



SHOOTING AND VALUE ADDED TAX

Whether or not a surplus is achieved, shooting conducted “in the course or furtherance of a business” is subject to VAT. Some think that being a sport that starts with live birds and results in food products, shooting can be VAT exempted or zero rated but this is not the case - it is the right¹ to shoot and take game² that is being supplied and this is taxable at the standard rate³.

Private shoots run for recreational purposes are not businesses for VAT purposes even though contributions may be received from family or friends. However, in common with every other shoot that is not VAT registered, no person or organisation is entitled to recover from HMRC any of the VAT in costs incurred in the running of a private, recreational (as opposed to “commercial”) shoot.

Syndicate shoots, effectively run on a cost sharing basis, are also not businesses and therefore they do not have to register for VAT.

However, if the landowner is a member of the syndicate, HMRC will expect the landowner to account for VAT on the open market value of the rights granted to the syndicate, and also on the supply of any goods and the services (such as those of the gamekeeper or others working on the shoot). This VAT will be payable even if no money changes hands.

Where “commercial” and “private” shooting are run in parallel, the whole will be treated as a single taxable activity.

Syndicate and private shoots that sell a few days to help cover costs are making supplies that would be taxable but, depending on the circumstances, that such supplies are being made “in the course or furtherance of a business” can be open to question though, if the syndicate regularly allows non-members to participate, or regularly makes supplies of other goods or services, then the syndicate will be regarded as carrying on a business and will be required to charge VAT on supplies made to members and non-members alike. If your shoot is in this position and you are uncertain as to whether or not you should register for VAT, you should seek professional advice.

There are VAT exemptions for certain not for profit sporting clubs but these exemptions also depend on there being no commercial element. Clubs that provide shooting may need to seek professional advice regarding their VAT position.

¹ This will include any equitable right, or a right under an option and (in Scotland) a personal right.

² VAT is chargeable on the right to take game by virtue of its exclusion from the general exemption that is provided in respect of transactions in land. In terms of VAT, there is no differentiation made between a single day of shooting and the grant of a lease that may cover a period of years.

³ The exception to this rule is where the shooting rights are supplied with the fee simple of the land over which the rights are exercisable. Then the supply will be an exempt supply (unless the land is subject to the option to tax). By concession similar treatment applies where the shooting rights are leased with the land over which they are exercisable provided the shooting rights represent no more than 10% of the value of the supply



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Registration

What shoots have to register?

Shoots which include any form activity that can be deemed to be in the course or furtherance of a business must register for VAT when their taxable turnover reaches the threshold. The current VAT registration threshold is £79,000 per annum (this is reviewed annually by government).

The value of all taxable supplies (sales of goods and services), whether standard or zero rated, have to be taken into account when assessing whether a shoot should be registered for VAT. The sale of capital assets (e.g. the sale of a shoot vehicle) and exempt supplies⁴ are not taken into account at this stage.

There are provisions which exempt traders from the need to register if they can prove that for the next twelve months their turnover will not exceed the deregistration threshold (currently £77,000). This is called exception from registration.

It is the entity (individual, partnership, company, club, charity etc.) that is VAT registered, so even though it may be treated as a wholly separate business, if a shoot is run by an enterprise that is already VAT registered (e.g. the farm on which the shoot takes place) then the shoot automatically falls within that organisation's VAT registration.

In such circumstances it is not unusual to find the shoot business placed in a separate company or partnership to keep the turnover below the registration threshold. However, there are provisions to prevent the artificial separation of businesses to avoid VAT registration. If there are genuine reasons for separating a shooting business from another activity of which it might be thought to form a part, consider seeking advice to ensure both that the reasoning is valid and that it can be easily demonstrated.

When must shoots register for VAT?

Where a shoot is liable to register because the value of its taxable supplies in the last 12 months (or less) has exceeded the threshold it must notify HM Revenue and Customs within 30 days from the end of the month that this occurred.

Penalties can be charged for failing to register on time. The penalty amount will depend on the amount of VAT due and the length of time taken to notify HMRC.

If a shoot deliberately avoids registering for VAT, it may be liable to a penalty equal to the amount of VAT that should have been paid. For serious offences the matter will be investigated and criminal proceedings may be brought. Notice 700 The VAT Guide gives more information about this.

⁴ Exempt supplies are business supplies other than taxable supplies on which VAT is not charged. These are mainly educational, health, property and financial transactions though certain organisations, including clubs and associations can also be exempted.



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When will VAT registration take effect?

If the shoot has already gone over the registration threshold its registration date will be the first day of the second month after its taxable supplies went over the registration threshold.

If the shoot expects to go over the registration threshold within the next 30 days alone its registration date will be the date it first expected its taxable supplies to go over the registration threshold.

How to register

The relevant form(s) must be completed and submitted to the HMRC National Registration Service.

Registration can be effected on line or by using paper forms which can be downloaded or obtained by telephoning the National Advice Service on 0845 010 9000.

Details of the National Registration Service and the forms are available at www.hmce.gov.uk

HMRC will provide the shoot with its VAT registration number once they have checked the details of the application. A certificate of registration showing the shoot's full registration details will be issued and should be received within 3 weeks of the application being sent in. If HMRC have not replied in this time, the shoot should contact the National Registration Service to make sure they received the application.

The effect of registration

From the date the shoot is registered it must start charging and accounting for VAT. To do this the shoot can either add VAT to its existing charges or it can account for the VAT by treating its charges as being VAT inclusive⁵. This tax is known as output tax.

The shoot will have to account for output VAT at the "tax point" which, since shooting is usually paid for in advance, will be the earlier of the date on which the VAT invoice is raised or the date on which the money is paid if no VAT invoice has been raised. At the latest, the tax point will be the day of shooting but this will only apply to monies that are not due to be charged until the shoot day.

Particularly for any customers who are entitled to recover the VAT that the shoot charges, the shoot will have to issue a "VAT invoice"⁶.

⁵ At the current standard rate the VAT element is 1/6 (20/120) of the total charge

⁶ A "VAT invoice" must show: the shoot's name, address and VAT registration number, an identifying number, the date of issue of the invoice, time of supply (tax point) - if different from date of issue of the invoice, the customer's name (or trading name) and address, a description identifying the goods or services supplied, the unit price, the rate of any cash discount offered, the total amount of VAT charged (shown in sterling), and the gross total amount payable excluding VAT. For each description of goods and services the following must be shown: quantity of goods or extent of the services, rate of VAT, amount payable excluding VAT.



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When VAT registered, the shoot also becomes entitled to recover the VAT charged by its suppliers in respect of goods and services that relate to the business of the shoot⁷. This is known as input tax.

Claims for the recovery of input tax must be supported by invoices in the prescribed format (see footnote) though less detailed tax invoices⁸ are acceptable where the VAT inclusive charge made for an individual supply is £100 or less.

VAT returns

Generally VAT returns are prepared on a quarterly basis and, by request, they can be set to coincide with the shoot's financial year.

Returns must be completed and submitted by the due date (usually within one month of the period end) and the net tax due must also be paid, in full, by the due date.

The return requires information on the value of outputs (the shoot's sales) and inputs (purchases) as well as the amounts of input and output tax.

There are penalties for failing to declare output tax at the right time or for recovering input tax too early but, subject to certain three-year time limits, no problem arises on the late deduction of recoverable input tax.

Other considerations

Imports

Goods imported from overseas are subject to special VAT treatment. In particular, goods imported from the EU are chargeable to VAT in the member state from which they are dispatched⁹ if they are for private use or for the use of business that is not VAT registered.

Eggs, chicks and poults can only be imported free of VAT by VAT registered shoots.

⁷ If a charge relates to exempt or private purposes as well as to a VAT registered shoot, input tax can still be recovered but, subject to the mechanism used, effectively only to the extent that it relates to the business of the shoot.

⁸ A less detailed VAT invoice must show: the name, address and VAT registration number of the supplier, the tax point (time of supply), a description of the goods or services supplied, and for each applicable VAT rate the total amount payable including VAT and the VAT rate charged.

⁹ Goods that are zero rated in the UK may be taxed at higher rates in other EU member states.



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“Exports”

Since the shooting opportunity is being supplied within the UK and the Isle of Man, days sold to overseas residents by VAT registered shoots are subject to VAT chargeable at the standard rate (currently 20 %)

Recovery of input tax

The VAT included in suppliers' bills relating to a shoot that is not VAT registered cannot be recovered by any other VAT registered trader unless the costs have been invoiced to a trader who is charging them on to the shoot together with output tax.

Shooting leases

Though many property rentals are exempt from VAT, rents paid for sporting rights, whether for a day or for a longer period, are not exempt from VAT. They are taxable at the standard rate.

Sale of foodstuffs

Dead game sold to the guns is food and is zero rated. This applies even when the sale is made at a price that is higher than the general market price.

Further reminders

Failing to record income to avoid accounting for VAT is an offence.

Failing to record the offsetting of standard rated and zero-rated supplies to avoid accounting for VAT is an offence.

HMRC can charge penalties and interest on under-declared VAT and in cases where the avoidance of tax is deliberate, criminal proceedings may also be brought.

If in doubt, seek professional help.