



The ultimate guide: tax advice for content creators

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Social media and digital platforms have spawned a new generation of online entrepreneurs – influencers, content creators, vloggers, podcasters and more.

What began as a hobby or side hustle has blossomed into a multi-billion-pound industry, with top creators earning millions from brand deals, merchandise, ad revenue and other income streams.

However, navigating the tax landscape for this non-traditional career can be a minefield.

With no taxes automatically deducted and income flowing from multiple sources, digital creators can easily fall foul of HMRC's rules and face hefty penalties if they don't understand and comply with their tax obligations.

This guide covers all the key tax issues UK-based digital creators need to know, from registering as self-employed and calculating taxable profits to maximising deductions, VAT requirements, tax planning strategies and more.

The government is cracking down on the content-creator economy

Millions of people worldwide now make a significant portion of their income through online activities.

This is notoriously hard to track, firstly because it's tough for governments to trace income from multiple online sources, and secondly, because many of these forms of income activities are taxed differently.

It's also fair to say that tax laws weren't really built for the age of influencers, digital content creators and the like!

However, in recent times, the UK government, among others, has launched a crackdown on digital content creators and related entrepreneurs.

This includes a wide array of activities, from selling goods on platforms such as eBay and Etsy to creating content on OnlyFans, TikTok and YouTube. The key point is that income exceeding £1,000 from these activities must be declared, requiring registration as self-employed and filing a self assessment tax return.

This aims to tackle tax evasion and ensure that digital earners meet their tax obligations, similar to traditional businesses.

HMRC's crackdown on side hustles

HMRC's recent efforts to [crack down on side hustles](#) and unreported digital income include sending out letters to content creators and influencers to remind them of their tax responsibilities. These letters are part of an initiative to crack down on undeclared earnings from digital platforms, indicating HMRC's growing scrutiny of the digital economy's tax compliance.

Influencers and content creators generate revenue through various means, including sponsorships, donations and subscription fees, which all fall under the scope of taxable income.

Starting from January 2025, online platforms will have to report detailed seller information to HMRC, including tax ID, bank account details and the amount and number of transactions.

This applies to a wide range of activities, including selling goods and services such as second-hand items, freelance work and letting property for short-term accommodation.

Now is the time to take your tax advantages seriously to avoid an inevitable fallout for many who are raking in cash from digital endeavours and not paying enough tax.

Employment status: self-employed vs employee

One of the first tax decisions for digital creators is determining their employment status for tax purposes.

In the vast majority of cases, HMRC will view them as self-employed individuals running their own businesses rather than employees.

The distinction is an important one, as it means digital creators take on different tax responsibilities and payment obligations. As a self-employed individual, you must:

- report all your taxable income on an annual [self assessment](#) tax return
- pay income tax on your trading profits after deducting allowable expenses
- pay Class 2 and Class 4 national insurance contributions
- potentially register for and charge VAT (see VAT section)
- make payments on account towards your next tax bill every six months.

In contrast, employees at a company have income tax and national insurance deducted automatically from their salary by their employer under the Pay As You Earn (PAYE) system.

Deciding whether your activities as a digital creator constitute self-employment or employment under HMRC's rules can be complex, especially if you have multiple income streams or work through an intermediary, such as a limited company.

IR35

This is also where IR35 comes into play. [IR35](#) is a tax legislation that applies to workers who provide services through an intermediary, such as a personal service company (essentially a limited company for one person), but would be considered employees if contracted directly.

To determine whether IR35 applies to you, HMRC considers several factors, including the following.

- 1. Control:** The degree of control your client has over your work, such as how, when and where you work.
- 2. Substitution:** The ability to send a substitute to complete the work in your place.
- 3. Mutuality of obligation:** The obligation for your client to provide work and for you to accept it.

4. Financial risk: The level of financial risk you take on, such as investing in equipment or being responsible for losses.

5. Integration: The extent to which you're integrated into your client's organisation and whether you receive benefits such as a pension, sick pay or holiday pay.

If your contract and working practices reflect self-employment, IR35 does not apply, and you can continue to operate through your intermediary and pay taxes as a self-employed individual.

However, if your contract and working practices resemble employment, IR35 applies, and you or your client will be responsible for paying income tax and national insurance contributions as if you were an employee.

In essence, if you're working as self-employed but really depend on one employer that obligates a lot of you without offering the security that comes with contractual employment, you might be inside IR35.

If HMRC suspects that you're not complying with IR35, they may open an investigation into your tax affairs – though that's more common for high-earning individuals.

If you regularly work for one company

If you regularly work for one company, to ensure compliance with IR35, it's essential to have a well-drafted contract that clearly defines your working relationship with your clients.

The contract should demonstrate that you're self-employed and not an employee. The following are the Key clauses to include.

- 1. Substitution clause:** The right to send a substitute to complete the work in your place.
- 2. Control clause:** Clarifying that you have control over how, when and where you work.
- 3. Mutuality of obligation clause:** Specifying that there is no obligation for your client to provide work or for you to accept it.
- 4. Financial risk clause:** Outlining the financial risks you take on, such as investing in equipment or being responsible for rectifying defective work at your own cost.

In addition to the contract, your actual working practices must align with its terms. HMRC can investigate your working arrangements and disregard the contract if they find that your actual working practices resemble employment.

If you're unsure whether IR35 applies to you or need assistance drafting an IR35-compliant contract, it's recommended to consult with a professional accountant, tax adviser or legal professional specialising in IR35.

If you're self-employed: calculating taxable profits

Once self-employed status is established, the key calculation digital creators need to make is their taxable trading profits for a given tax year.

This determines how much income tax they must pay. Taxable profits are calculated as follows.

Total taxable receipts

Less:

- allowable business expenses
- tax-deductible amounts like the trading allowance = net taxable trading profits

Income tax is then paid on this net profit figure at the prevailing rates:

- basic rate (20%) on profits between £12,571 and £50,270
- higher rate (40%) on profits from £50,271 to £125,140
- additional rate (45%) on profits over £125,140.

What counts as taxable income?

Digital creators often have multiple income streams that must all be accounted for. Taxable receipts include:

- earnings from brand campaigns, sponsorships and affiliate marketing
- YouTube ad revenue share
- sales of merchandise, prints, digital products and so on.
- paid membership or subscription income (for example, Patreon or OnlyFans)
- sales of services like personalised shoutout videos.

Creators must also declare the monetary value of any free products/services received related to their business activities, even if not directly paid for (known as barter transaction income).

Allowable business expenses

To reduce your tax liability, digital creators must maximise claims for allowable business expenses. The more expenses you can deduct, the lower your taxable profit figure. Common allowable expenses include:

- cost of business equipment and technology such as cameras, lighting and editing software
- a portion of household running costs for a home office
- internet, website, email and online tool costs
- marketing, promotion and advertising costs
- vehicle expenses for business travel and subsistence costs when travelling for work
- professional fees for an accountant, lawyer or other adviser
- costs of business premises outside of the home
- office supplies, stationery and so on
- clothing costs if suitable only for producing your online content
- training courses related to your business
- interest on business loans or bank charges.

Also, be aware of [capital allowances](#), which can allow deductions for larger capital purchases such as computers over their useful lifetime.

It's advisable for creators to clearly separate personal and business expenditures and keep meticulous expense records with supporting receipts and invoices. HMRC is entitled to analyse expense claims during any tax investigation.

VAT requirements for digital creators

VAT (value-added tax) is a consumption tax that is applied to most goods and services sold within the UK.

As a digital creator, if you're registered for VAT, you're required to charge VAT on top of your prices for any VAT-taxable goods or services you provide to your customers.

Here's a brief overview of how VAT works for digital creators.

- 1. Registration:** You must register for VAT with HMRC if your VAT-taxable turnover exceeds the current threshold of £90,000 (as of the 2024/2025 tax year). You can also choose to register voluntarily if your turnover is below the threshold.
- 2. Charging VAT:** Once registered, you must add VAT to your prices for any VAT-applicable goods or services and pay this across to HMRC. The standard rate of VAT is 20%, although some types of VAT may be taxed at the reduced rate of 5% or zero rated. For example, if you sell an online course for £100, as the service is standard rated, you would charge your customers £120, which includes the VAT.

- 3. Reporting and paying VAT:** You will need to submit a VAT return to HMRC, typically every quarter. In this return, you report the total amount of VAT you've charged to your customers (output tax) and the VAT you've paid on business expenses (input tax). The difference between the output and input taxes is the amount you owe to HMRC.
- 4. Reclaiming VAT:** As a VAT-registered business, you can also reclaim the VAT you've paid on business expenses, such as equipment, software or services related to your digital creation activities. This helps to offset the amount of VAT you owe to HMRC.
- 5. Pricing:** You can choose to either include the VAT in your prices (known as "inclusive pricing") or add it on top of your prices (known as "exclusive pricing"). Whichever method you choose, you must clearly state whether your prices include VAT or not to avoid confusion for your customers.

Once VAT registered, you must charge VAT on top of your fees for taxable supplies of goods or services. This VAT then needs to be paid to HMRC through a VAT return submission every quarter.

What is considered VAT-taxable for digital content creators?

Many activities undertaken by digital creators are considered VAT-taxable business activities.

These include:

- creating and monetising YouTube videos through AdSense revenue
- selling digital products such as ebooks, courses, presets or templates
- offering freelance services like graphic design, video editing or content writing
- participating in affiliate marketing and earning commissions on referred sales
- creating and selling NFTs (non-fungible tokens) or other digital assets
- providing access to webinars, workshops or live events (both online and in-person)
- offering consulting or coaching services related to your area of expertise
- selling prints, posters or other physical products featuring your artwork or designs

- participating in brand partnerships where you create sponsored content or product reviews
- Providing social media management or influencer marketing services to other businesses
- creating and selling music, sound effects or stock footage for use in media projects
- selling merchandise related to your brand or content
- offering services such as personalised videos, coaching or tutorials
- providing subscriptions or memberships to access exclusive content or perks.

However, some income sources may be exempt from VAT, depending on the specific circumstances. These include:

- donations received through platforms such as Patreon or Buy Me a Coffee, where no goods or services are provided in exchange
- grants or funding received from organisations to support your creative work, without any requirement to provide specific goods or services
- prize money or awards won in competitions or festivals, as long as no goods or services were provided to enter
- royalties earned from the licensing of your intellectual property, such as music or artwork, to third parties for use (although this can be a complex area and may depend on the specific terms of the licensing agreement)

- brand sponsorships may be exempt if the content posted is not tailored specifically for the brand and falls under the category of “advertising services”.

It’s important to note that managing VAT registration and returns can be a complex process, especially for those new to the system. Many creators choose to work with an accountant who specialises in working with digital businesses to ensure compliance and avoid potential penalties.

Failing to properly register for VAT, charge the correct amount or submit accurate returns can result in significant fines and legal consequences.

Suppose you’re a digital creator approaching the £90,000 threshold or have recently crossed it. In that case, it’s highly recommended to consult with a qualified accountant or tax professional to discuss your specific situation and ensure that you meet all necessary VAT requirements.

They can help you navigate the complexities of VAT rules, ensure that you’re correctly categorising your income sources, and meet all necessary obligations.

Three tax allowances to use now

There are a few valuable tax-free allowances UK digital creators should be taking full advantage of each year.

- **Trading allowance (£1,000):** This allows you to earn up to £1,000 in trading income tax-free each year before paying income tax. The allowance can’t be used for income earned through employment or property rental.
- **Rent-a-room relief (£7,500):** If you live in the property and rent out a room to a lodger or run your creator business from a portion of your home, you can earn up to £7,500 a year tax-free from this income stream.
- **Property allowance (£1,000):** Any income up to £1,000 from rental income like Airbnb hosting is eligible for tax-free allowance.

Claiming these valuable allowances on your tax return each year is important to minimise your overall tax liability

Record-keeping requirements

Accurately reporting all your income and allowable expenses relies heavily on maintaining diligent records throughout the tax year.

HMRC expects you to have an organised record-keeping system in place to support the figures entered on your tax return.

Key records to maintain include:

- bank statements showing all earnings received
- invoices received for chargeable income
- records of inventory and merchandise sales
- copies of receipts for all allowable business expense claims
- logbooks detailing usage of vehicles or home office
- mileage logs for business travel
- records of any gifts/barter transactions received.

Many digital creators use dedicated expense-tracking apps and accounting software to digitise and automate their bookkeeping. Influencer accountants or accountants for creatives are also adept at ensuring your records are always in order.

Ensuring your records are complete and organised makes accurate tax filing easier and helps you survive any future tax enquiry from HMRC.

Remember – HMRC has strong powers to levy penalties for incomplete or incorrect tax returns if the proper supporting documentation isn't available.

Tax planning opportunities for growth

As your creator business expands, more complex tax planning opportunities arise to help optimise your tax position.

Forming a limited company

Many digital creators operate as sole traders at first, filing on self assessment as self-employed. However, once profits rise substantially, incorporating a limited company can offer advantages such as:

- more generous tax-deductible expenses
- corporation tax rate of 19% is lower than higher income tax bands
- tax-efficient ways to withdraw profits via salary/dividends
- ability to contribute to director's pension at lower tax rates
- professional image and liability protection.

The admin burden is higher for limited companies compared to sole traders, but they provide more tax planning flexibility as your business grows.

Income splitting

For creators operating as sole traders, considering an income-splitting strategy with a spouse can reduce overall household tax liability by utilising both parties' tax bands.

For example, if you have excess work and/or want to work with a spouse, you can split income between you.

Utilising accounting software

Tax doesn't need to be confusing with the right digital tools. Accounting packages such as [QuickBooks](#), [Xero](#) and [FreeAgent](#) are designed to help entrepreneurs accurately track income, expenses, mileage and other tax data throughout the year.

When integrated with your business bank account, they provide a real-time view of taxable profits and facilitate easier tax filing through apps like HMRC's Making Tax Digital tools.

Using cloud accounting tools to streamline record keeping and compliance can give you and your accountant a clearer picture of your tax situation.

Getting expert tax advice

While general online resources can be helpful, navigating all the nuanced tax issues surrounding digital creator income is no easy feat.

Accountants are now highly experienced in this field, so if you're looking for accountants for creatives, TikTok accountants or accountants for influencers – we can help you.

At Cottons, we provide tailored guidance based on your specific situation to:

- determine your employment status and optimal trading structure (sole trader vs limited company)
- advise on tax registration requirements such as VAT and income tax
- facilitate comprehensive tax planning across all your income streams
- claim all legitimate tax deductions and reliefs you're eligible for
- navigate any tax enquiries or disputes with HMRC
- identify tax-efficient investment and retirement planning strategies
- provide tax forecasts to plan cashflow and avoid underpayment penalties.

Overseas income and taxation for digital creators

Last but not least, it's essential to understand the tax implications of earning income from overseas sources.

With the global nature of online platforms and the potential for international collaborations, it's becoming increasingly common for creators to generate revenue from outside the UK.

Managing international earnings

When you receive income from overseas, you need to declare it to HMRC and pay the appropriate taxes. This applies to various types of international earnings, such as:

1. advertising revenue from platforms like YouTube or TikTok
2. sponsorship deals with international brands
3. sales of digital products or merchandise to customers abroad
4. payments for services rendered to international clients.

Keeping accurate records of your overseas income, including the source, amount and date received, is important. You should also consider foreign currency exchange rates and convert the earnings into GBP for tax purposes.

Tax treaties and foreign income

The UK has tax treaties with many countries to prevent double taxation, which means you shouldn't have to pay tax on the same income in the UK and the country where it was earned.

However, the specific terms of these treaties vary, and you may still need to pay some tax in the foreign country.

To claim relief from double taxation, you'll need to report your foreign income on your UK tax return and claim a foreign tax credit for any tax paid abroad.

Seek guidance from a qualified tax professional to ensure you're claiming the correct relief and complying with both UK and foreign tax laws.

Influencers and global tax compliance

As your international reach grows, it's important to be aware of the tax obligations in the countries where you have a significant audience or earn substantial income.

Some countries have specific tax rules for digital creators and influencers, and failure to comply could result in penalties and legal issues.

For example, if you have a large following in the United States and earn income from US-based sources, you may need to file a US tax return and pay taxes there, even if you're a UK resident. Similarly, if you attend events or create content in other countries, you may be subject to their local tax laws.

Final thoughts

The reality is that tax is unavoidable for any lucrative digital creator career! However, the tax burden and compliance requirements can be well managed through diligent record-keeping, understanding your obligations and implementing the right tax planning strategies from the outset.

Digital creators incorporating proactive tax planning from day one will be far better positioned to claim all legitimate reliefs and deductions, forecast liabilities and remain onside with HMRC. This allows you to keep more of your hard-earned profits while investing in sustainable growth.

Neglecting your tax situation, in contrast, can severely undermine your business through compounding penalties and interest charges. The penalties for tax evasion or fraud by digital creators are simply not worth the risk.

By partnering with a qualified accountant like [Cottons](#) and leveraging technology to streamline tax compliance, digital creators can spend less time worrying about taxes and more time innovating in their craft.

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