

## New Ruling on Golf Club Tax Avoidance

Following a House of Lords ruling that threw out a recent appeal, HM Revenue & Customs (HMRC) have restated their position on a tax avoidance scheme that has been taken up by many golf and other sporting clubs.

Some Sports clubs, and in particular golf clubs, have purchased a scheme from tax advisors despite previous court rulings that schemes of this kind do not work.

These schemes seek to take advantage of the tax system by trying to shadow the not-for-profit status available to non-commercial sports clubs when actually being run as a profitable business, thus avoiding having to pay VAT.

An HMRC spokesman said:

“HMRC’s advice is clear. If you buy into a scheme of this kind, or if you continue to use a scheme that you have already bought, you are almost certainly accruing VAT debts, which will attract interest, and quite possibly a penalty too.

“HMRC has engaged a team of insolvency practitioners whose brief is to recover unpaid VAT from anyone involved in this type of scheme, including the individuals running the non profit-making company and the individuals running the commercial business”.

Membership subscriptions and entrance fees are collected through a not-for-profit company only to then transfer most of this money to the actual club, usually in the form of rent. This scheme has been particularly prevalent with commercial golf clubs.

HMRC has challenged the legality of this type of scheme for a number of years stating that if the club is part of a commercial organisation, the legal form does not matter. The courts have long supported this view and the House of Lords has now added its weight to HMRC’s position, throwing out a recent appeal.

If you are concerned about your clubs accounting procedures you should urgently contact HMRC’s National Advice Service on 0845 010 9000.