

Is your side hustle costing you money?

With inflation still biting hard in the aftermath of a post-covid society, it will come as no surprise that many UK workers have turned to alternative means to supplement their income and pay the bills.

But could your clothing sales on Vinted, dog walking or parking space rental be costing you money? Indeed, the cash from your evening and weekend trading might be invaluable to helping you to pay the rising bills but did you know that you could be liable to pay tax on that money too?

"It's cash in hand - it doesn't count"

All UK taxpayers can benefit from an annual £1,000 tax-free trading allowance meaning that you needn't worry too much about ad-hoc pennies and pounds.

However, an excess of £84 a month (income not profit) from side trading would push you above the annual threshold - and then you will need to notify HMRC that you have additional funds to be assessed.

"I don't make enough money to pay tax"

HMRC, as part of a global clampdown on tax evasion, have been given greater access to data from digital platforms. This means that the money you are earning from online surveys or social media brand promotions for instance is likely to be reported straight back to them. Please be

mindful that even gifts received instead of money (think brand collaborations) could be subject to a tax charge.

"It's only a little bit of money"

So, what should you do if your side hustle starts to resemble a viable money-making trade? Well, aside from declaring your profits via a self-assessment tax return, be sure to get yourself a separate bank account too!

Thousands of UK individuals have had their personal bank accounts frozen or even shut down because they were also using them for business. Opening a separate bank account will not only help to avoid the hardship of a having your main bank account abruptly shut down, but you'll benefit from the financial clarity that comes from separating your hustling transactions from your personal finances.

Remember, you can also ask for help from a tax adviser - the team at Honey Barrett are on-hand to help you make your side hustle into a prosperous trade!

If you require any further advice visit www.honeybarrett.co.uk/contact-us.



Anna Tyler BFP ACA
Client Manager,
Honey Barrett Chartered Accountants