



Press Enquiries: Karen Winrow
Phone: (01442) 269341

FOR IMMEDIATE RELEASE
March 2007

TAXMAN TO TARGET ONLINE TRADERS

BY HILLIER HOPKINS LLP

PARTNER MARTIN MINETT

Online traders have come under the watchful glare of HM Revenue and Customs (HMRC), with the taxman preparing to target auction website users who make a living from the trade without paying tax on their earnings, warns Home Counties based chartered accountants and tax advisers, Hillier Hopkins.

Due to the extraordinary success of Internet auctions sites over past years, there has been an increasing wave of professional online traders, also known as 'armchair' business people, who conduct their business from the comfort and convenience of their own home.

HMRC has this month launched a new set of guidelines to determine the difference between the basic auction site user who, for example, simply wants to sell and clear out unwanted items, with the professional online trader who generates a strategic income from the act, which is liable for tax.

Martin Minett, Partner at Hillier Hopkins comments: "Under the new guidelines, those who trade online are shown to be considered as self-employed if they meet the stated criteria. This can include buying goods specifically to resell, making items or providing services to sell, or buying goods on behalf of others in order to make a profit.

"Anyone who employs such methods may need to pay Income Tax, National Insurance Contributions and fill in Self-Assessment returns. Additionally, they may even need to consider registering for VAT."

Martin continues: "As online trading continues to increase, HMRC is certain to target the sector as yet another potential cash generator. As such, it is advisable for all online traders to make sure they are fully compliant sooner rather than later."

For more information please call Martin Minett on 01442 269341 or email martin.minett@hhllp.co.uk

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Word count 277

Source: <http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=262133&NewsAreaID=2>