

## HMRC 'Nudge Letters' Target Online Sellers and Content Creators

by Santhie Goundar

HM Revenue & Customs has started two "nudge letter" campaigns targeting individuals who sell or create content on online platforms and are suspected of owing tax on unreported income. The first letters were issued the week of January 16.

The Chartered Institute of Taxation said in a January 17 release that HMRC had advised it "about two One To Many (OTM) letter campaigns connected to the use of online marketplace platforms." The first of the OTM letters — which are commonly referred to as "nudge letters" — is a "status check" regarding earnings from online marketplace sales, CIOT said, while the second letter covers earnings from content creation on digital platforms. CIOT gave examples of both the online marketplace sales letter and the digital content earnings letter on its website.

CIOT said HMRC is targeting taxpayers who it believes have earned over their U.K. annual personal allowance (£12,570) for income tax. "The letters provide actions for the taxpayer to take and timelines to follow — they are requested to complete a 'certificate of tax position' within 30 days and tick the box which best describes their circumstances," it said.

The digital content campaign "is a joint project being conducted across several lines of business within HMRC, resulting in a number of coordinated interventions taking place," CIOT said. "HMRC has told us that activity will continue into 2023 and beyond."

Accountancy firm BDO confirmed that "gig economy workers and traders selling online will get a detailed letter from HMRC asking them to check that they have reported all their income properly and suggesting that they make a digital disclosure if they haven't." Dawn Register, tax dispute resolution partner at BDO, said that with much of the U.K. economy going online since the COVID-19 pandemic, it is "surprising that HMRC has not focused fully on this area before."

"It is not yet clear who HMRC is targeting with these letters, but it does have information from online marketplaces already. Online content creators are a specific target, so online

'influencers,' as well as more traditional sellers and casual workers bidding for work online, can expect to be contacted," Register said. "If you haven't already registered with HMRC, now would be a good time."

The nudge letter campaigns are "based upon third-party information held by HMRC," said Noel Mooney, associate director at RSM UK. "In terms of income sources, the online marketplace covers any website that handles and enables the sale of goods or services to a customer. HMRC has confirmed the digital content campaign is not confined to the U.K. and is being conducted jointly with other tax jurisdictions who are members of the Joint Chiefs of Global Tax Enforcement," known as the J5.

In February 2022, after a previous nudge letter campaign aimed at cryptoasset holders, HMRC seized non-fungible tokens associated with a suspected £1.4 million VAT fraud operation. In May 2022 it hosted a gathering of the J5 countries for a "challenge event" targeting non-fungible tokens and decentralized exchanges. Those activities followed a 2021 consultation on digital platforms' reporting obligations to HMRC. ■