

Taxman checks on your tweets, blogs and social networking profiles

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Anyone using social media sites for business is exposed to greater scrutiny by HMRC, who could use them as evidence of more taxable activities, according to The Tax Advice Network.

Mark Lee, former ICAEW Tax Faculty Chairman and now Chairman of the Tax Advice Network, warns that HMRC are starting to look into 'social' online networks and personal blogging activities. According to Lee, monitoring social media and blogging sites is simply an extension of HMRC's long-term practice of monitoring small ads in local papers and more recently Ebay and other online 'auction' sites.

Lee's concern is not for those knowingly trying to deceive HMRC, but for those who could be incriminating themselves without intending to do so, by perhaps promoting a hobby in such a way that they appear to be trading, or are 'talking up' their sales and business experience in order to seem more credible and gain more business. Or they may simply be unaware that their activities constitute a taxable trading activity.

"There are literally hundreds of online social media websites and facilities available to those wishing to do business and many have a big focus on business as distinct from, or in addition to the 'social' aspect of the site. The most common business focused sites include Ecademy, LinkedIn, BT Tradespace and UK Business Forums, where forum comments and member profiles remain in the public domain for years. And in addition there are also many personal websites and blogs, which appear to be promoting a business, as are Google AdSense campaigns and affiliate sales commission arrangements. The possibilities for tracing the start of a business online are endless as even Facebook now offers business promotion facilities", says Lee. "The most blatant 'traders' will be the first to be attacked. But HMRC will also use online search facilities to check out whether what you tell them stacks up with the online evidence of your activities."

Whilst Lee stresses that for the majority of people, their social media trail will tally up with their declaration to HMRC, those who are considering starting a business and not disclosing it to HMRC within the specified 3 months timeframe could be playing a dangerous game.

"The point is to be aware that HMRC are looking, or could be looking and that they could check back later if they have reason to think you've not been truthful. They can easily catch you out as to when you started in business, how many sources you have of trading income or how successful you' seem to have been. Advertising items on Ebay, through marketplace adverts on social business networking sites like Ecademy and Adwords campaigns can be evidence of trading and create an obligation to report. taxable income. Especially as there's now an obligation to notify HMRC within 3 months of starting to trade", says Lee.

Lee suggests that anyone generating money through their online activities ensures that they keep good records of their income and of all related expenses. This will make it easier to complete their tax returns and only pay tax on any net profit rather than on all the money they receive.

ENDS

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