

YogaTax - Part of Whitefield Tax
Yoga Teachers VAT Examples - Business Splitting



All these examples use the current VAT rate of 20%, and the current VAT registration threshold of £90,000.

Sally has a small studio which consistently turns over £80,000 a year meaning she is below the VAT threshold.

Sally is planning on running a Teacher Training Course. The gross revenue from this will be £20,000.

As this would take Sally over the VAT threshold, its worth her structuring the Teacher Training into a separate business.

Lets look at the figures:

	Current position £	One business £
Income from Yoga	80,000	80,000
Income from Teacher Training		20,000
VAT due	<u> </u>	<u>(16,667)</u>
Net revenue	<u>80,000</u>	<u>83,333</u>

If she takes no action, Sally will need to register for VAT and will only be a net £3,300 better off from running her training course.

If Sally establishes a separate business for the training then she reaps the full benefit.

	Yoga Studio £	Training Limited £	Combined £
Income from Yoga	80,000		80,000
Income from Teacher Training		20,000	20,000
VAT due	<u> </u>	<u> </u>	<u> </u>
Net revenue	<u>80,000</u>	<u>20,000</u>	<u>100,000</u>

Important: the separate business must be properly constituted with a separate legal identity and a separate business infrastructure, and the businesses must be separate in the public eye.

This doesn't stop the TTC from running out of Sally's studio, but it does mean that care and professional advice is needed in arranging a structure like this.