

## Goat yoga

## Tax implications of yoga classes with animals.

My client is a yoga teacher and, to increase the appeal of her classes and her business turnover and profits, she has started 'goat yoga' classes (it's a thing, no 'kidding'). Apparently, this is when participants perform yoga poses with goats nearby or even standing on them – the goat standing on the person, not vice versa.

A friend of my client has a small farm and is willing to set aside a paddock where the yoga lessons can be held, and the goats will be allowed to roam during the sessions. Although there is nothing yet in writing, my client has bought ten goats and I should be grateful for advice on how this purchase should be treated for tax purposes. I do not deal with farmers and wonder whether the herd basis would apply.

The original plan was that my client would meet the costs, but she and the farmer are now wondering whether this should be dealt with as a separate partnership. The farmer would benefit from goat milk (and perhaps meat), while my client uses the animals for yoga. It occurs to me that this might help to keep my client's turnover below the VAT registration limit and the farmer might then have business income rather than rent from the paddock.

This scenario is new to me and I should be grateful for any advice from *Taxation* readers who might like to chew this over.

Query 19,304

– Gertie.

### The herd basis may apply given possible milk and meat production.

The tax position of the 'goat herd' will depend on the production plans for the goats as well as their help with yoga. To achieve milk production, the female goat must produce kids (baby goats). Once mated, the goat will stay in milk for two to three years so the production of the young can be spread out.

It is assumed that the goats will also be a production herd because both meat and milk are mentioned in the question. To facilitate this activity of husbandry, a joint venture with the farmer would benefit from future capital taxes relief by trading on the land as opposed to letting it. A partnership with the farmer would involve joint and several liability and a strong partnership agreement is recommended. It is considered that a 'share farming' arrangement would be a more efficient route for the relatively small number of goats.

The productive goats could qualify for a herd basis election and the tax advantages and disadvantages of this should be considered in the context of the anticipated value of the herd in future. This should tie into the client's business plans for the herd, together with the tax position of the farmer if run as a share farming arrangement. The supply of meat and milk should be zero rated for VAT.

For those who have been following the Agriculture Bill, which will deal

with farming post-Brexit, the current generous subsidies connect the EU and CAP (Common Agricultural Policy) reform. It is planned that the new subsidies will be based on 'access to the countryside'. In the longer term, such an enterprise could be very useful to the farmer for potential tax-efficient diversification.

On the VAT turnover limit, it is unlikely that the goats will produce a risk because milk and meat are a zero-rated supply.

Consideration should be given to the potential for the exempt supply of lessons. If the private tuition of yoga is a subject taught regularly in schools or universities it could be an exempt supply. It has been deemed in tribunal that yoga does not fit into the 'normally' definition. The case of *S Tranter t/a Dynamic Yoga v HMRC* (TC4071) gives guidance that yoga was considered recreational rather than education. Such a decision is based on the 'narrow sense used in case law' and yoga is not commonplace in schools or universities. Many would argue that yoga has become more commonplace since 2014.

The supply of meat and dairy animals is zero rated for VAT (see *VAT Notice 701/15*). However, the supply of 'pets' is standard rated. There are many interesting VAT and tax considerations for just ten goats.

– Julie Butler,  
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