



**JAMES COWPER
KRESTON**

Accountants & Business Advisers

Taxation on Social Media Influencers



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Today, social media influencing is a booming industry. There has been a significant increase in the numbers of paid/organic content creators on Youtube, Instagram and other media platforms who, through unique personal branding, are successfully influencing target audiences towards particular products and services. With the advent of social media platforms, what started as a hobby for many is today a paid service or a full-time job.

The accessibility of these platforms has paved a new path for many entrepreneurs and creatives to connect with consumers and hence, a more dynamic potential for earning. Therefore, it is vital to bear in mind that as an avenue of income generation, this may also be liable to tax. A lack of tailored personal tax advice for influencers and online content creators means that many are left unsure about whether the income or service they receive is taxable, leading to potential issues with legal compliance and an exposure to assessments, penalties and interest.

Trading status

Where an influencer uses their social media account to generate income, the activity may be considered as a trade for UK tax purposes.

Although trading is not specifically defined by HMRC for influencers, the Institute of Chartered Accountants in England and Wales explains that if you organise your life to regularly spend time writing to produce work with commercial value, and strategically market it for your financial benefit, you are considered to be trading.

Therefore, influencers are (in most cases) considered self-employed- sole traders for taxation purposes. In some cases, influencers may be employed by an organisation or have set up their own companies.

Tax on Earnings

If you are a self-employed influencer, you are liable for tax on anything that earns you money or has a monetary value (including royalties, advertising fees, appearance fees or certain gifts received). If the influencer is receiving freebies like a product/service in return for a review, then the value of the product/service will be treated as the income/earnings.

If your work takes you abroad, you will also usually be liable to tax in the UK on your overseas earnings, unless you are either a non-UK resident or have a non-domiciled status.

A UK resident Influencer, who is considered a sole trader will be subject to UK income taxes on the profits of their trade. If the value of your income is less than the trading allowance of £1000 then you need not register yourself with HMRC. However, if your income is above the threshold, then you will need to register yourself with HMRC as a self-employed.

National Insurance contributions will also be due under Class 2 (at £3 per week) and Class 4 (at 9% on profits exceeding £8,632, falling to 2% on profits exceeding £50,000).

This income generated from receiving payments for posting products/service needs to be declared on the influencer's individual or business tax return. The tax of is payable similar to any other sale or service would be, and the income is treated as part of their earnings/profits. Detailed records need to be kept for audit purposes.

If the influencer is not an employee and they are trading, then it's likely the income from paid posts will be taxed under Part 2 2 of the Income Tax (Trading and Other Income) Act 2005 (ITTOIA 2005). If they are deemed to be non-trading and as per an agreement, then they will be taxed for paid posts under the sweep-up miscellaneous income provisions in Ch 8, Pt 5, ITTOIA 2005.

Influencers are often given products to review or endorse on their channel in the hope it raises the profile of the product. The tax treatment of these fall into a definition of a 'barter transaction'. The rules essentially state that the value of trading income received in non-monetary form is taxable in full as trading income. Therefore, the value of a transaction is deemed to be the monetary value of a transaction i.e., how much it could sell for.

Tax on Earnings if the influencer is employed by an organisation

If an influencer is paid for a post, they'll be taxed on the income. This is the case where the influencer is an employee – even where the fee is paid to them because of their employment in another organisation. The tax that applies will vary depending on whether the contract is with the influencer personally or with the influencer's image rights company.

Payments/Benefits in Kind

The provision of goods to influencers is typically held by HMRC to be a taxable benefit which attracts both tax and national insurance contributions (NICs), even where the influencer is not an employee of the company providing the goods.

If influencers receive gifts without prior knowledge and no contractual arrangement or obligation to deliver content (so the influencer is not 'trading'), these 'voluntary gifts' are potentially tax-free and do not need to be reported as earnings. If the influencer is not trading, HMRC's view is that voluntary gifts are not taxable.

Where the influencer is considered to be "trading" HMRC states that "voluntary payments designed in some way to augment the consideration payable for goods or services whether past, present or future, are taxable".

Therefore, if the influencer has received goods from a company that they may end up having business or sponsorship deals with (past, present or future), then it could be taxable. In addition, if the influencer regularly blogs about similar items, if the item in question generates revenue, or they begin to receive more items regularly from the same source, then the influencer may face tax implications.

Influencers have a legal obligation to declare the value of all items received as payments in kind. It is strongly advised to always have a contract or related legal agreement which details your obligations as well as verifying the cost of these items.

Claiming expenses

Like all self-employed workers, influencers can deduct expenses from their tax bill. Please see below a list of the types of expenses that you can claim for to reduce your tax bill (when they relate directly to work activity).

- Software (it could be email marketing software or image editing tools)
- Marketing activities (from paid advertising fees to giveaways)
- Travel expenses (from airline tickets and train tickets to petrol costs incurred from travelling to alternative places of work, such as photoshoots or to undertake blog reviews, but not to your regular place of work)
- Accommodation (this only applies to hotels whilst working away from home as well as away from your usual place of work)
- Music licenses and music purchase fees, such as for use on your social media posts
- Non-gifted purchases that you bought yourself solely to review (and not subsequently used for personal use)

Residency and Double Taxation considerations

Influencers who travel extensively, need to keep in mind their UK tax residency position for the tax year by referring to the tests listed out in the Statutory Residence Test. It is recommended that a travel blogger or influencer keeps a travel calendar to ensure they stay within the minimum number of days under the necessary tests tailored to their circumstances to ensure they do not break and/or establish UK tax residency.

It is important to note, that if the influencer is a UK tax resident and is UK “domiciled” they shall be subject to tax on their worldwide income but may be able to claim a Foreign Tax Credit for overseas income also taxed in another jurisdiction.

It is important to note, that even if the individual is non-UK tax resident, they may be subject to UK tax on income that is accrued in the UK and is considered UK taxable “income”.

Individuals who are non-UK domiciled but are UK tax resident for the tax year can claim the remittance basis of taxation on their UK Self-Assessment tax return, in order to be taxed on their UK sourced income only. Any foreign income will not be taxable in the UK unless it is remitted to the UK.

How we can help

At James Cowper Kreston we can offer expert individual/expat tax advice for influencers, content creators and online entrepreneurs to help address this knowledge gap.

We are able to provide a wide range of guidance and support services to help individuals decipher complex personal tax, social security and reporting issues, with a full understanding of the expat tax issues affecting this fast-evolving marketplace.

Meet the Team



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The information in this newsletter must not be relied upon in any specific case.