
THE VAT SCHEME FOR RACEHORSE OWNERS - HOW DOES IT APPLY TO HUNTER CHASERS AND POINT-TO-POINTERS?

The VAT Scheme, agreed between HMRC and the racing and breeding industries in 1993, allows for Racehorse Owners to reclaim the VAT element on certain racing-related fees, services and costs.

Although largely targeted at racing under Rules, special arrangements have been made within the Scheme to allow owners of Point-to-Point horses that run in Hunter Chases to recover VAT. **It is important to note, however, that no VAT recovery is possible for horses who race exclusively in Point-to-Points as HMRC deem Point-to-Points a private, non-business activity.**

To be eligible for registration under the Scheme, owners must first ensure their individual horses are 'qualified'. This requires a sponsorship agreement to be obtained and registered with the British Horseracing Authority (a separate, or additional, registration to a Point-to-Point Sponsorship agreement, and one that requires a minimum value of £300 per horse) and for the horse then to have been entered in a Hunter Chase.

These two factors verify to HMRC that the owner is essentially 'trading', i.e. receiving business income for their activities.

How do I then register for the VAT Scheme?

First, you will need to complete a D1 or D2 form and submit this to the BHA/VAT/Sponsorship desk at Weatherbys for authorisation. These forms can be obtained from Weatherbys by emailing bhavathelpdesk@weatherbys.co.uk

You will require a D1 form if you are a Sole Proprietor or Company, or a D2 form if you are a partnership.

What happens next?

Weatherbys will verify the D1/D2 declaration and then return it to you. This form must then accompany your final application to HMRC which can now be done on-line (www.gov.uk/vat-registration/how-to-register).

HMRC will process your application and supply you with a Certificate of Registration for VAT.

The effective date of VAT registration on this certificate will normally be the date when your declaration was authorised by Weatherbys.

Please ensure you forward a copy of this certificate to Weatherbys. This will enable them to automatically invoice the racecourse for the VAT element applicable to any Hunter Chase prize monies you may win, and provide a monthly VAT summary of transactions to enable you to complete your VAT return. An annual BHA Administration fee is charged for this service (see Schedule (A)1 of the Rules of Racing for more details).

What can I recover?

For a qualifying horse, it is normally possible for you to recover the VAT element on:

- The initial purchase of the horse
- Training fees
- Veterinary fees
- Blacksmith fees
- Transport of the horse
- Livery yard and keep costs
- Purchase or construction of fixed assets such as a stable block or horse transporter
- Gallop fees

These ARE accounted for as INPUT TAX.

However, HMRC apply the following apportionments to the amount reclaimable on the understanding that Hunter Chase horses are used partly for business (racing under Rules) and partly for private use (Point-to-Point racing):

- 50% of any VAT you paid on its purchase, provided these charges were applied no more than **four years prior** to your effective date of registration. (For partnerships, this period **drops to six months**).
- 50% of any VAT you were charged on training, keep and other costs for the six months **prior to** registration.
- 100% of any VAT you are charged on the training keep and other costs **after** the date of registration.

What taxable supplies (income) do I need to declare on my VAT return?

You must account for the VAT received on the following as Output Tax:

- Any Prize Money (including Appearance Money and Number Cloth Sponsorship, if applicable) relating to Hunter Chases. **NB:** Point-to-Point prize money is not deemed by HMRC to constitute business income and, therefore, does not attract VAT.
- Any Sponsorship income received from your SFRO arrangement.
- The VAT you were required to charge on the sale of any qualified horse.
- A dispersal VAT amount equivalent to 50% of the open market value of the horse should it be retired or run solely in Point-to-Points.

These are accounted for as OUTPUT TAX.

To assist the Owner in submitting an accurate VAT return, the British Horseracing Authority also produces a monthly VAT Summary which comprises a breakdown and total of all BHA-related inputs and outputs, including jockeys riding fees, BHA Entry processing fees and Owner registrations fees (colours etc.).

What happens at the end of Hunter Chase season?

To ensure your VAT registration remains in place, and to allow you to continue to reclaim VAT on the costs relating to your qualifying horses, you must:

- demonstrate to HMRC your intention to enter your horse(s) in Hunter Chases the following season
- renew your BHA sponsorship agreement or signal your intention to obtain a new sponsor before the horse competes in its first Hunter Chase the following season.

A note to your VAT advisor/agent confirming both the above should be sufficient.

STEP-BY-STEP SUMMARY

