



Tax treatment of swimming club income from Open Meets

The taxation treatment of income from Open Meets will vary between different swimming clubs depending on how the relevant club has been established, its tax status and individual circumstances, and possibly whether the club is running the event commercially.

Swimming clubs will generally be taxable as trading income on the surpluses generated from Open Meets and other sources unless an exemption is available due to their status or it falls within one of the categories where case law has established that some or all of the income from the activities should not be taxed.

Non-taxable income

We have set out below some examples of occasions where the income from Open Meets may be exempt from tax or not be fully taxable under case law.

- (1) In cases where the mutual trading principle applies to treat the income received from members of the host swimming club as non-taxable. The mutual trading principle is a concept derived from case law, based on the principle that a person cannot trade with himself.
- (2) Where it can be justified that the event is *not being run with a view to a profit and does not constitute a trade*.
- (3) In cases where the swimming club is only treated as taxable on its investment income on the basis that, when considered as a whole, its activities are *not being run with a view to a profit* and do not constitute a trade.
- (4) For swimming clubs registered as a Community Amateur Sports Club (CASC's) who meet the relevant requirements to be exempt from corporation tax on such income.
- (5) Where the swimming club is registered as a charity and meets the requirements to be exempt from corporation tax on such income.

This basic guidance is generic for all clubs, but cannot cater for the individual tax position of every club. Even if they have the same constitution, the tax position for one club operating in a certain manner could be very different to another:

- One club that has a number of large open meets and/or other potential trading activity may risk being considered by HMRC to be trading with a view to profit. However, external open meet income would need to be considered in the context of all other club income and expenditure, and overall the club may still not be trading with a view to profit.
- Another club may only hold small open meets with the majority of swimmers from its own membership. Thus most of the open meet income would be mutual trading and, if there was no other significant commercial activity, the club would probably be considered by HMRC to be trading *not with a view to profit*.
- If a club is consistently generating annual surpluses that are not from the club's members, then the club could have a tax liability.

This is a complex area and if still uncertain about their individual position, having considered the above notes, it is recommended that clubs obtain advice from their own tax advisors on the treatment that should be adopted before preparing their tax returns.

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