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1. Promotional schemes and VAT following Associated Newspaper Ltd

In [Associated Newspapers Ltd v Revenue & Customs \[2014\] UKFTT 116](#), the issue considered was the VAT outcome of a promotional scheme adopted to increase readership by offering vouchers for retail outlets.

HMRC contended that Associated Newspapers should account for VAT (based on the cost of the vouchers) when it gave them away to readers and newsagents who participated in the marketing schemes.

The First-tier Tribunal (FTT) has agreed with Associated Newspapers that no VAT was due on 'retailer vouchers' given away to readers of the Daily and Sunday Mail newspapers as part of a marketing campaign designed to increase the circulation of the papers.

A decision of the FTT is persuasive authority only. It is not legal precedent but this decision may have implications for a wide range of business promotion and staff motivation arrangements that involve the distribution of vouchers of this kind.

2. Card game of Bridge is not a sport

With VAT at 20%, the difference between charging VAT and supplying something which is exempt is significant. The basic principle of interpreting whether an exemption might apply is to construe the law strictly. In this case, the interpretation or definition of what is a "sport" had to be decided.

The English Bridge Union (EBU) appealed to the FTT against [HMRC's refusal to repay VAT on competition entry fees it raised between 30 June 2008 and 31 December 2011](#). HMRC argued that under the European VAT directive and UK law, contract bridge was not a sport. Consequently, the entry fees were properly standard rated.

I was surprised at the evidence produced by the EBU which included correspondence to the tribunal from French, Dutch, Belgian, Irish and Polish bridge bodies explaining that VAT was not charged on entry fees in their countries. The EBU's barrister pointed out that bridge was recognised as a sport by the Olympic Committee.

Contract bridge is a trick playing card game played by four players in two competing partnerships with partners sitting opposite each other around a table. The game has four phases: dealing the cards, bidding, playing the cards, and scoring the results. Millions of people worldwide play bridge in clubs, tournaments, online and with friends.

The EBU is a non-profit making body whose objects are to regulate and develop duplicate bridge in England. Its members are counties, clubs and individuals. Playing bridge involves the use of high level mental skills: logic, lateral thinking, planning, memory, sequencing and others. Playing bridge regularly promotes both mental and physical health and studies have shown that it may benefit the immune system and reduce the chance of developing Alzheimer's disease and of mental deterioration.

"Sport", argued HMRC, is something in which physical skill is essential to success. The definition in the Oxford English Dictionary:

"an activity involving physical exertion and skill in which an individual or team competes against another or others for enjoyment"

And that adopted by the Council for Europe in its Sports Charter:

" 'Sport' means all forms of physical activity which, though casual or organised participation, aim at expressing or improving physical fitness and mental well-being, forming social relationships or obtaining results in competition at all levels."

Charles Hellier, the FTT judge ruled that the normal English meaning of "sport" requires:

- (1) The application of some significant element of physical activity.
- (2) That such physical activity is itself an aim, or that it will have a direct effect on the outcome of the activity.
- (3) That physical skill – of which mental skill may be a part, and which includes physical endurance – is important to the outcome.

To the FTT sport normally connotes a game with an athletic element rather than simply a game. The FTT ruled that the competition fees were VAT-able and HMRC were right to refuse the claim for repayment.

3. HMRC issue new guidance on VAT registration (notice 700/1)

HMRC have [Revised Notice 700/1 \(March 2014\)](#), updating the April 2010 edition to reflect:

- the introduction of a new online system for registering for VAT
- the removal of the VAT registration threshold for non-established taxable persons

HMRC have moved the Statement of Practice about artificial separation of business activities to the list of statements of practice [on their website](#). HMRC have also included copies of all the forms associated with registering for VAT.

4. VAT guidance for organisers of sports leagues and competitions in circumstances where pitches and league/competition management services are being supplied.

On 15 February 2014, HMRC announced a new policy following the decision of the FTT in the case of [Goals Soccer Centres plc](#). This policy applies to all organisers of sports leagues and competitions in circumstances where pitches and league/competition management services are being supplied. [HMRC published brief 08/14](#)

Goals Soccer Centres plc. owned a sports centre with a number of five-a-side football pitches. It organised and administered competitive football leagues and competitions and charged the teams that participated. The FTT found that there were two separate supplies being made:

- A supply of land (the pitches) which was exempt as the relevant conditions were met.
- A supply of administration and management services which was standard rated.

Where a single price is charged to the customer, businesses will need to determine the value of the two different supplies to establish the correct amount of VAT due. Whatever method is adopted to do this, there must be sufficient documentary evidence kept to show how a business has arrived at a fair and reasonable apportionment.

5. HMRC Publish revised guidance on VAT and motor cars

Revised Notice 700/64: Motoring Expenses (published on 13 February 2014) explains:

- what a car is for VAT purposes
- the VAT treatment of motoring expenses incurred by your business
- what vehicles qualify and whether you can claim back all or some of the VAT charged (this is because the reclaiming of some input tax on motoring expenses is not allowed or 'blocked')
- when you must account for VAT
- how to work out your output tax
- the records you must keep
- what you can and cannot treat as input tax.

6. HMRC update guidance on zero rating for food (notice 701/14)

Notice 701/14: Food explains when food can be zero-rated. It has been updated on 10 February 2014 from the 2011 version to include information about the liability of sports nutrition drinks.

7. HMRC updates the guidance on Education and research (notice 701/30)

Revised Notice 701/30 (February 2014) has been updated on 25 February and explains the VAT treatment of:

- education
- research
- vocational training
- goods and services provided in connection with these activities; and
- examination services

There is also a section that deals with the VAT treatment of school photographs. The notice also tells how to decide whether someone is in business for VAT purposes and why this is important.

In next month's podcast, due on 14 April 2014 there will be updates on other VAT developments.

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10 March 2014

The views expressed in these podcasts are Derek Allen's personal views and do not necessarily represent AAT policy or strategy.

This podcast concentrated on VAT. There will be a general tax podcast updating AAT members on recent developments and decisions available on the website on 31 March 2014.