

VAT and Football





This brochure has been prepared jointly by
The Football Association Limited and Deloitte & Touche LLP.

© The Football Association and Deloitte & Touche LLP.
All rights reserved.

Reproduction of any material from this publication is
permissible only when attributed to The Football Association
and Deloitte & Touche LLP.

This brochure is believed to reflect the law and practice in
the area as it applied at September 2004. It has been
written in general terms and therefore cannot be relied
upon to cover specific situations; application of the
principles set out will depend upon the particular
circumstances involved and we recommend that you obtain
professional advice before acting or refraining from action
on any of the contents of this publication. Deloitte &
Touche LLP and The Football Association Limited accepts no
duty of care or liability for any loss occasioned, whether
caused by negligence or otherwise, to any person acting or
refraining from actions as a result of any material in this
publication.

A list of contacts is provided at the back of this publication.

Contents

	Page		Page
Introduction	2	– Licensing/Intellectual Property Rights	14
Glossary of VAT Terms	2	– Merchandising	14
VAT registration	3	– Non-business income e.g. Grant funding	14
Categories of income	4	– Overseas VAT costs	14
Recovery of VAT on expenditure	6	– Player Testimonials	14
Records and Accounts	7	– Player Transfers	15
Submission of returns	9	– Property/concessions	15
Penalties	10	– Season Tickets	15
Disclosure	11	– Share Issues	15
Minimising VAT costs	12	– Sponsorship	15
Key Issues :	12	– Travel Clubs	15
– Affinity Cards	12	– TV/radio deals	15
– Agents Services	12	– Value in kind/Barter transactions	15
– Business entertainment	13	– Youth Academies	16
– Business gifts/competition prizes	13	Conclusion	16
– Charities	13	Appendix 1 VAT liability of income	17
– Corporate Hospitality Packages	13	Appendix 2 VAT return format	20
– Debentures	13	Appendix 3 25 Member States of the European Union	20
– Disciplinary Income	13	Appendix 4 Schedule 5 Services	21
– Distributions – F.A. and League	13	Appendix 5 VAT Treatment of Intra-EU Football Player Transfers	22
– Executive Boxes	13	Appendix 6 Listed schemes and Hallmarks of Avoidance	23
– Internet /distance sales	14		

Introduction

Sports organisations generally have to deal with the whole range of taxes including Corporation Tax on income and gains, Pay As You Earn and perhaps most importantly Value Added Tax (VAT). Often unexpected liabilities arise and opportunities to minimise tax are lost because football club officers, sometimes acting on an honorary basis, are unaware of the impact of these taxes and their obligations and responsibilities.

The VAT system in the UK is based on the European model and the overriding legislation is contained in European Community Law, in particular the Sixth VAT Directive. VAT is an indirect tax and is currently administered by HM Customs and Excise ("Customs") (not the Inland Revenue). However, the Chancellor announced in the 2004 Budget that Customs and the Inland Revenue will merge (the new authority will be known as HM Revenue and Customs). It is anticipated that HM Revenue and Customs will not formally come into existence until April 2005 and that the merger will take 3 years to complete.

VAT is levied on the taxable supply of goods or services made in the UK by a taxable person in the course or furtherance of his business. For this purpose the UK effectively includes the Isle of Man. VAT is also chargeable on the importation and acquisition of goods in the UK and on receipt of certain services from overseas. Football clubs whether operating through a company or incorporated association may find themselves liable to VAT. Its impact will be particularly felt by the larger clubs with increasing levels of commercial income but even the smaller clubs will have to contend with it if their turnover exceeds the VAT registration limit.

The main sections of this brochure give guidance on the basic principles of VAT as they affect football clubs. The appendices contain more detailed information including the VAT treatment of various types of income. Football clubs which are non-profit making by constitution apply different VAT rules. Such entities are not within the scope of this publication. Further advice should be sought.

Glossary of VAT Terms

Outputs

Income received for goods and services supplied by the football club.

Output tax

VAT on outputs taxable at the standard or reduced rate.

Inputs

Expenditure incurred on taxable goods and services going "into" the business including purchases for use in the business and for resale, and general overheads.

Input tax

VAT on inputs taxable at the standard or reduced rate.

Zero rate supplies

Where VAT is chargeable at 0% (full recovery available for VAT on connected expenditure).

Reduced rate supplies

Where VAT is chargeable at 5% (full recovery available for VAT on connected expenditure).

Standard rate supplies

Where VAT is chargeable at 17.5% (full recovery available for VAT on connected expenditure).

Exempt supplies

No VAT is chargeable on the supply (VAT on directly related costs cannot be recovered) (See 'Categories of income' and 'Recovery of VAT on expenditure').

Exempt input tax

VAT on expenditure related to generating VAT exempt income.

Partly exempt entity

An entity having both taxable and exempt income which therefore may not be able to recover its input tax in full.

Taxable turnover

Standard, reduced and zero-rated outputs.

Reverse charge

The procedure whereby the customer, and not the supplier, accounts for output tax at the rate applicable in the country of the customer. The output tax paid is recoverable by the customer as input tax subject to the normal rules governing recoverability.

EU

The European Union Member States – a full listing of the 25 current members is set out at Appendix 3.

8th Directive Refund Claim

A claim made direct to the tax authorities in another EU country to enable a VAT registered business to recover VAT incurred in that EU country provided it is not already registered there.

VAT Registration

When the taxable (standard, reduced and zero-rated) turnover of a football club exceeds certain limits, it must apply for VAT registration. This procedure is quite separate from any notification required for PAYE or corporation tax purposes. The terms "standard rate" "reduced rate" and "zero rate" and the liability of income to VAT are outlined in 'Categories of income' and covered in more detail in Appendix 1. It must be appreciated that for VAT purposes a football club is a "business" - even if it does not set out to make a profit in the commercial sense and is not organised as a company as many businesses are. However, certain income is exempt which may mean that clubs are not required to be registered. (Chapter 4 gives more detail on what income is exempt).

Compulsory VAT registration

VAT registration is compulsory when taxable turnover in the preceding twelve months (or expected turnover in the next thirty days) exceeds the VAT registration threshold. The threshold is revised annually and is currently £58,000 with effect from 1 April 2004.

You must also register if the value of goods acquired from other EU countries (see Appendix 3) exceeds the threshold.

Please note that you do not include exempt or outside the scope income when determining whether you exceed the VAT registration threshold.

Once you are liable to register you should notify Customs immediately in writing as there are penalties for late registration.

Voluntary VAT registration

You may voluntarily register for VAT even if your taxable income does not exceed the compulsory registration threshold. This may be favourable if the VAT you are charged on your expenditure is significant.

The disadvantage of applying for voluntary registration is that you will then have to charge VAT on all standard and reduced rate supplies made and file VAT returns.

Once registered for VAT your pricing policies may need to alter to enable you to charge VAT where necessary. You may also find that your cashflow is affected.

VAT Registered Clubs

Registered football clubs charge VAT on their standard rated supplies (see 'Categories of income') and are entitled

to recovery of VAT charged on supplies to them (see 'Recovery of VAT on expenditure') resulting in net payments to, or repayments from Customs.

Some football clubs may have an annual turnover below the VAT registration threshold and may therefore not wish to register. Provided they remain below the threshold, clubs which are not registered or liable to be registered can ignore VAT. In such cases VAT charged on any expenditure will not be recoverable and will thus add to operating costs.

Deregistration

If the annual taxable income generated by a football club that is currently registered for VAT drops below a certain limit (£56,000 with effect from 1 April 2004) it is possible to deregister for VAT. However, in some cases a cost may arise on deregistration as the football club may have to account for VAT to Customs on certain business assets held at the time of deregistration. If the value of the goods, on which VAT is due on deregistration, is such that the VAT charge would not exceed £1,000 (i.e. the net value of the goods does not exceed £5,714) there is no requirement to account for the VAT.

Application for VAT registration

A VAT registration is applied for by completing form VAT 1 and submitting this to the VAT authorities. Customs have established a number of central VAT Registration Units. The particular unit to which a football club should submit the application will depend on the club's postcode. For example, football clubs with a London postcode should send their applications to the central VAT Registration Unit at Newry. Customs aim to reply to applications within three weeks of the application being received and recommend that businesses contact them to ensure it has been received if Customs do not reply within that period. Once the application is approved, a Certificate of Registration (Form VAT 4) is issued showing the VAT registration number and the VAT return periods allocated to the business.

Categories of Income

VAT is a charge on business transactions (called supplies) involving goods and services. It is also charged on the import of goods and on certain services received from overseas. Each transaction entered into by a football club needs to be examined and its correct VAT treatment identified. For this purpose all types of income and activity can be categorised as set out below.

Taxable Income

Taxable income consists of the following:

- **Standard rate**

These are supplies made by you (outputs) which are taxable and on which you charge VAT at the standard rate - currently 17.5%. The VAT on your outputs is called output tax.

- **Reduced rate**

These are supplies which are liable to VAT at 5%. Currently this rate only applies to some specific supplies such as women's sanitary products, fuel and power for domestic and other qualifying use as well as certain residential conversions.

- **Zero rate**

These are supplies which are also taxable but liable to VAT but at 0%. This means that although this income is considered to be "taxable", you do not actually have to account for any VAT on it. Receipt of zero-rated income does not affect your ability to reclaim VAT incurred on expenditure.

Exempt Income

Certain types of income are specifically exempted from VAT and therefore you do not charge VAT. Exempt income is not taxable so you do not need to take it into account when you are deciding whether you need to be registered for VAT.

If you are registered and in receipt of exempt income, it may affect your ability to reclaim all VAT incurred on expenditure. This is dealt with in more detail in 'Recovery of VAT on expenditure'.

Income Which is Outside the Scope of UK VAT

Certain forms of income are entirely outside the scope of VAT, so no VAT is chargeable. You do not take income that is outside the scope into account when you are considering whether you need to be registered for VAT.

VAT liability of income

Opposite this page is a table of the VAT liabilities of the main sources of income a football club is likely to receive. There are specific rules and exceptions applied to each item and you must look at the more detailed notes in Appendix 1 for further clarification. The following list is for guidance only.

Standard rated

- Season ticket income
- Gate receipts
- Sponsorship
- Advertising
- Royalties
- Merchandising
- Player transfer fees (UK)
- Hire of equipment
- Corporate events
- Catering
- Sales of goods (but see under "zero-rated" below and consider reduced rate supplies)
- Vending machine income
- Bar sales (including pre-paid bar cards)
- Telephone income (i.e. payphones)
- Gaming machine income
- Sales of assets/equipment
- Fees for football "summer school"
- Memorabilia sales
- Stadium tour income
- Fan club membership
- Team/player appearance fees

Zero rated

- Books, magazines and handbooks
- Programmes and fixture cards
- Overseas tours (although these may crystallise VAT issues in the countries where the tours take place)
- In some circumstances cold take-away food (not including soft drinks, ices etc)
- Exports
- Children's clothing (i.e. children's team kits)

Exempt

- Perimeter advertising (unless taxation option taken up, see Appendix 1)
- Hire of facilities (unless taxation option taken up, see Appendix 1)
- Lotteries and raffles
- Other lettings (unless taxation option taken up, see paragraph 18, Appendix 1)
- Competition fees (where all returned as prizes or when provided by non-profit distributing bodies)
- Interest and insurance commission
- Affinity card commissions (in certain circumstances)
- Shares and Debentures
- Betting

Outside the scope

- Donations
- Grants
- Insurance settlements
- Compensation payments

Recovery of VAT on Expenditure (Input Tax)

When a football club is VAT registered and receives only taxable income (explained in 'Categories of income'), it can reclaim the VAT it is charged on its expenditure subject to certain rules. VAT on expenditure is called "input tax". The recovery of input tax on the purchase of some goods and services is specifically blocked, whatever your business. Examples of these are:

- Purchase of a motor car (unless used wholly for business purposes);
- Business entertainment where no onward charge is made (this excludes the hotel expenses of a visiting team which are met by the football club under a reciprocal arrangement);
- Business gifts costing more than £50 (see 'Key issues – Business Gifts / Competition Prizes').

Details of how to account for and claim back input tax that is allowable are given in 'Records and accounts' and 'Submission of returns'.

Partial Exemption

Where a football club which is registered for VAT receives exempt income (for example, rent from a building which has not had the taxation option taken up as well as taxable income, it is said to be partly exempt. This means it will not be allowed to recover all the VAT it incurs on expenditure. VAT on costs incurred directly in connection with an activity that generates taxable income can be reclaimed but you cannot reclaim the VAT on any costs which are incurred directly in connection with an activity which will generate VAT exempt income if those costs exceed certain "de minimis" limits. For example, as income from lotteries is exempt, potentially you cannot recover the VAT on goods purchased as prizes or on printing the lottery ticket. The VAT on costs connected with exempt income is called "exempt input tax".

Some exempt input tax will be clearly identifiable. However, frequently input tax incurred on expenses will relate both to exempt and to taxable income (e.g. telephone bills, club overheads). The VAT on these expenses may need to be apportioned and treated partly as exempt input tax and partly as recoverable input tax subject again to the de minimis limits. The standard method of apportioning this "mixed use" input tax is to reclaim a percentage of it, calculated by taking taxable income as a proportion of taxable and exempt income. If this method does not give a fair and reasonable result, it is

possible to apply to use another method to establish the recoverable element of mixed use input tax. For example:

- values of taxable and exempt inputs (purchases);
- staff time spent on taxable and exempt activities; or
- floor space of areas used for taxable and exempt activities.

You must get Customs' approval prior to using any method which is not based on the values of income. It is always sensible to seek professional advice when determining an alternative method particularly where substantial VAT costs will arise on improved or new buildings and facilities.

Under the de minimis rules, if exempt input tax (including the VAT on the relevant proportion of overheads) is less than £625 per month on average and less than 50% of all input tax for the period, you can reclaim your VAT in full.

When you are partially exempt the periodic (monthly or quarterly) VAT return figures are provisional and at the end of the VAT year (usually March, April or May) the figures must be recalculated for the whole year. This will show whether or not the exempt input tax incurred falls below the de minimis limits on average. Any difference between the annual calculation and the amounts previously claimed should be declared on the next VAT return (whether an amount is due to or from Customs).

Partial Exemption – Standard Method Override

Although every business is entitled to use the standard method, Customs have introduced an additional adjustment to deal with circumstances where the standard method does not in their view produce a fair and reasonable deduction of input tax.

The override requires businesses to make an adjustment when the input tax deducted during the year using the standard method differs substantially from a deduction based on the use or intended use of the goods and services received by the business in making its taxable supplies.

A difference is *substantial* if it exceeds:

- £50,000; or
- 50 per cent of the mixed use input tax incurred but not less than £25,000

Any calculation to establish the use or intended use of the input tax will be acceptable to Customs provided it produces a fair and reasonable attribution.

This rule applies to input tax incurred on or after 18 April 2002. However, the rules do not affect businesses operating an approved or directed partial exemption special method.

Non-Business

In the event that a football club incurs expenditure related to a non-business activity there is no entitlement to recover the VAT on the costs. Unlike the partial exemption calculations described above, there is no "threshold" before the non-business restriction applies.

Goods Supplied from Another EU Country

If goods are brought into the UK from another EU country, VAT has to be calculated and accounted for as output tax to Customs on the VAT return. This VAT can be reclaimed on the same VAT return as input tax subject to any applicable restriction.

Services Supplied from Outside the UK

Similarly, when certain services such as legal or accountancy are received by a football club from outside the UK the football club self accounts for VAT using the reverse charge. See Appendix 4 for a list of reverse charge services.

Capital Goods Scheme

The Capital Goods Scheme (CGS) requires that adjustments must be made to the amount of VAT initially recovered on certain capital goods in order to reflect the differences in the taxable and exempt use of the capital goods over a period of time.

The scheme only applies to:

- single items of computer equipment with a taxable value (i.e. the value before the VAT amount incurred) exceeding £50,000 and
- specific categories of land or buildings transaction (e.g. purchase, construction or refurbishment) where the net cost exceeds £250,000.

The scheme would therefore apply to, for example, football stadia and training complexes where the purchase price, construction or refurbishment costs exceeded £250,000 before VAT.

In the case of land and buildings the CGS adjustments are to be made over a 10 year period. If the CGS item is sold within the specified adjustment period this could have adverse affects on the football club and specialist advice should be taken.

Records and Accounts

Customs require that your records are maintained in sufficient detail to enable their visiting VAT officers to check the make-up of the figures on your VAT returns. It is very important that you keep all invoices received and issued as evidence in support of your claims for input tax and declaration of output tax. Unless otherwise agreed with Customs the records should be retained for six years and in their original form.

For smaller clubs an analysed cash book system (with VAT columns) may be a sufficient recording system for VAT purposes. You may wish to separate your receipts into categories (e.g. gate receipts, bar takings, gaming machine receipts and sundry sales) and to analyse your purchases in detail.

You should ensure that VAT is separately identified in the clubs accounting records - do not enter the gross figures only. You must not merely record the "profit" element of an event (e.g. catering receipts less cost of food) as you will be understating the VAT due. You should also ensure that any cash payments made from the till are included in the till total takings figure which you record after cashing up. Using the current standard VAT rate of 17.5%, to calculate the VAT due from your bar takings, you should multiply the takings by 7/47.

When VAT is due

Output tax normally has to be recorded on the VAT return either in the period when you issue an invoice or when you receive a payment, whichever happens first. Deposits or instalments are generally treated as advance payments and VAT must be accounted for on receipt.

Where a customer pays by credit card (for example, when buying a season ticket) many clubs will account for VAT in the period in which the payment by the customer is accepted (i.e. the date the card is swiped). It may be possible to account for VAT in the period in which the sum involved is paid to the football club by the credit card company, which could be in a later period than when the card is swiped. However, this may need to be agreed with Customs in advance.

Simplified Accounting Schemes

There are a number of schemes available to small business in order to simplify their accounting requirements.

Annual Accounting

The normal basis for submitting VAT returns is every one or three months. However, there are circumstances in

which a business can simplify its VAT accounting and only submit one VAT return per year. For details see Chapter 7 – Submission of Returns.

Cash Accounting

A special cash accounting scheme is available to football clubs with a taxable turnover below £660,000 per year (with effect from 1 April 2004). This effectively means that VAT has to be shown on the return only when payment is received from a customer or made to a supplier. The main advantages of the scheme are that the football club does not need to consider bad debt relief adjustments or the deferral of the time for payment of VAT where extended credit is given.

Output tax must be accounted for in the return for the VAT period in which payment is received. This contrasts with the accruals basis of VAT accounting which most businesses operate whereby consideration must be given to invoice dates as well as payment date.

Input tax can be reclaimed in the return for the VAT period in which payment is made or other consideration to the supplier is given or in a later period as may be agreed with Customs.

Flat Rate Scheme for Small Business

The flat rate scheme allows businesses to calculate their VAT payment as a percentage of the VAT inclusive turnover. Therefore, businesses do not need to identify VAT on each sale or purchase to calculate the VAT due to Customs in each VAT return period. The aim is that businesses will spend less time and money maintaining VAT records and calculating the VAT payable to Customs.

The scheme is open to businesses whose annual taxable turnover does not exceed £150,000 and whose total turnover (both taxable, exempt and non-business) does not exceed £187,500. However, the scheme cannot be used in conjunction with the cash accounting scheme or in certain other specific circumstances.

Use of the scheme only affects the way in which the VAT due to Customs is calculated. Therefore, VAT should continue to be charged to customers in the normal way and VAT invoices issued to business customers.

In order to calculate the VAT due to Customs, the business should take the VAT inclusive turnover and multiply this by the flat rate percentage for the business's particular trade sector. If a business uses the scheme it is not, in general, able to recover VAT on its purchases as the flat rate percentage includes an allowance for these items. However, a business is entitled to claim VAT in the normal way where it purchases a single capital asset with an invoice value (including VAT) of £2,000 or more.

You cannot continue using the scheme where the total VAT inclusive turnover for the previous year (the 12-month anniversary of joining the scheme) exceeds £225,000 or there are grounds for believing it will exceed £225,000 in the following 30 days alone.

The flat rate percentages to be applied are set by Customs and may be amended from time to time. Customs allocate the percentages across trade sectors and it is possible that football clubs may be required to apply different flat rate percentages to distinct income streams.

We would recommend professional advice is sought to clarify the position if you are considering applying the flat rate scheme.

Invoices

Generally, invoices only need to be issued by football clubs to its VAT registered customers.

With effect from 1 January 2004, the information to be contained within a VAT invoice has been, in the main, regularised throughout the EU. For UK businesses the following information must be included on all invoices:

- suppliers name, address and VAT registration number;
- customers name and address (and VAT registration number where in another EU country);
- quantity and description of the goods or services;
- unit price;
- the date of supply;
- the net value for each description and rate of VAT, expressed in any currency;
- rate of discount;
- the net value of supply, expressed in any currency;
- total VAT payable in sterling;
- date of issue; and
- identifying number.

Where purchase invoices are received in a language other than English, Customs may request an English translation from the football club. Notice of the request will be provided in writing and the translation must be provided within 30 days of the date of the notice.

For credit notes or amended invoices, which are issued to customers in other EU countries, full details of the original invoice must be contained in the credit note or amended invoice. However, the following information may be omitted:

- the net value for each description and rate of VAT, expressed in any currency;
- the net value of supply, expressed in any currency; and
- total VAT payable in sterling.

Summary invoices may be issued for supplies under £250 and not to a customer in another EU country. The summary invoices must include the following:

- the name, address and registration number of the retailer;
- the time of supply;
- a description sufficient to identify the goods or services supplied;
- the total amount payable including VAT; and
- for each rate of VAT chargeable, the gross amount payable including VAT, and the VAT rate applicable.

Bad Debt Relief

A football club is entitled to a refund of VAT relating to bad debts when the following criteria have been met:

- output tax has been accounted for on the supply of goods or services;
- the bad debt has been written off in the accounts; and
- six months have elapsed from the date of the original supply and the date when payment was due.

If all the above conditions are met your football club can recover the VAT by entering the amount on box 4 of the VAT return. Please note that if a customer subsequently makes a part payment against various debts the payment must be allocated to the earliest relevant transactions first. Any bad debt relief previously claimed will need to be repaid to Customs in these circumstances.

A football club must also repay VAT previously claimed on its purchases if the debt remains unpaid for at least six months from the later of the date of the invoice or the date the invoice became due for payment.

Submission of Returns

VAT Returns

Once registered, businesses have to submit VAT returns and payments to the VAT Central Unit at Southend. This will normally be quarterly although there are exceptions such as annual accounting (see below) and monthly returns

(which usually benefit those businesses that receive regular repayments of VAT). Certain large payers of VAT are required to make payments on account (see below).

VAT returns are made on form VAT100 which Customs will issue to businesses in advance of their becoming due. If for any reason you do not receive a return form it is important to let your VAT office know as soon as possible so that a duplicate can be issued. Customs will not accept non-receipt of a VAT form as an excuse for late payment and there are automatic penalties for late submission or payment of returns (see 'Penalties').

The VAT return and any payment should be received by Customs by the last day of the month following the end of the return period. For example, a VAT return form for the quarter ended 30 June must be received with payment by Customs before 31 July. Special rules apply where VAT returns do not cover standard monthly or quarterly periods. In addition, the due date for payment can be extended by up to seven days by use of a credit transfer system. You do not require Customs' approval for this.

VAT returns can be submitted electronically (i.e. online). However, the normal deadlines for submission apply and businesses must be registered with the Government Gateway (the centralised registration service for e-Government).

A pro forma VAT return (Form VAT 100) is attached at Appendix 2. The return form sets out:

- Box 1 - the VAT due in the period on sales and other outputs;
- Box 2 - the VAT due on acquisitions from EU countries;
- Box 3 - total VAT due;
- Box 4 - the VAT reclaimed in the period on purchases and other inputs including acquisitions;
- Box 5 - the net tax due to or from Customs;
- Boxes 6 and 7 - statistical information of the value of outputs and inputs for the period (exclusive of VAT);
- Boxes 8 and 9 - statistical information of the value of supplies of goods to and acquisitions from other EU countries; and
- a declaration to be signed by and on behalf of the registered person to the effect that the information given in the return is true and complete.

Box 6 should include any zero-rated and exempt supplies and any reverse charge transactions. Boxes 6 and 7 should exclude VAT, wages/salaries/PAYE/NIC, loans, dividends or gifts of money, and insurance claims.

Annual Accounting

You may apply to Customs to submit one annual VAT return instead of four quarterly returns provided:

- your turnover is less than £150,000; or
- you have been VAT registered for at least a year; and
- your taxable turnover is below £660,000 (from 1 April 2004).

If Customs allow annual accounting they will require you to make monthly direct debit payments based on their estimate of your VAT liability. This is then adjusted against the balancing payment with your annual return.

Payments on Account

Any VAT registered football club with an annual VAT liability of more than £2 million is required to make monthly payments on account. This means making an interim VAT payment in the second and third month of the VAT quarter with a balancing payment submitted with the VAT return. Customs will provide an estimate of the VAT interim payments to be made. Alternatively, businesses can opt to make payments based on actual liabilities or by submitting monthly returns. All payments on account have to be made by electronic transfer and there is no seven day extension available under the credit transfer scheme.

Intrastat Returns

If, in the calendar year 2004, you despatch, send or purchase goods exceeding £221,000 in value to other EU countries you may need to complete intrastat returns and you should take further advice on this.

EC Sales Lists

If you sell goods to a customer in another EU country which are zero-rated (i.e. the customer is VAT registered) you will be required to submit EC Sales Lists for every period in which such a sale occurs (i.e. EC Sales Lists do not need to be submitted in periods where no such sales take place).

Penalties

Late registration

There is a penalty for failing to register for VAT on time. This penalty is calculated as a percentage of the VAT due to Customs, from the date when registration should have taken place to when Customs were actually notified. The amount of the penalty depends on how late the

application is made and is calculated using the following parameters:

- | | |
|--------------------------------|----------------|
| ● up to nine months late | 5% of VAT due |
| ● nine to eighteen months late | 10% of VAT due |
| ● over eighteen months late | 15% of VAT due |

As the late registration penalty is based on the VAT due to Customs it is important to ensure as much credit as possible is claimed for input tax recoverable as this will reduce the amount of any potential penalty.

Default surcharge

If a VAT return and/or payment is received late by Customs then a default occurs.

After the first default, Customs will issue a Surcharge Liability Notice and if further defaults occur a penalty is imposed. The second late return will attract a penalty of 2% and this rises to 5%, 10% and a maximum of 15% for subsequent late VAT returns. The penalty is calculated on the net tax due on the late VAT return. Returns have to be submitted on time for a twelve month period to cancel the default surcharge regime.

Customs have introduced a special arrangement for "small" businesses whereby the first time such a business defaults it will be sent a letter offering help and support rather than a Surcharge Liability Notice. Customs define a "small" business as one with a turnover of less than £150,000 (with effect from 1 January 2003).

Misdeclaration penalty

A 15% misdeclaration penalty is triggered when a VAT return has underdeclared the VAT due or overstated the amount of VAT recoverable, where the error in the VAT return period is greater than or equal to 30% of the gross amount of tax (the sum of output tax and input tax) or £1m, whichever is the lesser. A penalty is also triggered if Customs issue an assessment because a VAT return has not been rendered, the assessment is less than the amount due and Customs are not notified within thirty days of the assessment of the true amount of tax due.

Repeated misdeclaration penalty

This penalty applies where returns contain persistent errors. To apply Customs must have issued a penalty liability notice within five return periods of a material inaccuracy being discovered. The notice will specify a penalty period of eight consecutive VAT periods beginning with the period in which the date of the notice falls. If a further two material inaccuracies are made in the eight periods beginning with that in which the first

inaccuracy arose as specified in the notice, a penalty of 15% will be applied to the amount of the third error.

A material inaccuracy is one equal to or greater than either 10% of the gross amount of tax (the sum of output tax and input tax) or £500,000 whichever is the lesser.

Reasonable excuse/mitigation

It is possible to appeal against the penalties detailed above if you have a reasonable excuse for example, where something was not done as a result of illness or death.

The law precludes certain claims for reasonable excuse such as:

- reliance on someone else;
- a lack of funds; or
- ignorance of the law.

However, it is still possible to appeal against a penalty where you can show, for example, that the lack of funds was caused by unforeseeable circumstances outside your control or that your error was caused not by ignorance of basic law but of a complex area. It is also possible to claim mitigation of penalties and you should take professional advice to see what can be done in the event the football club incurs a penalty.

Voluntary disclosure

Errors which you discover in your accounting records can be adjusted on a current VAT return provided the net errors do not exceed £2,000. Errors in excess of this should be notified to Customs in writing and if disclosed in this way will not be subject to a penalty. Interest will, however, apply. A three year time limit applies to voluntary disclosures. If errors are discovered after three years there is no legal requirement to disclose them. Customs will normally reject claims for VAT overpaid more than three years ago.

Assessments

If VAT returns are not submitted or returns which have been submitted are incomplete or incorrect, Customs will issue an assessment to recover the underdeclared VAT. Assessments are capped to three years from the end of the VAT period in which the error occurred. If the football club wishes to appeal against an assessment, a local reconsideration of the decision can be requested within 30 days of the date of the assessment. A formal appeal can be made to an independent VAT tribunal within 30 days of the date of the assessment.

Interest

Interest may be charged when you have paid an

assessment which later turns out to be too low or when you have underpaid or overclaimed VAT. However, where a repayment of tax is due and payment is unnecessarily delayed by Customs, a repayment supplement could be due to your club.

Disclosure – Failure to Disclose

A penalty will arise if a business is under an obligation to disclose either the use of a listed scheme or the implementation of a scheme which has the hallmarks of avoidance (see 'Disclosure').

For failing to disclose the use of a listed scheme the penalty is 15% of the VAT saved.

For failing to disclose the implementation of a scheme which bears the hallmarks of avoidance the penalty is fixed at £5,000.

Disclosure

In the 2004 Budget, the Chancellor announced that the Government was to introduce measures to counter large-scale avoidance of direct taxes (e.g. corporation tax, capital gains tax etc). These were to be complemented by measures to improve transparency in VAT transactions. Consequently, the VAT avoidance disclosure rules came into force with effect from 1 August 2004.

Customs published a register of what they considered to be VAT abusive avoidance schemes ('listed schemes') and also certain criteria which when included in a VAT scheme mean that the scheme bears the 'hallmarks' of VAT avoidance.

Customs have introduced these rules to attack what they perceive as a climate where VAT avoidance is rife and which they say has resulted in a shortfall of several billion pounds for the Treasury. As such, they are likely to police these rules tightly and may want to make examples of non-compliant businesses.

Under these new rules a VAT registered business can be required to make a disclosure to Customs in two scenarios:

- where the business has a turnover in excess of £600,000 per annum and it has implemented a "listed scheme" resulting in either increased VAT repayments, earlier VAT repayments, reduced VAT payments or later VAT payments.
- where the business has a turnover in excess of £10m per annum and it has implemented a VAT planning

scheme that is not listed, but has the "hallmarks" of avoidance and one of the main purposes for implementing the scheme, was to achieve either increased VAT repayments, earlier VAT repayments, reduced VAT payments or later VAT payments.

If a business falls into either of these categories then it must disclose the use of the relevant scheme to Customs.

It is important to note that "implementation" of a scheme does not necessarily mean it was implemented by a professional VAT advisor; it is entirely possible that a football club may fall foul of the new disclosure requirements purely by virtue of its business operation model. In addition, the act of disclosing an arrangement is not in anyway an admission that any additional VAT is due or that the arrangement is not legally valid. However, disclosure is likely to lead to a closer review of the arrangement by Customs.

Listed Schemes and 'Hallmarks' of Avoidance

Customs have published a list of 8 listed schemes falling into this category and details of the 'hallmarks' of avoidance (see Appendix 6).

Professional advice should be sought if you consider that any of your club's activities may be required to be disclosed as either listed or hallmarks schemes.

Minimising VAT Costs

Generally, for those who are registered, VAT incurred on expenditure should not represent a cost to football clubs. However, you may want to minimise the VAT burden by any of the following means:

1. voluntary VAT registration where your taxable expenditure is high;
2. avoiding liability on supplies by analysing supplies into their component parts and taking full advantage of zero rating;
3. taking full advantage of the available exemptions identified in 'Categories of income';
4. making the most of partial exemption by:
 - negotiating the best method of recovering input tax with Customs and Excise; or
 - if possible reducing exempt input tax below the de minimis limit of £625 per month;

5. timing output tax liability e.g. there will be a longer VAT cashflow benefit for an invoice issued at the beginning of a VAT quarter than at the end. The cash accounting scheme is also an efficient mechanism for improving cash flow;
6. in the case of sponsorship, carefully analysing what is provided, particularly if the sponsor is partly exempt e.g. a bank, building society or insurance company. If part of the sponsorship receipt is not subject to VAT then this may result in more net cash for you (see paragraph 17 of Appendix 1); or
7. ensuring that VAT is charged where it is due, since, if you do not, you may be unable to recover it from your customer. Any exchange of letters of agreement or contracts should make the VAT position clear in relation to payments under it.

Key Issues

Affinity Cards

Depending upon the role of the football club, commission received for promoting affinity cards could be either standard rated or exempt.

A football club that introduces its members, supporters or customers to a credit card provider and undertakes work preparatory to the provision of the credit card is providing an exempt service.

Customs do not view marketing and promotional services supplied in isolation, nor the performing of clerical functions such as providing a list of names or access to a database as an exempt service.

Agents Services

Clubs and players increasingly use agents when negotiating the acquisition, sale or terms of the contract of players. Agents established in the UK providing services to a client in the UK will charge VAT on their commission. Depending upon who the agent sees as its customer, non-UK agents may be required to charge local VAT.

A number of different relationships exist between players, agents and football clubs and Customs position is that in some cases the agent provides its services, not to the football club, but to the player. On this basis Customs claim that the football club is unable to recover the VAT charged on agents fees and, as the player is in most cases not registered for VAT, the player is also unable to recover the VAT.

However, where the club is contractually responsible for the payment to the agent there is also the possibility that

even if the agent is deemed to be supplying services to the player the VAT should be recoverable by the football club.

This possibility has been presented to Customs by a number of football clubs and, in some cases, Customs have accepted the point. Professional advice should be sought when considering agents fees.

Business Entertainment

Generally, VAT charged on goods or services is not recoverable where the goods or services are used for the purpose of business entertainment. Business entertainment includes the free provision of food and drink, hotel accommodation and entry to sporting or similar events to persons other than employees. An exception to the general rule is where a football club provides hotel accommodation to a visiting team under a reciprocal agreement i.e. where there is a cup competition and the terms of the competition provide for such a payment. In this case, input tax can be recovered on the associated expenditure.

Business Gifts / Competition Prizes

For VAT purposes an article is a gift where the donor is not obliged to give it and the recipient is not obliged to do or give anything in return. The gift of business assets by a football club for no consideration is considered to be a business gift.

If the VAT exclusive cost of the item is more than £50 and the VAT has been recovered on the item (as it has previously been used for business purposes) output tax must be accounted for on the net price the person would have to pay to purchase or produce goods identical to the goods concerned, i.e. normally their cost value.

If the VAT exclusive cost of the item is less than £50 there is no requirement to account for output tax on the gift. Where there is a series of gifts to the same person there is no requirement to account for output tax if the cost of the gifts does not exceed £50 made to that person in the same year (i.e. previous 12 months).

Competition prizes are also considered to be business gifts where there is no direct and immediate link to a taxable business activity.

Charities

Charitable organisations benefit from certain VAT reliefs. If clubs wish to set up a charitable arm e.g. to undertake charitable work/projects, specialist VAT and tax advice should be sought.

Corporate Hospitality Packages

A corporate hospitality package can consist of a number of elements (most commonly a car park pass, food and drink, a ticket to the match, a club programme and a host). Where separately supplied it is likely that the programme would benefit from zero-rating. However, where the programme is included as part of a hospitality package VAT is due on the full amount received.

Debentures

Clubs may raise finance by means of non-interest bearing debentures which carry certain assured benefits (e.g. the right to buy a ticket for each match played at the club's ground). In these circumstances, case law provides that the issue of the debenture to an EU counterparty is a single exempt supply of a benefit bearing instrument. As such VAT on related costs may not be recoverable. Again professional advice should be sought prior to issuing debentures.

Disciplinary Income

If individual players break the rules of a football club or a Football Association they may have the authority to fine that player.

Fines by Football Associations are outside the scope of VAT and Customs' view is that any associate VAT costs incurred do not directly relate to a specific supply and that the VAT is recoverable to the extent allowed under the partial exemption calculation. This matter is currently being debated with Customs. In addition it is unclear whether this position extends to fines imposed on its players by football clubs and professional advice should be sought to confirm the liability.

Distributions – Football Associations and your League

The FA has a ruling from Customs that income received by clubs from FA distributions (including those in respect of prize and TV money) is not liable to VAT as it is merely a distribution of profits upon which The FA has accounted for VAT. Such income on distribution to clubs is outside the scope of VAT. Your league will be able to advise you on the VAT treatment of its distributions.

Executive Boxes

The hire of boxes at football grounds is exempt from VAT subject to the option to tax (see paragraph 18, Appendix 1). However, if advertising is provided as part of the package, this will be liable to VAT. It may be necessary to attribute the values due under the hire/advertising agreement and charge VAT accordingly.

Internet /distance sales

Sales of goods to private individuals via the internet gives rise to VAT issues. The place of supply of such goods is where the goods are when delivery to the customer begins. Therefore all sales will be subject to UK VAT (at 17.5%) unless exported outside the EU with export evidence being retained.

However, if a UK football club sells goods and arranges delivery of those goods to a non-VAT registered individual in another EU country, distance selling rules will apply. If certain thresholds are exceeded in a particular country, that country's local VAT rate must be charged on the sale, giving rise to VAT registration issues for the clubs. Further advice should be sought if significant sales are made to overseas individuals.

Sales of goods to business customers in the EU will be zero-rated sales in the UK and the customer should account for VAT in their country under the acquisition rules. The football club must obtain the customers VAT number and show this on the sales invoice it issues. Such sales will be included in Boxes 6 and 8 of the VAT returns.

Sales to businesses/individuals outside the EU are zero-rated provided the goods are exported within 3 months of sale and export evidence is held.

There may be opportunities to overcome the distance sales rules. Further advice should be sought.

Licensing/Intellectual Property Rights

Some clubs will enter into contracts which involve the granting of intellectual property rights (IPR). These may include the sale of rights to use the clubs logo or its name, whether on tangible products or on the internet, or the rights to advertise at a football ground.

Supplies under such contracts may be treated as being made in the country where they are received and, therefore, outside the scope of UK VAT. This applies where the football club sells rights to a party outside of the EU or a business in another country within the EU (where that business will use the rights granted for the purposes of its business).

If the supply is to a non-UK EU business you should obtain evidence of its business status (for example its VAT number or other evidence, such as letterheads).

However, where supplies are made to private individuals or businesses within the EU for non-business purposes, UK VAT will have to be charged by the club.

Merchandising

The retail sale of goods including shirts, scarves and

badges will generally be standard rated unless any of the items qualify for zero-rating as children's clothing/footwear or as relevant publications. Zero-rating applies to articles designed as children's clothing and in practice this means clothing and footwear suitable for children up to 13 year olds as determined by the British Standards Institution.

Non-business income e.g. Grant funding

It is important for clubs to be aware of the VAT implications of non-business activities, as this is a complex area of VAT legislation that may result in restricted VAT recovery.

VAT incurred on costs which are used to pursue non-business activities is generally not recoverable. This is because the legislation states that VAT on costs can only be deducted as input tax where it is incurred for business purposes.

Broadly, a non-business activity may arise where a football club is carrying on an activity which does not involve the making of supplies for a consideration and where there is no intention in future of doing so. An example of such an activity could be the creation and running of a youth academy. The receipt of income which is outside the scope of VAT does not of itself create a restriction to VAT recovery. This means that for example lottery funding can be received with no loss of VAT, provided that the income is used for the purpose of making taxable supplies. The issues relating to non-business activity are complex, and if this is relevant to your club, we recommend specific advice be sought.

Overseas VAT costs

Clubs may incur overseas VAT costs e.g. travel and hotel accommodation as a result of tours or European matches. Where the VAT is incurred within another EU country it may be possible for clubs to recover such VAT under special refund procedures known as the 8th Directive procedure. Subject to certain conditions, VAT incurred in EU countries can be refunded periodically provided the clubs are not registered or liable to be registered for VAT in those countries. For VAT incurred in non-EU countries you should seek advice as to whether the VAT is recoverable.

Player Testimonials

Admission to one off performances, for example, player testimonials, will in principle, be a taxable supply of services. This will be the case even where the motive of every person who bought a ticket was to show his appreciation, what he actually received for his money was the right of admission.

Where a football club organises a player's testimonial then it will be required to account for VAT on the admission income.

However, where a committee is formed and it organises the testimonial then it may be liable to register for VAT and account for VAT on the admission income received (see Chapter 3 – VAT Registration)

Player Transfers

Certain countries charge local VAT on transfer fees for players bought by UK clubs. The remainder do not charge local VAT. Whilst the UK football club should account for UK VAT under the reverse charge regardless of whether or not local VAT has been incurred, the UK football club may be able to obtain written confirmation from Customs to only account for UK VAT under the reverse charge where local VAT is not incurred. For a list of which EU countries charge local VAT see Appendix 5. In relation to non EU countries, the VAT treatment may vary from country to country. Advice should be sought on specific cases.

For UK clubs selling players VAT is charged on transfers to other UK clubs (see also Value-in-kind/Barter Transactions). Transfers outside the UK are VAT free. If the recipient football club is within the EU it may be required to account for VAT under the reverse charge.

Property/Concessions

If clubs opt to tax their stadium (see paragraph 18, Appendix 1), the option will generally apply to the whole site and will mean VAT must be charged on any letting income arising from the stadium e.g. advertising hoardings, concessions, shops, burger vans, health/gym clubs etc.

Season Tickets

The time of supply (tax point) for the sale of season tickets is the date payment is received (if no tax invoice has been issued previously). VAT must be accounted for on the full amount received in the VAT return covering that period.

Share Issues

Clubs may raise finance by means of issuing shares to new or existing investors. The issue of shares to an EU counterparty is an exempt supply and as such no VAT is charged. However, this gives rise to recovery issues for the VAT on related costs which could be restricted under the partial exemption rules, subject to the de minimis limits. Advice should be sought prior to any share issue so that VAT recovery of associated costs can be maximised.

Sponsorship

Sponsorship income is normally received in the expectation that the football club will have to do something in return (e.g. provide advertising, reduced price tickets, hospitality etc). VAT should be charged on any supplies of sponsorship made by the football club to UK persons. However, where sponsors belong outside the UK the supply may be VAT free. Please refer to Appendix 4 for further information.

It is not uncommon for sponsorship agreements to include an element of business entertainment e.g. hospitality. VAT charged by clubs on the costs of providing business entertainment is not generally recoverable.

Travel Clubs

Clubs may provide its supporters with travel facilities to away matches. Where the football club buys in the travel facilities in order to sell it on to supporters consideration should be given as to whether the VAT due to Customs should be calculated under the Tour Operators Margin Scheme. This does not apply if the football club acts as agent for the travel facility provider and the football club should account for VAT on the commission it receives.

TV/Radio Deals

Income generated from agreements with television/radio companies will normally relate to the provision of media rights and will be liable to VAT. Contracts for the sale of such rights should make reference to the proposed VAT treatment of any payments made. Contracts which are silent on VAT may result in income received being treated as VAT inclusive. Where the rights are supplies to overseas entities the transaction will be VAT free as it is outside the scope of UK VAT. Please refer to Appendix 4.

Value-in-kind/Barter transactions

A football club may from time to time supply goods or services "free of charge" under a "value in kind" agreement i.e. where it receives goods or services in return rather than payment. For VAT purposes this arrangement results in both parties making supplies. Where these supplies are taxable VAT must be accounted for on the full value of those supplies i.e. it is not possible to net off the VAT amounts due between the parties. Instead both parties should issue invoices for the value of their individual supplies and charge VAT where appropriate. Common examples are:

- part exchange player transfers
- where cars are leased in exchange for advertising services. However, in this case a 50% restriction applies to the recovery of the VAT cost attributed to the value of the cars provided.

Youth Academies

Youth academies and centres of excellence may be established in a legal entity which is separate from the club. As such, most of the income received by the academies e.g. funding/donations will be non-business income. Consequently, any VAT incurred by such bodies will be largely irrecoverable for example, costs incurred in building new facilities. It may be possible to mitigate irrecoverable VAT costs in relation to such projects. Specific advice should be sought.

Conclusion

Given the wide ranging powers of Customs it is important to consider the following points regularly:

- Should the football club be VAT registered?
- If it is not required to be VAT registered, would voluntary registration be to its advantage?
- Are you aware of the correct VAT treatment of the club's income? Is this being correctly applied?
- Where relevant, have you agreed the most beneficial method to calculate recoverable VAT?
- Are your records up to date?
- When is the next VAT return due?
- Are there sufficient funds in the current account to cover the next VAT payment?
- If the record keeping is seriously behind, ask permission from Customs in writing to submit an estimated return rather than incur a financial penalty for the late submission of the accurate return.
- Are there any queries which should be resolved with your professional adviser?

This brochure has been prepared in order to help you determine whether you are likely to be affected by the VAT legislation. To take full advantage of the available opportunities and avoid the unnecessary pitfalls you should consider consulting a professional adviser who has VAT expertise with any relevant queries.

There may be planning opportunities available to legitimately mitigate VAT or identify possible VAT savings.

Appendix 1

Football Club Activities Analysis

1. Advertising Revenue

Letting of an advertising hoarding at a sports ground or on perimeter fencing is exempt from VAT. However, it is possible to opt to charge VAT on exempt lettings. This taxation option is covered in more detail below.

Advertising on a notice board or wall display is always standard rated as is advertising space provided in club programmes, magazines and posters.

2. Bar Sales

Alcoholic beverages, soft drinks, tobacco, crisps and nuts are all standard rated and if you sell sandwiches or other food at the bar to be eaten on the premises these will also be standard rated. No VAT is due on tips for the staff when these are at the discretion of customers.

3. Coaching and Course Fees

The provision of coaching or refereeing services is standard rated.

4. Competition Fees

Other income received from entrance in a sporting competition is standard rated unless all the competition fees are returned to the entrants as prizes (money, goods or trophies), in which case the income is exempt from VAT. It is necessary to be careful as this may not be the case if the entrant is given free use of a facility for which there is normally a charge.

5. Donations and Grants

When an individual or a business gives a grant, donation or award, you do not have to declare VAT on the income if it is freely given and the person donating receives no benefit in return. This income is outside the scope of VAT. A one line credit in a sporting programme would not qualify as a benefit; however, if the donor receives other publicity or advertising in return, VAT should be declared on the income (see under "Sponsorship").

Grants from bodies such as the Sport England or UK Sport are normally outside the scope of VAT provided the grantor receives nothing in return other than perhaps an acknowledgement for making the grant. Donations and grants are usually outside the scope of VAT even if the person making the donation or grant has a nominal say in how the money will be spent.

6. Gaming and Amusement Machines

The takings from gaming machines (fruit machines, video games, juke boxes and other coin or token operated amusement machines) or games of skill are standard rated. However, takings from games of chance are exempt (for example pool betting). A licence is needed to operate certain machines, and you should seek guidance from the local Excise office or your professional adviser.

If you receive payment from a machine owner (either a fixed amount or a share of profits) in return for allowing him to site his machine on your premises, that income will be standard rated.

7. Gate Money and Royalties

The fees you charge for entry to a match are standard rated, as are shares of gate receipts from an away game in the UK and royalty income you receive from a UK based television company for broadcasting from your own ground.

8. Interest and Insurance Commission

If earned, income received from money deposited with banks or building societies is exempt from VAT as are insurance or affinity card commissions received.

9. Lettings/Hire of Facilities

If you let your ground for other people to organise events e.g. concerts, the supply is exempt subject to any taxation option you have made. The organisers of the event may be liable to account for VAT on any admission charges they make.

10. Letting of Rooms and Provision of Catering

Charges for letting a room for the purposes of a meeting, seminar or conference are exempt from VAT. However, if catering services are also supplied the catering element should be separately identified on the invoice and VAT should be charged on it. It is possible to opt to charge VAT on lettings and this is covered in the section on the "Taxation Option" (see paragraph 18 below).

Please note that the letting of facilities for playing sport is subject to a compulsory VAT charge. The letting will only be exempt from VAT if:

- the let is over 24 hours; or
- there is a series of 10 lets to a school, club, association or an organisation representing affiliated clubs or constituent associations (there are other conditions to this and advice should be sought where appropriate); and

- the football club has not opted to charge VAT.

The provision of meals (hot or cold and including drinks) for consumption on the premises to club visitors is always standard rated. Cold take-away food is zero-rated. However, for this purpose, food and drink is not deemed to have been taken away when it is consumed within the football ground where it is purchased.

11. Lotteries

Charges to take part in lotteries and raffles or games where prizes are awarded by chance and no element of skill is required by participants are exempt from VAT. Lottery funding grants are outside the scope of VAT.

12. Overseas Tours

If the football club tours outside the UK the income received in respect of sports appearances is outside the scope of UK VAT. For VAT purposes, the Isle of Man is part of the UK but the Irish Republic and the Channel Islands are not. If the football club receives income from overseas touring it may have a liability to register and pay local VAT in the host country. If in doubt you should check the local tax regulations with your professional advisers.

13. Programmes and Fixture Cards

Fixture cards and programmes are zero-rated when the portion for completion of results etc is not more than 25% of the total area, otherwise they are standard rated.

14. Renting or Leasing Out Premises

If the football club has spare office capacity or a property which it lets out for investment purposes the rent or lease payments received in respect of those premises is normally exempt from VAT. It is possible to opt to tax these (see the section on the "taxation option").

15. Sales of Assets

Proceeds from the sale of football club assets such as a pool table or a computer are normally standard rated.

16. Shop Sales

Sales of sports equipment, clothing, souvenirs, hot food, sweets, and soft drinks are all standard rated but books, newspapers, children's clothing and cold take-away food are zero-rated (provided the food is not consumed in the football ground where it was sold).

If the football club sells both standard and zero-rated goods you should record the sales separately as you need

only declare VAT to Customs on the standard rated sales. Where the volume of sales means that a detailed record is unworkable you should consult with your local VAT office or professional adviser as to how best to calculate the VAT due.

Clubs may consider introducing retail schemes to establish the VAT liability to Customs on retail sales from its shop. Whilst retail schemes are simplifications for VAT accounting purposes they can, in some circumstances, potentially achieve VAT savings or cash flow benefits.

17. Sponsorship

Sponsorship is standard rated income for VAT purposes when it is received in return for a supply (e.g. advertising in a programme). Often a football team will agree to wear a product name on a team shirt or feature publicity in a sporting programme for a business or products. To decide if income is sponsorship income, a football club should consider if a supply or benefit is given in return. VAT will also be due if someone gives you goods or services (e.g. team strips or equipment) in return for advertising or other benefits.

If a sponsorship package covers a number of separate supplies (tickets, meals and drinks, perimeter advertising boards etc) it is possible that VAT will not be due on the total value. For example a perimeter advertising board can be exempt subject to the option to tax (see paragraph 18 below).

This will benefit those customers which are unable to recover all of the VAT the football club will charge i.e. those that receive the package for business entertainment and those which are partly exempt. Since such customers will usually only pay you a total sum inclusive of VAT you may benefit from carefully reviewing what you provide to see whether any elements are eligible for VAT relief. In all cases it is worth analysing the various elements of the sponsorship package to determine the correct VAT treatment.

If sponsors are VAT registered the football club will be required to issue a tax invoice identifying the VAT being charged so they can reclaim this from Customs where applicable.

18. Taxation Option

It is possible to opt to charge VAT on land and commercial lettings which would otherwise be exempt from VAT by exercising the "option to tax". It should be noted that the option to tax cannot be used in respect of domestic/residential accommodation or accommodation which is used by a charity for a "non-business" purpose. The advantage of opting to tax is that if the income is

standard rated rather than exempt, VAT on connected costs can be recovered (see 'Categories of income'). However, once the option to tax has been taken up it is irrevocable for 20 years and must apply to all future lettings or sales of the whole or any part of the property. It is recommended that you seek professional advice before electing to take up the taxation option as property transactions are governed by some of the most complex aspects of VAT legislation. For example, the option to tax can be disapplied in relation to certain supplies if the development is funded and occupied by a business using it for mainly VAT exempt purposes. In addition, valuation can be an important factor where the supply is made to a connected person and inducements and rent free periods can also crystallise a VAT liability.

To opt to tax you need to notify the National Option to Tax Unit, based in Glasgow, in writing. If you have already made VAT exempt supplies you will need to seek permission from Customs. Where a football club opts to tax its stadium the option covers the stadium and immediately surrounding land. Therefore a pub or shop franchise within the stadium perimeter will also be subject to the option.

19. Telephones

Telephone service providers, such as British Telecom, are responsible for the VAT on supplies made from many of the old coin-operated telephones which clubs rent from them. But if the rental is of one of the style of installations such as Payphone 100, 300 or 500, the money removed is for the club's supply to the public and output tax should be accounted for on the takings.

20. Vending Machines

Vending machine sales of items such as hot drinks, soft drinks, sweets, crisps etc are standard rated. If you receive payment from a vending machine owner (either a fixed amount or a share of profits) in return for allowing him to site his machine on your premises, that income will be standard rated.

Appendix 2

VAT Return Format

Box 1	VAT due on Sales
Box 2	VAT due on EC Acquisitions
Box 3	Total VAT due to Customs
Box 4	VAT on Purchases
Box 5	Net VAT due to Customs
Box 6	Net Sales
Box 7	Net Purchases
Box 8	Value of EC Sales
Box 9	Value of EC Purchases

Appendix 3

25 Member States of the European Union (EU)

- **Austria**
- **Belgium**
- **Cyprus**
- **Czech Republic**
- **Denmark** (not Faroe Islands and Greenland)
- **Estonia**
- **Finland** (not the Aland Islands)
- **France** (including Monaco but not including Martinique, French Guiana, Guadeloupe, Reunion and St Pierre and Miquelon)
- **Germany** (not Busingen and the Isle of Heligoland)
- **Greece** (not Mount Athos (Agion Poros))
- **Hungary**
- **Republic of Ireland**
- **Italy** (not the communes of Livigno and Campione d'Italia and the Italian waters of Lake Lugano)
- **Latvia**
- **Lithuania**
- **Luxembourg**
- **Malta**
- **Netherlands**
- **Poland**
- **Portugal** (including Azores and Madeira)
- **Slovakia**
- **Slovenia**
- **Spain** (including the Balearic Islands but not Canary Islands, Ceuta or Melilla)
- **Sweden**
- **UK** (including Isle of Man but not Channel Isles or Gibraltar)

Appendix 4

Schedule 5 Services

Services supplied where received ("Reverse charge" services)

1. Transfers and assignments of copyright, patents, licences, trademarks and similar rights
2. Advertising services
3. Services of consultants, engineers, lawyers, accountants and other similar services, data processing and provision of information (but excluding any services relating to land).
4. Acceptance of any obligation to refrain from pursuing or exercising in whole or in part, any business activity or any such rights as are referred to in paragraph 1 above.
5. Banking, financial and insurance services (including reinsurance, but not including the provision of safe deposit facilities)
6. The supply of staff
7. The letting on hire of goods other than transport
- 7A Telecommunications services, that is to say services relating to the transmission, emission or reception of signals, writing, images and sounds or information of any nature by wire, radio, optical or other electromagnetic systems, including:
 - (a) the related transfer or assignment of the right to use capacity for such transmission, emission or reception, and
 - (b) the provision of access to global information networks.

7B Radio and television broadcasting services

7C Electronically supplied services, for example:

- (a) website supply, web-hosting and distance maintenance of programmes and equipment;
- (b) the supply of software and the updating of software;
- (c) the supply of images, text and information, and the making available of databases;
- (d) the supply of music, films and games (including games of chance and gambling games;

- (e) the supply of political, cultural, artistic, sporting, scientific and entertainment broadcasts (including broadcasts of events);
- (f) the supply of distance teaching.

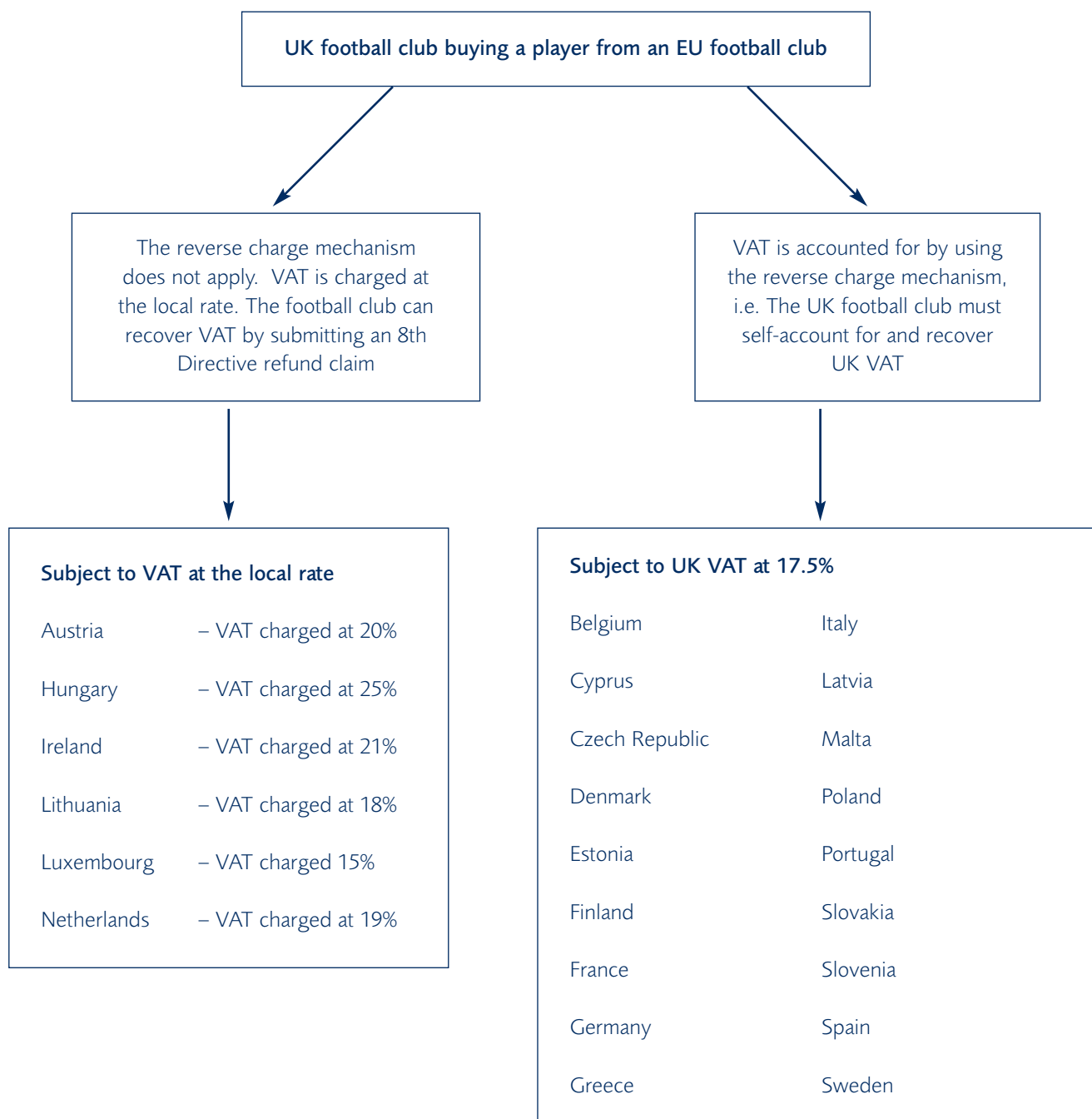
But where the supplier of a service and his customer communicate via electronic mail, this shall not of itself mean that the service performed is an electronically supplied service.

8. The services rendered by one person to another in procuring for the other any of the services mentioned in paragraphs 1 to 7C above
9. Any services not of a description specified in paragraphs 1 to 7 and 8 above when supplied to a recipient who is registered under this Act.

Where such services are supplied by a UK football club to a business outside the UK they are outside the scope of VAT. Where these services are bought in from outside the UK, the football club must, if registered, self assess UK VAT using the reverse charge.

Appendix 5

Below is a summary of the VAT treatment of intra-EU football player transfers



UK clubs selling players overseas do **not** charge VAT. With effect from 1 January 2004, it is a requirement that you quote the purchasing clubs EU VAT number on the invoice.

Appendix 6

VAT Disclosure Rules

Listed Schemes

1: First grant of a major interest to a connected person

These are schemes that aim to remove the VAT cost of extending, enlarging, repairing, refurbishing or servicing a building by attributing the tax incurred to a zero-rated major interest grant in the building to a connected person.

This disclosure requirement will catch many commercial arrangements that Customs have accepted as common practice for some years.

2: Card / cash handling services

These are schemes that aim to reduce the VAT due on the advertised price for retail goods or services by transferring an element of the price into an exempt credit/debit card or cash handling service. The price paid for the retail supply remains the same whether or not the handling service is actually used or needed by the customer.

3: Value shifting

These are schemes that aim to transfer value from standard rated retail supplies into linked zero-rated or exempt supplies.

The customer will pay the same overall price whether or not he accepts the linked supply. In most cases this separation of the consideration across the two supplies is supported by agreements signed or agreed by the customer at the point of sale.

A business which offers a promotion whereby two distinct goods or services with different VAT liabilities can be purchased at a lower value than they would be if they were purchased separately will need to consider whether they should disclose the "scheme" to Customs.

4: Leaseback agreements

These are schemes that aim to defer or reduce the VAT cost of acquiring goods by a business that cannot recover all of the input tax charged to it on those goods.

The business will arrange a sale or lease and leaseback of the goods with a connected person.

This enables full input tax recovery initially on the acquisition of the goods, with a "drip feed" of the VAT cost over the lease period.

This scheme does not only apply to supplies of land or buildings.

5: Extended approval period

These are schemes that aim to defer accounting for output tax on the supply of retail goods until an adoption period has been completed, or title transfers to the customer, by arranging for the goods to be sent or taken on approval or sale or return or similar terms, whereas payment is required in full before such a time.

6: Groups - specified bodies

These are schemes that aim to mitigate the VAT incurred on outsourced services by a business that cannot recover all of the input tax charged to it for those services.

7: Training and education by a non-profit making body

These are schemes that aim to allow a business to retain, from the fees received from customers for its services, that element of the fees that it would normally have paid as output tax. The customers for the services are mainly or wholly private individuals.

8: Training & education by a non-eligible body

These are schemes that aim to enable "eligible bodies" to avoid incurring irrecoverable input tax by establishing a "non-eligible body" provide taxable training or education services to persons who are able to recover the tax on those supplies from Customs.

Hallmarks of Avoidance

Customs consider that there are key indicators when considering whether an arrangement has the hallmarks of an avoidance scheme. These can be divided into two distinct categories:

- those which are typically associated with schemes and
- those which are typically included in schemes.

Indicators Associated with Schemes

- Confidentiality conditions in an agreement.
- Sharing the tax advantage with another party to the scheme or the promoter of the scheme.
- Fees payable to promoters which are in whole, or in part, contingent on tax savings from the scheme.

Indicators Included in Schemes

- Prepayments or pre-invoicing between connected parties.
- Funding by share subscriptions or loans.
- Offshore loops.
- Construction and similar work associated with a property transaction between connected persons.



Deloitte.

The Football Association Financial Advisory Unit

Colum McGinley, Lee Champion, David Newton
and Neil Prescott
25 Soho Square, London W1D 4FA
Telephone: 020 7745 4654
Facsimile: 020 7745 5654
Email: colum.mcginley@TheFA.com

Sports Business Group at Deloitte

London: Richard Baldwin, Jane Curran, Jason Hargaden,
Mark Roberts or Matt Ashley
Hill House, 1 Little New Street, London EC4A 3TR
Telephone: 020 7936 3000
Fax: 020 7583 8517
E-mail: sportsteamuk@deloitte.co.uk

Manchester: Dan Jones, Gerry Boon, Robert Elstone,
Paul Rawnsley or Sarah-Jane Howitt
201 Deansgate, Manchester M60 2AT
Telephone: 0161 455 8787
Fax: 0161 455 6013
E-mail: sportsteamuk@deloitte.co.uk

For further information, visit the Deloitte website at
www.sportsconsulting.co.uk

The Football Association
25 Soho Square
London W1D 4FA

Telephone
+44 (0)20 7745 4545
Facsimile
+44 (0)20 7745 4546

E-mail
info@TheFA.com
Visit
www.TheFA.com



Deloitte.

VAT and Football