



CBA Services Limited
helping you work

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VAT on Livery Yards

VAT implications relating to a livery yard are very complex. Some professionals do not understand the implications and advise once the livery yard's turnover (income), reaches the VAT threshold (£83,000 at February 2024) then the business is required to register for VAT. This is not the case.

Depending on what you offer and whether the buildings/land has made an "opted to tax" election, the livery may be exempt from VAT. "Opted to tax" means that you or your landlord has made an election to reclaim any VAT on purchasing, construction or repairs of the buildings. If this is the case, then once you reach the VAT threshold (£83,000 at the time of writing) you will need to become VAT registered.

Easiest way to ascertain whether an election has been made, is when you purchased the yard, did you have to pay VAT, or does your landlord add VAT to your rent? If the answer is yes, then you will need to be registered once your turnover (income) exceeds £83,000.

If on the other hand, the answer is no, and depending on the level of care offered to your liveryes you could be exempt from charging VAT.

The main differential is as follows:

1. If you offer turning out/bringing in, mucking out and feeding as your package or even as part of your package then this is exempt from VAT. This is because this is the basic requirement of looking after a horse.
2. However, if you then add a "service", e.g. grooming, holding for the vet/farrier/physio, exercising etc. this is subject to the VAT threshold of £83,000 as you are providing a "service" over and beyond the basic level of care required for a horse.

This extra service needs to be separated from the basic requirement livery element which, as mentioned above, is exempt from VAT.

Registered with the Association of Taxation Technicians as a member in practice
Registered Office as above. Registered Number: 09768128, England and Wales

<https://cbaserv.sharepoint.com/sites/CBA/Shared Documents/MARKETING/Livery Yard owners/VAT.docx08/02/2024>

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It is highly recommended that within your contracts and livery invoices the split is clearly defined - what relates to what so if an inspection is carried out by HMRC it is easy to establish what is and what is not chargeable to VAT.

The split is required to be kept as if the "service" element reaches the VAT threshold of £83,000 (registration limit at time of writing), in a twelve month rolling basis (not just at your year-end) then you will need to be VAT registered and charge VAT on the "services".

It is easier to explain as this is rather a complex area:

Example:

Your package to a livery is £850. This will include: turning out/bringing in, mucking out and feeding; with grooming twice a week when you exercise for an hour.

This will need to be broken down, between exempt and not exempt.

On your invoice you will need to separate this out:

Livery £650 (exempt)

Exercising and grooming £200 (extra's so needs to be kept separate – once total in a twelve month period exceeds £83,000 then you will need to become VAT registered.)

If once you need to register for VAT, as part of the income generated relates to exempt and part relates to VAT, you will need to apply the partial exemption calculation to establish if the business can still recover all input tax suffered despite the exempt supplies if either the main or one of the simplified de minimis tests are passed:

Main test: the input tax (VAT on expenses) on exempt supplies does not exceed £625 a month on average and does not exceed 50% of total input tax

Simplified tests:

Test 1 Total input tax is no more than £625 per month on average and the value of exempt supplies is no more than 50% of the value of all supplies

OR Test 2 The total input tax less input tax directly attributable to taxable supplies is no more than £625 per month on average and the value of exempt supplies is no more than 50% of all supplies.



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As you can see by the above, it is not an easy calculation and I would highly recommend that you seek a professional assistance Apply the percentage to the

Further information is available in HMRC's VAT Notice 700, 701/15, 706 and 742A.

Whilst care has been taken in preparing this publication it is for information only. It is not, and should not be construed, as advice and accordingly no reliance should be placed on the information contained herein.