



Tennis Club Taxation Guidance

Helping your tennis club understand the basics of taxation and what different tax obligations your club might be responsible for paying.



Introduction

Tax is an issue for many tennis clubs. Understanding what you need to know is the first step in making sure your club meets its obligations – if you don't your club could be at significant financial risk. Tax can be a daunting subject for many tennis clubs and their committee's but it is one that you cannot afford to ignore.

A good starting point is to understand the different taxes that might be relevant for your club. This guide provides an overview of these different taxes to help you understand the basics, but this is not intended to be a definitive overview. Tax is a complex subject area and the LTA encourages tennis clubs to seek professional advice to ensure that they comply with their tax obligations.

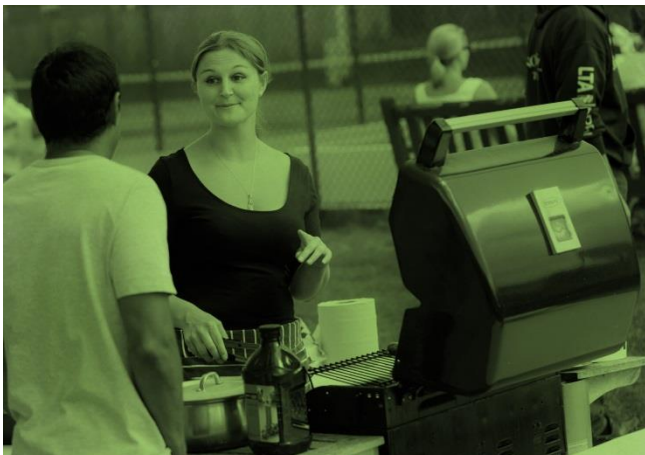
Associated to your tennis club's taxation status and requirements is the legal status and structure of your club (i.e. is your club incorporated or unincorporated). The LTA provide guidance on *Legal Structures and Status* that you may find useful to read in conjunction with this advice.

Types of Tax

The following are the most common forms of tax that are typically most relevant to tennis clubs and that this guide provides a brief introduction and overview on:

- VAT (Value Added Tax)
- Corporation Tax
- Business Rates
- PAYE and NIC

There are other types of taxation that may be relevant for a tennis club on a case by case scenario, but they are not covered in this document.



VAT (Value Added Tax)

You might well be familiar with VAT from paying bills or buying goods at your tennis club. If your tennis club is VAT registered, then you will charge VAT in relation to business transactions. VAT is a tax on transactions not on profits, and is payable at the standard rate of 20% on goods and services, unless there are certain exemptions on the supplies.

VAT is often a significant cost for clubs: either because they are not registered (if their taxable turnover does not exceed £85,000pa) or if they are registered because not all of their income is taxable and therefore recovery of VAT on purchases is restricted. In this latter event tennis clubs will need to deal with electronic filing of VAT returns, record keeping and the additional administration which VAT brings.

Registering for VAT

Registration is mandatory for clubs with taxable income (e.g. bar sales in your club) over the annual threshold. This threshold changes annually (it is currently £85,000p/a) and can be checked [here](#). You can also 'voluntarily' register for VAT even if your taxable supplies are less than the threshold; whilst this would mean that the club would need to pay 20% VAT on your taxable supplies, it would also mean that the club would be entitled to reclaim the VAT on your purchases (subject to VAT recovery rules).

A good example of when a tennis club may consider voluntarily registering for VAT might be when the club has received significant funding to develop its facilities (clubhouse, courts etc) and wish to recover a proportion of the VAT incurred on the construction costs.

Clubs can register for VAT through HMRC's online application portal. Typically you will be expected to complete and submit a VAT Return to HMRC every quarter (3 months), although you can request to submit monthly returns.

From April 2019, HMRC require all VAT registered organisations to use digital software to manage their financial records and to make their VAT returns to HMRC online. Your tennis club will need to ensure that you select and use book-keeping software that is compatible with the HMRC systems. You can find out more about this requirement [here](#).

Recovering VAT from Purchases

You can recover the VAT incurred on purchases that

directly relate to your taxable supplies and transactions that the club is charged VAT on. For example, the tennis club could recover the VAT for purchasing bar stock that is then sold, whilst the club would in most cases be unable to recover VAT on tennis nets as this would not directly relate to your taxable transactions.

However, there are costs and overheads that are partially recoverable, but in most cases calculating this is likely to require professional advice and support.

What Supplies & Transactions are Taxable?

If your tennis club is VAT registered then you must charge VAT on all of your taxable supplies and transactions. This includes:

- Business sales (the goods and services that you sell, e.g. bar sales, catering etc)
- Items sold to staff (refreshments, clothing etc)
- Business goods used for personal reasons

VAT is not charged on items and transactions that are classified as ‘exempt.’ This might include:

- Coaching lessons
- Hire of equipment
- Sports venue hire (providing it is hired for sporting purposes not functions or parties etc)
- Competition entry fees
- Membership fees

VAT is a complex area that it is important for your club to be familiar with. To find out more about VAT visit the HMRC website: <https://www.gov.uk/vat-registration>

Corporation Tax

Tennis clubs are subject to Corporation Tax regardless as to whether your club is incorporated or unincorporated. If your club trades and makes a profit then you will be required to file a corporation tax return and may need to pay corporation tax.

Income from members (such as membership subscriptions, or bar income) where the club is not seeking to make a profit and any surplus is used for the members benefit is generally exempt from corporation tax. Other income that may be taxable includes:

- Trading income from non-members (e.g. bar sales)
- Investment income (e.g. bank interest)
- Property income (e.g. rent received)
- Chargeable gains (e.g. on the sale of land)
- Sponsorship

Clubs which have corporation tax to pay must:

1. Self-assess their corporation tax liabilities
2. Register with HMRC for this purpose
3. File a corporation tax return online and pay the due amount nine months and one day from the end of their accounting year end.

Failure to do all these things may result in interest charges, back dated tax bills and penalties. HMRC will conduct periodical audits to ensure corporation tax compliance is done accurately. The current corporation tax rate is 19% on all taxable profits.

Income or gains may be offset by certain reliefs or allowable expenses. For further detailed information on corporation tax, visit the HMRC website: <https://www.gov.uk/corporation-tax-rates>.



Business Rates

Business rates are a tax on non-domestic properties and land. Tennis clubs will usually have to pay business rates if the club occupies property and land under a freehold or leasehold. Business rates help pay for local services and are collected by the local authority. Business rates are often one of the most expensive outgoings for a tennis club and so it is important to understand the issues.

The Valuation Office Agency (VOA) assesses each property and provides a rental value for each site. From

April 2017 the government has extended the threshold from which premises can benefit from 100% rate relief (i.e. pay no business rates) with the threshold moving from £6,000 to £12,000. This is excellent news for many small and medium sized tennis clubs who are likely to see a significant reduction in their annual business rate bill. However, for larger tennis clubs with rateable values exceeding £12,000 they are likely to see a significant jump in their annual business rates from April 2017.

It is also worth noting that if a club is a Community Amateur Sports Club (CASC) or a charity they gain an 80% mandatory rate relief. Relief on a discretionary basis may also be granted by contacting the department responsible for business rates at the Local Authority.

Tennis clubs are encouraged to manage your rates bill by undertaking the following steps:

- Review your current bill and how this is calculated to make sure you aren't being overcharged. Consider appealing the rateable value given to the property by the VOA if you believe it is too high. You may require professional advice if this is an action you are seeking to pursue.
- Be aware that if you are considering making improvements to your club's facilities, such as new floodlights or a clubhouse extension (or have already done so) this may impact on your rates bill. You should include any projected rate increases into your longer term budget.
- Explore whether there are reliefs available that your club can access, particularly from your local authority.

Outlined below is further information and guidance on business rates:

- Check your business rates valuation using this VOA tool: www.tax.service.gov.uk/view-my-valuation/search?utm_source=Newsletter&utm_campaign=T2FmB
- Review the VOA guidance: <http://app.voa.gov.uk/corporate//publications/Manuals/RatingManual/RatingManualVolume5/sect970/e-rat-man-vol5-s970-app2.html>
- If appropriate for your club, consider appealing your current rates valuation:

<https://www.gov.uk/guidance/how-to-appeal-your-rateable-value>

PAYE & NIC

Pay As You Earn (PAYE) is the system that HMRC uses to collect income tax and national insurance contributions (NICs) from the pay employees' earn. If your tennis club has employees, you may have to deduct tax and NICs from their pay each pay period and may also have to pay Employer's NICs. Employers NIC is therefore an additional cost to the club.

One of the most important and difficult issues for tennis clubs is determining whether someone who your club engages (e.g. a coach) is a volunteer or works on an employed or self-employed basis. It is important to consider the "employment status" as it will have implications for tax and NICs. There are also legal issues including the national minimum wage and the rights of employees.

Processes

Managing PAYE and NIC can be an administrative challenge for tennis clubs, particularly for clubs with limited experience in this area. Clubs with employees will be required to:

1. Collect and pay tax under PAYE and NIC to HMRC
2. Complete forms and returns including those relating to employees' expenses and benefits
3. Ensure that employees are paid in accordance with the national minimum wage rules.
4. The club must keep adequate records, deduct the correct amounts, complete the relevant forms and establish procedures to do this accurately and on time.
5. HMRC requires the club's payroll to be completed using the HMRC's PAYE Online service

PAYE and NIC presents a huge burden for tennis clubs, but it is important that the club takes this seriously as it can result in financial penalties. The following HMRC website is a useful place to start for guidance and advice on PAYE and NIC: www.gov.uk/payee-for-employers.

Employment Status

Determining the employment status of people engaged by the club can be a particular problem area. It can often be difficult to determine whether a self-employed individual is in reality an employee e.g. tennis coaches,

bar staff, groundsmen etc. Status is decided on the facts of each case not only on what the engagement letter says, and often the nature of the employment, the duties undertaken and the frequency of work carried out will determine whether an individual should be classified as an employee.

HMRC's website (<https://www.gov.uk/employment-status>) contains useful information and guidance in helping your tennis club understand more about this area. Care should be taken since the club may face liability if it gets it wrong, particularly around casual staff who are often employees rather than self-employed.

Summary

Taxation is a complex and challenging area for tennis clubs to remain up-to-speed with, and particularly for volunteer run clubs it can often be an area that clubs spend less time focussing on. However, taxation can have important repercussions for tennis clubs that do not take it seriously; this could include paying more in tax than is actually due, facing significant fines and back-payments from HMRC, and potentially committee officers and even club members facing liabilities on behalf of the club.

This guidance document provides a brief introduction and overview into the complex world of taxation. It is by no means intended to be a definitive guide, and tennis clubs are encouraged to undertake further research and seek professional guidance to ensure that your tennis club is meeting all of its tax obligations and benefiting from any reliefs or benefits available to sports clubs.

If you require further guidance on this subject you can call the **Baseline legal and business advice helpline** which is available for British Tennis Registered Venues: **0344 571 7986** (you will need to quote the following membership number: X1232KC79BB5).

