

Navigating VAT

16 July 2025



Today's speaker



Owen Burn

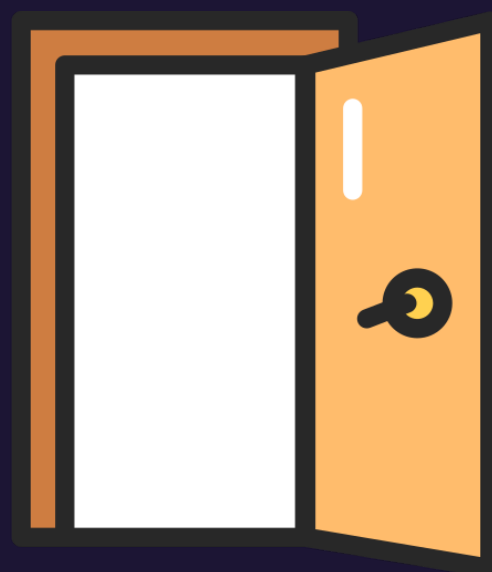
Director

S&W

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Income

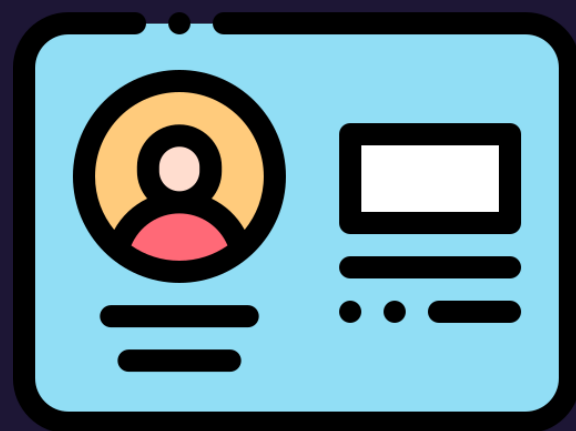
Livery companies have a diverse range of income sources:



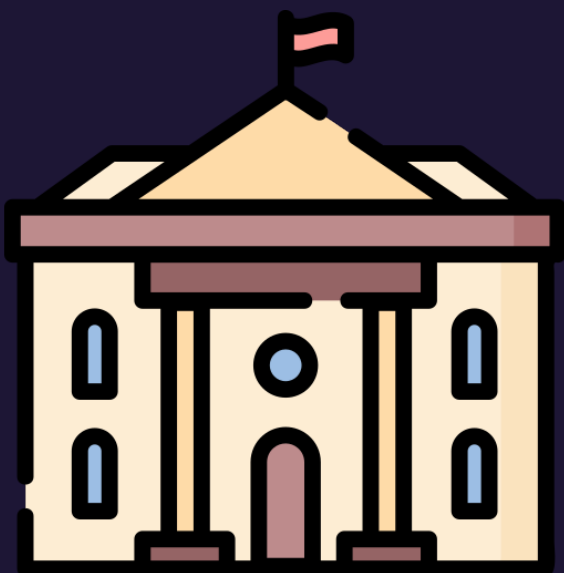
Entry fees



Donations



Membership



Room hire

Income

VAT treatment

- HMRC treats Livery companies in the same way as any other membership body or association.
- ‘Membership’, comprising a variety of fees e.g. admission (or freedom) fine, annual quarterage, livery fine, court fine, warden/master’s fines – are all treated as taxable supplies for VAT purposes, at the standard rate of VAT (currently 20%)
- Need to consider single/ multiple supply rules:
 - One predominant element (*CPP*)?
 - Separate but equally important elements? (*Levob*)
- Concessionary treatment (3.35)
 - Apportion not single/multiple
 - Fair and reasonable apportionment
 - Must encompass all supplies
 - Prospective only



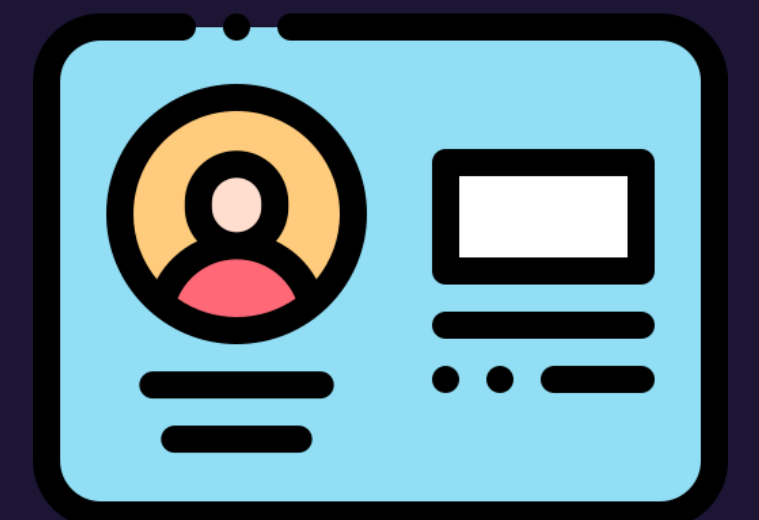
Membership

VAT treatment - Exemption

- VAT Act 1994, Schedule 9, Group 9: *Subscriptions to trade unions, professional and other public interest bodies*
 - (1) *The supply to its members of such services and, in connection with those services, of such goods as are both referable only to its aims and available without payment other than a membership subscription by any of the following non-profit-making organisations:*
 - (a) *a trade union or other organisation of persons having as its main object the negotiation on behalf of its members of the terms and conditions of their employment;*
 - (b) *a professional association, membership of which is wholly or mainly restricted to individuals who have or are seeking a qualification appropriate to the practice of the profession concerned*
 - (c) *an association, the primary purpose of which is the advancement of a particular branch of knowledge, or the fostering of professional expertise, connected with the past or present professions or employments of its members*
 - (d) *an association, the primary purpose of which is to make representations to the Government on legislation and other public matters which affect the business or professional interests of its members.*
 - (e) *a body which has objects which are in the public domain and are of a political, religious, patriotic, philosophical, philanthropic or civic nature.*
- HMRC consider most likely to fall under (c) or (e) but can, in theory, fall under one of the others
- Clapham Omnibus test

1

2



Membership

HMRC guidance – VTUPB2200, 2300, 2400 (HMRC Officer’s “rule book”)

Referable only to the aims of the organisation

- Articles of association, constitution or rules

Must be supplied only in return for the membership subscription

- Must be automatically supplied in return for subscription, no additional charge
- Events - additional charge/ subsidised? (Note 1)
- Guests?
- Right to attend or right to a discount?
- Apportionment - ESC
- Restricted to professions or employments connected with association (Note 4)

Non-profit-making

- Articles of association, constitution must preclude distributing surpluses
- Economic reality
- Aims and objectives
- Surpluses used to support

Membership

(c) an association, the primary purpose of which is the advancement of a particular branch of knowledge, or the fostering of professional expertise, connected with the past or present professions or employments of its members

VAT treatment - Exemption

HMRC guidance – VTUPB5200

Two part test for Item 1 (c) - Advancement of a particular branch of knowledge

- **Broad Definition of “advancement”:**
Advancement isn’t limited to original research. It includes spreading existing knowledge to those unfamiliar with it.
- **Dissemination Counts:**
Teaching or informing people with little prior knowledge can be considered advancement.
- **Academic not practical:**
Professions such as accountancy, medical and legal are likely to qualify but bakers, blacksmiths and bowyers would not.
- **Membership:**
Even if an organisation advances knowledge, it must also restrict membership to professionals connected to that knowledge to qualify for VAT exemption under Item 1(c).



Membership

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VAT treatment - Exemption

Two part test for Item 1 (c) - Advancement of a particular branch of knowledge

- **Narrow Interpretation**
Tribunals and courts interpret “branch of knowledge” narrowly — typically as a recognised academic discipline in science or the arts.
- **Academic Standard**
The term refers to subjects an academic would recognise as a formal branch of learning — not just any area of knowledge.
- **University Teaching Is Relevant but Not Conclusive**
Whether a subject is taught at degree level can help determine if it qualifies, but it’s not a definitive test.
- **General Rule**
A subject being teachable or having qualifications does not automatically make it a branch of knowledge. It must have academic recognition and structure.

Membership

VAT treatment - Exemption

HMRC guidance: VBNB60740

Two part test for Item 1 (c) - Primary purpose

- An organisation's activities can only qualify for VAT exemption where that activity is its 'primary purpose' or main object.
- HMRC's view: the primary purpose of livery companies is accepted as being the "fostering of professional expertise' of their members' profession, which can be described as developing or nurturing members' professional knowledge, skills or proficiency."
- Where there are supplementary aims, these are regarded as the means by which the primary objective is achieved, for example:
 - to actively support philanthropic, charitable and educational good causes
 - to foster fellowship amongst their members
 - to support the work of the Lord Mayor and the civic City
- Normally a single activity that constitutes main or primary aim and the character will determine the VAT liability
- If none predominate – no VAT exemption
- Fines – taxable

(c) an association, the primary purpose of which is the advancement of a particular branch of knowledge, or the fostering of professional expertise, connected with the past or present professions or employments of its members

Membership

(c) *an association, the primary purpose of which is the advancement of a particular branch of knowledge, or the fostering of professional expertise, connected with the past or present professions or employments of its members*

VAT treatment - Exemption

Exemption under 1(c)

British Institute of Cleaning Science v HMCE (LON 85/184)

- **Issue:** Whether the Institute's services to its members in exchange for subscriptions were exempt from VAT under UK law and the Sixth VAT Directive.
- **Institute's Argument:** Claimed exemption based on its purpose being the advancement of knowledge or fostering of professional expertise in cleaning.
- **Court's interpretation:**
 - The Institute promotes training, qualifications, and standards in cleaning. However, cleaning was not considered a "branch of knowledge" in the academic sense. Nor was it deemed to involve "professional expertise" as understood in VAT law.
- **Conclusion:** The Institute's activities did not qualify for VAT exemption under the relevant provisions.



Membership

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VAT treatment - Exemption

Exemption under 1(c)

British Organic Farmers v HMCE (LON/87/164)

- **Issue:** Whether the services provided by BOF to its members in return for subscriptions were **exempt from VAT** under Item 1(c)
- **Trust's Argument:** Main aim was to advance education in organic farming, which was accepted as a branch of the science of agriculture.
- **Court's interpretation:**
 - Adopted a broad interpretation, ruling that disseminating knowledge to the public qualifies as advancement, doesn't have to be restricted to original research.
 - Connection to Employment: Members were primarily farmers, so the knowledge advanced was connected to their employment.
- **Conclusion:** The tribunal ruled that BOF's services were exempt from VAT under Item 1(c).



Membership

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VAT treatment - Exemption

Exemption under 1(c)

Association of Reflexologists v HMCE (LON/94/403A)

- **Issue:** Whether the Association of Reflexologists qualifies for VAT exemption under Item 1(c) (advancement of a branch of knowledge)
- **Association's argument:** The advancement of knowledge of reflexology is a particular branch of knowledge, similar to Counselling.
- **Court's interpretation:**
 - Tribunal applied the "reasonable person" test.
 - Reflexology was not widely accepted as a profession.
 - Lacked sufficient evidence of specialist skill and fiduciary responsibility.
 - Tribunal concluded reflexology may be evolving into a profession but isn't one yet.
- **Conclusion:** To qualify, the subject must be recognised academically, reflexology was a practical skill not an academic subject, no evidence that reflexology was a branch of science or arts, therefore not a branch of knowledge.



Membership

Job related knowledge

HMRC guidance – VTUPB5200

- Caselaw in relation to:
 - Leisure management
 - Bookmakers
 - Funeral Directors
 - Employment Consultants
 - Cashiers
- Never constitutes a ‘branch of knowledge’

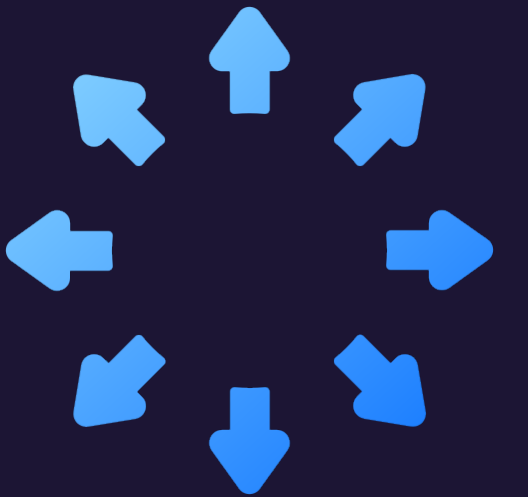


Membership

VAT treatment - Exemption

HMRC guidance: VBNB60740

(e) a body which has objects which are in the public domain and are of a political, religious, patriotic, philosophical, philanthropic or civic nature.



Two part test for Item 1 (e) - 1. Public domain and 2. political, religious, patriotic, philanthropic or civic nature

- Objects are directed outside their particular organization and beyond the members themselves to the general community
- Livery companies that promote advancement of the company to their members only would therefore fail to meet this condition

The Worshipful Company of Painter-Stainers

- **Issue:** Whether the Company's supplies of quarterage were exempt.
- **Company's argument:** Its objects were of a patriotic, philanthropic and civic nature, relying on activities undertaken by associated charities to secure VAT exemption.
- **Court's interpretation:**
 - Military affiliations and ceremonial traditions insufficient to be patriotic
 - Associated charitable activities could not be included so didn't meet philanthropic
 - Supporting the Lord Mayor was insufficient to meet civic
 - Preserving traditions, supporting art, managing its hall, collections etc. were primarily for members benefits
- **Conclusion:** No VAT exemption permitted; Tribunal acknowledged the charitable impact of City Livery companies but noted that VAT law requires a narrow focus



Membership

(e) a body which has objects which are in the public domain and are of a political, religious, patriotic, philosophical, philanthropic or civic nature.

VAT treatment - Exemption

Exemption under 1(e) - Philanthropic

Rotary International in Great Britain and Ireland (RIBI) HMCE (LON/89/1846)

- **Issue:** Whether RIBI qualified for VAT exemption based on its philanthropic nature
- **RIBI's argument:** It's objectives were in the public domain and philanthropic in nature.
- **Court's interpretation:**
 - RIBI's purpose is to promote service, ethical standards, and international goodwill.
 - Activities include supporting clubs, organising charitable initiatives, and promoting public service.
 - The tribunal rejected HMRC's argument that RIBI was merely administrative.
- **Conclusion:** RIBI's broader, outward-looking mission and evidence of service to the public were decisive.



Membership

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VAT treatment - Exemption

Exemption under 1(e) - Philanthropic

The Game Conservancy Trust v HMCE (LON/00/450)

- **Issue:** The Trust conducts research and education on game species, their habitats, and associated wildlife, aiming to promote biodiversity and sustainable land use.
- **Trust's argument:** These services qualified for exemption as a non-profit making body with philanthropic aims.
- **Court's interpretation:**
 - The Trust's aims were philanthropic, benefiting the general public through conservation and education.
 - The Trust's work supports biodiversity, not just game shooting.
- **Conclusion:** The Trust's primary aim is conservation, not promoting shooting. Its work benefits the public at large, not just landowners or sportsmen.



Membership

(e) a body which has objects which are in the public domain and are of a political, religious, patriotic, philosophical, philanthropic or civic nature.

VAT treatment - Exemption

Exemption under 1(e) – Civic nature

Expert Witness Institute ([2001] EWCA Civ 1882)

- **Issue:** Whether the Expert Witness Institute (EWI) qualified for VAT exemption under item 1 (e).
- **EWI's argument:** It claimed to be a non-profit organisation established to support the proper administration of justice through fair and unbiased expert evidence.
- **Court's interpretation:**
 - The court held that “civic nature” includes aims pertaining to citizenship, not just local or municipal concerns.
 - Supporting justice and dispute resolution is a central civic aim, benefiting society broadly.
 - The EWI's activities were found to be in the public interest, qualifying it for VAT exemption under both EU and UK law.
- **Conclusion:** This case clarified that civic aims under VAT law can include national-level public interest objectives, such as justice and legal fairness.



Membership

VAT treatment - Exemption

Exemption under 1(e) – Civic nature

Institute of Leisure and Amenity Management v HMCE (LON/86/272)

- **Issue:** Whether the Institute was exempt as a professional association under item 1 (b) or an association advancing a branch of knowledge under Item 1(c).
- **Institute's argument:** It is a professional association wholly or mainly restricted to individuals who have or are seeking a qualification appropriate to their profession and/or it is an association the primary purpose of which is the fostering of professional expertise connected with past or present professions or employment of its members.
- **Court's interpretation:**
 - The tribunal ruled that leisure and amenity management is not a “profession” in the statutory sense.
 - Membership was not restricted to individuals with a required qualification.
 - Some corporate members (e.g. local authorities) were also admitted, which disqualified it under the strict criteria.
 - High Court: Although most members worked for local authorities, the tribunal found the Institute's aims were not of a civic nature.
 - Its focus was on management training, not broader civic engagement.
- **Conclusion:** the term ‘civic nature’ did not include organisations providing everyday and generally expected municipal services such as the provision of parks, leisure centres and similar facilities, therefore its supplies were not exempt.

(e) a body which has objects which are in the public domain and are of a political, religious, patriotic, philosophical, philanthropic or civic nature.



Membership

How to analyse?

Contract is King

- Articles of Association, Constitution, Rules
- Member packs/ welcome letters
- Accounts

Economic reality

- Witness evidence

Options available

- Self-assessed tax – VAT Public Notice 701/5
- Relevant caselaw
- Written ruling
- HMRC activity
- Seek advice

Is it always the most beneficial route?





Navigating complexity. Creating opportunity.



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An abstract graphic featuring a dynamic splash of blue and purple liquid. The splash originates from the top right, curves downwards and to the left, and then sweeps back towards the bottom right. The liquid has a glossy, reflective texture with highlights and shadows. A thin, horizontal blue line is positioned near the top of the frame, intersecting the splash.

Thank you

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