



Save VAT on Your Membership Fees

You may be able to reclaim thousands of pounds worth of VAT on your current membership offering.

Does your club qualify?

It all depends how your membership works, but if you meet the below two criteria, you are eligible:

1. You offer **two methods of payment to your members** for the same membership option. Often this is either a monthly deferred payment or a lump sum payment.
2. The **sum of the monthly deferred payments and the lump sum payments is different**.

Note: 'Pay As You Go' memberships do not qualify as the membership contract does not stipulate a fixed term contract period.

How the process works

If you offer two payment options for a single membership, you can reclaim VAT on the difference in cost.

For example, if we take a 12-month contract, you may offer one or two months free to those who pay in a lump sum, making this option cheaper. The difference between the sum totals is then interpreted as interest on a grant of credit. Legislation then stipulates that the **output VAT on this difference is exempt from VAT**.

Example:

- John has a 12-month contract with his local gym, which he pays in 12 deferred monthly payments. John's contract is £600, which he pays in monthly instalments of £50.
- Kirsty is a member of the same gym, but pays her 12-month contract in one lump sum. Kirsty's contract is £480, which she pays in the first month of the contract.
- The difference between the amounts is £120 and it is this £120 which is VAT exempt as a grant of credit.
- The VAT exempt amount equals £20 ($£120 \times 1/6$). This means the club does not have to pay £20 output VAT on their VAT return, instead this amount can be saved.

Conclusion

Any club that offers two different payment options at two different prices is eligible to save VAT. It does not matter how these differences are marketed, for example 'One month free when you sign up for a 12-month contract'. All that matters is that the difference is stipulated, usually via the Terms & Conditions or a Price Sheet.

If your club is eligible, it is possible to reclaim VAT from the previous **four years**.

If you believe you qualify and would like to claim VAT back, contact lee.manning@raffingers.co.uk.