



## VAT and Golf Clubs – Important Implications of VAT Rate Increase on De Minimis

### Background

The standard rate of VAT is going to increase from 4 January 2011 and potentially will have serious consequences for golf clubs. The majority of golf clubs in Scotland are classified as Members Clubs.

### Income generated by a 'members' club

A members club will generate income from a number of sources. The largest income generators are membership income, bar income, catering income and income from visitors green fees. As a 'members' club is a 'not for profit' organisation it is afforded special VAT treatment in connection with income received from membership subscriptions. Income from membership subscriptions is exempt from VAT. Almost all other income streams for such clubs is taxable (VAT charged), including bar income, catering income and visitor green fee income.

These 'not for profit' golf clubs are therefore partially exempt as they receive both taxable and exempt income. As a result of being partially exempt i.e. not paying VAT on all the income, clubs, are not automatically entitled to reclaim all their input VAT (VAT on their costs). However, the VAT regulations allow VAT registered businesses (which includes VAT registered golf clubs) to reclaim 'all' their input VAT if they are 'de minimis'. For the purposes of this article we have not documented how a club determines whether input VAT is attributable to taxable or exempt supplies but would stress that clubs should be acutely aware of the input VAT rules in this area. Also we have not documented the conditions involved in determining whether the de minimis rules apply. If in doubt please contact a VAT advisor.

### VAT rate increases to 20% from 4 January 2010 – implications for 'de minimis'

If your club is currently de minimis **but only just** satisfies the condition where exempt input VAT is less than £7,500, **it is imperative** that you carefully consider the implications of the VAT rate increase from 17.5% to 20% on 4 January 2010. It may result in your club incurring exempt input VAT in excess of £7,500 and this will no longer be recoverable in this financial year. A club may also be aware of making a large purchase, say on a piece of machinery which may result in a breach of the £7,500 limit.

The VAT regulations concerning the Partial Exemption Calculations are very complex and we recommend that, if in any doubt, clubs seek advice from a suitable qualified VAT professional.

Our understanding is that HMRC has no plans to increase the de minimis threshold of £7,500 to compensate for the increased VAT rate on 4 January 2011. Clubs may feel that this is unfair as the £7,500 was last increased in December 1994. However, the reality is that clubs may find themselves not being de minimis solely as a result of the VAT rate increase. **It is recommended** that clubs look into their specific circumstances, especially if they were close to the £7,500 last year, to estimate if they will breach the threshold this year.



Should a club wish to discuss the implications of the VAT rate increase on their de minimis position they should contact a suitably qualified professional VAT advisor or if considered appropriate they may chose to contact Gary Moore of VAT Services (Scotland) Ltd. Gary can be contacted on 0141 636 9353 or 01782 961582. There will be no charge for your initial telephone call to discuss the potential implications of the VAT rate increase on your Club.

In the interim the SGU has made representations to the Treasury to consider increasing the de minimis level on the basis that it has not changed for over 15 years.

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