



Tax receipts generated by community sport – a technical note

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Knowledge Applied

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Introduction

The primary aim of this technical note is to estimate the government tax revenues generated by grassroots sport in England in 2023, the most recent year for which such a calculation is possible.

This report follows the established methodology of Sport Satellite Accounts published by the Department for Culture, Media and Sport (DCMS)¹, which enables a specific calculation for England, based on England's Economic Account (submitted to DCMS and the Office for National Statistics (ONS), as part of the same project).

Another key reference for this research is the updated Vilnius Definition of Sport (3.0)² approved at EU level and adopted by DCMS, with contributions from organisations including the Sport Industry Research Centre (SIRC) at Sheffield Hallam University.

The structure of this report is as follows: first, we outline the methodology used to evaluate central government tax receipts; second, we present the results and discuss their limitations, along with options for future updates.

¹ <https://www.gov.uk/government/publications/sport-satellite-account-for-the-uk-2024-research-into-a-new-measure-for-estimating-the-value-of-sport>

² https://op.europa.eu/en/publication-detail/-/publication/387efd71-677b-11f0-bf4e-01aa75ed71a1/language-en?WT.mc_id=Searchresult&WT.ria_c=64310&WT.ria_f=6455&WT.ria_ev=search&WT.URL=https%3A%2F%2Fwww.eacea.ec.europa.eu%2F

Methodology

Central government generates revenues from the sport industry through the following channels:

- Income Tax
- National Insurance
- Corporation Tax
- Value Added Tax (VAT)

The estimates presented in this report refer to the **calendar year 2023**, the most recent year for which Gross Value Added (GVA) and employment figures for England were available at the time of analysis.

The report first calculates government revenues associated with sport in general, before moving on to estimate those linked specifically to the community (grassroots) element.

In line with the Vilnius Definition of Sport 3.0, we identify 163 Classification of Products by Activity (CPA) categories associated with sport at the four-digit level. Examples of these CPA categories include:

- 93.11 Operation of sport facilities.
- 93.12 Activities of sport clubs.



Each of the 163 four-digit categories was evaluated separately. The steps used to estimate sport-related government revenues were as follows:

1. Gross Value Added (GVA) by category:

Evaluate the GVA for the UK in 2023 for each of the 163 categories. Where direct data were unavailable, estimates were modelled using more detailed employment categories.

2. Regionalisation to England:

Convert the UK-level GVA into GVA for England for each category, using the UK Regional Accounts (DCMS³).

3. Application of sport shares:

Apply the sport shares estimated in the DCMS project (see introduction) to calculate the GVA for England in 2023 that is attributable to sport. For example, the GVA of England's cultural education (85.52) of £1,543m, coupled with a sport share of 8%, gives a sport GVA of £123.4m. Summing across categories yields the total sport-related GVA in England from direct effects.

4. Disaggregation of GVA:

Using Input-Output Tables, separate wages and salaries from profits (both components are included in the GVA statistics). This calculation provides total company profits and total wages and salaries associated with sport in England in 2023.

5. Corporation Tax:

Apply an average effective corporate tax rate of 22.1% to company profits to estimate revenues from Corporation Tax.

6. Income Tax:

Apply an average effective Income Tax rate of 19% to estimate⁴ revenues from employment income.

7. National Insurance contributions (NICs):

Apply an average effective NIC rate of 14%⁵.

8. Sport-related consumption:

Estimate the sport-related household consumption in England for 2023.

9. Value Added Tax (VAT):

Apply the standard VAT rate to sport-related consumption to calculate central government revenues⁶.

For context, it is important to emphasise that **the present estimation covers only the direct effects**, as outlined in Step 3 above. These effects are linked to the CPA categories identified under the Vilnius Definition of Sport. For example, we may attribute 40% of footwear production to sport. By contrast, indirect effects capture the wider supply chain impacts of sport-related production, such as the raw materials required. These can be calculated from a Sport Satellite Account using the Leontief inverse matrix, without the need for additional research. In line with established practice, however, this report confines the estimation of government revenues to direct effects only.

³ <https://www.gov.uk/government/publications/sport-satellite-account-for-the-uk-2024-research-into-a-new-measure-for-estimating-the-value-of-sport>

⁴ This figure takes into account £12,500 free pay allowances as well as higher rate tax of 40%.

⁵ This figure includes both employers and employees NICs and adjusts for lower and upper thresholds.

⁶ Applied only to businesses that are VAT-registered.

Following this process, we can estimate the central government revenues associated with sport. An illustrative example will be provided later, once the rationale for the tax rates applied has been clarified:

1. Corporation Tax

The typical structure is the following⁷:

- Small profit rate (under £50,000): 19%
- Large profit rate (over £250,000): 25%
- Intermediate rates apply in between.

For the purposes of this report, we applied a single effective rate to company profits. In 2023, the UK government collected £82.3 billion in onshore Corporation Tax receipts and a further £3 billion from offshore sources, giving a total of around £85.3 billion⁸. According to the ONS *Profitability of UK Companies dataset*⁹, corporate profits were in the range of £370–400 billion. On this basis, the effective Corporation Tax rate is estimated at around 22% (22.1% in our model).

2. Income Tax

Personal taxation is subject to a variety of income thresholds. To estimate the average Income Tax rate, we applied the ratio of total Income Tax receipts to total wages. Accurate figures were available from the Input–Output Tables for 2022, and this ratio was carried forward to 2023. In 2022, total Income Tax receipts were estimated at £241.4 billion, compared with employee compensation of £1,243.6 billion, giving an average rate of 19%.

3. National Insurance contributions

From the employee's perspective, the average National Insurance (NI) contribution is around 8% of earnings, complemented by an employer contribution of about 12%. Since all NI contributions are effectively drawn from wages and salaries (compensation of employees), we estimated the ratio of NI receipts to total employee compensation using the Input–Output Tables. This was calculated for 2022, and the resulting rate was then applied to 2023.

In 2022, NI receipts amounted to £174.5 billion¹⁰ compared with compensation to employees of £1,243.6 billion¹¹, implying that NI contributions represented approximately 14% of wages.

4. Consumer spending on sport and VAT

The consumer spending estimates used in this report are aligned with the SROI evaluation for England, as calculated by SIRC for 2022–23 (inclusive of VAT), and updated for 2023 using category-specific consumer trends. Table 1 presents an update of consumer expenditure on sport (inclusive of VAT), originally estimated for the financial year 2022–23 and revised to reflect the calendar year 2023. The update was carried out for each individual category using monthly data from ONS Consumer Trends¹². On this basis, it is possible to estimate the VAT revenues from sport accruing to central government.

⁷ <https://www.gov.uk/government/publications/rates-and-allowances-corporation-tax/rates-and-allowances-corporation-tax>

⁸ <https://www.gov.uk/government/statistics/corporation-tax-statistics-2024/corporation-tax-statistics-commentary-2024?utm>

⁹ <https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/bulletins/profitabilityofukcompanies/apriltojune2024>

¹⁰ <https://obr.uk/forecasts-in-depth/tax-by-tax-spend-by-spend/national-insurance-contributions-nics/#:~:text=Taxes%20on%20different%20forms%20of,per%20cent%20of%20national%20income>

¹¹ <https://www.ons.gov.uk/economy/nationalaccounts/supplyandusetable/datasets/inputoutputsupplyandusetable>

¹² <https://www.ons.gov.uk/economy/nationalaccounts/satelliteaccounts/bulletins/consumertrends/januarytomarch2025>



The methodology outlined above is sufficient to estimate central government revenues from sport as a whole. **To extend the analysis to the community element, we focus on active sport outside the professional or passive sport domain.**

This approach excludes major economic categories such as gambling and publishing. In addition, certain categories traditionally linked to active sport, such as sports footwear, are adjusted to a smaller share (in this example 40%) to account for the influence of fashion (as these items are not purchased solely for participation). When the Vilnius Definition was agreed,

various proposals for converting total sport into community (active) sport were discussed and made publicly available. These suggestions have been incorporated into the present model. However, to ensure consistency, the previous weights used in the UK were also considered, so that the indicative weights in the Vilnius Definition could be moderated in line with the UK context. Examples of community weights appear in [Table 2](#). The last column in [Table 1](#) represent final ratios in consumer spending (aggregate categories) and are based on more detailed weights from the Vilnius Definition.

Table 1 – Consumer spending on Sport, England, 2023

	Community and PA England (£m)	All England (£m)	Community and PA England, share
Sport services	7,102.3	8,435.4	0.8
Sport equipment	6,154.7	6,579.2	0.9
Sport clothing	2,070.5	3,340.2	0.6
Other goods	1,573.2	1,987.4	0.8
Restaurants, catering	1,445.4	2,890.9	0.5
Renting of equipment	1,279.4	1,279.4	1.0
Bicycles	1,170.6	1,170.6	1.0
Education	957.5	957.5	1.0
Accommodation	791.0	1,582.1	0.5
Other services	663.9	1,248.8	0.5
Boats, motorcycles	617.6	617.6	1.0
Repair services	425.5	425.5	1.0
Transport services	288.6	577.1	0.5
Sport footwear	282.5	706.3	0.4
Medical services	234.0	234.0	1.0
Raising of horses and other equines	74.2	549.4	0.1
Gambling	–	2,645.9	0.0
Media	–	1,628.9	0.0
Publishing	–	675.1	0.0
Totals	25,131	37,531	0.67

Table 2 illustrates the process applied to a sample of categories (from a total of 163) in order to demonstrate the methodology more clearly. It should be noted that Table 2 relates to the estimation method excluding VAT revenues, which are calculated separately using the consumer expenditure matrix.

Table 2 – Illustration of the methodology for government receipts, £m, 2023, England

	Sport profits	Company Tax (22.1%)	Sport wages	Income Tax	NI contribution (14%)	Community weights
	£m	£m	£m	£m	£m	
Operation of sport facilities (93.11)	1,209.70	267.3	3,518.00	668.4	492.5	0.8
Retail sale of sport equipment in specialised stores (47.64)	712.6	157.5	956.7	181.8	133.9	0.9
Gambling activities (92)	644.7	142.5	494.7	94	69.3	–
Raising of horses and other equines (1.43)	344.1	76	83.7	15.9	11.7	0.2
Retail sales of sport clothing in specialised stores (47.71)	259.1	57.3	347.9	66.1	48.7	0.5
Retail sales of sport footwear in specialised stores (47.72)	89.4	19.8	120.1	22.8	16.8	0.4
Sport and recreation education (85.51)	82.2	18.2	2,603.50	494.7	364.5	1

Results

The methodology outlined above has given the following results:

Table 3 - Government receipts from sport, England, 2023, £m

	Grassroots	All sport	Grassroots %
Income Tax	4,977	6,753	74%
Ni contributions	3,667	4,976	74%
VAT	2,845	5,071	56%
Company Tax	2,418	4,637	52%
Total	13,907	21,437	64%



In 2023, sport in England generated £21.4 billion in central government revenues, drawn from Income Tax, Corporation Tax, National Insurance contributions, and VAT. Consistent with previous research on consumer spending, **the majority of this revenue can be attributed to grassroots or community sport, which accounted for £13.9 billion** (see Table 3).

Assuming that the technical coefficients in the Input–Output Tables and the applied tax rates remain unchanged, these figures can be updated in the short term in line with growth in Gross Domestic Product (GDP) and sport-related consumption. **It should be noted, however, that the estimates exclude receipts from local authorities, such as business rates, as these do not form part of central government income.**

Finally, the results presented here correspond to the direct effects generated by sport and should therefore be regarded as a minimum baseline. They could be extended to capture the indirect effects generated by sport-related demand within the wider supply chain.

“ In 2023, community sport in England generated £13.9 billion in tax revenues for central government.





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