



Tax and accountancy for influencers, bloggers & vloggers

Influencers, vloggers and bloggers are all relatively new professions. In fact, many people who carry out these activities may not even classify it as a source of income and could be doing this as a hobby.

However, if this earns you money, such as royalties or advertising & appearance fees; or you receive gifts, such as products, holiday or hotel stays, you are likely to be liable for tax and will need to submit a tax return.

This guide answers some of the questions we are frequently asked and outlines a number of important issues you should be aware of if you are receiving payment or gifts. It also explains what you can do to make sure you are protected on these important tax issues.

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When is tax due?

Whilst you typically don't pay any tax before you earn £12,000, you do need to submit a self-assessment tax return as soon as you earn £1,000 or more in a tax year, outside of a regular salary. You are liable for tax as soon as you start earning money over £1,000 per annum, not when you first register to pay tax.

The government is cracking down more on tax avoidance, especially in newly evolving business areas, such as influencers and bloggers. A HMRC tax investigation is something that no one wants to encounter, as it is time consuming and can be costly and personally invasive. Taking advice now to make sure your tax affairs are in order and you register for tax in a timely manner, will give you peace of mind make sure you are only paying the amount of tax you need to.

It may not always be clear to you what is liable for tax

Generally, if you are sent an item unexpectedly, and there is no agreement relating to this product (such as to wear it, talk about it or broadcast it) you are not generally required to report it as an earning. However, this can be complicated; if you generally blog about similar items or if the gift creates revenue for you or your company (through blog royalties, for example) or if you begin receiving numerous items from the same or different sources, there may be tax implications. In these instances, getting professional tax advice becomes crucial.

You do have a legal obligation to declare the value of all items received as a payment in kind. You should also have a contract or legal agreement, which outlines your obligations and should also verify the cost of such items. It would also be prudent to take professional advice on whether it is appropriate to declare the retail price of the product, its real value or its wholesale value, for some products this can be complicated.

Employed or self-employed?

Generally, most people who work in this field are self-employed, typically working from home for several different brands. If, however you are receiving payments or royalties from just one company on a regular basis, you may be classed as employed, and tax (as well as national insurance) should be deducted by your employer.

Should you set up a limited company?

There may be additional benefits to setting up a limited company for your work, which can often provide additional tax reliefs. Whether this is right for you will depend upon your personal circumstances, how much you are likely to earn and how much of your earnings you wish to take out as a salary. There are also other benefits, especially if you wish to grow the brand as a larger business in the future.

Expenses - what can you claim?

Expenses are costs incurred in the usual course of business. These vary considerably, dependent upon the nature of work undertaken. For example, if image is critical to your business and your work is video blogging, in some circumstances, you *may* even be able to claim for hair, dentistry and cosmetic surgery.

If you work from home and are self-employed then certain household costs can be offset including utility bills and phone and broadband service costs.

Expenses can add up to sizeable amounts and when you do begin to earn meaningful levels of income, these can have a significant impact on reducing your tax liability. Such expenses could include:

- ◆ Marketing costs – setting up a website or online adverts
- ◆ Equipment – cameras, laptops, computers and software
- ◆ Computer and camera insurance
- ◆ Recording fees – rental if you use professional studios for recordings
- ◆ Subsistence - food and drink or in some cases entertainment expenses can be claimed in certain circumstances
- ◆ Music – licensing and purchase fees for backing tracks for your blogs and posts
- ◆ Travel expenses – airline and train tickets, petrol costs involved in traveling to alternative places of work, such as photo shoots or to undertake blog reviews (but not to your regular place of work)
- ◆ Accommodation – hotels during appearances away from home and your usual place of work
- ◆ Agents' commissions and fees
- ◆ The rules however, are complex and very much dependent on your circumstances

Working abroad

If you are paid for working overseas (as opposed to being paid by a UK company to go abroad for say a fashion shoot or a hotel review on their behalf) you may be liable to pay tax in that country as well as at in the UK.

Double taxation agreements exist between the UK and many other countries. Foreign Tax Credit Relief can usually be claimed when you report your overseas income in your tax return. The amount of relief you receive depends on the UK's 'double-taxation agreement' with the country where you derive your income from.

Summary

As an evolving and growing industry, it is one in which HMRC is monitoring with interest. This places even more urgency on ensuring that your tax matters are taken care of, to avoid the unnecessary inconvenience of a tax investigation.

Working as an influencer, blogger or vlogger can mean that you receive income or gifts from a wide range of sources, all these need to be accounted for. This can be further complicated, as it is not always straightforward as to the actual value of these, what needs to be declared or how it needs to be accounted for.

It is also important to establish if you should be self-employed or employed (and if employed to ensure that your employer is taxing and paying your National Insurance correctly). Thought also needs to be given to whether it would be beneficial to set up a company for your work.

If you have multiple contracts or are working abroad, this also needs consideration, to ensure tax is calculated and paid correctly. When working overseas it is also important to make sure that you are not paying double tax when you don't have to and are fully compliant with the relevant laws.

Case study: Hotel Bloggers

It is common for hotel bloggers to stay at hotels for free in return for a review. Many hotels have a policy of only offering these rooms if they are not occupied, often at quiet times when they know full occupancy will not be reached.

The rack rate of a suite in a five-star London hotel could be over £5,000, however a last-minute deal could be a fraction of this and the cost to the hotel for you staying there even less.

Without a costed agreement with the hotel to review it, you could potentially be liable for declaring the full hotel rate on your tax return. In reality, the hotel's cost of providing the room is a fraction of this and if documented, this lower level could be declared on your tax return.

If you multiply this out by several hotel reviews a year, this can have a significant impact on your tax liabilities.



Why Alexander & Co

At Alexander & Co, we have a specialist tax team that can assist you in weighing up all your options and working out the best solution for you. We can advise on the best route and manage your account, so your tax is paid at the correct level, when due and all available reliefs are applied correctly.

Our new media tax experts have a wealth of knowledge in this field and are currently working with a variety of influencers, bloggers, vloggers and companies in this field.

Our experience in media is nothing new, Alexander & Co is an Equity recommended firm. We also act for many actors and entertainers, and have done so for many years, providing specific expertise to those working in the entertainment and media industries.

If you are looking for a chartered accountant with the right new media and entertainment know-how, then Alexander & Co are here to help.

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