



Focus on

Important VAT changes for sports related services

An announcement by HMRC highlights potential opportunities for VAT refunds in the sports sector for the past 4 years.

Background

HMRC announced changes to the VAT exemption for sports related services from 1 September 2010.

The changes come as a result of a European VAT case. The policy change affects services closely linked to sport or physical education when supplied by eligible bodies.

Eligible bodies

To be eligible for the enhanced exemption, services must be supplied by a non-profit-making organization. Therefore supplies made by commercial profit-making bodies and sports clubs will continue to be subject to VAT.

Eligible activities and recipients

To be eligible for the enhanced exemption:

- the services must be closely linked and essential to sport; and
- the true beneficiaries of the services must be the individuals taking part in sport.

UK legislation previously restricted VAT exemption to services supplied directly to individuals taking part in sport and, where there was a membership scheme, just the members. HMRC now accepts that supplies closely linked and essential to sport made by an eligible body to an unincorporated association or corporate person also fall within the scope of exemption, providing the true beneficiary is a person taking part in sport.

Examples

Based on HMRC guidance the following activities will become exempt when performed by an eligible supplier for an eligible recipient:

- 'pay to play' charges made to non-members (e.g. golf club green fees)
- letting of sports facilities to a club for the direct use of its members.

Retrospective claims

Whilst the changes have to be introduced in September there is an opportunity to review the past 4 years and recover overpaid VAT. Refund opportunities are subject to unjust enrichment provisions. This means that where a tax invoice has been issued to the customer a credit note should be raised to adjust the incorrect VAT charge. In addition, adjustments would be required under partial exemption rules.

Contact

To discuss your position and explore the benefits of submitting a claim or to understand how the changes will affect you going forward, please call Alison Horner, VAT Director, on 01604 624011 or alison.horner@mhlip.co.uk

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