

HMRC must act now to defuse side hustle ‘time-bomb’

Briefings



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CIOT’s Low Incomes Tax Reform Group (LITRG) is warning that the spectre of another ‘side hustle’ tax controversy looms as online platforms start sending reports to HMRC on the income of their sellers (see story above).

In a new paper, ‘Online platforms – the changing landscape for the self-employed’, LITRG warns that HMRC has failed to do enough to make sellers aware of the fact they may need to file a tax return and pay tax on their online trading income.

Although there is no change to the existing tax rules, HMRC will have more information on who is earning income using online platforms and therefore may be more likely to find out who owes tax on their earnings.

LITRG’s concerns include:

- sellers receiving information on their activities from platforms based on a calendar year of activity, not by tax year, making it harder to understand and calculate when tax may be due;
- the lack of a standard reporting format, meaning sellers could receive different forms from different online platforms; and
- reports being produced during one of HMRC’s busiest times of the year, when it can be hardest to access help. LITRG is concerned that sellers could ignore the information, creating problems further down the line.

LITRG is calling on HMRC to strengthen its guidance for those using online platforms. It wants to see the information that HMRC and sellers receive standardised across platforms so users can easily understand it and report their earnings by tax year.