



UK IBM Club

How to deal with VAT

Why register for VAT?

If your club's VAT taxable turnover is more than £81,000 in a year then you are obliged to register for VAT. Even if it is less than this threshold there may still be a financial advantage to your club in registering. Details on how to register are available on the gov.uk [VAT registration page](#).

If I register, what then?

You already keep receipts for all of your expenditure. If you are VAT registered you should endeavour to obtain VAT receipts for all expenditure that has a VAT element. Suppliers charging VAT are legally obliged to provide VAT receipts. More on that later.

If a member or guest requested a VAT receipt from your club then you are legally obliged to provide one. In the extremely unlikely event that this happens [the information required](#) is straightforward.

What are the financial implications?

The good news is that you can reclaim from HMRC all of the VAT you have paid to suppliers, known as your *input VAT*. The bad news is that you have to pay a proportion of all of your income from members and guests as VAT, known as your *output VAT*. Since IBM Club subsidises events, in many cases your *input VAT* exceeds your *output VAT* and so you end up with a net gain. However, if your club runs many events where what you pay for does not contain a VAT element then there is no *input VAT* but you still have to pay *output VAT*. Too many such events and your net gain can quickly turn into a net loss. You should be able to assess your last year's events to work this out.

How do I calculate input and output VAT?

With VAT at 20% the VAT included in a gross amount is simple to calculate as one sixth of the total. More generally, for any given VAT rate V , the VAT element of a gross amount G can be calculated as $G - (G / (1 + V))$.

Example 1 – An event where supplied goods and/or services include a VAT element

If you paid a total of £120 for tickets that you sell to members at a total of £75 then

$$\begin{aligned} \text{input VAT} &= \text{£}120 / 6 = \text{£}20, \text{ or using the formula } \text{£}120 - (\text{£}120 / (1 + 0.2)) \\ \text{output VAT} &= \text{£}75 / 6 = \text{£}12.50, \text{ or using the formula } \text{£}75 - (\text{£}75 / (1 + 0.2)) \\ \text{net gain} &= \text{£}20 - \text{£}12.50 = \text{£}7.50 \end{aligned}$$

Example 2 – An event where supplied goods and/or services do not include a VAT element

If you paid a total of £120 for tickets that you sell to members at a total of £75 then

$$\begin{aligned} \text{input VAT} &= \text{£}0, \text{ or using the formula } \text{£}120 - (\text{£}120 / (1 + 0)) \\ \text{output VAT} &= \text{£}75 / 6 = \text{£}12.50, \text{ or using the formula } \text{£}75 - (\text{£}75 / (1 + 0.2)) \\ \text{net gain} &= \text{£}0 - \text{£}12.50 = -\text{£}12.50 \end{aligned}$$

It can be seen that an event without a VAT element leads to a loss that is $1\frac{2}{3}$ times the gain from an equivalent event with a VAT element, which is why obtaining VAT receipts is important.

Warning: if your club runs coach trips, weekends away, or anything similar then such events are treated under the [Tour Operators Margin Scheme](#) (TOMS). IBM Club Warwick does not run such events and so are unable to advise as to the implications of this.

How do submit my VAT return?

When you register for VAT you will be sent login credentials for [submitting your return online](#). You do not need to itemise each element of input and output VAT, just your total figures. Neither do you need to submit receipts as evidence of input VAT.

I B M CLUB MIDLANDS		Registration Number: ██████████
		Period: 12 14
		For the Period: 01 Jan 2014 to 31 Dec 2014
PO BOX 31 BIRMINGHAM ROAD WARWICK WARWICKSHIRE		Return due date if paid electronically: 28 Feb 2015
CV34 5JL		
1	VAT due in this period on sales and other outputs	GBP6,652.53
2	VAT due in this period on acquisitions from other EC Member States	GBP0.00
3	Total VAT due (the sum of boxes 1 and 2)	GBP6,652.53
4	VAT reclaimed in this period on purchases and other inputs (including acquisitions from the EC)	GBP8,562.23
5	Net VAT to be paid to Customs or reclaimed by you (Difference between boxes 3 and 4)	GBP1,909.70
6	Total value of sales and all other outputs excluding any VAT. Include your box 8 figure.	GBP33,262.00
7	Total value of purchases and all other inputs excluding any VAT. Include your box 9 figure.	GBP52,417.00
8	Total value of all supplies of goods and related costs, excluding any VAT, to other EC Member States	GBP0.00
9	Total value of acquisitions of goods and related costs excluding any VAT, from other EC Member States	GBP0.00
	Balancing amount:	GBP0.00
DECLARATION: <input checked="" type="radio"/> I confirm the data shown above is correct and wish to submit my electronic VAT declaration to HMRC.		
RETURN SUCCESSFULLY SUBMITTED 19/01/2015 17:19:25		

The VAT claim for IBM Club Warwick's 2014 events looks like this, with the values supplied as follows:

1. Total output VAT
2. Not applicable so zero
3. *Calculated for you*
4. Total input VAT
5. *The net VAT, calculated for you*
6. Total income from sales and subscriptions less 1 above. **Do not include the IBM grant, but do include subscriptions collected by IBM from payroll, and for subsection membership.**
7. Total cost of purchases less 4 above
8. Not applicable so zero
9. Not applicable so zero

If your club were to be inspected then you would have to show your calculations and receipts. If you are coping with your regular annual submission to the Oversight Manager or your FSC representative then the additional calculations and record keeping should be a very small overhead.

If your event profile changes such that you anticipate a net VAT loss then provided your turnover is less than the de-registration threshold of £79,000 you can [de-register for VAT](#) and avoid the loss.

What if I can't get a VAT receipt from a supplier?

Any supplier failing to supply a VAT receipt when they have charged VAT is sailing close to the wind and risking the wrath of HMRC. However, you do not have to let it burden you. If after one request a supplier fails to supply a VAT receipt then, provided you are sure that there is a VAT element in your payment to them, send them a standard letter pointing out their [legal obligation](#) to issue a VAT receipt, and keep a copy of the letter in lieu of a VAT receipt. Reclaim the input VAT anyway. If you are ever inspected you can provide evidence of your diligent efforts to obtain a VAT receipt.

Warning: the above is the policy of IBM Club Warwick when dealing with VAT receipts, but at the time of writing has never been tested by an inspection by HMRC.