

## VAT registration threshold: Call for evidence – Submission by the Sport and Recreation Alliance

### The Sport and Recreation Alliance

The Sport and Recreation Alliance believes that the power of sport and recreation can change lives and bring communities together. Together with our members and in partnership with the wider sector, we make the most of opportunities and tackle the areas that provide a challenge. We provide advice, support and guidance to our members and the sector, who represent traditional governing bodies of games and sport, county sports partnerships, outdoor recreation, water pursuits, and movement and dance exercise. As the voice of the sector, we work with Government, policy makers and the media to make sure grassroots sport and recreation grows and thrives. Having an active nation is important as it delivers huge benefits to society and the millions of participants, volunteers, staff and spectators.

We welcome the opportunity to input to the call for evidence. Most of our larger members, in particular national governing bodies of sport (NGBs) are above the VAT registration threshold. As such, our response is focussed primarily on the likely impact of changes to the threshold on grassroots sport organisations.

### General comments

We have addressed some of the most relevant consultation questions below but we would make the following key points:

- There are approximately 150,000 sports clubs in the UK of which around 10,000 are registered Community Amateur Sports Clubs (CASCs) or charities. Grassroots clubs provide the bedrock of sport and physical activity up and down the country and form a vital part of the fabric of our civil society.
- Currently only a minority of clubs are likely to be registered for VAT – typically these will be larger sports clubs which have non-member income e.g. from a bar or sponsorship which takes them above the VAT registration threshold. This additional, non-member income is used to support their core sporting activities and is therefore essential for the development of grassroots sport in local communities.
- The vast majority of clubs are not-for-profit organisations run by volunteers who do not have detailed knowledge of the tax system or access to specialist advice and who typically use relatively basic accounting systems. Administering VAT is already complex (sport is partially VAT exempt) and having to register for VAT will now bring with it additional requirements in terms of digital record keeping (Making Tax Digital for VAT). It is therefore critical that any decision on the design of VAT registration thresholds recognises that the sports sector at grassroots level is poorly equipped to deal with the complexity and additional administrative burdens a reduction in the threshold would bring.

- The government's own sports strategy *Sporting Future* sets out government's intent to ensure that the tax system is supportive of the sport and recreation sector and the positive outcomes it delivers in terms of improvements to individual physical and mental wellbeing and wider social and economic impact. VAT is an important element of the broader tax system which applies to sport and in this context, decisions on the VAT registration threshold should go with the grain of the government's strategy and avoid creating additional burdens on small clubs. Reducing the VAT registration threshold will simply make it harder for clubs to deliver their core sporting activity and the significant benefits it brings.
- In view of the above, we would prefer to see the existing VAT registration threshold retained and updated in line with inflation. If changes to the threshold are to be made, these should reflect the likely impact on grassroots sport and, where possible, include exemptions for not-for-profit organisations such as sports clubs to address the points raised above.

### Comments in response to specific questions

*Q6. Does the administration of VAT discourage businesses from registering?*

*Q7. If so, what are the main aspects of VAT administration that are putting businesses off registering?*

*Q10. IPSOS Mori research suggests that dealing with VAT returns are likely to be the most time consuming aspect of VAT administration. What is it about VAT returns that are particularly time consuming for small businesses?*

*Q11. Will new technology, such as the introduction of MTD, facilitate changes or simplifications in VAT administration? If so, what are they and what changes would you like to see in response?*

As highlighted above, VAT is a complex tax to administer and this is particularly so in the context of sport where partial exemption applies. In practice, registered clubs need to understand the different taxable supplies they make and the precise amount of VAT they can recover from purchases, which itself may require a detailed calculation to apportion overhead expenses between taxable and exempt supplies.

In addition, the mandatory introduction of Making Tax Digital (MTD) for VAT from April 2019 will mean registered clubs will need to purchase expensive specialist software to keep digital tax records for VAT purposes. Most clubs do not make much in the way of surplus and most do not use digital accounting systems. In this context, switching to mandatory digital record keeping under MTD will consume scarce financial resources and significant amounts of volunteer time complying with the requirements. In our view, MTD should not be mandatory for not-for-profit sports clubs.

In light of the above, grassroots clubs would not welcome the additional administrative burdens associated with a lower VAT threshold, combined with the introduction of MTD. In many cases, the extra work required would likely impact on the ability of the club to deliver its core sporting activity. It is also likely to make it harder for clubs to recruit volunteers willing to take on the administrative duties required.