



Tax attacks on game shooting

Many farms and landed estates integrate the sport of shooting into their farming activities and the "selling off" of days shooting to the outside world can provide lucrative income.

The activity is currently suffering various areas of "tax attack" or further scrutiny. For example, the payroll compliance department appears to be focusing on a number of issues:

- tips paid to the gamekeeper(s). These should be declared and subject to income tax (PAYE);
- gamekeeper taxable benefits in kind – whether the vehicle used has private use and therefore a benefit in kind. The "tax free" status of the gamekeeper's cottage. Where is the vehicle kept?

Bird flu is not the only problem facing the world of commercial shooting integrated into farming, writes Julie Butler of Butler & Co, Alresford, Hampshire



- beaters – all names should be kept and the correct PAYE treatment applied. This could cause problems on claims for tax credits, unemployment benefit etc.

Some shoots are purely private, although this is quite a

luxury. Where there are no days sold to the outside world then the costs that genuinely relate to vermin control or conservation disallow the proportion of:

- gamekeepers wages and benefits in kind;
- refreshments for shoot lunches;
- beaters wages and tips;
- the rearing cost of birds.

The VAT implications are also receiving attention. Are "sold" days subject to the correct output VAT? If there is private use, ie days retained for the family, is the appropriate input VAT disallowed?

More long term problems on capital gains tax and inheritance tax could arise on the possible private use of assets. For those conversant with the running of a game shoot it will be understood that shooting is integrated into the activity of farming. Most of the shooting activity will take place in woodland (for the rearing and "housing"). The woodland is used to provide timber for use on the farm.

The taxation of woodland has interesting tax considerations. Long-term woodland does not currently qualify for business asset taper relief (BATR) for capital gains tax (CGT) and woodland can be an exempt asset for Inheritance Tax (IHT). However, the use of "game strips", ancillary woodlands and hedge-

rows does raise possible complex issues for CGT and IHT and the identification of areas of "complex" use should be identified.

If the income from the sale of days shooting is declared in the accounts of the farm/landed estate there are much stronger arguments for no private use to be charged provided that it can be demonstrated that this is a commercial activity and there is an add back for private use in relation to the number of private days or private guns on a commercial shoot.

Action plan

So what action can the farm tax adviser/accountant take?

1) Obtain the facts. Ask every farming client what the shooting arrangements are on the farm and keep a copy on the permanent file which is updated regularly.

2) On the farm maps, note areas of woodland that are used for game rearing and other areas of woodland and what they are used for.

3) When the annual books and records are received ask what the private amount of shooting has been.

4) When the annual accounts and income tax computation based thereon are sent to the client note any private usage for the shooting activity in writing and ask them to confirm that this is right and that it accords with the VAT treatment.

5) Risk management. If a client were to undergo a payroll, VAT or tax return enquiry that unearthed irregularities with the farm shoot, the adviser would have greater protection against potential claims if warnings have been given.

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