[2015] UKFTT 0446 (TC)

TC04619

Appeal number: TC/2014/04761

Value Added Tax – golf club – refurbishment of chairs and replacement curtains in a clubhouse bar and lounge area – maintenance and repair of a lift – whether used or to be used exclusively by the club in making taxable supplies – direct and immediate link to taxable supplies and exempt supplies – appeal dismissed

FIRST-TIER TRIBUNAL
TAX CHAMBER

BEDALE GOLF CLUB LIMITED **Appellant**

- and -

THE COMMISSIONERS FOR HER MAJESTY'S REVENUE & CUSTOMS **Respondents**

TRIBUNAL: JUDGE RICHARD CHAPMAN
MR ROGER FREESTON

Sitting in public at 4th Floor, City Exchange, 11 Albion Street, Leeds, LS1 5ES on 15 June 2015.

Mr Anthony Harris, Tax Consultant, for the Appellant.

Mrs Liz McIntyre, Officer of HMRC, for the Respondents.

DECISION

Introduction

1. This is an appeal by Bedale Golf Club Limited ("Bedale") against an assessment for VAT dated 9 June 2014. Although the assessment was in the sum of £613, the present dispute is restricted to the part of the assessment relating to input tax claimed in the sum of £567 for the period 09/13.

2. As its name makes obvious, Bedale is a golf club. The parties agree that the costs giving rise to the £567 ("the Costs") comprise:

(1) maintenance and repair fees for the lift in Bedale's clubhouse;

(2) refurbishment of chairs in the bar and lounge area of the clubhouse; and

(3) new curtains in the bar and lounge area of the clubhouse.

3. In short, Bedale argues that the input tax on the Costs are used or to be used exclusively in making taxable supplies of drinks and food, whereas HMRC argue that the Costs are residual as they are used or to be used for both taxable supplies and exempt supplies. The exemption relied upon by HMRC is Item 3, Group 10, Schedule 9 of the Value Added Tax Act 1994 ("VATA 1994"), being "the supply by an eligible body to an individual, except, where the body operates a membership scheme, an individual who is not a member, of services closely linked with and essential to sport or physical education in which the individual is taking part."

4. If Bedale is right, then the input tax on the Costs is recoverable in full. If HMRC are right, then there is no dispute that the Costs are residual, no dispute that the standard partial exemption method should be used and no dispute as to the quantum resulting from doing so. As such, the parties only require a determination upon whether or not the Costs were used or to be used exclusively in making taxable supplies.

5. We also note at this introductory stage that the parties had historically assumed Bedale to be an unincorporated association rather than a limited company. For this reason, the assessment and the appeal documentation all refer to the taxpayer and appellant as "Bedale Golf Club" rather than "Bedale Golf Club Limited". In fact, Bedale was incorporated in 1988. HMRC became aware of this shortly before the final hearing and raised it with us during the hearing itself. The parties have agreed that the unincorporated association's VAT registration number will be transferred to the limited company and that it will be treated as if there had been a transfer of a going concern in 1988. For the purposes of this appeal, again as agreed by the parties, we will treat the limited company as the appellant and with the same rights, obligations and activities previously assumed to have been those of the unincorporated association.

The Factual Background

6. The factual background was not contentious. It can be summarised as follows.

7. Bedale is a small golf club in North Yorkshire and was founded over 100 years ago. It has over 400 members who each pay subscription fees. As well as providing use of its golf course, Bedale organises various competitions and social events.

8. Bedale's premises include a clubhouse, which underwent extensive refurbishment works in 2005. It is a brick built, two storey building. The ground floor has a main entrance hall, which leads to an office, locker rooms, changing rooms, toilets and the committee room. The kitchen and bar cellar are located at the back of the building and have their own separate entrance. There is also a shop on the ground floor of the building, which also has its own entrance. Stairs and a lift lead to the first floor. The first floor entrance hall leads to the bar and lounge, which then leads through folding doors to a dining room. The toilets are accessed through the bar and lounge area.

9. The bar is a traditional bar area with alcoholic and non-alcoholic drinks being ordered and served from behind a counter. The bar also sells food. Drinks and food can be consumed at the bar itself, at the tables and chairs in the adjoining lounge or (usually for specific events or to entertain visiting clubs) in the dining room.

10. The bar is run by a club steward. The club steward is employed by Bedale on a fixed wage. However, from that fixed wage he pays a fee for the catering rights at the club. He buys all the food, sells it and retains the profits. By contrast, the whole of the takings for alcoholic and non-alcoholic drinks go to the club. Bedale also employs additional bar, waiting and kitchen staff who are managed by the club steward. Access to the bar and lounge is not restricted to golf club members, with the result that people from the Bedale area use it as their local public house or for Sunday lunch.

11. The original refurbishment of the clubhouse was the subject of a previous appeal by Bedale, raising similar issues to the present case. Bedale claimed the whole of the input tax on the part of the refurbishment which related to the first floor of the clubhouse. HMRC made a decision that the input tax incurred on the refurbishment of the first floor of the clubhouse should be treated as residual for partial exemption purposes. However, in view of the amounts involved, HMRC allowed the input tax to be treated as if it related to taxable supplies for assessment purposes but expressly stated that this was not a concession for the future. Bedale appealed this decision ("the 2011 Appeal"). However, Judge Demack dismissed the 2011 Appeal at the final hearing upon the basis that the input tax had been repaid and so the Tribunal had no jurisdiction.

12. On 21 October 2013, Bedale notified HMRC that it intended to make a voluntary disclosure in its VAT return for the period 09/13 in the sum of £567.32, being a claim for credit for the input tax incurred on items for the bar and lounge and the maintenance of the lift over the previous four years. These were, of course, the Costs. These were not the costs which were the subject of the 2011 Appeal. The lift

costs for the maintenance and repairs were incurred from 30 June 2008 to 27 December 2012, the costs for refurbishing the chairs were incurred on 7 March 2012, and the costs of the curtains were incurred on 23 January 2012. Part of these Costs had already been claimed (and credited) by virtue of partial exemption and so the voluntary disclosure related to the remaining proportion.

13. HMRC rejected the voluntary disclosure and made an assessment on 9 June 2014 for the sum of £613 (being the Costs and a further, unrelated adjustment which does not form part of this appeal). This was upheld by a review dated 5 August 2014 ("the Decision").

14. Bedale lodged an appeal on 27 August 2014. The relevant parts of the Grounds for Appeal provide as follows:

> "HMRC's view is that the use of the upstairs bar/lounge is an intrinsic supply to the members as part of their golf membership.
>
> BGC contend that their membership is a single supply (Notice 701/5 4/3) of exempt sport under the VAT Act Sch 9 Group 10 Item 3 so it cannot be an intrinsic supply.
>
> Note 1 under Group 10 states that "Item 3 does not include the supply of any services by an eligible body of residential accommodation, catering or transport."
>
> …
>
> This note specifically excludes any service of catering, so the upstairs bar/restaurant cannot be included in the exemption.
>
> …
>
> The only purpose that the members, visitors and the general public go to the upstairs bar/lounge is to purchase taxable supplies of catering.
>
> All the supplies that are made in the first floor bar/lounge are taxable at the standard rate, and it is difficult to imagine that the chairs and table that are used by a customer of the bar, are not directly and immediately related to his/her enjoyment of that standard rated supply.
>
> It is also very difficult to imagine how the new curtains, which are part of the recent refurbishment, could possibly be linked to the exempt supply of playing golf.
>
> The members also use the upstairs bar/lounge for team meetings, trophy presentations, and the AGM, but these activities are not supplies, be definition, under VAT Act 1994, s5(2)(a), "Supply in this Act includes all forms of supply, but not anything done otherwise for a consideration."
>
> However, these activities invariably coincide with taxable supplies made from the bar.
>
> BGC consider its first floor bar/restaurant to be a separate trading area, making taxable supplies of food and drink to some of its members, visitors, and the general public, in competition with local pubs and

> restaurants, and as such should be able to claim all the input tax on the first floor expenditure."

The Evidence

15. We heard evidence from Mr Harris on behalf of Bedale. This largely focused upon the matters set out in the factual background above.

16. Mr Harris also explained the commercial context in which Bedale now operates. Until about fifteen years ago, golf clubs such as Bedale had little difficulty in attracting members. There was often a waiting list for membership and the club had a thriving social life, centred upon the clubhouse. There is now far less demand for membership, which has reduced the income both from membership and bar and food sales.

17. A further reduction in income has been caused by what Mr Harris called the rise of the "car park golfer". These are members who change into their golf shoes in the car park, play golf and then go home. They do not make use of the clubhouse or its offerings. "Car park golfers" do not get involved in the social life of the club and, more importantly from an economic perspective, do not spend any money at the clubhouse. Although "car park golfers" are still in the minority of Bedale's membership, this has had a detrimental effect on income.

18. As a result of these strains on income, as well as the increased costs of running a golf club, Bedale has worked hard to attract members and to generate funds. Mr Harris told us that the clubhouse, and in particular the first floor, was an important part of this. Bedale receives the income from the sale of alcoholic and non-alcoholic drinks and so there is an obvious financial benefit in attracting people to the bar. There was at one point an initiative whereby members paid a compulsory levy of £25 per year on top of their membership fees which they could redeem as credits at the bar. We were told that VAT has been paid on this income. There is also a separate category of non-playing membership called "social membership". Again, VAT has been paid on the income from these membership subscriptions. A discount card has also been introduced for members. Although the club steward receives the income from food sales, Mr Harris told us that the benefit to Bedale of food sales is that they provide opportunities to sell drinks at the same time. Mr Harris also told us that, as the golf club has found itself struggling to survive, it has to attract more of the outside public to use its facilities in order to subsidise the playing of golf.

19. Mr Harris told us that the bar, lounge and dining room are also used for other aspects of golf club life.

20. The lounge is used for holding the annual general meeting and other formal club meetings. Different groups meet there formally and informally. Teams gather there before or after competitions, including the first, second and third teams, the ladies' team, the seniors' team and "the Rabbits" team (players with a handicap of more than 18). Trophies are presented to winning teams and golfers. The draw for a "200 Club" raffle also takes place in the lounge, although the tickets are sold through the office on the ground floor.

21. Members are entitled to free hire of the bar, lounge or dining room. They are also available for hire to non-members. As such, various events have been held at the club such as fundraising nights or social gatherings which have not been arranged by Bedale itself.

22. Mr Harris also placed the Costs into context. The installation of the lift was a regulatory requirement of the original refurbishment of the clubhouse. It is rarely used, as most people prefer to use the stairs. However, it needs to be serviced regularly and occasionally repaired. The refurbishment of the chairs took the form of new seat covers as the old ones were looking worn. New curtains were also purchased to improve the bar and lounge area.

23. Mr Harris was not cross-examined.

24. Mrs Lynne Scates gave evidence for HMRC. She is a Higher Officer and issued the assessment which is the subject of this appeal.

25. Mrs Scates' evidence was largely administrative, explaining the letters which had been sent to Bedale by HMRC and going through a visit report dated 13 December 2013.

26. Mr Harris cross-examined Mrs Scates, effectively asking her to agree with the facts as set out in his evidence. Mrs Scates agreed with those facts. Mr Harris put to her that the Costs exclusively related to the sales of drinks and food. Mrs Scates did not accept this. The tenor of her evidence was that, whilst the first floor of the clubhouse was used for the sales of drinks and food, it was also used as part and parcel of the running and benefit of the club as a whole.

The Legal Framework

27. There was no dispute as to the legal framework. The following legislation and authorities set out the position in respect of attribution of the whole of input tax to taxable supplies and the principle of residual costs. We do not need to deal with the method of apportionment of residual costs as there is no dispute that the standard method for partial exemption is appropriate if the Costs were not used or to be used exclusively for taxable supplies.

28. Article 168 of the Principal VAT Directive (2006/112/EC) provides as follows:

> "In so far as the goods and services are used for the purposes of the taxed transactions of a taxable person, the taxable person shall be entitled, in the Member State in which he carries out these transactions, to deduct the following from the VAT which he is liable to pay:
>
> (a) the VAT due or paid in that Member State in respect of supplies to him of goods or services, carried out or to be carried out by another taxable person;"

29. Article 173 of the Principal VAT Directive provides that:

"In the case of goods or services used by a taxable person both for transactions in respect of which VAT is deductible pursuant to Articles 168, 169 and 170, and for transactions in respect of which VAT is not deductible, only such proportion of the VAT as is attributable to the former transactions shall be deductible.

The deductible proportion shall be determined, in accordance with Articles 174 and 175, for all the transactions carried out by the taxable person."

30. Regulations 101(1) and (2) of the Value Added Tax Regulations 1995, made pursuant to section 26(3) of VATA 1994, provide as follows:

(1) Subject to regulations 102, 103A, 105A and 106ZA, the amount of input tax which a taxable person shall be entitled to deduct provisionally shall be that amount which is attributable to taxable supplies in accordance with this regulation.

(2) Subject to paragraph (8) below and regulation 107(1)(g)(ii), in respect of each prescribed accounting period –

(a) goods imported or acquired by and goods or services supplied to, the taxable person in the period shall be identified,

(b) there shall be attributed to taxable supplies the whole of the input tax on such of those goods or services as are used or to be used by him exclusively in making taxable supplies,

(c) no part of the input tax on such of those goods or services as are used or to be used by him exclusively in making exempt supplies, or in carrying on any activity other than the making of taxable supplies, shall be attributed to taxable supplies,

(d) where a taxable person does not have an immediately preceding longer period and subject to subparagraph (e) below, there shall be attributed to taxable supplies such proportion of the residual input tax as bears the same ratio to the total of such input tax as the value of taxable supplies made by him bears to the value of all supplies made by him in the period,

(e) the attribution required by subparagraph (d) above may be made on the basis of the extent to which the goods or services are used or to be used by him in making taxable supplies,

(f) where a taxable person has an immediately preceding longer period and subject to subparagraph (g) below, his residual input tax shall be attributed to taxable supplies by reference to the percentage recovery rate for that immediately preceding longer period, and

(g) the attribution required by subparagraph (f) above may be made using the calculation specified in subparagraph (d) above provided that that calculation is used for all the prescribed accounting periods which fall within any longer period applicable to a taxable person.

31. It follows that Bedale must satisfy us that the Costs fulfil Regulation 101(2)(b) in order to succeed in this appeal.

32. The basic test can be expressed either as a "direct and immediate link" or a "cost component" of the price of the goods or services supplied. In *Dial-a-Phone Ltd v Customs and Excise Commissioners* [2004] STC 987, Jonathan Parker LJ stated as follows at paragraph 28:

> "28. Hence, on the authority of *BLP* and *Midland Bank*, in applying the "used for" test prescribed by art 17(2) of the Sixth Directive the relevant inquiry is whether there is a "direct and immediate link" between the input cost in question and the supply or supplies in question; alternatively whether the input cost is a "cost component" of that supply or those supplies. [Underline emphasis supplied] It is clear from the judgments of the ECJ in *BLP* and *Midland Bank*, as I read them, that there is no material difference between these alternative ways of expressing the basic test."

33. This is a fact-sensitive inquiry. In *Dial-a-Phone Ltd v Customs and Excise Commissioners,* above, Jonathan Parker LJ stated as follows at paragraph 72:

> "72. By its very nature the *BLP* test is fact-sensitive, in the sense that its application inevitably requires a qualitative judgment to be made on the basis of the facts (as found or admitted) relating to the transactions in question. …"

34. The search is not for the closest link but instead for a sufficient link (see *Dial-a-Phone Ltd v Customs and Excise Commissioners,* above, *per* Jonathan Parker LJ at paragraph 74).

35. The relevant use is economic use rather than just physical use. In *St Helen's School Northwood Ltd v Revenue and Customs Commissioners* [2006] EWHC 3306 (Ch), Warren J stated as follows at paragraph 75:

> "75. I agree with Mr Thomas that the search in the present case is for a fair and reasonable proxy for the 'use' of the sports complex in making the exempt and taxable supplies made by the School. However, I also agree with Miss Simor that the physical use of the complex is not necessarily a fair and reasonably proxy for that use. I consider that her use of the phrase 'economic use' is a helpful approach to establishing what the search is for."

36. Residual costs can arise in two different sets of circumstances. In *Mayflower Theatre Trust Ltd v Revenue and Customs Commissioners* [2007] STC 880, Carnwath LJ stated as follows at paragraph 26 in the context of definitions of residual input tax and overheads:

> "26. Those definitions may be open to the criticism that they conflate two different concepts. Input tax on services may fall within the partial exemption rules, first where it has a direct link, and is therefore attributable, to *both* taxable and exempt supplies; or, secondly, where it has a direct link to *neither,* in other words it is "non-attributable". Both

> may be described as 'residual'. The second category, also well-established in the case-law, appears to be more usually (and more helpfully) described by the term 'overheads'."

37. In the present case, the Costs are either used or to be used exclusively in making taxable supplies or alternatively to both taxable and exempt supplies. There is no suggestion by either party that the Costs have a direct link to neither of these supplies.

38. We were also referred to a number of VAT & Duties Tribunal and First-Tier Tribunal decisions relating to golf clubs. Although they are not binding on us, they do provide illustrations of how the relevant tests have been applied in similar circumstances.

39. In *Elsham Golf Club Ltd v The Commissioners of Customs and Excise* VATD 18107, the VAT & Duties Tribunal dealt with input tax incurred in relation to the construction of an extension to the clubhouse dining room. It was held that the dining room was used for meetings and fund-raising events and so not exclusively for taxable supplies. The appeal was dismissed.

40. In *Auchterarder Golf Club v HMRC* VATD 19907, the VAT & Duties Tribunal also dealt with input tax incurred in relation to the construction of an extension to the clubhouse. The appeal was dismissed upon the basis that it was of mixed use. The Tribunal stated as follows at page 3:

> "Auchterarder Golf Club, which operates a very pleasant well situated course and Clubhouse has provided for its members and guests provision of a Clubhouse which is agreeable situated in a pleasant situation and of good finish and design. It is generous in its provision of space for activities other than golf. In physical dimensions a substantial part of the Clubhouse can reasonably be said to be concerned with taxable supplies of food, drink and other refreshments comprising a large lounge with annexed, open, dining area, kitchen, bar, bar store and bottle store, also toilets corridors and entrances thereto, amounting to over half the floor area of the building. An area called "games room" on the plan produced is in fact part of the lounge/bar area. That part however can and does have other minor uses such as holding an Annual General Meeting for a short part of one day in the year and other occasional Club associated activities such as fund-raising events.
>
> There is no area the use of which could be described as wholly taxable other than a visitors changing room and there is only a small area which could be described as wholly exempt i.e. the members changing room for men, the rest is mixed use."

41. In *Bridgnorth Golf Club v HMRC* [2009] UKFTT 126 (TC), the First-Tier Tribunal dealt with the refurbishment of a clubhouse lounge and dining area. The Tribunal dismissed the appeal and stated as follows at paragraphs 10 and 11:

> "10. The tribunal is therefore looking at not only the physical use of the lounge/dining area but also its economic use. In this context it is not possible to say that the area was used 'exclusively' for taxable supplies. Certainly its primary physical use related to taxable

> supplies, being the area where the members congregated and consumed the drinks supplied by the bar and the food supplied by the kitchen. Even then this use was not exclusive as there were additional events held in the lounge which were in themselves exempt charitable events which the Commissioners argued would alone mean that the area was not used for exclusively taxable supplies. The more pertinent point however is the use of the clubhouse by the members is an intrinsic part of the [sic] their membership and inseparable from the exempt supplies of sporting services. The economic driver behind the refurbishment was not merely to make the taxable supply from the bar and the kitchen but, as recognised by the Club in the minutes of the 2007 AGM, to provide an attractive facility for the attraction of new members. The costs incurred in the refurbishment thus had a direct and immediate link to the exempt supply or in other words were a cost component of that supply. As Mr Darby very fairly said, the Club could not survive without lounge and dining facilities and these had to be at their most attractive to build up the membership. This was the economic driver behind the refurbishment. As pointed out previously, the direct and immediate link does not have to be the closest link but a sufficient link.
>
> 11. For these reasons we find that the costs incurred in the lounge/dining area refurbishment were not used or to be used exclusively in making taxable supplies, but they were also used or to be used in the making of exempt supplies and the input tax therefore falls to be residual. The Commissioners' assessment is therefore upheld and the appeal is dismissed.

42. We note for completeness that we were referred to the Upper Tribunal decision in *Volkswagen Financial Services (UK) Limited v HMRC* [2012] UKUT 394. Since the hearing of the present appeal, the Court of Appeal has handed down its judgment in the appeal of *Volkswagen Financial Services (UK) Limited v HMRC* [2015] EWCA Civ 832. Although this considers many of the authorities relating to the "direct and immediate link" test, it is based upon the different context of attribution of general overheads and so is not of direct relevance here.

Bedale's Case

43. The essence of Bedale's case is that the Costs were only used in relation to the taxable supplies of drinks and food. The lifts were barely used at all but allow people to get to the bar and lounge to buy drinks and food. People who bought drinks and food used the chairs and benefited from the curtains.

44. Mr Harris submitted that Bedale has organised its activities to enable them to claim all the input tax on the bar and lounge area and have ensured that it does not have any exempt outputs generated from upstairs.

45. Mr Harris also maintained that any use other than for taxable supplies were not supplies at all. In particular, the use for meetings was not a supply as there was no consideration for it.

HMRC's Case

46. The essence of HMRC's case is that the Costs were used for both taxable and exempt supplies. HMRC did not argue that any fund-raising activities were exempt and instead relied only on the sporting exemption. As such, we do not consider the fund-raising exemption within this decision.

47. Mrs McIntyre did not accept that the meetings and other uses were not supplies.

48. Mrs McIntyre said that Bedale was in a closely analogous position to the golf clubs in the cases of *Elsham Golf Club Limited v The Commissioners of Customs and Excise, Auchterarder Golf Club v HMRC* and *Bridgnorth Golf Club v HMRC*.

Discussion

Findings of fact

49. Both Mr Harris and Mrs Scates were very credible and helpful witnesses and we accept the evidence of both of them.

50. The reality is that there was no dispute on the facts and the parties both proceeded upon the factual background and evidence set out above. Nonetheless, we make the following findings of fact which are of particular relevance to our decision:

(1) The bar and lounge area is physically used for selling and consuming drinks and food.

(2) The sales of alcoholic and non-alcoholic drinks are a supply by Bedale.

(3) On the face of it, the sales of food are in fact supplies by the chief steward rather than Bedale. However, in the context of this appeal HMRC have nevertheless treated the food as if they were supplies by Bedale and have not submitted otherwise. We do not go behind this for the purposes of this appeal and so treat all food and drink supplies as being taxable supplies by Bedale.

(4) The bar and lounge area is also physically used for other purposes. In particular, it is used for formal and informal club meetings, formal and informal team meetings, the giving of awards, trophies and prizes.

(5) Other "one off" events also take place, organised by members without a room hire charge or non-members with a room hire charge.

(6) The bar and lounge area is the focal point of the life of the golf club beyond the course itself.

(7) From an economic perspective, the exempt and taxable supplies are closely interconnected and are intended to feed off each other. By having an attractive bar and lounge, members and non-members are encouraged to buy drinks, which helps raise income for the golf club to continue to provide golfing facilities. Even though the food sales do not directly raise income for Bedale, they do increase drinks sales and add a further draw for people to use the golf club.

(8) The lift is a means of access to the whole of the first floor, regardless of the reason for doing so. In any event, this is a requirement of having a two storey clubhouse.

Direct and immediate link

51. We find that the Costs were not used or to be used by Bedale exclusively in making taxable supplies.

52. Bedale's position is the same as that of the golf club in *Bridgnorth Golf Club v HMRC*. As in that case, the use of the clubhouse by the members is an intrinsic part of their membership and is inseparable from the exempt supplies of sporting services. It cannot be said that either the physical use or the economic use are exclusively for the sales of food and drink. The agreed facts, as reflected in our findings, show a wide range of other uses, which include those, "closely linked with and essential to sport". The use for team meetings before and after competitions is particularly stark, as it shows the close nexus between the playing of golf and the facilities provided in the clubhouse. Crucially, it is at least in part a meeting place for golfers to manage, co-ordinate and enhance their golfing activities. The same is true of the annual general meeting and, albeit to a lesser degree, trophy presentations and entertaining other teams. From an economic perspective, the availability of the bar and lounge area is an incidence of membership of the golf club as well as a place to buy food and drink.

53. It is important not to lose sight of what the Costs themselves are. The use of chairs and curtains is not of a type which inherently lends itself only to the consumption of food and drink. Similarly, the use of the lift is not restricted to taxable supplies as it can be used whatever the reason for going to the first floor. The fact that there might be a closer link between the Costs and the taxable supplies does not mean that there is not a sufficient link between the Costs and the exempt supplies.

54. We do not accept Mr Harris' argument that the uses of the bar and lounge other than for the supplies of food and drink are not supplies because there is no consideration for them. We have found that the bar and lounge area provide facilities which are, "services closely linked with and essential to sport or physical education in which the individual is taking part". Those facilities are part of an overall supply of exempt golf club membership, the consideration for which is the membership subscription.

55. The Costs are therefore residual and, in accordance with the agreement of the parties, to be calculated in accordance with the standard partial exemption method as provided for in the assessment.

Decision

56. It follows that we must dismiss this appeal.

57. This document contains full findings of fact and reasons for the decision. Any party dissatisfied with this decision has a right to apply for permission to appeal against it pursuant to Rule 39 of the Tribunal Procedure (First-tier Tribunal) (Tax

Chamber) Rules 2009. The application must be received by this Tribunal not later than 56 days after this decision is sent to that party. The parties are referred to "Guidance to accompany a Decision from the First-tier Tribunal (Tax Chamber)" which accompanies and forms part of this decision notice.

RICHARD CHAPMAN

TRIBUNAL JUDGE

RELEASE DATE: 2 SEPTEMBER 2015