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All tracks lead to the correct establishment of an equine business

There has been a continual stream of tax legislation that points towards the formalisation of the equine business.

Many equine operations are in effect trading, but do not realise either the tax advantages or the need for tax compliance. There are many triggers for equine tax disclosure. For example, a few liveryies are kept in spare stables, a favourite retired racehorse mare breeds a valuable foal that is sold, an eventer or show jumper is purchased for a low price and sold for a large profit, spare horses are hired out for hacking or 'hirelings'.

Is there, however, an equine business and are all the badges of trade in place?

Perhaps approach the matter from the other viewpoint – what are all the tax advantages and how could the 'semi-developed' or 'half-formed' business activity be made into the potential tax haven that is on offer?

What are the possible tax advantages?

- Potential 50% tax relief on tax losses offset against total income
- Ability to reclaim input VAT on property repairs etc – the rate will soon be at 20%
- Disposal of the property with business Capital Gains Tax (CGT) advantages, eg rollover, holdover or entrepreneurs' relief (ER)
- The equine property can escape Inheritance Tax (IHT) liability as a result of possible Agricultural Property Relief (APR) or Business Property Relief (BPR).

Equine activity at most levels involves a high infrastructure of costs and to support this there can be income streams which are taxable and overlooked by the recipient, eg sponsorship receipts, prize money, profitable sales, owner contribution, teaching income, livery income etc.

There is a good opportunity to achieve the twin goals of tax compliance – correctly recording the business with HMRC – and tax planning by achieving significant tax advantages in establishing business status.

The positive tax advantages are as set out above. The aim is to establish an equine business and to take advantage of these reliefs and reap fair rewards for correct business status whilst not falling foul of non-disclosure of income.

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