

CR 2004/130 - Income tax: assessable income: football umpires: Eastern Football League Inc. receipts

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 This ruling contains references to repealed provisions, some of which may have been rewritten. The ruling still has effect. Paragraph 32 in TR 2006/10 provides further guidance on the status and binding effect of public rulings where the law has been repealed or repealed and rewritten. The legislative references at the end of the ruling indicate the repealed provisions and, where applicable, the rewritten provisions.

 This document has changed over time. This is a consolidated version of the ruling which was published on *29 November 2006*



Class Ruling

Income tax: assessable income: football
umpires: Eastern Football League Inc.
receipts

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Preamble

*The number, subject heading, **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 law(s)' 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 paragraph 26(e) of the *Income Tax Assessment Act 1936* (ITAA 1936).

Class of persons

3. The class of persons to which this Ruling applies is Australian Rules football umpires who receive payments for umpiring matches for the Eastern Football League Inc. (EFL) located in the eastern suburbs of the Melbourne metropolitan area.

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 actually carried out is carried out in accordance with the arrangement described in paragraphs 9 to 24.

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

- 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
- this Ruling may be withdrawn or modified.

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Date of effect

8. This Ruling applies from 1 July 2001. However, this 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. This description is based on the following documents and telephone records which are attached to the file record maintained by the Australian Tax Office for this ruling. These documents, or relevant parts of them, as the case may be, form part of and are to be read with this description. The relevant documents or part of documents incorporated into this description of the arrangement are:

- Application for Class Ruling (dated 18 August 2004) received 25 August 2004;

- information provided in a facsimile sent by the applicant (dated 28 September 2004) received 29 September 2004; and
- information provided by the applicant in a telephone conversation on 19 October 2004.

10. The EFL was set up to administer and co-ordinate the sport of Australian Rules Football in the eastern suburbs of the Melbourne metropolitan area. This co-ordination and administration extends to the provision of umpires for the official matches of the EFL.

11. The EFL sends invoices to its member clubs for umpires that have been appointed to their matches.

12. The EFL retains a percentage of the fees charged to cover administration expenses and Workcover insurance, which covers loss of occupational income in the event of injury. The balance is paid to the umpires as match fees via electronic funds transfer into their nominated financial institution, normally on a monthly basis.

13. Umpires are paid a match fee for each game they umpire and amounts received in a season depend on the level and number of games at which an umpire officiates. Current fees are such that the expected upper limit of amounts any umpire would receive in a season is between \$2,500 and \$3,000.

14. The individual match fee currently paid to a senior umpire in a senior match is \$103.15. All fees paid to other umpires, including Boundary umpires and Goal umpires in lesser grades, are less than that amount.

15. Umpires do not receive any allowances and benefits other than their match fees (refer paragraph 14). No allowances are received by the umpires for travel, tribunal attendance or training.

16. The umpires are members of the Eastern Football League Umpires Association (EFLUA). Membership of the EFLUA is voluntary.

17. To obtain membership of the EFLUA an umpire has to complete an application form.

18. A membership fee is deducted by the EFL from umpires match fees. The total amount of membership fees deducted by the EFL is remitted directly to the EFLUA.

19. Umpires are in all cases, appointed to matches by the EFL and no club has any influence over which umpires are appointed to which games.

20. All appointments are on merit and development considerations. Umpires appointed to games are assessed for their ability and further appointments are governed by their capabilities.

21. Umpires may officiate at more than one match per week although this is avoided where possible. It is highly unlikely that an umpire would officiate at more than thirty matches in a season.

22. Umpires are required to incur expenditure for match uniforms and training gear including shoes, whistles, wrist bands, socks, shorts and shirts. Goal umpires incur expenditure on trousers, coats, polo tops, hats/caps, flags and flag sticks. As well as uniforms for matches, there are other requirements such as shirts, trousers, shoes, jumpers and ties being required dress code for umpires to attend matches. Most of these goods are supplied by the EFL, the cost of which is deducted from their match fees.

23. The umpires meet their own costs of travel to the relevant grounds.

24. 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 the costs associated with participation. Individual umpires contend that the primary motivation for umpiring is a love of Australian Rules Football and a desire to contribute to the community in which the game is played. Umpiring also provides the opportunity to be involved in the game, achieve a greater fitness level and to meet friends on a regular basis.

Ruling

25. The match fees paid to umpires who officiate at matches for the EFL are not assessable income under either section 6-5 or section 6-10 of the ITAA 1997.

26. Losses and outgoings incurred deriving the match fees, cannot be claimed as a deduction under section 8-1 of the ITAA 1997 or any other provision of the ITAA 1997.

Explanation

27. 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 or benefit that through the operation of the provisions of the tax law is included in assessable income (*statutory income*).

Ordinary income

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

29. 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.

30. 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.

31. 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.

32. 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.

33. The sporting activities of umpires appointed to umpire EFL matches 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.

34. 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.

35. In forming the opinion that umpires 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 at which they officiate, the seniority of that football league and its links with the community, particularly the social benefits of participation and the quantum of the fees that they can receive.

Statutory income

36. Section 6-10 of the ITAA 1997 includes in assessable income amounts that are not ordinary income; these amounts are statutory income. A list of the statutory income provisions can be found in section 10-5 of the ITAA 1997. That list includes a reference to paragraph 26(e) of the ITAA 1936, allowances in relation to employment.

37. Paragraph 26(e) may have application to the circumstances of umpires appointed by the League. This provision provides that 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 ...

38. The main issue to consider with respect to paragraph 26(e) of the ITAA 1936 is whether the payment is '*...given or granted to him in respect of ... any employment of or services rendered ...*'. Whilst the umpires are not considered 'employees', paragraph 26(e) of the ITAA 1936 also includes in assessable income those allowances etc. which are paid in respect of 'services rendered'.

39. The match fees of umpires are considered to be 'receipts incidental to a pastime' (refer paragraphs 33 to 35). As such, the match fees are not assessable under paragraph 26(e) of the ITAA 1936 because the umpires are not considered to be employees, nor are they 'rendering services'.

General deductions

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

Umpires who officiate in other leagues

41. Where umpires also officiate in competitions other than the EFL, those umpires' activities may cease 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

42. As explained above, match payments paid to an umpire who is engaged in a hobby or pastime are not assessable income. The payments are not regarded as withholding payments under Division 12 in Schedule 1 to the Taxation Administration Act 1953. An entity making match payments to umpires who are in the class of persons to which this Ruling applies will not be required to withhold amounts from these payments nor would they have any other associated PAYG withholding obligations – for example, obtaining Tax File Number declarations, payment summaries, annual reporting.

Detailed contents list

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Commissioner of Taxation

24 November 2004

Previous draft:

Not previously issued as a draft

- sports people

- travel allowances

Related Rulings/Determinations:

CR 2001/1; TR 92/1; TR 92/20;
TR 97/16

Legislative references:

- ITAA 1936 26(e)

- ITAA 1997 6-5

- ITAA 1997 6-5(1)

- ITAA 1997 6-10

- ITAA 1997 8-1

- ITAA 1997 10-5

- TAA 1953 Pt IVAAA

- TAA 1953 Sch 1 Div 12

- Copyright Act 1968

Subject references:

- allowances

- assessable income

- hobby v. business

- motor vehicle allowances

- sport

- sporting organisations

ATO references

NO: 2004/15985

ISSN: 1445-2014