

JOCKEYS TAX & VAT BOOKLET



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1. Introduction

The tax treatment of Jockeys' income and deductible expenses are assessable to Income Tax through Self Assessment. A Jockey may operate through the medium of a company and be an employee of that company as described under Service Companies at Section 6. Trainee Jockeys, that is, Apprentice and Conditional Jockeys are afforded different treatment; the aspects of this are dealt with at Section 8.

2. Sources of Income

Any money receivable by a Jockey whether in cash or by cheque, whether requested, or described as a gift, in return for his professional services will normally be taxable income. In addition, the value of any non-monetary items which are marketable, such as cars or jewellery, may also be assessable if they are received in return for the Jockey's professional services, i.e. additional rewards. If there is any doubt as to the assess ability of any receipt, whether in monetary or non-monetary form, then the Jockey should consult with his accountant.

The following list, which is not exhaustive, indicates the more common types of income and their tax treatment:

2.1 Stable Retainers

All amounts received are taxable.

2.2 Riding Fees

All riding fees, whether payable direct to the Jockey or through Weatherbys, and whether payable within or outside the UK, are taxable. Jockeys should retain for production to HM Revenue & Customs, via their accountants, any receipts issued to them by foreign racing authorities. If overseas income tax is deducted from any payment, the tax deducted will normally be eligible for set-off against the Jockey's UK tax liability.

2.3 Prize Money

Prizes specified under The British Horseracing Authority (The BHA) Rules, payable directly through Weatherbys, are taxable. If any extra percentages are paid by a separate arrangement with an Owner then they are also taxable.

The prize percentage pool allocated to the Professional Jockeys Association Pension Scheme is taxable. The Jockey would then show in his accounts the actual prize monies, as referred to above plus the NET personal pension allocation made to the scheme on his behalf.

2.4 Work Riding

Fees received for work riding are taxable.

2.5 Fees for Appearance, Sponsorship or Professional Advice

Appearance monies payable by sponsors, racehorse owners and others are taxable, as are monies receivable for advice about horses.

2.6 Injury Benefits

Temporary disablement benefits received from the Professional Riders Insurance Scheme (PRIS) are taxable. Capital sums received under PRIS regulations are not taxable.

2.7 Horses Retired to Stud

If a Jockey is given shares in a stallion syndicate he is assessable on their market value when receivable.

Any other breeding rights or annual nominations in stallions will be assessed on the value received and should be notified to HM Revenue & Customs via your accountant.

2.8 Other Activities

Any commissions on sales or syndication of horses will be assessable. The profit of a business of horse breeding, with a view to the sale of the progeny, will be taxable.

3. Revenue Expenses

Revenue expenses are, very broadly, the ordinary day to day expenses which a Jockey incurs in the exercise of his profession. They are usually deductible in computing his taxable profits if they are paid wholly and exclusively for the purpose of his profession, though some types of expenses, such as business entertainment, are specifically disallowable.

The following list is not comprehensive, but indicates some of the most common expenses for which a deduction may be claimed.

3.1 Motor Expenses

These may include petrol, oil, repairs, tax and insurance. Only expenditure which is attributable to business motoring is allowable and if a vehicle is used partly for private motoring only the proportion of the expenses which is attributable to the business use is allowable.

3.2 Travelling and Hotel Expenses

Other travelling expenses, such as rail or air fares, are allowable if they are solely for business purposes. Hotel expenses incurred by a Jockey on his own accommodation and subsistence whilst travelling on business are also allowable.

3.3 Racing Equipment and Clothing

Expenditure on repairs and replacements is allowable.

3.4 Career Ending Insurance Scheme Contributions

The payout from the Career Ending Insurance Scheme is a tax free receipt. The contributions towards the scheme are not an allowable deduction from business profits.

3.5 Weatherbys' Charges

3.6 Valets Fees and Laundry Expenses

Laundry expenses specifically relating to riding clothes are allowable.

3.7 PJA's Subscription

3.8 Riding License

3.9 Trade Magazines/Stationery etc.

The cost of form books and racing papers as well as stationery and postage costs provided they relate to business usage are normally allowable.

3.10 Wasting, Physiotherapy and Medical Expenses

Excepting that expenditure on maintaining the general health and fitness of a Jockey is not normally allowable.

3.11 Agents Fees and Secretarial Assistance

Costs incurred in engaging the services of an agent or secretary for booking rides, maintaining records and correspondence are an allowable expense.

3.12 Fines

Fines imposed under the Rules of Racing are an allowable deduction because they are not breaching civil or criminal laws of the United Kingdom.

3.13 Other Allowable Expenses

Other types of allowable expenditure may include the cost of business telephone calls, business use of home, business bank charges, and normal recurring accountancy expenses incurred in preparing accounts or agreeing taxation liability.

4. Pension Scheme

The pension allocation referred to in paragraph 2.3 must be grossed up to then be entered as a personal pension contribution on the Self Assessment Return.

5. Capital Expenditure

Expenditure of a capital nature is not deductible from your profits in the year that it is incurred. Instead Capital Allowance will be given on the expenditure.

On any capital expenditure, excluding cars, an “Annual Investment Allowance” can be claimed in the year of purchase which allows an initial allowance of 100% on capital expenditure subject to the maximum limits, you should consult your accountant on the AIA limits. Any balance will receive an annual allowance, at a rate of 8% or 18% a year.

Typical capital expenditure may include a motor car and the allowance due will be at a rate of either 8% or 18% a year, dependent on the CO2 emissions of the vehicle. This annual writing down allowance must be restricted, as appropriate, to take account of any private use.

6. Service Companies

Some Jockeys provide their services through the medium of service companies. Where this happens, the Jockey usually enters into a contract of employment with his company and the company enters into various contracts to supply his services. The tax position of the company and of the Jockey will then be as follows:

6.1 Company Income

Income which the company earns under the contracts which it enters into will be taken into account in calculating the company's profit for Corporation Tax purposes. This will include most, if not all, of the types of income listed under Section 2.

6.2 Company Expenses

In calculating its profits for Corporation Tax purposes, the company will be entitled to deduct Revenue expenses of the kind listed in Section 3.

The Jockey's remuneration as an employee is an allowable expense of the Company.

6.3 Company Pension Scheme

Contributions to company schemes are allowable. But note that the special retirement ages for Jockeys do not apply. Schemes of this nature can only use the normal retirement age.

There are limits on the amount of pension contributions that can be made tax efficiently and if in doubt you should seek the advice of a financial advisor.

6.4 Jockeys' Income

The Jockey will be assessable on:

- Any income which he receives from the company, including salaries or wages, expenses payments and benefits in kind;
- Any other employments or benefits (including prize money) which arise from his employment with the company, but which are received from somebody other than the company, e.g. Owners, Trainers, etc.
- Any income which he receives under contracts

which he enters into in an individual capacity.

6.5 Jockeys' Expenses

Although expenses payments and benefits are assessable as part of the Jockey's income, he will be entitled to a deduction for any amounts which he expends wholly, exclusively and necessarily in the performance of his duties for the company.

7. Trophies

The market value of a trophy received for winning a race is normally assessable. If there is any doubt as to whether the value of a trophy is assessable, details should be provided to your accountant for consideration.

8. Apprentice and Conditional Jockeys

Apprentice and Conditional Jockeys who shall collectively be referred to as Trainee Jockeys are normally regarded by the HMRC as employees of the trainer for whom they ride.

The majority of Trainee Jockeys receive a wage as a stable employee. This income is directly subjected to PAYE and National Insurance by the Trainer in the same manner as any other employee in the yard.

The riding fees and prize money received by the Trainee Jockey under the Rules of Racing are taxed under PAYE and are also liable to Class 1 National Insurance, subject to certain exceptions, as described in Section 8.3.

8.1 Sources of Income

The principal sources of income for Trainee Jockeys are the riding fees and prize money as allocated under the Rules of Racing.

Additionally, it is possible for the Trainee Jockey to earn income from other sources, namely those described in Sections 2.5, 2.6, 2.7 and 2.8.

In broad terms the Trainee Jockey is assessable on all forms of income and rewards received from riding and related activities some of which are assessable under Self Employment and some under Employment categories of Self Assessment. The status position is further considered at 8.3, because of these complexities it is recommended that the Trainee Jockey seeks professional advice on their own tax position.

8.2 Allowable Expenses

The Allowable Expenses will be determined on the basis of the income which is assessable under either Self Employment or Employment. For income under Self Employment the expenses will be allowable as described at 8.3.

However, for income assessable under Employment the expenses allowed as a deduction are subjected to a more stringent test and it is necessary to show that the expense is wholly exclusively and necessarily incurred in the performance of the duties as opposed to merely showing that the expense was wholly and exclusively for the business as under Self Employment.

8.3 Tax Status

HMRC has always regarded the Trainee Jockeys income from all rides as taxable as employment income. Whereas, the National Insurance Office have always deemed income from the rides of the Trainers to which the Trainee Jockey is attached (home rides) as employed income, subject to Class 1 National Insurance and rides for other trainers (away rides) as self employed income, subject to Class 2 and 4 National Insurance.

The two offices are now bound by each other's rulings. Consequently, a ruling by the National Insurance Office has now bound HMRC to treating away rides as self employed income. Whilst, home rides remain unaffected and are treated as income of the employments.

9. General

9.1 Record Keeping

Self-assessment requires Jockeys to keep all records of a financial nature, both business and private. Fines can be imposed for failure to do so.

9.2 Notification to H M Revenue & Customs

Jockey's must advise HM Revenue & Customs of their commencement of riding. Although it is best to register as soon as possible after commencement, the latest that this must be done is by 5 October following the end of the tax year in which you started riding. The tax year runs from 6 April to 5 April.

Jockey's must advise HMRC of their self employed status using form CWF1.

9.3 Professional Advice

If a Jockey intends to seek advice, it is recommended he does so as soon as he starts riding, so that the adviser can discuss record keeping etc.

10. Value Added Tax

10.1 A Jockey's income from race riding is deemed a supply of business services for VAT purposes, namely:

- Riding fees
- Retainers
- Solicited Gifts (that is, gifts or presents promised verbally or in writing by an owner before a race)
- Interview Fees
- Work Riding
- Journalism/Fees for Articles
- Appearance/ Sponsorship Fees. This can also take the form of a free lease of a vehicle displaying the sponsor's logo.
- Overseas Riding Fees and Prizes* (for race riding services which are performed outside the UK and EU countries)
- EU Riding Fees and Prizes* (provided services are actually performed outside the UK, see Section 10.3).
- Commission on sales or syndication of horses
- Income from horse dealing and breeding

(*These are zero rated services and nil tax is calculated)

With the exception of some of the sources of income, as detailed in Section 2, which are outside the scope of VAT, namely:

- Prize Money (Under the Rules of Racing)
- Non Solicited Gifts
- Professional Riders Insurance Scheme benefits

If a Jockey has any doubts about a source of income not covered in the aforementioned, then he must consult his accountants to find out the correct treatment.

10.2 Registration

If a Jockey's total income, as detailed above, has exceeded the current VAT Registration Limit in the past 12 months or circumstances are such that the Jockey expects to exceed the level in the next 30 days alone, then there is the need to register. Please refer to the HM Revenue & Customs booklet "Who Should Register for VAT"

In reality very few Jockeys exceed the level, but there is nothing stopping the Jockey applying for voluntary registration. There appears to be definite advantages since the introduction of the Racehorse Owners Scheme permitting owners to register for VAT.

10.3 Riding In An EU Country?

If a Jockey race rides in an EU country then the VAT regulations of that country have to be considered.

The Jockeys have to consider registering in that country and appointing a local agent to handle their affairs.

NB: If you do ride in an EU country then you are advised to consult your accountant. The main racing countries are deemed to be Ireland, France, Germany, Italy and Spain.

10.4 VAT and Apprentices and Conditional Jockeys

Apprentices and Conditional Jockeys (7lb, 5lb and 3lb claimers) are employees of the trainer. Each time they ride in a race a riding fee including VAT is payable by the owner. In the case of Apprentice Jockeys, and Conditional Jockeys who claim a 7lb allowance, one-half of the riding fee (including the VAT) is paid to the Jockey, with the balance paid to the trainer who should account for VAT on the full amount of the riding fee. For conditional Jockeys who claim a 5lb or 3lb allowance, and those who have lost the right to claim an allowance, the whole of the riding fee excluding VAT is paid to the Jockey. Only the VAT is paid to the trainer who should declare it as output tax. The details of these transactions are shown on self-billing invoices issued by Weatherbys.

10.5 General

VAT is a complex tax, with pitfalls for the unwary. If a Jockey thinks he should be registered then he should either speak to his accountant or contact H M Revenue & Customs. The latter produces a booklet "Who Should Register for VAT" which is a useful source of information.

If the Jockey decides to register for VAT, the Jockey must inform Messrs Weatherbys of the date from which the registration will be effective. This must be done at the time of submitting the application to H M Revenue & Customs, followed by a copy of the registration document when received. The Jockey must also advise Weatherbys of the date of any de-registration for VAT.

11. Your Rights

This leaflet has no binding force and does not affect a person's Right of Appeal on points concerning their liability to tax.

The PJA is not responsible for any action or in action taken as a result of this booklet.

12. Helpline

These notes are for your guidance only. As each Jockey's circumstances are going to be different; you are advised to seek professional help from your accountant or contact the PJA advisers, Wilkins Kennedy on 01635 265265.