

# VAT: PARTIAL EXEMPTION FOR RUGBY CLUBS IMPACTED BY COVID-19



Many clubs are faced with a looming VAT recovery problem and are urged to review their position ASAP. The issue is that the Covid closure has reduced the income clubs are generating. This is important for VAT recovery purposes as most clubs base their VAT recovery percentage on incomes generated in the year.

Taxable incomes such as bar, catering, sponsorships and international tickets decreased whilst exempt income has largely remained at the same level due to subscriptions coming in. This being so, taxable income represents a far smaller percentage of the total income this year.

This position is of course particularly harsh where a club has incurred extra ordinary expenditure on facility improvement works in the current VAT year. However, to overcome this shortfall clubs are able to apply the outcome of last year's annual adjustment provisionally to the four quarters in the current VAT year.

Alternatively, clubs are also able to make a full VAT recovery, provisionally this VAT year where they were fully taxable last VAT year (i.e. able to make a full recovery as they were under the Partial Exemption de minimis limit of £7500 exempt input tax).

If clubs are normally always able to make a full recovery they should continue to do so. The current year annual adjustment can be based on 'use' which can be measured using last year's income figures (or if that was Covid impacted a fair and reasonable projection for when facilities are fully up and running). There is no need to seek HMRC approval for this temporary change of method.

However, if a club is not normally fully taxable, and was not last VAT year, the position is different and HMRC approval is required. What clubs are required to do is to seek approval from HMRC before the end of their current VAT year (usually March, April or May) to use an alternative Partial Exemption Special Method (PESM) as referenced in [Appendix 2](#) on the HMRC website to ensure that a fair recovery rate is achieved.

The suggestion is that for the current VAT year clubs switch to a 'use' based recovery method to overcome the distortion caused by Covid. This could be based upon y/e 2020 income or a projected income for when facilities are fully open again, providing the method used is deemed to be both fair and reasonable and a true reflection of the clubs normal activity.

This revised position can also be used by clubs making annual Capital Goods Scheme adjustments for previous capital projects undertaken in the last 10 years.

The application must be made using a formal PESH application and declaration forms in [Appendix 1](#) on the HMRC website. These forms are available on-line (via HMRC) or from the RFU VAT helpline (07710 329317 or [russellmoore@sportsvat.co.uk](mailto:russellmoore@sportsvat.co.uk)) which can also provide advice on how this issue impacts upon your club. Should any club require assistance completing these forms this can be offered at greatly reduced RFU negotiated rates via Russell Moore.

The forms should be sent to:

HM Revenue and Customs – VAT Written Enquiries  
123 St Vincent Street  
Glasgow City, Glasgow, G2 5EA  
United Kingdom