HMRC - VBNB60470 - Clubs In Sections And Multi-Tiered Bodies

Background

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There are times when you may need to think about whether a parent body has to account for VAT on the income received by its sections or branches.

Firstly, an umbrella organisation may have separate sections, each of which provides a different activity for its members. A common example would be a sports association having separate sections devoted to different sports. Members may pay their subscriptions solely to the parent organisation, solely to the section, or some to each.

Secondly, a body may be organised at national, regional and local levels. A member paying a subscription to the local level may find that part of that money is transferred to the regional or national level as an affiliation fee.

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The registration position

Generally the bodies will be regarded as entities that are liable to register for VAT separately if the branches or sections can show they are both constitutionally and financially independent of the parent body.

If you are unsure about this you should get hold of a copy of the constitution of each level of the body to work out the correct position. This will enable you to determine whether there are one or more entities that need to be registered.

If the lower tiers:

have no autonomy; and

simply incorporate the national body’s constitution into their own and add other rules to it

they are unlikely to be separate entities for VAT purposes. There may be a list of rules or regulations if there is no formal constitution.

Whether there is a single or several entities is a question for Registration policy in VATAPPS. The normal route for HMRC staff for this is through the General Advice Request (GAR) or Technical Advice Request (TAR) as outlined at VPOLADV

Please note that HMRC has the right to deny separate registration if it is being used as a device by a single body to avoid tax.

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Working out who should account for the subscription income

The position is easy to work out if the parent body is to account for all the supplies being made by itself and the sections. However, when a number of sections or tiers of an organisation are involved it is not always easy to identify the supplies being made at each level.

To help you decide you should build up a package of relevant information. This package should contain all of the following:

Constitutions

These will help you work out whether there are one or several entities. If you decide that there is only one entity that should be registered for VAT the issue of who should account for the subscription income resolves itself.

Subscriptions

You should get hold of full details of the amount of subscription paid by members of all categories. For example, associate members may pay a lower subscription than full members. This will enable you to work out what consideration is paid in return for particular supplies.

Destination of subscriptions

You must be able to work out exactly what happens to all of a member’s subscription once it has been collected. For example:

Is the subscription collected by the local, regional or national level of the organisation?

If collected locally is all or part of the money passed up to the regional or national levels?

How much of the subscription is retained by each level of the organisation?

Is any of the subscription received by the regional or national level returned to the lower levels of the organisation as a grant or subsidy towards their activities?

The answers to these questions should enable you to identify who gets the consideration. This will help you decide whether various tiers are receiving money in their own right or as agents for higher tiers.

What supplies are made and to whom?

You should establish both what supplies are made by each tier of the organisation. You should also establish to whom they are made. The individual members, for example, could be receiving some benefits from the local club and others directly from the regional or national tiers.

You should check for supplies that the tiers make to the levels of the organisation above and below them (rather than to the members).

This information is crucial to working out correctly whether and, if so, to what extent, the income received from the members or other parts of the organisation constitutes consideration for the supplies that each makes.

By identifying these supplies you will be able to work out whether, when a tier receives money, it is consideration or outside the scope income. If it is consideration you will be able to decide which liability to apply.

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