

When Leeds Cricket took on HMRC

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The importance of the Leeds Cricket decision in the light of the Budget 2020



With the Entrepreneurs' Relief (ER) lifetime limit for Capital Gains Tax (CGT) having reduced from £10 million to £1 million in the Budget, it is considered that Rollover Relief will become more critical.

When the Coronavirus pandemic has passed and property activities spark into life again in addition to rollover the Leeds Cricket Case will be of particular importance moving forward.

The decision in the *Leeds Cricket Football & Athletic Company Limited v HMRC* [2019] UKFTT 568 (TC) [tinyurl.com/TX-UKFTT568](https://www.tinyurl.com/TX-UKFTT568) was that there is goodwill and a business of cricket hospitality where the principal activity appeared to be only that of letting. The result is of significance for the farming industry who have now let large parts of the farm. Many farmers have diversified and let land but have held on to rights to carry out activities on the leased land.

Leeds Cricket Football and Athletic Co Ltd (LCFA) had an 'established client base and reputation developed over the years' that would distinguish it from a new operation. They owned the freehold to Headingley cricket ground which it leased to Yorkshire County Cricket Club (YCCC). During the lease, LCFA maintained the right to carry on hospitality, catering and advertising. In December 2005, LCFA sold the ground to YCCC. Afterwards, to help ensure a smooth handover, LCFA transferred client details and agreements of third parties with YCCC licensing back the catering business to the LCFA for an annual fee.

The first thing for the First-tier Tribunal (FTT) to consider was whether LCFA's activities, before the sale, had constituted a business. The Tribunal considered there was a business carried on by LCFA – the income streams continued even when cricket was played at other grounds and the evidence showed that LCFA actively carried on a cricket business. As an example, LCFA employed 19 full-time catering staff in the hospitality business.

The LCFA had sold the freehold of Headingley Cricket Stadium to YCCC, who had previously held just the lease. The question referred to the FTT was "Did the sale involve a disposal of a business with attached goodwill or was there only a disposal of land with attached income streams?" A large CGT charge would arise only in the second case and therefore the business alternative enjoyed the significant CGT advantages of rollover relief.

Goodwill remains a complex subject. It was agreed by the tribunal that the splitting of goodwill into inherent and adherent goodwill is an artificial exercise. The FTT decision in Leeds Cricket seems to support those who consider HMRC have the wrong approach to goodwill. How this case can be used will be interesting to farm tax advisers generally as well. Many tax advisers see this as the opportunity for HMRC to review their policy on goodwill and the sale of businesses.

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