



CR 2003/25 - Income tax: assessable income: football umpires: North Western Football Association Inc receipts

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 This document has changed over time. This is a consolidated version of the ruling which was published on *1 January 2002*



Class Ruling

Income tax: assessable income: football umpires: North Western Football Association Inc. receipts

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Preamble

*The number, subject heading, and the **What this Class Ruling is about** (including **Tax law(s)**, **Class of persons** and **Qualifications** sections), **Date of effect**, **Arrangement** and **Ruling** parts of this document are a 'public ruling' in terms of Part IVAAA of the **Taxation Administration Act 1953**. CR 2001/1 explains **Class Rulings** and **Taxation Rulings** TR 92/1 and TR 97/16 together explain when a Ruling is a public ruling and how it is binding on the Commissioner.*

What this Class Ruling is about

1. This Ruling sets out the Commissioner's opinion on the way in which the 'tax laws' identified below apply to the defined class of persons, who take part in the arrangement to which this Ruling relates.

Tax law(s)

2. The tax laws dealt with in this Ruling are sections 6-5, 6-10 and 8-1 of the *Income Tax Assessment Act 1997* ('ITAA 1997') and paragraphs 26(e) and 26(eaa) of the *Income Tax Assessment Act 1936* ('ITAA 1936').

Class of persons

3. The class of persons to whom this Ruling applies are Australian Rules football umpires who are members of the North Western Football Association Umpires Association (NWFAUA) and receive payments for umpiring matches administered by the North Western Football Association Inc (NWFA), in the north west region of the State of Tasmania.

Qualifications

4. The Commissioner makes this Ruling based on the precise arrangement identified in this Ruling.

5. The class of persons defined in this Ruling may rely on its contents provided the arrangement described below at paragraphs 9 to 17 is carried out in accordance with the details of the arrangement provided in this Ruling.

6. If the arrangement described in this Ruling is materially different from the arrangement that is actually carried out:

- a) this Ruling has no binding effect on the Commissioner because the arrangement entered into is not the arrangement on which the Commissioner has ruled; and
- b) this Ruling may be withdrawn or modified.

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Date of effect

8. This Ruling applies from 1 January 2002. However, the Ruling does not apply to taxpayers to the extent that it conflicts with the terms of settlement of a dispute agreed to before the date of issue of the Ruling (see paragraphs 21 to 22 of Taxation Ruling TR 92/20). Furthermore, the Ruling only applies to the extent that:

- it is not later withdrawn by notice in the Gazette;
- it is not taken to be withdrawn by an inconsistent later public ruling; or
- the relevant tax laws are not amended.

Arrangement

9. The arrangement that is the subject of the Ruling is described below.

10. The NWFA administers Australian Rules football matches in the north west region of the State of Tasmania. The NWFA pays NWFAUA members both a match fee and travel allowance for each match they umpire. Members are paid fortnightly in cash by the Treasurer of the NWFA.

11. Current match fees are such that most umpires receive between \$1,000 and \$1,400 in a season and no umpire would receive more than \$1,700. The maximum an umpire would receive for one competition match would be \$50. An umpire officiating in a Finals match would receive a slightly higher amount.

12. In addition to the match fee, each umpire is paid a 'travel allowance' of \$20. An additional 'travel allowance' of \$60 is paid to the owner of one 'official car' when members officiate at those matches at Mole Creek and Rosebery in Tasmania. Individual members have the choice of travelling via the nominated vehicle or finding their own transport.

13. Members do not receive any allowances and benefits other than their match fee and the 'travel allowance' (refer paragraphs 10 and 12).

14. The completion of a NWFAUA registration form is the only condition precedent of individual membership of the NWFAUA from year to year. The registration form records the member's name, address, and contact phone number.

15. Umpiring appointments are made solely on the basis of merit, such that the best available umpires are appointed to the most important games.

16. Members are required to incur expenditure upon their own shoes (white running shoes or football boots), training gear, track suits, whistles, wrist bands, trousers (for goal umpires) and other equipment (liniment, bandages etc.). Game shirts are provided by NWFA.

17. The match fees are not intended to, nor do they usually, cover expenses. The purpose of the payment is to encourage members of the community to participate in local sporting activities by subsidising that participation.

Ruling

18. The match fees and the car allowance received by members of the North Western Football Association Umpires Association who umpire matches administered by the North Western Football Association in the north west region of the State of Tasmania are not assessable income.

19. Losses and outgoings incurred deriving the match fees and car allowance cannot be claimed as a deduction.

Explanations

20. A payment or other benefit received by a taxpayer is assessable income if it is:

- income in the ordinary sense of the word (*ordinary income*); or
- an amount of benefit that through the operation of the provisions of the tax law is included in assessable income (*statutory income*).

Ordinary Income

21. Under subsection 6-5(1) of the ITAA 1997 an amount is assessable income if it is income according to ordinary concepts (ordinary income).

22. In determining whether an amount is ordinary income, the courts have established the following principles:

- what receipts ought to be treated as income must be determined in accordance with the ordinary concepts and usages of mankind, except in so far as a statute dictates otherwise;
- whether the payment received is income depends upon a close examination of all relevant circumstances; and
- whether the payment received is income is an objective test.

23. Relevant factors in determining whether an amount is ordinary income include:

- whether the payment is the product of any employment, services rendered, or any business;
- the quality or character of the payment in the hands of the recipient;
- the form of the receipt, that is, whether it is received as a lump sum or periodically; and
- the motive of the person making the payment. Motive, however is rarely decisive as in many cases a mixture of motives may exist.

24. Furthermore, where a taxpayer's activities constitute a pastime or hobby rather than an income-producing activity, money and other benefits received from the pursuit of that pastime or hobby are not assessable income, nor are the expenses allowable deductions.

25. Participation in activities generating pastime or hobby receipts is a social or personal pursuit of a non-commercial nature. Pastime receipts are not intended to, nor do they usually, cover expenses. Even regular receipts obtained from a pastime or hobby are still characterised as receipts from a pastime or hobby and accordingly are not assessable income. A receipt that is an incident of a pastime or hobby would also not be assessable, even if it arises from the provision of a service. However, the nature of such a receipt or receipts is relevant in determining whether the pastime has become a business. The receipt or receipts could indicate, for example: a commercial activity; an intention to make a profit from the activity; or an increase in either the size and scale of the activity or the degree of repetition or regularity of the activity.

Match fees

26. The sporting activities of NWFAUA members are considered to constitute a pastime or hobby and therefore, the match fees received from the pursuit of that pastime or hobby are not assessable income.

27. The match fees are not intended to, nor do they usually, cover expenses. The purpose of the payment is to encourage members of the community to participate in local sporting activities by subsidising that participation.

28. In forming the opinion that the NWFAUA members who comprise the class of persons to whom this Ruling applies are engaged in a pastime or hobby, we have taken into account the number of games that they officiate, the seniority of the football league, the links with the community of that league, particularly the social benefits of participation and the quantum of the fees that they can receive.

Travel allowance

29. In addition, the 'travel allowance' does not constitute 'ordinary income' as it is considered a partial reimbursement of a member's expenditure on a private or personal pursuit.

Provisions relating to statutory income

30. Section 6-10 of the ITAA 1997 includes in assessable income amounts that are not ordinary income; these amounts are statutory income.

31. The relevant two provisions of the ITAA 1936 are:

- paragraph 26(e), which provides that the assessable income shall include '*. . . the value to the taxpayer of all allowances, gratuities, compensations, benefits, bonuses and premiums allowed, given or granted to him in respect of, or for or in relation directly or indirectly to, any employment of or services rendered . . .* ';
- paragraph 26(eaa), which provides that the assessable income shall include '*. . . a benefit that, but for section 22 of the Fringe Benefits Tax Assessment Act 1986, would be an expense payment fringe benefit within the meaning of that Act – the amount of the reimbursement referred to in that section . . .* '.

Match fees

32. The main issue to consider with respect to paragraph 26(e) is whether the payment is '*given or granted to him in respect of. . . . any employment of or services rendered . . .* ' . Whilst the NWFAUA members are not considered 'employees', paragraph 26(e) also includes in assessable income those allowances etc, which are paid in respect of 'services rendered'.

33. The match fees of NWFAUA members are considered to be 'receipts incidental to a pastime' (refer paragraphs 24 to 28). As such, the match fees are not assessable under paragraph 26(e) because the umpires are not considered to be employees, nor are they 'rendering services'.

Travel allowance

34. Both paragraphs 26(e) and 26(eaa) include certain allowances, benefits and reimbursements in assessable income, where those allowances or reimbursements are given or granted in relation, directly or indirectly to any employment or services rendered.

35. Paragraph 26(eaa) specifically includes car expense reimbursements that would be expense payment fringe benefits under the *Fringe Benefits Tax Assessment Act 1986* ('FBTAA 1986') but for the exemption contained in section 22 of that Act. The 'allowance' received by NWFAUA members does not constitute an 'expense payment benefit' under section 20 of the FBTAA 1986 as there is no employer/employee relationship, the prerequisite that characterises a fringe benefit.

36. The main issue to consider with respect to paragraph 26(e) is whether the payment is '*given or granted to him in respect of any employment of or services rendered . . .*'. Whilst the NWFAUA members are not considered 'employees', paragraph 26(e) also includes in assessable income those allowances etc, which are paid in respect of 'services rendered'.

37. Given the match fees of NWFAUA members are considered to be 'receipts incidental to a pastime' (refer paragraph 33), the related 'travel allowance' is not assessable under paragraph 26(e) because the umpires are not considered to be employees, nor are they 'rendering services'.

General Deductions

38. As the match fees and car allowance received by the umpires are not assessable income, all losses and outgoings that are incurred in respect of deriving those amounts are not allowed as a deduction under section 8-1 or any other provision of the ITAA 1997.

Umpires who officiate in other leagues

39. Where umpires who are members of the NWFAUA also officiate in more senior leagues than those administered by the NWFA, those umpires' activities may have ceased to be that of a hobby or pastime. A more detailed analysis of the circumstances of those umpires may be required. Umpires in this situation should discuss their circumstances with their taxation adviser or the Australian Taxation Office.

Pay As You Go (PAYG) withholding

40. As ruled above, match payments paid to an umpire who is engaged in a hobby or pastime are not assessable income. The payments are not a payment for work and services and therefore the PAYG withholding provisions of Subdivision 12-B of Schedule 1 of the *Taxation Administrative Act 1953* do not apply. Tax should not be withheld from the match payment of umpires who are in the class of persons to whom this Ruling applies.

Detailed contents list

41. Below is a detailed contents list for this Class Ruling:

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Commissioner of Taxation

26 March 2003

<i>Previous Ruling:</i>	- sporting organisations - sport
Not previously released in draft form	<i>Legislative references:</i>
<i>Related Rulings/Determinations:</i>	- FBTA 1986 20
TR 92/1; TR 92/20, TR 97/16;	- FBTA 1986 22
CR 2001/1,	- TAA 1953 Part IVAAA
<i>Subject references:</i>	- TAA 1953 12-B
- allowances	- ITAA 1936 26(e)
- assessable income	- ITAA 1936 26(eaa)
- hobby v. business	- ITAA 1997 6-5
- sports people	- ITAA 1997 6-5 (1)
- travel allowances	- ITAA 1997 6-10
- motor vehicle allowances	- ITAA 1997 8-1
	- Copyright Act 1968

ATO References

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