

Taxing Content Creation

If you're making money from online content, it may be taxable.

My husband watches videos of gamers playing his favourite first-person shooter computer game. My children watch other children unboxing toys and hamsters finding their way through mazes on YouTube Kids. I follow my favourite style consultant on Instagram and read her blogs. My younger cousins avidly watch the latest TikTok videos. We love watching these people having fun, so can they really be earning taxable income?

We have outlined below the tax issues for content creators like bloggers, influencers, gamers, online reviewers, video makers.



Is it a Hobby, a Side Hustle or a Business?

This distinction can change over time.

For instance, an amateur photographer sets up a Facebook page posting images of his LEGO Creator models. A toy store offers to pay him \$150 for one of his photos, to use in their LEGO in-store display. At this stage, the photography is still a hobby, the income is not regular, expenses far outweigh the income, and he is not intending to do photography as a business. He earns less than \$200 so he doesn't need to declare any taxable income.

His photography and LEGO creations improve and he sets up a Patreon account. Donors pay for access to exclusive photos which are not on his free Facebook page. He receives lots of small donations during the year, pushing his income up to \$250 in a year. The \$250 is related to his photography activities and more than \$200, so he needs to declare it as taxable income. He can deduct his expenses though, such as new lenses, editing software,

internet subscriptions.

He creates a stop motion video from his LEGO which goes viral on TikTok. He receives commission income from toy stores for the post links, which is taxable income, even though this is still a side hustle for him.

He stops creating photo posts and video posts as he's too busy with his main work, but still is receiving income from his old photo / video content. Even though it's now passive income, it is still taxable, but he can't keep claiming business expenses because he is not actively involved.

What Types of Income Can a Content Creator Earn?

You can earn income from digital content creation in so many ways, and all of these are taxable if they are regular or if they contribute to your living expenses.ⁱ

- Payment from online platforms for high volume views to your videos and podcasts (e.g. YouTube, TikTok, Spotify)
- Subscriptions for your videos, blogs and newsletters (e.g. YouTube, Discord, Substack, Medium, Patreon, OnlyFans)
- Sponsorship of your content

- Advertising embedded in your online content, paid partnerships
- Commission from affiliate marketing and links
- Donations or gifts, including non-monetary gifts (see below)
- Prize money from e-sports competitions.

There is a low-income exemption for ages 18 and under, so they don't pay tax if they earn less than \$2,340 a year. For over 18s, the exemption is only \$200 a year.

If you earn over \$60,000 income a year from content creation, before deducting expenses, you may need to register for GST as well. If you have other forms of self-employment income, add up your income from these other forms to see if you are over the threshold.

Are Gifts of Goods and Contrasts Taxable?

IRD considers goods and contrasts to be taxable if they relate to the income-earning activity of the content creator and can be converted into money.ⁱⁱ But if you didn't buy it, how would you decide on the taxable value?

For instance, in the LEGO photographer example, if a toy store decided to gift a LEGO set to photographer as well as paying commission, the second-hand value of the LEGO set would be used to determine a reasonable estimate of the taxable value. You could look at what similar sets are selling for in Trade Me or another online marketplace and deduct the listing fee or commission for the sale.

If a homewares reviewer received a free espresso machine in exchange for a review, that is considered a contra. The espresso machine could be sold second-hand afterwards or kept, but the timing of the income would be receipt of the espresso machine. The value would be either what it was actually sold for, or estimated from looking at an online auction website.

In some cases, there may be no resale value, such as used personal items like toothbrushes. If a gamer was required to show and consume some branded ice coffee drinks while gaming as part of a sponsorship deal, then the drinks would not be income as they cannot be sold.

What Expenses to Claim?

If you have an income-earning activity you can claim a deduction for expenses and depreciation (gradual write-down of assets) on items you use in the business. There needs to be a relationship between the expense and the income-earning activity.

A blogger may have home office costs, internet and phone, depreciation on computerⁱⁱⁱ, subscriptions to industry relevant material, music licencing, online apps, professional fees. If the blogger must travel to interview people or do research, then the travel costs can be claimed.^{iv}

Most clothing expenses makeup and haircuts are not deductible, even though the content creator is the face of their brand and has to be well-presented. Clothing is considered private or domestic expenditure because it is used for warmth and modesty. This applies even if the clothes are worn just for a photoshoot. An exceptional circumstance may be made for costumes that are not everyday attire. ABBA had outrageous costumes to get around similar rules in 1970s Sweden^v. Models can usually claim hairstyling and makeup just before a photoshoot. It appears that IRD are not willing to extend a claim for clothing, hair and makeup to influencers who model for their own social media posts and act in their own videos.

You may have costs while you are getting established and building up an audience, but you won't be able to claim a tax deduction until your activity starts generating income. You don't need to be profitable to prove that you are in business.

Summary

If you earn money or receive valuable goods from creating digital content, there is a good chance it will be taxable. The tax treatment depends on whether your activity is still a hobby, has become a side hustle, or is operating as a business, but income from platforms, sponsorships, subscriptions, affiliate links, gifts, and passive earnings can all fall within the tax rules. Keep good records, review whether GST registration may apply, and claim only those expenses that are genuinely connected to earning your content income.

For content creators, tax obligations can arise earlier than expected. Even when the income starts small or the rewards come in the form of products rather than cash. Getting the structure right from the outset can help avoid surprises later. If you are monetising online content, we can help you work through income tax, GST, deductible expenses, and record-keeping requirements with confidence.

- *Serena Irving*

Serena Irving is a director in JDW Chartered Accountants Limited, Ellerslie, Auckland, and advises several content creators. JDW is a professional team of qualified accountants, auditors, business consultants, tax advisors, trust and business valuation specialists.

ⁱ <https://www.ird.govt.nz/digital-content-creators/when-your-content-creation-work-is-income>

ⁱⁱ <https://www.ird.govt.nz/digital-content-creators/content-creators-receiving-payments-products-and-services>

ⁱⁱⁱ <https://www.ird.govt.nz/digital-content-creators/claiming-expenses-on-content-creation-income/depreciation-for-content-creators>

^{iv} <https://www.ird.govt.nz/digital-content-creators/claiming-expenses-on-content-creation-income>

^v <https://www.theguardian.com/music/2014/feb/16/abba-outfits-tax-deduction-bjorn-ulvaeus>