

# HORSES, A SOURCE OF INCOME?

Anyone who is involved in equestrian sports must have had dealings with the Revenue of his or her tax jurisdiction. Incometaxes, that is. If you haven't had dealings with them yet, well, then this article will provide some useful insights.

As international taxadvisor for many entrepreneur, athlete or investor in the world of equestrian sports, I would like to believe to have 'seen it all', but nothing could be further from the truth. No matter how well documented, motivated or prepared one considers oneself, there always seems to be a tax-inspector or representative of the Revenue who has a creative if not opportunistic approach towards assessing taxreturns. Perhaps fuelled by the view that people involved in equestrian sports are by definition of unparalleled wealth or because of their lack of understanding of the drive and passion that sometimes seems to defy logic or economic rational, many a representative of a country's

treasury is frequently equipped with a formidable lack of eye for the nuance, or for the reality even.

## DISTRIBUTION OF PROCEEDS (AND COSTS)

What does not help in this respect is the fact that arrangements with regard to distribution of proceeds (and costs) from a horse manifest themselves in as many varieties as there are colours to the rainbow. A horse may be owned by multiple persons, have a rider and a trainer and there also may be a sponsor with his name attached to the horse. The name of the horse might be established as a brandname and when the horse is an approved stud, the stud fees might be subject to yet another arrangement. The prize moneys might for instance be

divided between owner(s) and rider; the stud fees may not. Sponsorship fees might be destined towards the owner's wallet and merchandising proceeds might allow a royalty to be paid to the owner and the rest could fall to the entrepreneur who endeavours to build a business around it. A commission for buying or selling of horses might be payable to yet another party and – last but not least – the Revenue of the relevant country finds himself the recipient of VAT and withholding taxes on prizemoney. Do you still follow?

There are a lot of stakeholders to a horse then. Whatever your connection and involvement is with equestrian sports, you could find that a horse to you represents a terrible drain on your modest

income or wealth, whereas to your neighbour it could represent a rather comfortable source of stud fees or salescommissions.

## OR VICE VERSA...

This article aims to provide the reader with the notion that levy of incometaxes with regard to proceeds from a horse and/or equestrian sports, cannot be feasible unless and until it can reasonably be argued that those proceeds are the result of an economic activity that aims for realisation of profit, which aim for profit can in all fairness be considered realistic.

The purpose of this definition – based on Dutch incometax law - is to exclude from taxation activities that - reasonably argued - will

