

[4.6.6] Tax Treatment of Subscriptions to Trade and Professional Associations

(Made by persons chargeable to tax under *Section 18 Taxes Consolidation Act 1997* - Schedule D Case 1 or Case 11)

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Introduction

We have received a number of enquiries about the tax treatment of subscriptions made by self-employed traders and self-employed professionals to trade and professional associations. The purpose of this article is to indicate the general tax treatment of subscriptions to trade and professional associations and also to give details of:

- An arrangement which trade and professional associations can enter into with Revenue
- The tax treatment applicable to subscriptions where such an arrangement is in place
- How application is made for entering into such an arrangement.

Trade Associations

Annual subscriptions paid to a trade protection or other trade association are allowable as a deduction only to the extent that they represent contributions towards expenditure incurred by the association on behalf of its members which if incurred by the members individually would have been allowable in arriving at their profits.

Accordingly, subscriptions are not allowable insofar as they represent contributions towards:

- Expenditure by the association of a capital nature (e.g. the cost of erecting buildings)

or

- Expenditure by the association which if incurred by the members individually would not be allowable as being too indirectly or too remotely connected with the carrying on of the trade (e.g. expenditure for social or political objects).

Contributions in the nature of premiums to an **insurance fund** maintained by a trade association are allowable notwithstanding accumulation of the fund, provided the cover obtained is such that the premiums for obtaining it from an ordinary insurance company would have been allowable.

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Professional Associations

An annual subscription to a professional association or institute, membership of which constitutes a qualification to carry on the profession concerned is allowed as a deduction where:

- It is wholly or mainly in the nature of a fee for the right to hold the qualification

and

- The association exists for purely professional purposes.

Fees paid for admission to a profession are not allowable deductions.

Other subscriptions to professional associations follow the principles as outlined above in relation to Trade Associations.

The Inspector may require a copy of the accounts of the association concerned in determining the allowability of a deduction claimed by a taxpayer in respect of a subscription to a trade or professional association.

Revenue Practice

Trade and professional associations may apply to enter into an arrangement with Revenue for special tax treatment of subscriptions. The terms of such an arrangement provide that:

- Subscriptions, entrance fees and other payments made by members to the association (except payments, such as loans or deposits which are both capital payments as respects the payer and capital receipts as respects the association) are allowed as a deduction in the hands of the payer
- Non-capital payments by the association to members are treated as trade receipts in the hands of the recipient
- The association is assessed to tax on the surplus of its receipts over its expenditure.

Practitioners should also note the following points in relation to associations which have entered into the arrangement with Revenue:

- The arrangement applies only to income from and payments out of subscriptions, entrance fees etc. Accordingly, other income (e.g. investment income) is taxable in accordance with normal tax rules.
- Where, on becoming a member of an association, a trader or professional is required to pay subscriptions for past years in addition to the subscription for the first year of membership, a deduction will be allowed for the total amount paid in the period in which it is paid.
- No deduction will be allowed in respect of a contribution towards the cost of erecting buildings or other capital expenditure whether such contribution is in the form of a lump sum donation, special addition to the subscription, call or levy.

To date, approximately 300 trade and professional associations have entered into this arrangement. Applications by trade or professional associations who wish to adopt the arrangement should be sent to the Regional Office of the Division involved. A copy of the constitution, rules and accounts of the association and a list of its members should accompany the application.

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