1. Introduction

1.1 What is this notice about?

This notice gives guidance to those people responsible for the VAT affairs of clubs and associations on the correct treatment of their activities. It explains:

- the basic rules of VAT and how they apply to clubs and associations;
- the VAT treatment of subscriptions and other payments;
- the scope of the exemption for subscriptions to trade unions and certain public interest bodies; and
- the treatment of prizes and appearance money in competitions in sports and games.

This notice is available on our internet website at www.hmrc.gov.uk.

2. Registering for VAT

2.1 When should I register and account for VAT?

Any club or association with business activities and a turnover from standard-rated, reduced-rated and zero-rated supplies (including subscriptions) above the limits set out in the current edition of Notice 700/1 “Should I be registered for VAT?” must register for VAT and account for VAT on its taxable supplies as set out in this notice.

2.2 Which of my activities are business activities for VAT purposes?

These include:

- providing benefits to members in return for membership subscriptions (for members racing clubs where subscriptions finance the purchase of racehorses see Notice 700/67 The VAT registration scheme for racehorse owners);
- providing benefits to members in return for a separate charge;
- making supplies to non-members for a charge;
- admission to any premises for a charge; and
• providing catering, social and other facilities to non-members in return for a charge.

2.3 Which of my activities are non-business activities for VAT purposes?

Non-business activities are mainly those for which no payment is required or, where there is a payment, no benefit is provided in return. These include:

• free admission to premises for non-members;

• spreading political beliefs or lobbying for a public or charitable good cause (but not lobbying on behalf of your members - this is a business activity);

• providing free literature to non-members; and

• the receipt of freely given donations, where no benefit is supplied in return (see paragraph 5.2 below for more information on subscriptions and donations).

For further information see Notice 700 “The VAT Guide”.

2.4 How should I treat sections, branches and sub-clubs?

There are no set rules for determining whether a section or branch has its own separate legal status, independent of its parent organisation, or whether that section or branch should register separately for VAT purposes.

Unless the section or branch concerned can demonstrate that it has both constitutional and financial independence from its parent organisation, you must include its supplies with those of the parent organisation, when accounting for VAT.

3. Input tax

3.1 What is input tax?

Input tax is the VAT you are charged on purchases of goods and services used for business purposes. You can normally recover this from us to the extent that it relates to your taxable (standard-rated, reduced-rated and zero-rated) supplies.
3.2 Is VAT incurred on non-business activities reclaimable?

You may incur VAT on goods or services you will use wholly for the purpose of a non-business activity (see paragraph 2.3 above). This VAT is not input tax and you cannot reclaim it. This is because such activities are outside the scope of VAT and you do not have to account for output VAT on them.

If goods or services are purchased partly for business and partly for non-business purposes you must apportion the VAT you incur to reflect the amount attributable to your business activities. This is the amount you can reclaim.

However, in the case of goods (but not services) purchased partly for business and partly for private purposes, you may, as an alternative, reclaim the full amount of tax as input tax and then account for output tax on the private use in each VAT accounting period. If you opt for this arrangement, known as Lennartz Accounting, you will need to keep records to show how the goods are used.

For further information see Notice 700 “The VAT Guide.”

3.3 Is VAT incurred on exempt supplies reclaimable?

You are entitled to deduct the input tax incurred on goods and services that you use or intend to use in making taxable supplies. You cannot normally deduct input tax incurred on costs that relate to your exempt supplies. If your input tax relates to both taxable and exempt supplies, you can normally deduct only the amount of input tax that relates to your taxable supplies.

For further information see Notice 700 “The VAT Guide”, Notice 706 “VAT: Partial Exemption” and Notice 700/15 “The Ins and Outs of VAT”.

3.4 Is VAT incurred on free refreshments reclaimable?

You cannot normally reclaim VAT incurred in providing free refreshments as input tax. However, VAT incurred on such refreshments provided to your members, staff and some other people may be reclaimed.

For further information see Notice 700/65 “Business Entertainment”.
4. Output tax

4.1 What is output tax?

Output tax is the VAT that is due on your standard-rated and reduced-rated supplies. If you charge a tax inclusive amount in return for supplies, you should apply the VAT fraction to that amount to work out the VAT due.

See Notice 700 “The VAT Guide” for more information on:

- the VAT fraction;
- calculating the tax value;
- the VAT due when the tax is added on to a VAT exclusive charge; and
- working out the VAT due when payment is not wholly in money.

4.2 What is a ‘transaction with more than one component’?

A transaction with more than one component occurs when you supply the same person at the same time with a number of different goods or services or both. You may, or may not, charge a single inclusive price for the transaction.

If the individual components are all liable to VAT at the same rate, you can calculate the tax that is due as set out in paragraph 4.1 above. If the individual supplies are not liable to VAT at the same rate, you have to decide whether you are making a single supply or a multiple supply.

4.3 What is a single supply?

You make a single supply when one component of the supply is the principal component to which all the other components are ancillary, integral or incidental.

4.4 What are multiple supplies?

You make multiple supplies when each component of the supplies is distinct and independent; they must amount to more than merely an ancillary or integral part of the principal supply.
4.5 What are the VAT consequences of the distinction between single and multiple supplies?

If you make a **single supply**, you must treat the whole transaction as having the VAT liability of the principal component. **But** there is an exception for non-profit making bodies, see paragraph 4.6 below.

If you make **multiple supplies** each component will take its own liability and, if you charge a single inclusive price for the transaction, you will have to make an apportionment of that price. The VAT Guide shows how you may apportion output tax.

4.6 What is the special rule for non-profit making bodies that make single supplies?

Under an extra statutory concession, non-profit making bodies who charge their members a subscription that entitles them to a package of benefits, may apportion the subscription between the various elements as if there had been multiple supplies, even if under the rules described above there is a single supply.

The concession will not work in reverse. Non-profit making bodies may not treat their multiple supplies as single supplies.

4.7 Where can I find further information about this matter?

In VAT Information Sheet 2/01 (July 2001) – “Single or Multiple Supplies - How to Decide”.

5. Subscriptions

5.1 How should I treat subscriptions for VAT purposes?

If your members pay a subscription to obtain or gain entitlement to any substantive benefits of membership, you must calculate the VAT due on the total amount of the subscription as set out in section 4 above.

The VAT liability of subscriptions depends on the liability of the membership benefits you supply in return. In most cases clubs supply a package of benefits so that your supply will have more than one element under the terms of paragraph 4.2 above.

If you make multiple supplies and the separate elements have different VAT liabilities, you must apportion the subscription charge (see paragraph 5.5 below).
Substantive benefits also include:

- priority booking rights;
- guaranteed seats;
- discounts on admission charges; and
- items with a resale value.

These benefits are considered to be substantive regardless of whether there is any cost to your organisation in supplying them and what that cost might be.

However, you can ignore benefits that have a nominal value, such as simple acknowledgements of support in the form of membership badges, flags or stickers, and listing of names in a programme or on a theatre seat or entrance.

5.2 Subscriptions which are voluntary payments or donations

If the whole of the subscription is an entirely voluntary payment and secures nothing or only nominal benefits in return, then it is all a donation and you must treat it as being outside the scope of VAT.

If you believe that your subscriptions include a voluntary payment or donation see paragraph 5.3 below.

5.3 Subscriptions which may include a voluntary payment or donation

You may only treat part of your subscription as a voluntary payment or donation if either:

- all the substantive benefits provided are available to non-members at no charge or more cheaply than the subscription. You should ignore any nominal benefits (see paragraph 5.1 above); or
- some or all of the substantive benefits are exclusive to members and you are able to demonstrate that the amount paid is higher than the amount that the subscriber would normally have to pay for similar goods or services.

If you meet these requirements paragraph 5.11 below explains how you should apportion the subscription.

A charity or an organisation having objects in the public domain (e.g. philanthropic body), may receive a subscription which includes a donational element,
5.4 Trade unions and political, religious, patriotic, philosophical, philanthropic or civic bodies

The supply of benefits to members by these non-profit making organisations may qualify for exemption.

Section 11 below explains how you should treat subscriptions to these organisations.

5.5 When should I apportion my subscription?

If your subscription is consideration for multiple supplies under the terms of paragraph 4.2 above and the separate elements have different liabilities you must apportion your subscription between those different elements. Brief guidance on how to apportion is shown at paragraph 5.10 below.

In most cases there is one principal benefit or reason for joining. Other benefits supplied such as literature are less important. In these circumstances, your subscription is consideration for a single supply and its liability is determined by the liability of the main benefit. No apportionment may be made.

There is an exception for non-profit making bodies, making a single supply which comprises a mixture of benefits with different VAT liabilities. These bodies may apportion their subscriptions to reflect the value and VAT liability of each individual benefit. This is explained in more detail at paragraph 4.2 above and in VAT Information Sheet 2/01 (July 2001) – “Single or Multiple Supplies - How to Decide”.

It is up to you whether you wish to take advantage of the concession.

If you wish to apportion, for example subscriptions to cover separate benefits such as zero-rated printed matter, you must apportion all types and elements of subscriptions - in other words you cannot “pick and choose”.

5.6 Additional joining fees

You should treat any additional joining fee of a general nature, in the same way as your subscriptions, applying the same apportionment, if any. Where you charge an additional fee for “obtaining” a particular facility, you must account for VAT based on the liability of the particular service or goods provided.

5.7 Life membership fees

You must also treat fees for life membership in the same way as your annual subscriptions, unless you supply life members with additional benefits not available to ordinary members.
5.8 How is a charge to be placed on a waiting list for membership to be treated?

It will be exempt if:

- it is deducted from the new member’s first subscription or entrance fee and the subscription or fee itself will qualify for exemption; and
- it is refundable in the event that the candidate fails to become a member for any reason, including voluntary withdrawal.

In all other circumstances the fee is consideration for the right to be on the waiting list and is standard-rated.

5.9 Payment by instalments

Where you allow a member to pay a subscription by instalments over the subscription period and the total instalments exceed a single payment subscription, the liability of the additional amount is the same as that of the subscription.

5.11 Deferred payments

Where an organisation offers annual membership and allows members to defer subscription payment for an additional charge over and above the subscription, the charge is consideration for the exempt grant of credit.

5.10 How do I apportion subscriptions?

There are no specific rules for making an apportionment. Notice 700 “The VAT Guide”, provides general guidance and examples on how to apportion output VAT.

It is usually acceptable for a club to apportion its total subscription income to reflect the relative cost of providing the different supplies to its members. You can base your calculations for the current financial year on your accounts for the previous financial year, provided you apply this method consistently. You must keep your calculations for inspection by our VAT Assurance staff.

5.11 Subscriptions which include a donation

Provided you satisfy the terms of paragraph 5.3 above and correctly calculate the value of any standard-rated, zero-rated and exempt supplies, you can treat the balance of the subscription as a donation and outside the scope of VAT.
To do this, you should calculate the value of the **substantive** benefits (ignoring **nominal** benefits of the types described in paragraph 5.3 above), using the price at which they are available to non-members or the amount the subscriber would normally have to pay for similar goods or services (see paragraph 5.10 above). The difference between the amount of the subscription and the total value of the benefits is the donation.

### 5.12 Subscriptions used to purchase zero-rated or exempt supplies from a third party.

This will not in itself entitle you to apportion the value of subscriptions. You can only apportion those separately identifiable supplies of zero-rated or exempt goods or services that you make to your members.

### 5.13 Subscriptions from overseas members

You will have to treat subscriptions from overseas members differently where:

- overseas members receive different benefits from UK members in return for their subscription to a UK club; or
- overseas members receive the same benefits as UK members, but the VAT rules require a different treatment.

In these circumstances the apportionment of the overseas subscription will need to be separated from that carried out for UK members’ subscriptions.

The different treatment of benefits for overseas members is described below.

<table>
<thead>
<tr>
<th>Type of benefit</th>
<th>VAT Treatment</th>
<th>Further Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>services</td>
<td>in certain situations, some supplies of services are treated as made where the customer belongs, and therefore fall outside the scope of UK VAT.</td>
<td>Notice 741 “Place of Supply of Services (before 1 January 2010)”. Notice 741A “Place of supply of services”</td>
</tr>
<tr>
<td>goods sent to members outside the European Union (EU)</td>
<td>zero-rated.</td>
<td>Notice 703 “VAT: Export of goods from the United Kingdom”.</td>
</tr>
<tr>
<td>goods sent to VAT registered members in the EU for use in their business</td>
<td>when you send goods to VAT registered members in the EU, your supply is zero-rated subject to certain conditions. If the conditions are not met, VAT is due in the UK at the</td>
<td>Notice 725 “The Single Market”.</td>
</tr>
</tbody>
</table>
6. Raising of capital from members by loans, levies, shares and debentures

6.1 What are the VAT consequences of raising capital from members by loans, levies, shares and debentures?

If you require your members to make a loan, pay a levy or purchase shares or debentures, they may be providing consideration or additional consideration for your supply of the benefits of membership and you will have to account for VAT on the value of that consideration.

However, the amount loaned or given for the security is not necessarily relevant in determining the value of the membership supplies made. The paragraphs below explain how you determine the value.

6.2 What if I raise capital from members by obtaining compulsory interest-free loans from them in addition to the subscription payment?

You account for VAT on the notional interest of the loan. You determine the value of the notional interest by using the following procedure table.

<table>
<thead>
<tr>
<th>Step</th>
<th>Action</th>
<th>Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>establish how much of the payment by the member is an interest free loan</td>
<td>examine the terms of membership; for example, where members have to pay a subscription of £500 and make a loan of £1000 repayable after three years</td>
</tr>
</tbody>
</table>
2 calculate the notional interest you would have had to pay on the loan  
use the London Interbank Offered Rate (LIBOR) in force at either  
• the beginning of the month in which the subscriptions are due to be paid; or  
• on the first day of your club’s financial year, whichever is easier for you  
(you can do this for each member’s subscription individually or for the total of all members’ subscriptions)

3 apply the same VAT liability to the notional interest as you apply to the subscription  
use the appropriate VAT fraction to calculate the VAT due

6.3 Obtaining a loan from members at a significantly lower interest than the bank

If you do this you should follow the steps in the table below:

<table>
<thead>
<tr>
<th>Step</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>calculate the notional interest as in paragraph 6.2 above;</td>
</tr>
<tr>
<td>2</td>
<td>compare the interest rate you pay the member to that your bank would have charged. If the interest rate you charge the member is significantly lower than your bank would have paid, go to step 3. If the rate paid is similar to or higher than that which would have been charged by your club’s bank, then no VAT is due on the loan.</td>
</tr>
<tr>
<td>3</td>
<td>deduct the amount of interest actually paid, including any on returned loans, from the notional interest;</td>
</tr>
<tr>
<td>4</td>
<td>apply the same VAT liability to the remainder as you apply to the subscription</td>
</tr>
<tr>
<td>5</td>
<td>apply any appropriate VAT fraction to calculate the VAT due</td>
</tr>
</tbody>
</table>

6.4 Additional loan repayments to members who are leaving

This often occurs when there is a condition of membership that on leaving the club the member will find a new member to take over the loan or to make an equivalent loan. The payment will often be based on the rate of inflation. You must:
6.5 What if I reduce or waive a member’s subscription in return for an interest-free loan or purchase of a share or debenture?

You must account for VAT on the amount of subscription payable by a member who has not made any such payment, at the time the subscriptions are due.

6.6 What if I charge a levy, to which the member has no right of return?

You must treat the levy as liable to VAT as if it was an additional subscription. However, if the levy entitles the member to different benefits which create multiple supplies, you must, where appropriate, account for VAT based on the liability of those benefits.

6.7 What if I genuinely offer to repay a loan and the member decides unconditionally to waive entitlement to repayment?

The loan becomes a donation and you do not have to account for VAT from the date of waiver on the notional interest.

7. VAT Liability of supplies commonly made by clubs and associations

7.1 How do I account for VAT on supplies?

The following table gives brief guidance on the VAT liability of most typical goods and services provided by clubs and associations and tells you where you can find more information on particular subjects.
<table>
<thead>
<tr>
<th>Type</th>
<th>Treatment</th>
<th>Further Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>admission charges</td>
<td>admission charges are standard-rated in most circumstances.</td>
<td></td>
</tr>
<tr>
<td>bar sales, catering and teas</td>
<td>food and drink is always standard-rated where it is supplied in the course of catering, including food and drink supplied for consumption on the premises or hot take-away food.</td>
<td>Notice 709/1, “Catering and take-away food”</td>
</tr>
<tr>
<td>bingo</td>
<td>the fees for participation in bingo are exempt from VAT. admission charges are standard-rated with an exception for certain one-off fund raising events - see below.</td>
<td></td>
</tr>
<tr>
<td>competition entry fees other than sport or physical recreation</td>
<td>standard-rated</td>
<td></td>
</tr>
<tr>
<td>culture</td>
<td>admission charges to:</td>
<td>Notice 701/47, “Culture”.</td>
</tr>
<tr>
<td></td>
<td>• museums, galleries, art exhibitions and zoos; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• theatrical, musical and choreographic performances of a cultural nature supplied by public authorities and by certain other eligible bodies may qualify for exemption.</td>
<td></td>
</tr>
<tr>
<td>discos, dances, socials and similar events</td>
<td>admission charges to social events are standard-rated.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>you must account for VAT on the gross amount of taxable supplies (for example, admission, catering etc.) and not on the net amounts after band, floorshow and other expenses are paid.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>there is an exception for certain one-off fund raising events - see below</td>
<td></td>
</tr>
</tbody>
</table>
| fixture cards                             | zero-rated under certain circumstances.                                                                                                                                                                  | Notice 701/10 “Zero-
<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>fund-raising events</td>
<td>admission charges to qualifying events held by charities for charitable purposes and by non-profit making qualifying bodies exclusively for their own benefit may be exempt.</td>
<td>Leaflet CWL4 Fund-raising events: Exemption for charities and other qualifying bodies.</td>
</tr>
<tr>
<td>gaming and amusement machines</td>
<td>all receipts from gaming and amusement machines are standard-rated.</td>
<td>Notice 701/29 “Betting, gaming and lotteries”.</td>
</tr>
<tr>
<td>gaming club subscriptions</td>
<td>subscriptions to gaming, bingo, bridge etc. clubs, in return for which members have the right to place bets or play games of chance for no further payment, are standard-rated.</td>
<td>Notice 701/29 “Betting, gaming and lotteries”.</td>
</tr>
<tr>
<td>hire charges for use of sports equipment</td>
<td>use of facilities closely linked and essential to sport or physical education including billiards, pool and snooker may qualify for exemption.</td>
<td>Notice 701/45 “Sport”.</td>
</tr>
<tr>
<td>hire of rooms, halls and facilities</td>
<td></td>
<td>see Section 10 below.</td>
</tr>
<tr>
<td>insurance supplied with goods or other services</td>
<td>depending on the circumstances, where you make a charge for “insurance”, that charge could be exempt where it is the member’s own risk which is insured (rather than the club’s risk).</td>
<td>Notice 701/36 “Insurance”.</td>
</tr>
<tr>
<td>jumble sales</td>
<td>unless they qualify as fund raising events:-</td>
<td>Leaflet CWL4 Fund-raising events: Exemption for charities and other qualifying bodies.</td>
</tr>
<tr>
<td></td>
<td>• any charge for admission is standard-rated.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• the goods you sell are liable to VAT at the rate applicable to such goods.</td>
<td></td>
</tr>
<tr>
<td>lotteries (including raffles, totes, instant bingo tickets etc.)</td>
<td>income from these sources is exempt.</td>
<td>Notice 701/29 Betting, gaming and lotteries.</td>
</tr>
<tr>
<td>payphone charges</td>
<td>standard-rated</td>
<td>VAT Notice 700 “The VAT guide”.</td>
</tr>
<tr>
<td>prizes, prize</td>
<td></td>
<td>See section 9 below</td>
</tr>
<tr>
<td><strong>money.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td><strong>sales of sports and other equipment.</strong></td>
<td>standard-rated where goods are taken in part-exchange, you must account for VAT on the full selling price of the goods - not on the net price paid after the value of goods taken in part-exchange has been deducted.</td>
<td></td>
</tr>
<tr>
<td><strong>sponsorship rights</strong></td>
<td>standard-rated output tax is due not only on the money received from the sponsor but also on any payments made by the sponsor to third parties. This includes expenses of staging a competition or event and the value of any prizes given under the terms of the sponsorship agreement. Notice 701/41 “Sponsorship”</td>
<td></td>
</tr>
<tr>
<td><strong>sport or physical recreation competition entry fees</strong></td>
<td>exempt in certain circumstances. Notice 701/45 “Sport”.</td>
<td></td>
</tr>
<tr>
<td><strong>swipe cards, vouchers and other types of payment credits</strong></td>
<td>see Section 8 below</td>
<td></td>
</tr>
<tr>
<td><strong>tours organised by clubs etc.</strong></td>
<td>where a club buys hotel accommodation and travel, for example from a third party, and sells them on as principal, the club must use the tour operators’ margin scheme. Notice 709/5 “Tour operators’ margin scheme”</td>
<td></td>
</tr>
<tr>
<td><strong>use of facilities closely linked and essential to sport or physical education including billiards, pool and snooker</strong></td>
<td>where made by an eligible body, exempt; by any other trader, standard-rated. where a grant of facilities for playing any sport or participation in any physical recreation amounts to a grant of land or property, it may qualify for exemption under the “24 hour” or “series of lets” provisions. Notice 701/45, “Sport”. Notice 742 “Land and property”</td>
<td></td>
</tr>
<tr>
<td><strong>waste paper</strong></td>
<td>sales of waste paper are standard-rated.</td>
<td></td>
</tr>
</tbody>
</table>
8. Swipe cards, vouchers and other types of payment credits

If you arrange for your members to maintain credit balances in order to make payment for goods and services (for example, when using the bar facilities), you must consider the following points to determine when you must account for tax (the correct “tax point”):

<table>
<thead>
<tr>
<th>If...</th>
<th>then...</th>
</tr>
</thead>
<tbody>
<tr>
<td>a member makes a payment that creates or contributes to a credit balance, (whether as a compulsory or voluntary levy) on either:·</td>
<td>you need not account for tax until the credit is used to make taxable purchases, even if the payment is not refundable. you must not treat the amount of the levy as part of the subscription for VAT purposes.</td>
</tr>
<tr>
<td>• the issue, renewal or topping up of a card; or</td>
<td></td>
</tr>
<tr>
<td>• purchase of vouchers.</td>
<td></td>
</tr>
<tr>
<td>an unused credit balance is repayable to the member</td>
<td>the credit and refund have no VAT consequences</td>
</tr>
<tr>
<td>unused balances or unredeemed vouchers revert to the club</td>
<td>you account for VAT at the time of reversion as if they were part of the member’s subscription</td>
</tr>
</tbody>
</table>

9. Prizes, prize money and appearance money

9.1 How should I treat the different types of prizes?

Prizes awarded to competitors in sports and games competitions are always treated in the same way, regardless of whether the entry fees for the competition are exempt or taxable.

The rules on prizes in betting, gaming and lotteries are different. Further information is available in Notice 701/29, “Betting, gaming and lotteries”.

Where the competition rules provide for additional payments to any competitor, which depend on success, you should treat these as prize money.

The following table describes how you should treat various types of prizes.

<table>
<thead>
<tr>
<th>Type of Prize</th>
<th>Example</th>
<th>Treated as</th>
<th>Consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td>goods</td>
<td>sports equipment,</td>
<td>business gifts</td>
<td>you must account for output VAT based on the cost of</td>
</tr>
<tr>
<td>car, trophy (if owned permanently by winner)</td>
<td>the goods to you, unless the cost of the individual prize to you was £50 or less excluding VAT. However, you can deduct the input tax incurred on the purchase of the goods.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>services</td>
<td>holiday</td>
<td>gift of services</td>
<td>where input tax has been claimed on the purchase of services given away as prizes, an equal sum of output tax is due at the time the prize is awarded. If no input tax is incurred no output tax is due.</td>
</tr>
<tr>
<td>cash</td>
<td>outside the scope of VAT</td>
<td>you do not need to account for VAT on the amount. However, you do need to distinguish between prize money and payments made by sponsors to event organisers which are called prize money but are, in fact, payments for taxable supplies.</td>
<td></td>
</tr>
<tr>
<td>trophy which remains the property of the competition organiser</td>
<td>outside the scope of VAT</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For prize money from horseracing see VAT Notice 700/67 The VAT registration scheme for racehorse owners.

### 9.2 What is appearance money?

In many sporting events competitors are paid by the organiser to take part in the event. In such cases the payment by the promoter or organiser is the consideration for the standard-rated supply of the competitor’s services.

Where individuals are guaranteed a participation payment or they negotiate individually a guaranteed amount (even if this depends on the degree of success), you must treat such payments as appearance money.
9.3 What is the difference between prizes and appearance money?

Prizes are supplies by you to competitors. They are your outputs even if they are outside the scope of VAT. Payments of appearance money are your inputs and if the competitor is registered for VAT, he or she will charge you VAT.

9.4 What if a competitor uses an agent?

An agent may invoice you for either their own services, or those of the competitors, or both. In all cases their services are standard-rated and form part of your inputs. You may be charged VAT.

Agents may act on behalf of:

- an individual competitor and deal with the competitor’s tournament and competition engagements; they will account for VAT on any form of commission they earn in supplying their services to the competitor; or

- a number of competitors who supply their services as a package deal, including appearances which are guaranteed to an event organiser; they must account for VAT on the total value of the contract including any money payable to the agent - this is because they are making a taxable supply of the player’s services.

Notice 700 The VAT Guide explains the normal rules on the VAT position of agents’ services.

10. Hire of rooms and halls

What is the VAT liability of my supply of the hire of rooms and halls?

The hire of a room or a hall including the provision lighting and furniture is generally exempt from VAT provided that:

- the person to whom you are hiring the room or hall has exclusive occupation of it during the period of hire; and

- you have not “opted to tax” the building in which the room or hall is situated.

You should, however, refer to Notice 742 Land and Property for further information about supplies of land and property.
11. Trade unions and other representative bodies

The supplies by most clubs and associations of facilities and advantages to their members are standard-rated; some supplies in return for a subscription, by certain non-profit making public interest bodies may qualify for exemption.

11.1 Which bodies may qualify for exemption?

Bodies qualify for exemption if they are non-profit making organisations (see paragraph 11.3 below), and if they operate in the public interest in that they are:

- trade unions – see paragraph 11.4 below;
- professional associations – see paragraph 11.5 below;
- learned societies – see paragraph 11.10 below;
- representational trade associations – see paragraph 11.15 below; and
- other public interest bodies, that is, bodies with aims that are in the public domain and are of a political, religious, patriotic, philosophical, philanthropic or civic nature – see section 12.
- organisations that are made up of other qualifying organisations – the supply of membership by umbrella organisations is exempt provided their objects fall within the same heading as their member bodies. Payments covered by the exemption would include affiliation fees or similar levies.

Not all supplies by these bodies will qualify for exemption – those that do are described in section 13 below.

Persons who are registered for VAT who also make exempt supplies cannot deduct all the related input tax in most circumstances. You will find more about this in paragraph 3.3 above and Notice 706 Partial exemption.

11.2 Must I restrict the membership of my professional association or learned society to individuals?

No. Following European case law we no longer apply this restriction.
11.3 What does “non-profit making” mean?

We consider, when judging whether an organisation is “non-profit making”, the objects for which an organisation has been established, as distinct from the financial policy being pursued. Although the organisation may generate income surpluses from various activities, we will not refuse recognition as a non-profit making organisation simply because these surpluses subsidise other activities.

If a body has a constitution or articles of association that bars it from distributing surpluses of income over expenditure to its members, shareholders or any other party, other than in the event of a liquidation or cessation of activities, we normally accept it as non-profit making for the purposes of this exemption.

However, the existence of any provision barring distribution will not necessarily be the sole factor in determining whether an organisation is non-profit making.

11.4 Trade unions

A trade union is a body whose main objective is to undertake negotiations on the pay or conditions of service of its members.

11.5 Professional associations

A professional association is a body which restricts its membership wholly or mainly to those who hold or are seeking a recognised qualification from it. Membership of the association must be obligatory, or at least customary, for those pursuing a career in that profession.

11.6 What is a “profession”?

There is no legal definition of a profession. However VAT tribunal and court decisions have restricted the meaning of the words “profession” and “professional” to occupations generally understood to be a profession. Factors in judging whether an occupation is generally understood to be a profession include:

- the nature and status of the activity and those engaged in it;
- whether the exercise of the activity requires a qualification;
- whether the persons carrying out the activity are bound by a code of conduct;
- whether the activity entails having a distinctive and broad base of knowledge from which a person may subsequently diversify into more specialised areas;
- the nature of the association’s aims and objectives; and
- the actual activities carried out by it.
These criteria are neither fixed nor exhaustive. This means for example that some occupations not currently regarded as professions may acquire that status in the future.

11.7 **Must a professional association restrict its membership?**

Yes; it must restrict its membership “wholly or mainly” to those “who hold or are seeking a qualification appropriate to the profession concerned.”

When considering whether your association restricts its membership, you should look at what is happening in practice. An association that purports to restrict its membership in its constitution or rules, but does not actually impose the restriction, will not satisfy this criterion. Conversely, an association that does not specifically claim to restrict the membership in its rules or constitution, but in reality does impose a restriction, could meet the criterion.

11.8 **When is membership “wholly or mainly” restricted?**

We regard any association with a membership comprising of 75% or more of those individuals “who hold or are seeking a qualification appropriate to the profession concerned” as satisfying this criterion.

11.9 **What is a “qualification appropriate to the practice of the profession concerned”?**

A “qualification appropriate to the practice of the profession concerned” is

- held or sought by persons wishing to practice a recognised profession; and
- obligatory or customary to the practice of that profession; and
- awarded by the association to the person who is qualified or seeking qualification.

11.10 **Learned societies**

A learned society is a body whose primary purpose is the advancement of a particular branch of knowledge or the fostering of professional expertise. Its membership must be restricted wholly or mainly to those whose employment is, or has been, directly connected with its aims.
11.11 What is a “primary purpose”? 

A “primary purpose” is not necessarily the sole purpose of a society but is the main or principal purpose. An association can only have one primary purpose. The primary purpose should be clear from the following:

- the objects and objectives set out in the association’s Memorandum and Articles of Association or constitution;
- the powers and actual activities of the association;
- what the association itself considers its primary purpose to be; and
- what the members of the association consider its primary purpose to be.

11.12 What is a “branch of knowledge”? 

A “branch of knowledge” is restricted to a recognised branch of science or the arts and will therefore be more academic than practical in content. Normally it will be included in a degree course or equivalent. Knowledge relating to the confined area of a specific job does not constitute a branch of knowledge for this purpose.

11.13 What is “professional expertise”? 

“Professional” has the same meaning as in paragraph 11.6 above, so that “professional expertise” is restricted to expertise connected with what is generally understood to be a profession.

11.14 Must a learned society restrict its membership? 

A learned society must restrict its membership “wholly or mainly” to those “whose past or present professions or employments are directly connected with the purposes of the association”.

Therefore, an association with the primary purpose of advancing a branch of knowledge amongst the public generally would not qualify for exemption if its membership lacked this “employment connection”. Exemption will still apply where only a small proportion of the membership lacks the “employment connection”.

As in paragraph 11.8 above the phrase “wholly or mainly” is regarded as 75% or more.
11.15 Representational trade associations

These are bodies whose primary purpose is to make representations to Government on legislation or other public matters, which affect the business or professional interests of its members. A representational trade association must restrict its membership “wholly or mainly to individuals or corporate bodies whose business or professional interests are directly connected with the purposes of the association”.

This means that representational trade associations must satisfy all the following criteria for exemption to apply:

- the association’s primary purpose is “to make representations” - you can establish this by using the tests in paragraph 11.11 above;
- representations “to the Government” are to the UK Government;
- the representations must relate to legislation or public matters affecting the members’ “business or professional interests”; and
- the members are “wholly or mainly individuals or corporate bodies whose business or professional interests are directly connected with the purposes of the association” – you should use the 75% criterion referred to in paragraph 11.8 above in applying the “wholly or mainly” criterion.

12. Other public interest bodies

12.1 What are “bodies with aims that are in the public domain”? 

These are bodies of a political, religious, patriotic, philosophical, philanthropic or civic nature. These bodies have objects which are directed outside the particular organisation and beyond the members themselves to the general community.

Bodies which are not registered charities may qualify - major political or religious bodies will also often satisfy this requirement because the public will have a general interest in their activities.

12.2 What are aims of a “political, religious, patriotic, philosophical, philanthropic or civic” nature

There are no legal definitions. The following table describes the everyday meaning of these terms.
<table>
<thead>
<tr>
<th>Nature of Aims</th>
<th>Everyday Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>“political”</td>
<td>campaigns for or against legislative and constitutional changes or campaigns in local and central government elections</td>
</tr>
<tr>
<td>“religious”</td>
<td>includes all denominations, creeds, old and new, that command a following.</td>
</tr>
<tr>
<td>“patriotic”</td>
<td>to do good work for the benefit of a nation state or for those who have served their country and their dependants.</td>
</tr>
<tr>
<td>“philosophical”</td>
<td>bodies whose primary purpose is the advancement of a particular way of thinking but which are not of a political or religious nature. They are very similar to learned societies as described in paragraph 11.10 above, in that they are of an academic nature</td>
</tr>
<tr>
<td>“philanthropic”</td>
<td>to do good work for the direct benefit of the general community or a particular section of the community or designed to promote the well being of mankind</td>
</tr>
<tr>
<td>“civic”</td>
<td>a body which has objects which promote rights and duties of citizens in matters of public interest and public affairs, and whose objects do not solely or mainly benefit its members.</td>
</tr>
</tbody>
</table>

13. Exempt supplies by trade unions, professional and other public interest bodies

13.1 Which supplies to members qualify for exemption?

If your organisation is a non-profit-making body of the kind described in sections 11 and 12 then the supplies that you make to your members in return for their subscriptions are exempt except for:

- any supplies that are not referable to the aims of the organisation as set out in its rules, articles of association, constitution etc. (see paragraph 13.7 below for the treatment of supplies of hospitality to members);

- the right of admission to any premises, event or performance (for example a conference) for which non-members have to pay – see paragraph 13.3 below; and

- any supplies that are not available without payment other than a membership subscription, that is, which are not provided automatically as part of the membership benefits and for which an additional sum is charged.
You must treat the above supplies as standard-rated unless they qualify for another exemption or for zero-rating - for example:

- supplies of training may qualify for the education exemption - see Notice 701/30 Education and vocational training.
- supplies connected with fund-raising events may qualify for the exemption - see Notice CWL4: Exemption for charities and other qualifying bodies
- zero-rated printed matter, such as a year book (as zero-rated supplies count as taxable, you may reclaim any related input tax, subject to the normal partial exemption rules) see Notice 701/10 Zero-rating of books etc
- the exemption for sports services – see Notice 701/45 Sport.

13.2 Subscription with taxable components

If your subscription includes a component which is not exempt, that is, either standard-rated or zero-rated, you must consider the rules on supplies which have more than one component at paragraph 4.2 above. You may:

- have to apportion your subscription if it is consideration for a multiple supply; or
- wish to apportion your subscription if it is consideration for a single supply and the terms of the extra-statutory concession explained at paragraph 4.6 above apply.

Paragraphs 5.5 and 5.10 above explain the rules on apportioning subscriptions.

Advice on whether your subscription includes a right of admission is shown at paragraph 13.3 below.

13.3 Subscriptions which include a right of admission

The right of admission to any premises, event or performance is specifically excluded from the exemption. Payments for admission additional to the subscription are always standard-rated.

But this also means that, if an event is subsidised by subscriptions, an element of that subscription is standard-rated and an apportionment may be necessary – see paragraph 5.5 above.
Examples of possible methods of charging and the VAT consequences are set out below. For the purpose of these examples, the organisation is a qualifying organisation that has satisfied all the other criteria for exemption, and the event is referable to the organisation’s aims.

<table>
<thead>
<tr>
<th>Method of charging for admission</th>
<th>Does the subscription include a standard-rated right of admission?</th>
</tr>
</thead>
<tbody>
<tr>
<td>free admission to members only or member and guest</td>
<td>no</td>
</tr>
<tr>
<td>free admission to members: charge to non-members.</td>
<td>yes</td>
</tr>
<tr>
<td>members only for a charge: event self-financing.</td>
<td>no</td>
</tr>
<tr>
<td>members only for a charge: event subsidised by subscriptions.</td>
<td>yes</td>
</tr>
<tr>
<td>members and non-members admitted for a charge but members pay less: - event self-financing.</td>
<td>no</td>
</tr>
<tr>
<td>members and non-members admitted for a charge but members pay less: - event subsidised by subscriptions.</td>
<td>yes</td>
</tr>
<tr>
<td>members and non-members pay the same.</td>
<td>no, not a benefit of the subscription</td>
</tr>
<tr>
<td>entry free to all.</td>
<td>no, not a benefit, but may be non-business as no charge made.</td>
</tr>
</tbody>
</table>

### 13.4 What if my organisation makes supplies to non-members?

Exemption does not cover any supplies that your organisation makes to non-members. Supplies made to non-members are standard-rated unless they fall within another exemption or the zero-rating provisions.

### 13.5 What if my organisation charges “registration fees”?

Members of certain professions cannot practice unless they are registered with a statutory body and have paid fees that are prescribed by law. If your organisation charges this type of registration fee, the fees are normally outside the scope of VAT because, in carrying out these statutory functions, your organisation is not supplying a service in the course of its business.
However, where there is no such statutory requirement, the liability will vary as follows:

(a) registration in return for a subscription payment.

When no additional fee is charged and the member is automatically registered upon payment of his/her subscription, the service is a standard-rated supply unless the service of registration is referable to the aims of the association. If registration is referable to the aims, the supply qualifies for exemption.

(b) registration for a separate fee.

Since the supply of registration is in return for a payment “other than a membership subscription”, it cannot qualify for exemption. This is the case even where registration is confined to the association’s members and is referable to the association’s aims. The supply is therefore standard-rated.

(c) other clearly identifiable supplies accompany registration.

You may need to apportion the fee between differently rated services or goods. See paragraph 4.2 above.

13.6 What if employers raise charges for deducting union subscriptions from employees’ pay?

These charges are exempt - see Notice 701/49 Finance.

13.7 What if my organisation provides hospitality?

Where you provide meals, hotel accommodation etc. to your members without additional charge, there is a standard-rated supply unless the hospitality is directly connected with your organization’s aims (for example, at the annual conference). You may have to apportion the subscription accordingly. See paragraph 4.2 above.

As the membership in general is paying for it in the subscription, such hospitality is not business entertainment and you may deduct the input tax incurred, subject to the normal rules.

You may not deduct the VAT incurred on free hospitality provided to non-members. The business entertainment rules are explained in detail in Notice 700/65 Business Entertainment.

The provision of hospitality for a charge, whether to members or non-members, is standard-rated.
Your rights and obligations

Your Charter explains what you can expect from us and what we can expect from you. For more information go to www.hmrc.gov.uk/charter

Do you have any comments or suggestions?

If you have any comments or suggestions to make about this notice, please write to:

HM Revenue & Customs
VAT Liability Team
Room 3/34
100 Parliament Street
LONDON
SW1A 2BQ

Please note this address is not for general enquiries.

For your general enquiries please phone our Helpline 0845 010 9000.

Putting things right

If you are not satisfied with our service, please let the person dealing with your affairs know what is wrong. We will work as quickly as possible to put things right and settle your complaint. If you are still unhappy, ask for your complaint to be referred to the Complaints Manager.

For more information about our complaints procedures go to www.hmrc.gov.uk and under quick links select Complaints.

How we use your information

HM Revenue & Customs is a Data Controller under the Data Protection Act 1998. We hold information for the purposes specified in our notification to the Information Commissioner, including the assessment and collection of tax and duties, the payment of benefits and the prevention and detection of crime, and may use this information for any of them.

We may get information about you from others, or we may give information to them. If we do, it will only be as the law permits to:

- check the accuracy of information
- prevent or detect crime
- protect public funds

We may check information we receive about you with what is already in our records. This can include information provided by you, as well as by others, such as other
government departments or agencies and overseas tax and customs authorities. We will not give information to anyone outside HM Revenue & Customs unless the law permits us to do so. For more information go to www.hmrc.gov.uk and look for Data Protection Act within the Search facility.