

# Foreword

**This notice cancels and replaces Notice 700/67 (December 1997).**

## Further help and advice

If you need general advice or more copies of Customs and Excise notices, please ring the **National Advice Service** on **0300 200 3700**. You can call between **8.00 am and 8.00 pm, Monday to Friday**.

If you have **hearing difficulties**, please ring the **Textphone** service on **0300 200 3719**.

If you would like to speak to someone in **Welsh**, please ring **0300 200 3705**, between **8.00 am and 6.00 pm, Monday to Friday**.

**All calls are charged at the local rate within the UK. Charges may differ for mobile phones.**

## 1. Introduction

### 1.1 What is this notice about?

Following an agreement with the Thoroughbred Horseracing and Breeding Industry a scheme known as the VAT registration scheme for racehorse owners was introduced on 16 March 1993. If you meet the conditions of the scheme we will accept that racehorse ownership is a business activity. You can therefore register for VAT and recover some of the VAT you are charged on your expenses as input tax. You can find further information about input tax in Section 4.

This notice (which is available both on paper and on our Internet website at [www.hmce.gov.uk](http://www.hmce.gov.uk)) describes the arrangements for registering owners of racehorses and point-to-point horses under the scheme. Owners may include:

- breeders;
- dealers;
- trainers; and
- racing clubs.

### 1.2 Conditions for registering under the scheme

You can apply for VAT registration under the scheme if you are registered as an owner at Weatherbys and you:

- (a) own a horse or horses covered by a sponsorship agreement registered at Weatherbys; or
- (b) own a horse or horses covered by a trainer's sponsorship agreement registered at Weatherbys; or
- (c) can show you have received, and will continue to receive, business income for example from appearance money or sponsored number cloths (SNC's) from your horseracing activities.

There are special arrangements for owners of point-to-point horses that qualify for racing in hunter chases. You can find further information about this in Section 6 of this notice.

## 2. Registering for VAT

### 2.1 How do I register under the scheme?

To register under the scheme you will need to take the following steps:

No.	Step
1	Obtain VAT registration forms from our National Advice Service by phoning 0845 0109000;
2	Ask Weatherbys for a copy of Form D1 (if you are an individual owner) or D2 (for partnerships);
3	Complete the D form to confirm you have a sponsorship agreement or have received business income from racehorses you currently own;
4	Send the form to: "VAT Declarations", Weatherbys, Sanders Road, Wellingborough, Northants, NN8 4BX;
5	After Weatherbys have checked and certified the details, and returned the form to you; you should then send the certified D form together with your completed VAT registration form(s) to the VAT Registration Centre which covers your post code district.

If your registration is approved we will issue you with your VAT registration number. We will also tell you your effective date of registration which will normally be the date the completed D form was received at Weatherbys.

You can find further information about VAT registration procedures in Notice 700/1  
Should I be registered for VAT?

## 2.2 Legal entity

Only the registered owner of a racehorse at Weatherbys may register for VAT under the scheme. The registered owner can be a sole proprietor, partnership or limited company. If you own a part share in a racehorse you can register for VAT if you own at least 50%, otherwise you can only register as a partnership with the other part share owners. You can find information about the registration arrangements for racing clubs and similar organisations in Section 7 of this notice.

## 2.3 What if I am already VAT registered outside the scheme?

You may already be registered for VAT under the normal VAT registration rules for business activities connected with bloodstock. Furthermore your racehorse owning activities may also form part of that business for example if you are a:

- breeder who races colts, fillies or home bred geldings with the intention of enhancing the value of their breeding stock;
- trainer who owns and retains horses to attract owners or buyers and to provide rides for apprentices, provided the number of horses is not disproportionate to the main activity of training; or
- dealer who purchases and sells racehorses commercially, and who races the horses held as trading stock, provided those racehorses are available for sale.

If this is the case then you do not need to register under the special rules of this scheme.

Alternatively you may be registered for VAT for a business activity unconnected with bloodstock or your ownership of racehorses may not be regarded as part of your normal bloodstock related business. We will normally only accept that a racehorse forms part of your existing business if you can show the horse was purchased for business purposes, for example, it advertises your business. However, provided all the conditions of the scheme are met, any horses you own which are not part of your normal business may still be treated as part of your VAT registration. Remember, you cannot use the scheme if you have less than a 50% share in a horse. But if you meet the conditions of the scheme you and the other part owners can register for VAT as a partnership.

## **3. Sponsorship**

### **3.1 What if my sponsorship agreement does not cover all my racehorses?**

If some of your racehorses are not covered by a sponsorship agreement, you can treat them as part of your VAT registration but only if you can show you are actively seeking sponsorship for them.

### **3.2 What if I only receive payment under a trainer's sponsorship agreement if my horse wins?**

This still satisfies the sponsorship conditions of the scheme.

### **3.3 What if my sponsorship agreement subsequently expires?**

If, after registration, you lose your source of sponsorship, you will be able to retain your VAT registration if you can show you are actively seeking new sponsorship.

## **4. Input tax recovery**

### **4.1 What is input tax?**

Input tax is the VAT you are charged on purchases of goods or services for use in your business.

### **4.2 What can I recover as input tax?**

You can recover as input tax the VAT you are charged on the purchase, training and upkeep of a racehorse and any overhead expenses used for the purpose of your business.

You may use goods or services partly for the purpose of your horseracing activities and partly for non-business (or private) purposes. Where this is the case you can treat a fair and reasonable proportion of the VAT you have been charged as input tax.

You can find further information about input tax in Notice 700: The VAT Guide and further information about additional input tax rules applying to point-to-point horses in paragraph 6.6 of this notice.

### **4.3 Business entertainment expenses**

You cannot recover input tax on goods or services used for business entertainment including free hospitality provided to business guests. You will find further information about this in Notice 700/65 Business entertainment.

### **4.4 VAT on petrol and other road fuel purchases**

You can recover the VAT you are charged on road fuel purchased for business use. If you buy road fuel and it is used for both business and private motoring, you can recover the VAT you are charged on all of the fuel as input tax, but you must pay what is known as an output tax scale charge. You can find further information about scale charges in Notice 700/64 Motoring expenses.

### **4.5 VAT on trophies**

If you run a business as a stud or trainer, you can recover the VAT you have been charged on trophies you display on your premises to promote the business and attract clients. But if you claim input tax and subsequently put the trophy to a private use, for example by taking it home to be kept, you must account for output tax (you can find further information about output tax in Section 5 of this notice). Otherwise, VAT on trophies is not input tax and is not recoverable.

### **4.6 Can I recover VAT I've been charged prior to registration?**

You may treat the VAT you were charged on a racehorse and any other goods purchased before the date of registration as if it were input tax, provided:

- you were charged the VAT no more than three years before your date of registration; and
- the goods are on hand at the time of registration; and
- the goods are to be used for the purposes of your business.

You may treat VAT charged on services received before the date of registration (which includes VAT charged on the purchase of a share in a racehorse) as if it were input tax provided:

- you received the services no more than six months before the date of registration; and
- they were used for the purposes of your business.

## **4.7 Input tax notified to you by Weatherbys**

Under the accounting arrangements described in paragraph 5.6 Weatherbys provide owners with details of certain expenditure on jockeys' services, miscellaneous fees, etc. This includes any VAT which you can claim as input tax.

## **5. Accounting for output tax**

### **5.1 What is output tax?**

Output tax is the VAT a registered business must charge and account for on the taxable supplies of goods and services it makes in the course of its business.

### **5.2 Do I have to charge output tax?**

If you are registered under the scheme, you must account for output tax on the sponsorship income, prize money and appearance money you receive. You can find further information about additional output tax rules applying to point-to-point horses in paragraph 6.5 of this notice.

### **5.3 What if I sell a racehorse?**

If you sell a horse or part share in a horse included as part of your business you must normally charge and account for VAT on the full selling price.

### **5.4 What if no VAT was charged on the purchase price?**

If you were not charged VAT on the purchase, you may use the special margin scheme for second hand goods. This allows you to account for VAT on the profit margin rather than the full selling price. You will find more information about the margin scheme in Notice 718 Margin Scheme for second hand goods, works of art, antiques and collectors' items.

### **5.5 Is VAT due if I give a horse away or put it to non-business use?**

You must account for VAT if you recovered input tax on the original purchase. The value for VAT is the open market value at the time the non-business use occurs or the horse is disposed of. If you are not certain of the open market value you should ask a bloodstock agent for a valuation.

## **5.6 Accounting arrangements provided by Weatherbys**

Weatherbys operate a self-billing system for prize money and appearance money. You should immediately advise Weatherbys of your registration details when you register or, if you cancel your registration, the date of de-registration. Weatherbys issue owners with a monthly statement known as a "Transaction Analysis Summary". This shows:

- the VAT payable on prize money and appearance money, which you must declare as output tax in your VAT Account; and
- details of your expenditure on jockeys' services, miscellaneous fees etc and the amount of VAT on each service, which you can claim as input tax.

## **6. Point-to-point horses**

### **6.1 What is a qualifying point-to-point horse?**

This is a horse for which you have a sponsorship agreement and which is entered in a hunter chase. If you obtain a qualifying horse it will not lose that status if it is covered by a sponsorship agreement and your intention is for it to compete in hunter chases in the year of purchase.

### **6.2 How do I register for VAT under the scheme?**

If you own a qualifying horse, you will be able to register for VAT for the Hunter Chasing season (January to June). You should follow the registration procedure described in paragraph 2.1. The effective date for VAT registration purposes will be the date of the first race the horse is entered for.

### **6.3 What if I am already registered for VAT?**

You do not need to apply for separate registration if you are already registered for VAT. However, you must still complete Form D1 or D2, as appropriate (see paragraph 2.1) and notify your local Business Centre. (You can obtain details of your local centre by phoning 0845 0109000).

### **6.4 What happens at the end of a Hunter Chasing season?**

You can continue with your VAT registration at the end of the Hunter Chasing season if:

- you can show your intention is to enter the horse in hunter chases in the following season; and
- your existing sponsorship agreement is to continue, **or** you intend to obtain sponsorship before the horse competes in its first race in the new season.

Otherwise your registration will be cancelled or, if the registration is continuing for other purposes, you will not be able to recover any VAT you are charged in connection with the horse.

## 6.5 Output tax

In addition to the information on output tax in Section 5 of this notice, all the following rules apply to qualifying point-to-point horses:

- you must charge VAT on the sale of a qualifying horse if you bred the horse and recovered VAT on the breeding cost;
- no VAT is due on the sale of a “non-qualifying horse” if no VAT has been recovered in respect of it; and
- if your horse ceases to be a qualifying horse, for example because it is put to a permanent non-business use, you must account for output tax but only on 50% of the open market value.

## 6.6 Input tax

In addition to the information on input tax in Section 4, all the following rules also apply to qualifying point-to-point horses:

- you cannot recover VAT until the horse becomes a qualifying horse;
- once the horse becomes a qualifying horse you can recover 50% of any VAT charged on its purchase provided you were charged the VAT no more than three years before your date of registration. (50% is a rule of thumb apportionment which recognises that the horse is used partly for business and partly for private purposes);
- you can recover all the VAT you are charged on the training, keep and other costs of a qualifying horse from the effective date of registration (you can ignore temporary periods of absences due to illness or injury);
- you can only recover 50% of VAT you are charged on training, keep and other costs in the six months prior to registration, or the date a qualifying horse runs in a hunter chase;



- you can recover other VAT you are charged before registration subject to the time limits described in paragraph 4.6; and
- you can recover in full VAT you are charged after the date of registration on the purchase or construction of fixed assets used solely for a qualifying horse. However, where for example, a stable block or horse transporter is used for both qualifying and non-qualifying horses, you must apportion the VAT to reflect the dual usage.

## **7. Racing clubs**

There are various types of racing club. For example:

- limited companies who sell shares in their company to finance the purchase of racehorses;
- limited companies or partnerships who seek investors to finance the purchase of racehorses; and
- members racing clubs where subscriptions finance the purchase of racehorses.

### **7.1 Limited company selling shares in the company**

#### (a) Description

The company purchases racehorses and races them in the company name. Profits may be re-distributed to shareholders in the form of dividends. There may be some benefits available to the shareholders, for example visits to trainers and free entry to racecourses.

#### (b) VAT consequences

The sale of shares is an exempt supply. The benefits shareholders receive are disregarded for VAT purposes. So, unless the company has other taxable business activities, it can only register for VAT if it meets the conditions of the scheme as set out in paragraph 1.2. Once registered under the scheme the company can recover as input tax any VAT it is charged for racing activities. But VAT attributable to the exempt supply of shares cannot be recovered.

### **7.2 Racing partnership selling shares**

#### (a) Description

This is a limited company or partnership offering for sale a specific number of shares in the venture. There may be some benefits available, for example visits to trainers and free entry to racecourses. Proceeds from prize money and sale of racehorses are re-distributed to the owners of shares upon termination of the partnership.

(b) VAT consequences

The sale of the shares in these circumstances is outside the scope of VAT and any benefits the owners of shares receive are disregarded for VAT purposes. Unless it has other taxable business activities the partnership can only register for VAT if it meets the conditions of the scheme set out in paragraph 1.2 of this notice.

## **7.3 “Racing club” providing benefits to members for subscription**

(a) Description

This is a limited company, partnership or sole proprietor calling themselves a “racing club” or having the characteristics of a club, who invite others to become a member by payment of a subscription. The subscriptions are used for purchasing racehorses, and at the end of the year surplus income is re-distributed to members. The members receive benefits, such as newsletters, telephone information/tipping service and visits to trainers.

(b) VAT consequences

A club, which provides benefits to members, is carrying on a business activity for VAT purposes. The subscription income is liable to VAT, and the club must register for VAT if it exceeds the registration limit. Otherwise it may apply for voluntary registration. Because the club can register under the normal VAT rules the scheme for racehorse owners does not apply.

## **7.4 “Racing club” not providing benefits to members**

(a) Description

This is a limited company, partnership or sole proprietor calling themselves a “racing club” or having the characteristics of a club, who invite others to become a member by payment of a subscription. The subscriptions are used for purchasing racehorses, and at the end of the year surplus income is re-distributed to members. The members receive no benefits.

(b) VAT consequences

A club that does not provide any benefits to its members is not regarded as a business for VAT purposes. The subscriptions are therefore outside the scope of VAT. The club will only be able to register for VAT if it meets the conditions of the scheme set out in paragraph 1.2 of this notice.

## Do you have any comments?

We would be pleased to receive any comments or suggestions you may have about this notice. Please write to:

**HM Customs and Excise  
Supply of Services Team  
4E, New King's Beam House  
22 Upper Ground  
LONDON  
SE1 9PJ**

## If you have a complaint or suggestion

If you have a complaint about our service, or a suggestion on how we can improve it, you should contact your local office or the port or airport. You will find the phone number under "Customs and Excise - complaints and suggestions" in your local phone book. Ask for a copy of our code of practice on complaints (Notice 1000). You will find further information on our website at <http://www.hmce.gov.uk>. If we cannot settle your complaint to your satisfaction, you can then ask the Adjudicator to look into it.

The Adjudicator, whose services are free, is an impartial referee whose recommendations are independent.

The address is:

**The Adjudicator's Office  
Haymarket House  
28 Haymarket  
LONDON  
SW1Y 4SP**

**Phone: (020) 7930 2292**

Fax: (020) 7930 2298

E-mail: [adjudicators@gtnet.gov.uk](mailto:adjudicators@gtnet.gov.uk)

Internet: <http://www.adjudicatorsoffice.gov.uk/>