



Public Documents

New tax free allowance for trading and property income.

Added 30th April 2017

From April 2017, there will be an allowance for trading income and another for property income.

What is the trading income allowance?

There will be a new allowance of £1,000 if you make money by selling goods or providing services. Basically, if your income is less than £1,000, you will not need to declare it to HMRC. This is helpful if you take on a small job, or sell a few things through eBay.

Previously, any income must be included in your tax return and, where appropriate, tax must be paid on it.

However, from April 2017, any income from trading which is less than £1,000 will be covered by the new allowance. Therefore, you won't need to declare it to HMRC or pay any tax on it.

If your trading income is over £1,000, you'll have the option of either:

- working out your taxable profit in the usual way, ie by deducting expenses from income; or
- choosing to deduct the £1,000 allowance from your gross income. If you choose this route, the £1,000 will be instead of the actual expenses, not in addition to these costs. Therefore, this will benefit you if your expenses are less than £1,000 a year or if you'd rather save the time and effort of recording the actual expenses.

Example

Gemma has a job where she earns £35,000 a year. She also makes and sells some jewellery – she makes £900 per year from this. In the tax year ended 5 April 2017, Gemma will need to declare her income from her jewellery business in her tax return. She'll pay 20% tax on the profit. In the tax year starting on 6 April 2017, Gemma won't need to tell HMRC about

the jewellery income as it's fully covered by the £1,000 allowance. Therefore, she'll pay no tax on this income.

What is the property allowance?

The property allowance works in broadly the same way as the trading allowance.

It will also be set at £1,000 and will allow you to receive small amounts of property income without including it in a tax return, or paying tax on it.

As with the trading allowance, if the income is over £1,000, you can choose whether to calculate your profit in the usual way, or by deducting the £1,000 allowance from your gross income.

As with the trading allowance, this will benefit you if your expenses are less than £1,000 a year or if you'd rather save the time and effort of recording the actual expenses.

Please note: this new allowance doesn't affect the option of receiving income from letting a room in your house tax-free under the rent-a-room scheme.

What is rent-a-room scheme?

Income from renting out a room in your home to a lodger may qualify for 'rent-a-room relief', if:

- your gross rent-a-room income does not exceed £7,500, for the tax year ended 5 April 2017 (before the deduction of any expenses), and
- the source of the income relates only to one residence

If the above conditions are met, the income is exempt from tax and you may not claim any deductions for related expenses. You do not need to do anything for the exemption to apply; it will apply automatically unless you 'opt out'.

If we may assist with completing your Tax Return, or provide any tax advice, please feel free to contact us at:

The Lower Wensleydale Business Network is grateful to Dawn Clarkson Associates, - Accountants and Business Advisors for this Public Document. Tel: 01969624999
dawn@dawnclarkson.co.uk

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