

Do your car boot sales and eBay sales amount to a business? Get it right now, in case the Revenue take a closer look

Is your trip to a car boot sale or habit of selling things on eBay a taxable trade? Don't get caught out. The Inland Revenue are beginning to ask some questions. This article considers whether you, as an individual, have actually turned a habit or a hobby into a trade.

An enquiry question

If the Inland Revenue start an enquiry into your tax return, they may ask about eBay and car boot sales. It is a good idea to look at these areas yourself. It is much better to get it right now, rather than face questions from the Revenue later. The sections below are designed to help you get it right.

Are you in business?

If you sell a few surplus household items from your attic, or get rid of some unwanted Christmas presents, you are not trading. If you see something at a car boot sale and think 'that's a bargain, I could sell it for much more' you are beginning to trade.

The badges of trade

So where do you cross the line? There have been many legal cases on this question. The following guidelines have emerged as hallmarks of a business. They are known as the six 'badges of trade'. Questions you need to ask yourself if you want to know if you are trading. They are as follows:

1 About the type of goods you sell

If you sell things that people would expect to buy in a high street shop, you are probably trading.

2 The length of time you own them before sale

If you sell things shortly after you have bought them, it suggests that you are in business.

3 How often you make sales

If you frequently make sales, particularly if they are the same type of goods, it looks like a business.

4 Working on the goods before you sell them

If you repair or otherwise improve the goods before selling them, again this suggests a business.

5 The reason for making the sale

Were there personal reasons for making the sale? Were you getting rid of something you don't like or don't need? Did you sell in January some unwanted Christmas presents?

6 Motivation

What was your motive in acquiring the goods in the first place? If it would be fair to say that a major motive was making a profit by selling them later, you are probably in business.

As you read through this list, you will get an impression: Your sales look like a business or they don't. To help you make a final decision, look at the options below and see which category fits you best.

A You are not trading at all

The things you sell were not bought with the idea of re-selling them, and you are disposing of items of low value.

If this is you, it would be wise to keep a record of all your sales, with a note of what you have done and why – together with receipts and any other details if possible. If you sell some furniture inherited from a relative, keep a copy of the solicitor's letter or a copy of the Will.

This is particularly necessary if you are self-employed. The Inland Revenue could enquire into your affairs some years from now, and in the absence of any other evidence are likely to think that any income you received comes from your trade

B You are 'trading' but very infrequently

If your transactions are infrequent and the value of them each year is low – a profit of less than about £2,200 – you can probably treat this as casual earnings. These should be entered on your tax return in box 13 as 'other income'. If you don't usually get a tax return, you should tell the Revenue about the income and ask for a tax return.

C You are trading

If your transactions are for profit and frequent, you are trading and should register with the Revenue as self-employed. There will be Class 2 National Insurance, Income Tax and possibly VAT to consider.

D You are trading on eBay, but are already registered as self-employed with another business

If you already have a business, it is possible to make business sales through a car boot sale or eBay. These should be included in your normal business records of income and expenses. If your eBay trading is separate from your business, you will need to make sure that you tell the Revenue about the profit from these sales too.

E You are selling occasional high value items

If the items you are selling are high value (over £6,000), you may be making a taxable Capital Gain when you sell them. This can be a complex area and you would be best taking advice.

Conclusion

It is very easy for a hobby to slide into a taxable business activity. If you are concerned about what to do, it would be best to take advice now – rather than face the surprise of an unwelcome tax bill and penalties later.