ZAZEN TAX

Selling Your Things, or Running a Business?

Clearing out your loft is not trading and never has been, at any amount of money. Buying things in order to sell them is trading, from the very first sale. Almost everybody who worries about this is somewhere in between, and this book is about how that question is actually decided.

Ten chapters. Rates and rules as at August 2026.

> **WHO THIS IS FOR**
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> Anyone selling on eBay, Vinted, Etsy, Depop or Marketplace who has had a letter, expects one, or simply wants to know where the line is before they cross it.

CHAPTER ONE

Two different worlds

There is no sliding scale here. You are either trading or you are not, and the two answers put you in completely different tax positions. Most of the confusion in this area comes from people looking for a threshold when what exists is a test.

If you are not trading

Selling your own used possessions produces no taxable income at all. Not below a threshold, not above one. If you sell your record collection for £15,000 because you have run out of shelf space, there is no income tax to pay on any of it, and no obligation to tell anybody.

There is one exception, dealt with in chapter seven, and it is capital gains rather than income tax. It catches very few people.

If you are trading

Your profit is taxable income. You may need to register for Self Assessment, keep records, and pay income tax and National Insurance on what you make. The trading allowance may cover you if the numbers are small, but the allowance is a relief from a liability that exists rather than a level below which nothing counts.

	Not trading	Trading
Taxable?	No	Yes, on profit
Amount that changes it	None	None
Register with HMRC?	No	Yes, unless under the allowance
Records needed?	Sensible	Required
What HMRC sees	The same platform data either way	The same platform data either way

> THE THING TO HOLD ON TO
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> The question is never how much you sold. It is what you were doing. A £40,000 clear-out is not trading. A £600 flipping habit is.

CHAPTER TWO

The badges of trade

There is no statutory definition of trading. What exists instead is a set of indicators drawn out of decades of tax cases, known as the badges of trade. HMRC weighs them together and so does a tribunal.

The nine badges

Badge	What it asks
Profit-seeking motive	Did you set out to make money from it?
Number of transactions	One sale, or a pattern of them?
Nature of the asset	Is it something that gives pleasure or income by being owned, or only by being sold?
Existence of similar transactions	Have you done this before?
Changes to the asset	Did you repair, restore, clean, bundle or repackage it to make it sell?
The way the sale was carried out	Sold the way a trader would sell, with advertising and listings?
The source of finance	Did you borrow to buy it, expecting the sale to repay?
Interval of time	Held for years, or bought and sold within days?
Method of acquisition	Bought, made, inherited, or already owned?

How they are actually weighed

Not equally, and not by counting. Two of the nine do most of the work in practice: the method of acquisition and the profit-seeking motive, which in most real cases are the same question asked twice.

The rest tell you how big a trade is rather than whether there is one. Volume, effort, advertising and speed all point in a direction, and they can turn an arguable case, but they rarely create a trade on their own out of goods you already owned.

> THE BADGE THAT USUALLY SETTLES IT
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> Where the goods came from. Something bought or made in order to be sold is trading stock from the moment you acquire it, however few of them there are. Something you owned and used is not, however many.

CHAPTER THREE

The decisive question

If you only ever ask yourself one thing, ask this: when I got hold of this, did I intend to sell it?

Four ways goods arrive

How you got it	Trading?	Why
You owned and used it	No	It was not acquired to sell, whatever it fetches now.
Given to you or inherited	Usually not	No acquisition cost and no profit motive, unless a pattern develops.
You made it	Yes	It did not exist until you made it to sell.
You bought it to sell	Yes	The clearest case there is.

Making things is trading from the first sale

This surprises people who knit, bake, print or solder as a hobby and sell the surplus. If the item was made in order to be sold, the fact that you enjoyed making it does not change what it is. There is no volume test.

The saving grace is the trading allowance, which is covered in the next chapter and which quietly covers a very large number of small makers. Trading and taxable are not the same word.

The awkward middle

Two situations sit genuinely on the line and no book can settle either.

— You bought something for yourself, used it, and sold it at a profit because it turned out to be collectable. Not trading, unless it becomes a habit.

— You started by clearing out your own things, enjoyed it, and began buying more stock to keep going. Trading, from the point at which you started buying.

> THE DATE MATTERS
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> If your selling changed character partway through, the trade started on the day you first bought something with the intention of selling it. That date, not the date you noticed, is when your records should start.

CHAPTER FOUR

The £1,000 trading allowance

The most misunderstood number in this area, and the misunderstanding costs people money in both directions.

What it is

If your total trading income for the tax year is £1,000 or less, you do not need to declare it or register for Self Assessment. It is a genuine simplification and it covers a great many hobby sellers completely.

> THE TRAP, IN ONE SENTENCE
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> The allowance is measured on your INCOME, not on your profit. £3,000 of sales that cost you £2,800 is £3,000 of income and £200 of profit, and it is over the allowance.

Why that catches people

Reselling is a low-margin activity. A seller turning over £4,000 a year on second-hand stock might genuinely make £700 of profit, and every instinct says that is under the allowance. It is not. The test is the £4,000.

Income	Costs	Profit	Over the allowance?
£800	£300	£500	No
£1,000	£0	£1,000	No, exactly at it
£1,200	£1,100	£100	Yes
£4,000	£3,300	£700	Yes
£15,000	£14,800	£200	Yes

How to use it once you are over

Being over the allowance does not mean losing it. You choose, each year, between deducting your actual costs or deducting the £1,000 flat. Whichever is larger.

For a reseller with real stock costs, actual expenses will almost always win. For someone selling their own labour with barely any costs, the flat £1,000 often wins, and it also spares you the record-keeping for expenses.

One allowance, not one per platform

It applies to your total trading income across everything. Selling on three platforms does not give you three allowances, and neither does having two different side businesses.

CHAPTER FIVE

What HMRC already knows

The reason this question has become urgent is not that the rules changed. The rules are decades old. What changed is that HMRC now receives the data automatically.

The reporting rules

Since January 2024, digital platforms have been legally required to collect information about their sellers and report it to HMRC once a year. eBay, Vinted, Etsy, Depop, Airbnb and the rest are all in scope. The first reports covering 2024 were due by the end of January 2025, and it has run annually since.

HMRC is understood to hold data on several million online sellers as a result. This is not a sampling exercise. It is a feed.

The reporting thresholds

A platform reports you if, in the year, you	Notes
Made 30 or more sales	Counted by number, not value.
Or received about €2,000, roughly £1,700	Whichever comes first.

> THE MOST IMPORTANT SENTENCE IN THIS CHAPTER
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> These are triggers for the PLATFORM to report. They are not tax thresholds for you. Being under them does not make income untaxable, and being over them does not make a clear-out taxable.

That distinction is worth dwelling on, because the two numbers get quoted as though they were tax rules and they are not. Your obligation is decided by the badges of trade and the trading allowance. The platform data simply determines whether HMRC is looking.

What is in the report

Broadly: who you are, your address, your tax reference if the platform holds it, the number of transactions, the total consideration paid to you, and the fees the platform charged you. The platform is required to give you a copy of what it reported about you.

What a letter looks like

HMRC generally opens with a nudge letter rather than an enquiry. It states that they have information suggesting you may have income to declare and invites you to check and put it right. It is not an accusation and it is not a bill.

It is also not something to ignore. A nudge letter that gets no response tends to become an enquiry, and an enquiry carries a very different penalty position from a voluntary correction.

> IF YOU RECEIVE ONE AND YOU WERE NOT TRADING

> Reply and say so, with what you sold and why it was your own property. You are not required to have kept accounts for selling your own possessions, but you are much better off being able to describe them.

CHAPTER SIX

The hobby that became a business

Almost nobody decides to start a business. They start selling a few things, it goes well, and at some point the character of what they are doing changes. Recognising that moment is the practical skill this book is trying to teach.

The five signs

— You bought something specifically to sell it. This is the moment, and everything else is corroboration.

— You started reinvesting proceeds in more stock rather than spending them.

— You began sourcing deliberately: car boots, wholesalers, auctions, clearance.

— You started promoting listings, or opened a shop on the platform.

— You began tracking what things cost you, because you cared about the margin.

What changes on that day

From that point	What it means
The profit is taxable	Subject to the trading allowance.
Records become required	What you paid, what you sold it for, and the evidence for both.
Registration may be due	By 5 October following the end of the tax year you started in.
Stock has a value	Unsold stock at your year end is an asset, not an expense.
The VAT clock exists	£90,000 rolling turnover, which is a long way off for most but not all.

The record-keeping is the hard part, and it is not hard

The thing that costs people money is not the tax. It is buying stock at car boots for cash, keeping nothing, and then being unable to prove what anything cost. An unevidenced cost can be disallowed, and if the cost is disallowed you are taxed on the sale price rather than on the profit, which on second-hand goods is most of the money.

> FOUR THINGS, WRITTEN DOWN AT THE TIME
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> The date, who you bought from, where, and what you paid. That is what a purchase invoice would have carried, and a note made at the stall is worth vastly more than a reconstruction two years later.

CHAPTER SEVEN

Selling your own possessions

The not-trading side deserves a chapter of its own, because people assume there must be a catch and mostly there is not.

There is no income tax, at any level

Personal possessions sold second-hand are not income. Clearing a house, downsizing, selling a wardrobe, disposing of a relative's effects: none of it is trading and none of it is taxable income, whatever the total.

The one exception, and it is capital gains

A single personal possession sold for more than £6,000 can produce a capital gain. This is a different tax from income tax and it has its own rules.

- It applies per item, not to your total sales.
- Cars are exempt outright, however valuable.
- Items with a predictable life of 50 years or less are generally exempt too.
- It bites on the gain, not the price, so an item that cost you more than you sold it for produces nothing.

A set or collection sold to one buyer can be treated as a single item, which is the version of this rule that catches people out. Selling a matched pair of chairs separately to two buyers and together to one are not the same transaction.

> IN PERSPECTIVE
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> Most people selling their own things are nowhere near £6,000 an item. If you are, it is worth a conversation, because the rules on sets and on part disposals are more involved than a bullet list can carry.

What to keep anyway

Nothing is required. What helps, if a letter arrives, is being able to say what the items were and where they came from. A list, or even the platform's own sales history downloaded once a year, turns an awkward conversation into a short one.

CHAPTER EIGHT

The first year, priced

An example, to put numbers on all of this. Sam sells clothes and homeware, starting with their own wardrobe and moving on to buying stock at car boots in the autumn.

	Amount	Taxable?
Own wardrobe and household items, sold Apr to Aug	£1,840	No
Stock bought at car boots from September	£2,150	
Sales of that stock	£5,600	Yes
Postage, packaging and fees on those sales	£1,180	
Trading income for the year	**£5,600**	
Profit	**£2,270**	

Working through it

The £1,840 from Sam's own wardrobe is not trading income and does not enter the calculation at all. It is not added to the £5,600 and it does not count towards the trading allowance.

The trading income is £5,600, which is over the £1,000 allowance, so Sam must register for Self Assessment. Because the actual costs of £3,330 far exceed £1,000, Sam deducts actual costs rather than the flat allowance.

The taxable profit is £2,270. If Sam has a job using their full personal allowance, income tax at the basic rate is £454 and there is no Class 4 National Insurance because the profit is below the £12,570 lower profits limit. If Sam has no other income, the personal allowance covers all of it and the tax is nil.

Sam's position	Result
Registration deadline	5 October after the end of the tax year
Filing deadline, online	31 January after the end of the tax year
Tax if Sam has a full-time job	£454
Tax if this is Sam's only income	Nil, covered by the personal allowance

What would have gone wrong

If Sam kept no record of the £2,150 of car boot buying, the deductible costs would fall to the £1,180 of fees and postage that the platform can evidence. Taxable profit rises from £2,270 to £4,420, and the tax with a job rises from £454 to £884.

THE COST OF NOT WRITING IT DOWN

> £430 of extra tax on a year with £2,270 of real profit. The record that would have prevented it is one line per purchase, written at the stall.

CHAPTER NINE

If you should have told them and did not

A large number of people reading this will already be a year or two into something they now realise was trading. That is a fixable position and the fix is much cheaper than being found.

Come forward rather than wait

Penalties for an inaccuracy depend heavily on whether the disclosure was prompted or unprompted. An unprompted disclosure of a careless error can attract no penalty at all. The same error found by HMRC after a nudge letter has been ignored is treated very differently.

What to do

- Work out which tax years are affected and from what date the trade started.
- Reconstruct income from the platform's own sales history, which you can download.
- Reconstruct costs as best you can, and be honest about which are estimates.
- Register for Self Assessment and file the outstanding returns, or use HMRC's digital disclosure service.
- Pay what is due, or agree a time to pay arrangement if you cannot.

Records you no longer have

A reasonable, documented estimate is acceptable where records are genuinely unavailable. What is not acceptable is a round number with nothing behind it. Bank and card statements, platform reports, and even photographs of stock can support an estimate.

> THE ORDER OF MAGNITUDE
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> For most people in this position the tax itself is modest. It is interest, penalties and the time spent that make it expensive, and all three grow with delay.

CHAPTER TEN

Where you stand

Six questions. Answer them honestly and you will know which side of the line you are on.

	Question	Points towards
1	Where did the things you sell come from?	The decisive one
2	How many separate items in the last twelve months?	Scale
3	Do you repair, clean, bundle or repackage before selling?	Trading
4	How long do you hold something before it sells?	Trading if short
5	Do you advertise or promote listings?	Trading
6	What did you receive in total this tax year?	Whether it matters yet

Question one carries more weight than the other five together. Questions two to five describe how big a trade is. Question six is a separate test altogether: it decides whether the trading allowance covers you, not whether you are trading.

If the answer is that you are trading

- Register for Self Assessment by 5 October following the end of the tax year you started in.
- Start keeping records from the first sale rather than reconstructing them later.
- Write down four things about every purchase: date, seller, where, and what you paid.
- Keep the money for tax somewhere other than your current account.

If the answer is that you are not

- There is nothing to do and nothing to pay.
- Keep a rough note of what you sold, in case a letter arrives.
- Watch the £6,000 point on any single valuable item.
- Watch yourself. If you start buying to sell, the answer changes that day.

> THE ONE LINE TO KEEP
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> Selling what you owned is never trading. Buying or making things to sell is always trading. Everything else in this book is about telling which of those two you are doing.

Zazen Tax

Accountants for people who sell things. zazentax.com/contact

General information, not advice for your circumstances. Rates and rules are those applying in 2026/27 for the UK. Whether a particular activity is trading depends on the whole picture and the boundary cases are genuinely arguable, so take advice if you are near the line rather than relying on a book.