

# Corporation tax on open meets and gala income

Income from club members is generally not subject to corporation tax since providing services and facilities to members is not normally regarded as a trade by HM Revenue and Customs (see HMRC Business Income Manual BIM24205). However income from non-members is potentially taxable as trading income. This is likely to be the case where regular open meets and galas are organised commercially. HMRC's view is that non-member gala and open meet income is subject to corporation tax which may still be payable if the club has an overall net loss for the year.

Often it is argued that corporation tax is not payable because of the "mutual trading" tax rule. This applies only to transactions with members where the profits will be returned to members on dissolution of the club. This therefore cannot protect profits made on services and supplies to non-members. A possible avenue for avoiding taxation on the open meets and galas is where the club is registered as either a [Community Amateur Sports Club](#) or as a [charity](#). Registration may be worthy of consideration.

In most cases this non-member income will be treated as a trade by HMRC who may very well pursue the club for the tax which is due for current and past years. There may be other sources of taxable trading income e.g. sponsorship, to be included. The costs of earning this non-member trading income can be deducted in arriving at the taxable profit. These will include the direct costs of organising and running the events; this expenditure can be allocated between members and non-members attending as long as this is in a reasonable manner (HMRC's BIM24460).

In addition, HMRC allows a deduction for some costs not actually charged so that only an equivalent commercial profit is taxed (HMRC's BIM24475). Such "notional" costs could include:

- The cost of all volunteers based on hours worked on gala day.
- Work carried out before gala day by the gala promoter, officials and organiser.
- The costs of other activities directly attributable to a gala including training of officials, the use of gala equipment.

These notional costs would also need to be allocated on a reasonable basis between member and non-member income.

A tax deduction of up to £2,500 per annum is available in full from taxable profits; these will include trading income from galas and open meets and any other sources of taxable income e.g. bank interest. This full deduction is available under the Grassroots Sport Expenditure (GRE) tax relief rules introduced in 2017 (HMRC Company Taxation Manual CTM09515). Also any donations to charity are fully deductible.

The above approach to the taxation of gala and open meets income is reflected in the case study contained in the [Club Financial Toolkit](#), pages 40 and 41. Here following an HMRC enquiry the tax liabilities for a number of years were successfully reduced.

The tax treatment of galas and open meets is far from straightforward; many clubs may be unaware of the potential tax liabilities. Having considered the above general guidance clubs are recommended to take their own professional advice based on the club's own position.