



**AcklandWebb**  
Certified Accountants

# Online Selling

## Navigating the Tax Net: Are Your Online Sales a Hobby or a Business?

Starting January 1, 2025, online resale platforms like eBay and Vinted will begin reporting details of sellers to HMRC if their annual online sales exceed £1,700 or if they make more than 30 transactions. This move aims to identify individuals generating undeclared profits from online sales - a growing area of concern for HMRC.

But not every online seller is running a business. Selling unwanted Christmas gifts or clearing out your wardrobe doesn't typically qualify as taxable activity. However, what starts as a hobby can grow into something more - a side hustle, or even a full-fledged trading business - and this is where things can get complicated.

### When Does a Hobby Become a Business?

The transition from hobbyist to business owner isn't always clear-cut. It's often a gradual process, making it tricky to pinpoint when tax obligations kick in. Sellers who begin as casual hobbyists may not keep detailed records, and this habit can persist even after their activities evolve into a business generating taxable income.

Take university students flipping trainers, gaming consoles, or collectible LEGO sets, for instance. Some have earned substantial sums without fully appreciating how their growing income impacts their tax obligations. The rapid escalation of profits can catch sellers off-guard, leaving them unprepared to meet their tax responsibilities.

### Why Is HMRC Watching Online Platforms?

HMRC has long viewed online reseller sites as fertile ground for tax loss. Their latest initiative simply expands efforts already in place, which have seen targeted inquiries into individuals trading on these platforms.

For those flagged by HMRC, the road ahead can be challenging. Reconstructing trading records and calculating tax due is no small feat, particularly when these activities run alongside employment. This can result in profits being taxed at higher rates, compounding the financial strain.

*Continued overleaf*

### For More Information

If you have any questions about the points raised, or would like to know more about anything covered, please contact us:

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### Beware of Hidden Costs

The repercussions of undeclared income can extend beyond tax. Sellers claiming means-tested benefits may find their eligibility compromised, leading to repayments or loss of benefits altogether. Combined with back taxes and potential penalties, the financial impact can be severe.

Mindful of penalties, a voluntary disclosure is always the smarter move. If HMRC initiates the inquiry, penalties can reach up to 100% of the unpaid tax. Proactively correcting any oversights not only minimizes penalties but demonstrates compliance.

### Keeping Your Records in Check

Whether your online sales are a side hustle or just an occasional activity, maintaining accurate records is essential. While platforms may offer tax reporting features, the legal responsibility for accurate reporting rests squarely on your shoulders. Detailed records of sales, expenses, and profits ensure you can substantiate your tax calculations if questioned.

### What Should You Do Next?

In summary, if you are making sales on-line, you should consider whether this is a trading business and, if so, you have an obligation to declare any income derived from your business to HMRC. If you have earned more than £1,700 or made more than 30 sales annually, it is very likely you will be contacted by HMRC, so we would recommend you should take action and disclose your profits to HMRC before HMRC approaches you.

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