



If you are running a business, it must be declared to HMRC

Should I declare my livery income to the taxman?

I have three spare stables at home, and provide a livery service for two friends at "mates' rates". Do I have to declare the income to the taxman? I haven't declared anything to date, as the overall expenses exceeded the income.

RG, Cornwall

IT sounds like a lovely scenario, providing an informal livery service to your friends. But if you are taking money from them and providing a service, you are running a business.

Specifically, Julie Butler of chartered accountants Butler & Co, based in Hampshire, says there are tax and national insurance concerns here.

"The Taxes Management Act dictates that all new income sources must be declared to HM Revenue and Customs [HMRC] within six months of the end of the tax year," Julie explained. "It sounds as if this is effectively a business, and the existence therefore should be declared to HMRC's National Insurance Contributions Office within three months of starting to trade, otherwise there is a £100 fine.

"Although you think the net result is a tax loss, some of those expenses are probably your own personal costs. If the tax office discovers this source of income without you declaring it,

there would be penalties as well as 'back tax' due."

According to Julie, you should immediately tell the HMRC about your business to prevent problems ensuing and allowing them to decide whether your expenses genuinely exceed your income. Consult an accountant for further advice.

It is worth bearing in mind that HMRC also operates a "shop online" system, whereby nosy neighbours or concerned locals can report undeclared income and this is a risk you face. **H&H**

INFORMATION

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