

## Tax on Testimonials

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### Background

The following notes are meant to be used as a **reference guide for Tax on Testimonials**. Specific tax advice should be sought in relation to your own personal circumstances before implementing any of the guidance shown below.

Sports Testimonials and Testimonial years are generally considered to be tax grey area and HMRC will seek to recover tax from as many fronts as possible:

### Testimonial committees

Where a testimonial committee is an unincorporated association, the committee may be charged to corporation tax on any chargeable income it receives, including:

- Trading profits; and
- Bank interest.

The normal 'Badges of Trade' criteria will be applied to assess whether a committee is trading, including:

- Whether there is a view to making a profit,
- The frequency of transactions, such as matches, dinners and events.

Each event within a Testimonial year should be considered separately in deciding whether the receipts from that activity are trading receipts.

Entrance fees to a sports match, payments for a concert or dinner event and receipts from the sale/auction of merchandise or advertising space will be taxable trading receipts, unless the proceeds are donated to charity.

Where a genuinely voluntary collection is taken from spectators at a benefit game or event, solely as a measure of personal esteem for the player, these receipts are unlikely to constitute trade receipts.

An entrance fee for an event, described as a 'suggested donation', is likely to constitute a trade receipt where it appears that there is a degree of commerciality.

If a committee could be deemed to be trading, then VAT may be applicable on the taxable supplies such as admission tickets.

### **Sports personality**

Any money raised, which is transferred over to the sports player involved, may be taxable income for the player.

If there is a clause within a player's contract that they will receive a testimonial or testimonial year, then the income will be taxed as employment income under S62 ITEPA 2003.

HMRC will look at this on a case by case basis, so it is possible to argue against this, even where the income could be deemed to be employment remuneration.

It is worth noting that even where there is no clause within the player's contract, if it was expected that the player would receive a testimonial period, they will fall under this section.

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**Cowgill Holloway SBU is currently working in conjunction with tax specialists at Manchester and Cheshire based accountancy firm Sedulo.**

**For further details on how we can assist you with your tax affairs please contact:**

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