

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

First Delegated Legislation Committee

DRAFT MAJOR SPORTING EVENTS (INCOME TAX
EXEMPTION) REGULATIONS 2016

Monday 11 July 2016

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Friday 15 July 2016

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The Committee consisted of the following Members:

Chair: SIR EDWARD LEIGH

† Allan, Lucy (<i>Telford</i>) (Con)	† Mercer, Johnny (<i>Plymouth, Moor View</i>) (Con)
Berry, Jake (<i>Rossendale and Darwen</i>) (Con)	† Prentis, Victoria (<i>Banbury</i>) (Con)
† Berry, James (<i>Kingston and Surbiton</i>) (Con)	Reeves, Rachel (<i>Leeds West</i>) (Lab)
† Byrne, Liam (<i>Birmingham, Hodge Hill</i>) (Lab)	† Smith, Angela (<i>Penistone and Stocksbridge</i>) (Lab)
† Dowd, Jim (<i>Lewisham West and Penge</i>) (Lab)	† Stride, Mel (<i>Lord Commissioner of Her Majesty's Treasury</i>)
† Gauke, Mr David (<i>Financial Secretary to the Treasury</i>)	† Thomas, Derek (<i>St Ives</i>) (Con)
† Kerevan, George (<i>East Lothian</i>) (SNP)	† Warburton, David (<i>Somerton and Frome</i>) (Con)
† Long Bailey, Rebecca (<i>Salford and Eccles</i>) (Lab)	Jonathan Whiffing, <i>Committee Clerk</i>
McGinn, Conor (<i>St Helens North</i>) (Lab)	
† Mackinlay, Craig (<i>South Thanet</i>) (Con)	† attended the Committee

The following also attended, pursuant to Standing Order No. 118(2):

Lynch, Holly (*Halifax*) (Lab)

First Delegated Legislation Committee

Monday 11 July 2016

[SIR EDWARD LEIGH *in the Chair*]

Draft Major Sporting Events (Income Tax Exemption) Regulations 2016

4.30 pm

The Financial Secretary to the Treasury (Mr David Gauke): I beg to move,

That the Committee has considered the draft Major Sporting Events (Income Tax Exemption) Regulations 2016.

It is a pleasure to serve under your chairmanship, Sir Edward. The draft regulations will provide an income tax exemption for overseas sportspeople competing in the London anniversary games 2016 and the world athletics championships 2017. The exemption will apply only to competitors resident outside the United Kingdom; it will apply to any income that a competitor receives while competing in the events or from activities that they perform to promote or support them.

Both the anniversary games and the world athletics championships are events of the highest international standard and will attract the greatest athletes in the world. Both events will be hosted in the Queen Elizabeth Olympic park in Stratford, the iconic venue of the extraordinarily successful 2012 London Olympic and Paralympic games. Members of the Committee will be aware that it has been the policy of successive Governments to provide an income tax exemption for visiting athletes in such major sporting events. In recent years, tax exemptions have been granted for competitors in a series of high-profile events, so it is entirely appropriate for the Government to provide similar exemptions for these two major international events.

The draft regulations mark an important departure by providing the exemptions through secondary legislation. The power to do so was introduced by the Finance Act 2014 and these regulations mark the first occasion on which that power has been exercised. I emphasise that, although the process for granting tax exemptions has changed, the reason for granting them remains the same. As I have said on previous occasions, the policy criteria for sport tax exemptions fall into two broad categories: first, where such an exemption is a necessary condition of a bid to host an internationally mobile event at the highest level of world sport; and secondly, where the event in question provides an exceptional opportunity to prolong the legacy of the 2012 Olympic and Paralympic games. The 2017 world athletics championships fall squarely within the first category, and the 2016 London anniversary games are entirely consistent with the second. This year's anniversary games will run from 22 to 23 July and the 2017 world athletics and para-athletics championships will run from 14 July to 13 August.

Similar exemptions were put in place for the London anniversary games in 2013 and 2015. However, as the 2016 Olympics will start in Rio de Janeiro next month

and so bring to an end the four-year Olympic cycle, it is appropriate that, as the Government announced in the autumn statement last year, this will be the last year in which the exemption will be granted for the London anniversary games.

The exemptions provided by the draft regulations demonstrate the Government's continuing commitment to ensuring that the UK is an attractive location for major international sporting events. I commend them to the Committee.

4.33 pm

Rebecca Long Bailey (Salford and Eccles) (Lab): It is a delight to serve under your chairmanship, Sir Edward. It is also a pleasure to be back in a Committee with the Financial Secretary to the Treasury after what I hope was a welcome rest over the weekend for both of us.

The draft regulations exempt non-resident competitors in the 2017 world athletics and Paralympics championships and the 2016 anniversary games from income tax on their earnings from the event. The idea of exempting earnings from major sporting events from income tax for non-UK residents is not new; indeed, it goes back to 2006 and 2010, when the Labour Government introduced special provisions to exempt non-residents who were coming to the UK to take part in certain sporting events—the 2012 London Olympics and the 2011 champions league final. Exemptions of that kind have historically been made through primary legislation in Finance Bills, but the Government announced in the 2014 Budget that they would legislate to enable income and corporation tax relief to be given in relation to major sporting events via secondary legislation. Provision to that effect was made in section 48 of the Finance Act 2014 and the draft regulations are the first set of exemptions made by virtue of the powers granted.

The Minister will be aware that the Opposition were not opposed to the principle of providing tax exemptions for certain sporting events, but we expressed concern about the uncertainty regarding the Government's approach to selecting such events. During the passage of the Finance Act 2014 we moved an amendment to publish a formal review of those decisions every five years. Speaking for the Opposition at the time, my hon. Friend the Member for Newcastle upon Tyne North (Catherine McKinnell) stated

“tax exemptions for sporting events have been dealt with on an ad hoc basis in Finance Bill to Finance Bill. As a result, some athletes and professional sportsmen and women have benefited from exemptions from some sporting events, while others have not.”

She also said:

“Clause 45 and our amendment 13 address this piecemeal legislation relating to sporting events and the fact that the issue recurs at every Finance Bill.”

At that time we questioned what other sporting events the Government envisaged becoming eligible for tax exemptions for non-resident competitors and whether the Government planned to extend the number and range of events that were eligible. Our amendment would have required a review of how the power was being used in that respect. Sadly, the Government did not support the amendment at the time, stating:

“The Government might use the power only once in the next five years, for example, so undertaking to publish reviews to such a schedule would not be proportionate.”—[*Official Report, Finance Public Bill Committee*, 8 May 2014; c. 238-239, 243-244.]

I appreciate that the Government have only used the power once since it was introduced—in the statutory instrument before us today, which makes provision only for the 2017 world athletics and Paralympics championships and the 2016 London anniversary games—but will the Minister confirm whether the Government have plans to extend the scope of those tax exemptions beyond football, athletics and the Olympic and Commonwealth games?

I am particularly concerned about the gender inequality inherent in the relief. Will the Minister confirm whether women's events are being treated equally? For example, was the UEFA women's Champions League final held at Stamford Bridge in London on 23 May 2013 given the same tax exemption as the 2013 men's Champions League final held at Wembley? I understand that it was not. Why do the Government deem the men's game to be a major sporting event but not the women's? The impact assessment for that specific legislation stated that the measure was likely to affect more men than women. Those anomalies are exactly why the Opposition called for a review of the legislation every five years, so that we could see the Government's approach to selecting events. It seems to me that there is an ingrained gender inequality that the Government must address, and I welcome the Minister's comments in that regard.

I am also concerned that no tax information and impact note has been published for the instrument, despite the explanatory memorandum stating it would be published on the usual section of gov.uk. Prior to coming to the Committee, the only available note I could find there related to the 2014 Act and not the statutory instrument. Will the Minister confirm what impact analysis has been carried out, especially on equality? Will he also clarify what measures are in place to ensure that this relief and others are not used for tax avoidance?

Turning to the events listed in the statutory instrument, it is my understanding that the tax exemption was a condition of the international bidding process for all countries that wanted to host the 2017 world athletics championships. Which international bodies made the exemption a condition of the bidding process? While no doubt appreciating the economic benefit that such sporting events bring to local economies, does the Minister think it right that international sporting bodies should force Governments across the world, not just in the UK, to make an income tax exemption a requirement of hosting specific sporting events?

The Government state that the exemption for the 2016 anniversary games is designed to support the legacy of the 2012 London Olympic and Paralympic

games, which were great sporting events that many people across the country thoroughly enjoyed. As an aside from the regulations, I would be interested generally to know whether the Government have made any assessment of the economic effect of the legacy of the games in the immediate Newham area.

The regulations are a continuation of the policy of both the previous Government and the last Labour Government of exempting from income tax non-resident competitors' earnings from some major sporting events, and we will not oppose them. However, I hope that the Minister can give satisfactory reassurances on the concerns that I have outlined.

4.40 pm

Mr Gauke: I thank the hon. Member for Salford and Eccles for essentially supporting the regulations. She raises several questions, at the heart of quite a lot of which is a point about the criteria that apply to these tax exemptions, so let me set those out briefly. I direct her to the explanatory notes published alongside the 2014 Finance Bill, which state:

“The Government's policy is to grant certain tax exemptions for sporting events if the event is: world-class, internationally mobile, and where exemption by the host country is a requirement of a bid to host the event. In addition the Government has provided exemptions for events which were or are exceptionally well-placed to extend and preserve the legacy of the London 2012 Olympic and Paralympic Games.”

That is the basis on which decisions are made. Tax exemptions for major sporting events are considered on a case-by-case basis and those criteria are applied. There is certainly no discrimination against women's sports. There is no gender inequality in the sense that any event that meets the relevant criteria and qualifies for an exemption will get an exemption. I hope that that reassures the hon. Lady.

The hon. Lady also raised the issue of a tax information and impact note. There is in fact such a note for the regulations, which sets out our thinking and assessment of their impact. I hope that that is helpful.

The regulations will help to ensure that we provide certainty and that the two events to which they relate, in which both men and women compete, are successful. I will be grateful if the Committee supports the draft regulations.

Question put and agreed to.

4.43 pm

Committee rose.

