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# VAT refund for golf clubs

*As you are aware a recent judgment at the European Court of Justice (CJEU) in the Bridport & West Golf Club Limited case presents a significant opportunity for member owned golf clubs to reclaim VAT from the Revenue Commissioners on green fees paid by non-members, golf societies etc.*

The CJEU held that green fee income paid by visitors to member owned golf clubs should be exempt from VAT. This was contrary to treatment applied in Ireland historically. Revenue issued confirmation of the revised treatment of VAT on green fees by way of an eBrief last year. In addition, Finance Act 2014 amended the VAT legislation to give effect to the judgment and to ensure Irish legislation complied with the judgment. The amendment provides that the VAT exemption will apply to all golf income of member-owned clubs in respect of providing golf facilities with effect from 1 March 2015. Accordingly, the exemption will apply to green fees, competition fees and membership fees (to include both short term and corporate) which had been taxed at the reduced rate of 9%.

**It should be pointed out that member-owned clubs whose golf income and membership fees will be exempt with effect from 1 March 2015 will no longer have an entitlement to an input VAT credit in relation to such income and input credits should be adjusted accordingly.**

The decision by the CJEU has a retrospective application and member owned clubs can make a claim for the repayment of VAT (subject to the four year time limit). Revenue has now issued another eBrief regarding such refund claims.

## **What needs to be done**

There is an opportunity for golf clubs to recover VAT charged on green fees for the last four years. Unfortunately, it is not simply a case of calculating the VAT remitted on green fees and requesting a refund from Revenue. Revenue expect clubs to undertake a compliance review prior to submitting a repayment claim. Furthermore, adjustments should be made for any previously claimed inputs that related to the taxable golf income including capital expenditure that may now require adjustment under the Capital Goods Scheme.

We understand that many clubs with the exception of bar stock etc., apply a VAT recovery percentage across the board to its costs. This percentage has been based on the level of taxable

income (green fees, bar takings etc) over total income (green fees, bar takings, members subscriptions etc).

Going forward, this rate will drop due to green fee income now being exempt. In addition, given that the course itself will generate only VAT exempt income going forward, Revenue will not allow any VAT recovery on course related expenditure. As a result, whatever about the historic position, golf clubs future VAT recovery position may be significantly impacted by the changes.

We would advise that golf clubs review their VAT recovery methodology to mitigate the impact. An alternative method such as one based on the use of the clubhouse should give a much better VAT recovery result.



## How we can help

The Grant Thornton Indirect Tax team can agree a VAT recovery methodology for golf clubs and seek refunds from Revenue.

As mentioned, if a particular club makes a retrospective claim to Revenue in respect of VAT on green fee income for the last four years it is vital that adjustments to the club's VAT recovery position for those years is factored in to the claim and that the claim will stand up to Revenue scrutiny. A review of the VAT recovery methodology and if necessary the implementation of a new methodology should serve to mitigate any restriction to the retrospective claim and provide savings going forward.

We can assist with the following:

- calculation of the VAT repayment due in respect to VAT on green fee income for the last four years and preparation of a submission to Revenue in respect to a claim for repayment;
- calculation of the VAT recovery restriction for the four years based on the existing methodology;
- development of an alternative VAT recovery methodology e.g. recovering club house costs on a use basis (e.g. square footage of "taxable areas"); and
- calculation of VAT recovery restriction for the four years based on the alternative methodology.

Any golf club that has undertaken significant redevelopment work in the last four years and recovered a substantial amount of VAT in regard to same may want to treat these VAT developments with caution.

## Contact us

As outlined above, if a golf club is in a position to make a VAT refund claim to Revenue then they should contact the Grant Thornton Indirect Tax team for assistance in making such claim and agreeing a VAT recovery methodology. Should you have any queries with respect to any of the VAT issues raised above then do not hesitate to contact us.

### Jarlath O'Keefe

Partner  
T +353 (0)1 680 5617  
E [jarlath.okeefe@ie.gt.com](mailto:jarlath.okeefe@ie.gt.com)

### Fionn Uibh Eachach

Associate Director  
T +353 (0)1 680 5649  
E [fionn.uibheachach@ie.gt.com](mailto:fionn.uibheachach@ie.gt.com)

24-26 City Quay, Dublin 2

 [@GrantThorntonIE](https://twitter.com/GrantThorntonIE)

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