020 by the Organisation for Economic Co-operation and Development (OECD), of which the UK is a member, aimed at reducing tax avoidance via digital platforms. The first reports from platforms will not be sent to HMRC until January 2025 and will cover only the current year.



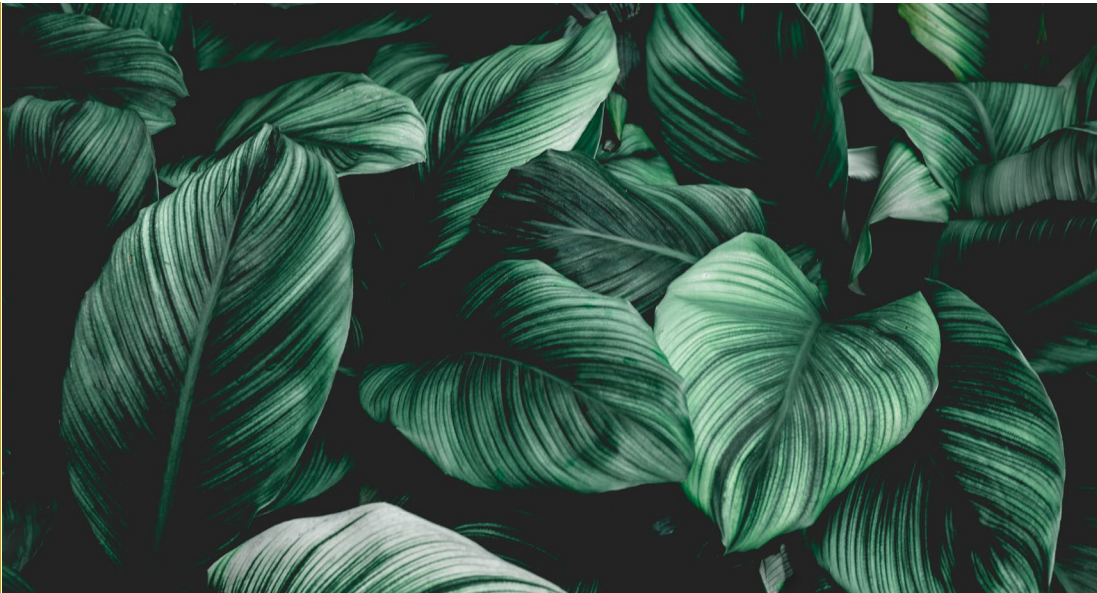
Contrary to fears raised online in the New Year, neither HMRC nor the OECD have any interest in the sale of personal items no longer required, whether clothing or mobile phones. The new reporting requirements are for people who are trading – buying and selling goods with the aim of making a profit, something that has always been taxable.

It's worth bearing in mind that there is also a little-known trading allowance, which exempts from tax £1,000 of trading income (before expenses) in a tax year. A similar £1,000 allowance applies to property income (also before expenses), which matters here because Airbnb falls within the scope of the reporting regime.



There are a couple of lessons to learn from this saga of the ‘side hustle’ tax. The first is that tax is rarely simple and media information – especially social media – can be misinformation. The second is that HMRC’s ability to gain insight into your sources of income is ever-expanding.

You have been warned...



Wake Up Your Wealth

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