



ADVICE AND GUIDANCE

VAT FOR CHARITABLE CLUBS

VAT FOR CHARITABLE SPORT CLUBS

This guidance note provides high level advice to entities incorporating as charities and is targeted primarily at small sports clubs receiving advice from CDS. Please note that it is not applicable for other not for profit entities, which are not registered as charities, while there are different rules applicable to Community Amateur Sports Clubs ("CASCs").

Of necessity the advice set out herein is general in nature and users should therefore rely on it with appropriate caution. CDS can accept no liability for any claims arising from the use of the content of this guidance note.

VAT RATES AND CATEGORIES

Goods and services attract different rates of VAT, as set out below with examples.

Standard rate (20%) not	Most goods and services covered by rates below
Reduced rate (5%)	Domestic fuel & power
Zero rate (0%)	Food; Books; Passenger transport;
Exempt (0%)	Insurance & finance; Lottery ticket sales; Subscription to charities
Outside the scope (0%)	Donations & grants

TAXABLE TURNOVER AND VAT REGISTRATION

An entity must register for VAT if its annual taxable turnover exceeds £85,000. Taxable turnover is all income subject to standard rate, reduced rate or zero rate VAT. Exempt or outside the scope income, likely to form the bulk of a charity's income, is ignored when calculating taxable turnover.

Entities not registered for VAT do not need to add VAT to the price of goods and services they sell. Equally, subject to some minor but important

exceptions explained in a later section, entities not VAT registered may not reclaim VAT charged on goods and services they purchase.

The status of certain income generated by a charity may not immediately be clear and care will need to be taken to ensure correct treatment.

- Grant funding. Grant funding freely given, with no direct consideration in return, is outside the scope of VAT. Incidental benefits provided to the funder, such as reports on the charity's activities, are not deemed to be consideration.
- Sponsorship. Sponsorship income received in the form of money, goods or services, with no significant benefit in return, is also outside the scope of VAT.
- Donations. Donations are also outside the scope of VAT if freely given.
- Fundraising events. Events organised and promoted primarily to raise money for the benefit of the charity may be exempt from VAT.
- Sponsored events. Income from walks, runs and other similar sponsored events organised to raise funds for a charity are also likely to be exempt.
- Sporting services. Activities including participation in or services closely linked to sport or physical education for individuals, including entry to competitions organised by the entity, are exempt.

Where there is uncertainty about the VAT status of elements of a charity's income, advice should be obtained, especially if it would take the charity close to the £85,000 registration threshold.

VOLUNTARY REGISTRATION

Where a charity wishes to be able to reclaim VAT on its supplies it may register for VAT voluntarily, even where its taxable income is below £85,000. In order to register it must already generate some taxable income: charities with only exempt or outside the scope income could not register. Registering voluntarily would only be advisable where the consequent obligation to charge VAT on its taxable supplies would not be prejudicial

to the charity's operation. It is assumed that the majority of charities being advised by CDS would be unlikely to benefit from registering voluntarily.

TRADING SUBSIDIARIES

Charity law allows charities to carry out trading activities where such activity is part of their primary purpose, i.e. their principal activity as set out in their governing document. This is known as "primary purpose trading".

However, certain charities may also wish to conduct trading activities as a means of fundraising, for example by selling merchandise or operating a bar or cafeteria. Such activities are known as "non-primary purpose trading".

Charity law does not permit charities to carry out non-primary purpose trading in their own right on a substantial basis. In order to carry out non-primary purpose trading on a significant scale, charities would have to establish a separate subsidiary company. Operating a separate subsidiary company will have potential corporation tax implications, covered by a separate CDS guidance note.

Clubs which already conduct trading activities, or are planning to, should obtain further advice either from CDS or their accountants.

VAT RELIEF FOR CHARITIES

A charity which is not registered for VAT can nevertheless request that certain goods or services it purchases should be zero-rated (i.e. no VAT charged) due to its charitable status. A charity wishing to exploit this concession must provide its supplier with an eligibility declaration.

Eligible expenditure which might be incurred by charities being advised by CDS include advertising and goods connected with collecting donations, aids for the disabled (i.e. for any disabled members) and construction costs (for a club creating new facilities). This relief would not be available to a trading subsidiary of a charity.

PARTIAL EXEMPTION

A charity which has registered for VAT, either voluntarily or because its taxable income exceeds £85,000, may nevertheless have a mix of taxable and exempt income in which case it will be subject to HMRC's partial exemption rules. This will mean that it will not be able to reclaim all of the VAT charged on its purchases. Charities subject to these arrangements would need to obtain specialist advice.

OTHER SERVICES:

Club Development Scotland offer a range of services to help you grow a winning club. This includes:



Social Impact & Reporting



Club Lottery Setup & Management



Crowdfunding & Community Shares



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www.clubdevelopment.scot

Club Development Scotland is a one-stop resource for clubs of any size and scale to help them best govern and develop their activities. While we can't guarantee success on the pitch, we can show you a route to succeed off it as one of Scotland's leading sport club consultants.

Club Development Scotland is a consultancy service offering guidance and support to enable the development of sustainable sport clubs that win for everyone. We bring unrivalled experience in the community sport sector.