Headlines

- Loyalty Points vs Cashback - What’s Taxable?
- Flipping Property? Why You Could Face a Surprise Tax Bill
- Selling Through TikTok or Online Platforms? Understand the VAT

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Loyalty Points vs Cashback — What's Taxable?

Loyaltyrewardsand cashbackcanadd uptorealvalue, especiallywhentiedtopersonal orbusiness spending. But how HMRC treats these rewards depends on **who earned them, why**, and **how they're used.**

For individuals and employees:

If you're using your personal card for business purchases and being reimbursed later by your employer, the rewards you earn, whether that's cashback or airmiles, are yours to keep and not taxable. HMRC accepts that these perks arise from the cardholder agreement, not from your employment or business.

However, if rewards are given by your employer directly, such as performance bonuses paid in vouchers or airmiles, they count as employment income and are taxable.

💡 **Example:** You book flights using your personal card to attend a work event and get 2% cashback. The cashback is tax-free. But if your employer gives you reward points for hitting targets, that's taxable.

For businesses (sole traders, companies, landlords):

When cashback is earned by the business, such as when purchases are made using a company card, it is taxable as additional trading income. The same rule applies to cashback earned on business-related spending for landlords or property investors.

Loyalty points earned through business spending are generally not taxable when earned, because they are treated like a discount or benefit in kind, not actual income.
If you redeem those points for business expenses, there's no tax impact. But if you use them personally, you may need to disallow related costs or consider benefit-in-kind implications.

💬 **Tip:** HMRC focuses more on cashback (which is real money) than points (which are non-cash benefits). Still, keep good records.

📌 **Bottom line:** Cashback is taxed as income. Points are generally ignored unless provided by an employer or used personally. Track who earns the benefit and how it's used to determine the tax treatment.

🏠 Flipping Property? Why You Could Face a Surprise Tax Bill

Refurbishing and reselling a property, or flipping, has grown in popularity, but many don't realise the tax consequences.

Myth: If you live in the property for a short time, you can claim Private Residence Relief (PRR) and avoid capital gains tax.

Reality: PRR only applies if you genuinely bought the property to live in as your main home. If the primary purpose was to renovate and sell for a profit, the gain may be taxed as income, not capital.

💡 **Example:** Danny buys a property, renovates it, stays there briefly, and sells it for a £70,000 profit. HMRC deems him a property trader. He pays income tax, not capital gains tax, and cannot claim PRR. HMRC will consider your intent at the time of purchase, how quickly you sold, and how much refurbishment was done. If your aim was resale profit, PRR won't apply.
💬 **Tip:** Document your reasons for buying the property (e.g. emails with mortgage brokers or solicitors). If the purchase was genuinely for living purposes and resale came later, you may still qualify for PRR.
📌 **Bottom line:** Living in the property doesn't automatically shield you from tax. HMRC looks at your purpose, not just your postcode.

💻 Selling Through TikTok or Online Platforms? Understand the VAT

Asmore small businessesmoveintoonline marketplaceslike TikTokShop,Etsy,orAmazon,manyare caught out by how VAT works. The biggest misunderstanding? **VAT is due on the total customer payment, not the amount you receive after fees.**

Gross receipts, not payouts

If you sell goods worth £2,000 and charge £200 for delivery, and TikTok deducts fees before sending you £1,820, **VAT is still due on the full £2,200**.

Example:

- Sale price: £2,000
- Shipping: £200
- Total VATable amount: £2,200
- VAT due (at 20%): £366.66
- TikTok payout after 9% fee: £1,820
- Net left after VAT: £1,453.34

Reverse charge on platform fees

Most online platforms are based outside the UK. Their fees are subject to the reverse charge rule. You must:

- Account for VAT as if you were both supplier and customer (Box 1 and Box 4 of your VAT return)
- Record the gross value in Boxes 6 and 7

This typically results in no net VAT payable, but you must still include it on your VAT return.

Tip: If you sell zero-rated goods, offering free delivery can help avoid charging VAT on shipping while still reclaiming input tax.

Bottom line: You owe VAT on what your customer pays, not what your platform sends you. Keep your records platform-aware, not bank-statement driven.

Interesting Reads

Tax Relief On Directors' Pension Contributions In The UK

Pension contributions in the UK form a crucial financial cushion for limited company directors, ensuring they have financial stability after retirement.

Decoding The 1263L Tax Code For Taxpayers In The UK

In the UK, tax codes are vital in determining how much tax an individual pays on their income. HMRC issues these tax codes, and employers use them to calculate what amount of income tax is to be deducted from an employee’s salary.

HMRC New PAYE Claims for Pension Tax Relief

The UK government offers pension tax relief as an incentive to encourage individuals to save for retirement. With the relief, the individuals can make contributions from income, either through a net pay arrangement (before tax is applied)

Our e-mail address is:

clearhouse@chacc.co.uk