



Lloyd's Financial Q&A Column

Grantham-based tax and accountancy specialist Lloyd Stubbs gives advice on financial matters to small businesses

If my side hustle makes less than £3,000, is it true that I don't need to pay tax?

Q: I have heard that soon any businesses with income below £3,000 won't have to complete a tax return or pay any tax. This sounds too good to be true – what's the full story?

A: The Government has announced that the threshold to complete a self-assessment tax return for a trading business will go up to £3,000. But that does not mean the first £3,000 your business makes is tax-free. Let's break down exactly what it does mean and how that could affect you.

What are the current rules?

The current rules state that if you have trading income of £1,000 or more in a tax year, then you need to file a self-assessment tax return. £1,000 is also the value of the trading allowance so if you have £1,000 or less in trading income, you will have no income tax to pay.

What was the Government announcement?

In March 2025, the Government announced that the self-assessment reporting threshold for trading income would go up to £3,000. The Government estimates this will take 300,000 people out of self-assessment, reducing the admin burden for small businesses, including many side hustles.

There is no start date for this rule change yet, though it will be before the end of the current parliament, which gives the Government until 2029. Crucially, this increase is to the threshold for completing a tax return and not an increase to the tax-free trading allowance. So, if you have a new start-up, a side hustle or an existing micro business, the first £3,000 of trading income will not become tax-free. The

trading income is still taxable, but you won't need to file a tax return unless you already need to complete one for another reason – such as savings income, rental income or capital gains.

You should always check if you are required to file a tax return, and if you are in doubt, HMRC provides an easy-to-use online tool to confirm if a return is needed.

If I don't need to file a tax return anymore, how do I pay any tax due to HMRC?

If you no longer have to file a tax return as your trading income is below £3,000, but you have tax to pay – for instance because your trading income is a side hustle and your personal allowance has been used up by employment income from your main job – HMRC has said it will launch a simplified online service for tax payments.

Is it business as usual until this new threshold begins?

Yes, it is business as usual until the start date is announced for the new £3,000 self-assessment threshold. If you have more than £1,000 of trading income you should continue to file an annual self-assessment tax return.

Lloyd Stubbs specialises in managing tax and accountancy affairs for small business owners and can be contacted by phone or email

Tel: 01476 590555

lloydstubbs@taxassist.co.uk

www.taxassist.co.uk/grantham