

EQUINE TRADES AND PERSONAL INTEREST

This month Julie Butler is tackling the tricky divide between hobbies and business.

VAT and special purpose yards

The basic interpretation by the equine industry was that all livery yards are VAT free, i.e. they are exempt. The understanding failed to emphasise the need for conditions to be met and the VAT status of special purpose yards. It also failed to point out that a genuine grass livery, where the grass livery is the predominant supply and any minor amount of services is ancillary, is actually zero rated. A special purpose yard is, for example, a dedicated dressage, eventing, showjumping, showing yard, if a horse owner and livery user has gone to the yard for that special purpose, (i.e. not just a livery yard), then it cannot be argued that the stable is the principal supply. Therefore the overall supply is standard rated and not exempt.

The farming/equine hobby moves to business

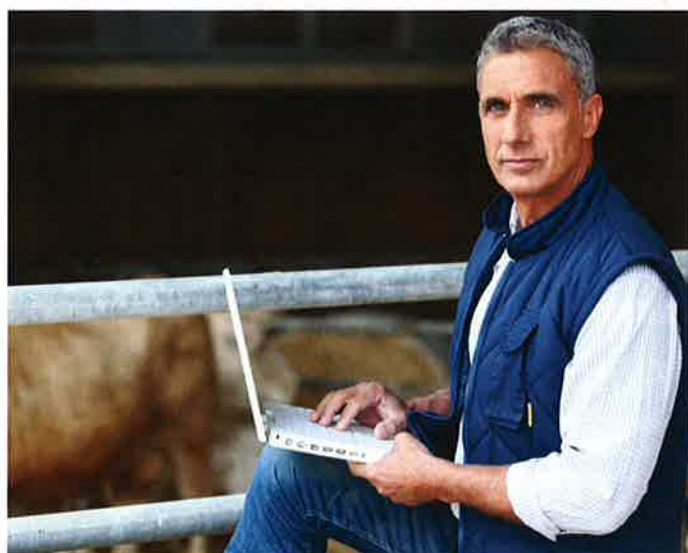
Many equine projects can start as a hobby and move to business status and this can bring a VAT problem. Where a business has recovered no original VAT on the basis that the initial intention was to use the goods or services for wholly non-business or private use the expense is not a business cost. No input tax can ever be recovered regardless of any subsequent business use.

“Second hand” horses and VAT

VAT registered horse businesses have to charge VAT on the sale of a horse. A farmer/landowner can sell horses and ponies which are “second-hand” under the VAT Margin Scheme. The scheme allows for VAT to only be due on the difference between the

purchase and sale price. A horse or pony which has previously been owned by somebody else is second-hand. A horse or pony which you have bred and are selling for the first time is not second-hand, regardless of how

much work or experience you have put into preparing the horse for sale. If VAT is shown separately on the purchase invoice for a horse or pony you have bought, you can't use the Margin Scheme when you sell the animal on.



Julie Butler F.C.A. is the author of *Tax Planning for Farm and Land Diversification*, *Equine Tax Planning*, and *Stanley: Taxation of Farmers and Landowners*.