



Golf Management Innovations

Golf Club Operations Online - GCOOL@selkirk.ca

BOOST REVENUES ON PACKAGES WITH THIS TAX TIP

By Wayne Schweitzer, AAT

I'm sure everyone (or their accountant) understands the correct method of extracting the right amount of GST and provincial taxes out of an all-inclusive price. However, did you know that if your club offers all-inclusive or semi-inclusive packages, there is a way of using the tax system to your advantage to increase revenues dramatically?

Consider the following offer from a golf resort property to encourage two-person, one-week all-inclusive golf vacations. To demonstrate what can happen to boost club revenue, we use an example of a BC club that would charge 5% GST on all goods and services plus a charge of 10% to cover room tax and 10% for the liquor tax on the wine. The package includes:

	Rack Rate	Club Revenue
Hotel for 7 nights	\$229.95	\$1609.65
Green Fees	(14 @ \$70)	980.00
Lessons	(6 @ \$40)	240.00
Breakfasts	(14 @ \$12)	168.00
Lunches	(14 @ \$15)	210.00
Dinners	(14 @ \$25)	350.00
Wine	(3 @ \$30)	90.00
Full Retail Value of Package		<u>\$3,647.65</u>

The customer pays GST and PST where appropriate:

GST	$\$3647.65 \times 5\% =$	182.38
PST on room/wine	$\$1699.65 \times 10\% =$	169.97
Total value to guests		<u>\$4,000.00</u>

YOU PLAN TO OFFER THIS PACKAGE FOR \$3,000.00 INCLUDING TAXES

The question becomes "How do I correctly apply the various taxes?" Choose the wrong method and you could pay too much in taxes and reduce revenue. Following are two methods, both considered "correct," but one gives significantly different revenue results:

Method A:

Based on contribution % to the total package value:

Revenue Type	\$ Amount	% of Total	Pkg Amount Incl Taxes \$
Hotel	1609.65	44.1 (1609.65 ÷ 3647.65)	1323.00 (3000.00 X 44.1%)
Green Fees	980.00	26.9	807.00
Lessons	240.00	6.6	198.00
Breakfasts	168.00	4.6	138.00
Lunches	210.00	5.7	171.00
Dinners	350.00	9.6	288.00
Wine	90.00	2.5	75.00
			<u>\$3,000.00</u>

Now you need to determine how much of the \$3,000 you get to keep and how much you need to send to each government agency. The hotel room and wine each include 15% total taxes. Separate those as follows:

Hotel room	$\$1323.00 \div 1.15 =$	your share of sale \$1150.44
	= PST 10% of \$1150.44	= \$115.04
	= GST 5% of \$1150.44	= \$57.52
Wine	$\$75.00 \div 1.15 =$	your share of the sale = \$65.22
	= PST 10% of \$65.22	= \$6.52
	= GST 5% of \$65.22	= \$3.26

Your other revenue sources (green fees, food and lessons) include only 5% GST:

Other items	$\$1602.00 \div 1.05 =$	your share of sales \$1525.71
	= GST 5% of \$1525.71	= \$76.29

SUMMARY:

For each package sold your revenue is	\$2741.37
PST payable to BC gov't	\$ 121.56
GST payable to Federal gov't	\$137.07
PACKAGE TOTAL	<u>\$3,000.00</u>

Now let's look at another option for pricing this package so that you get to keep more of the money for your club (thus less for the tax authorities). You also have the option of pricing your individual items at what you consider to be a "fair value" building toward the \$3000 package price. We will now look at this option to determine the split of the funds.

Assuming you assign a reasonable value to each of the items in the package, your cash split would look as follows:

Using the "Reasonable Assigned Value" method:

Profit Centre	Assigned Value \$	Your Revenue \$	PST \$	GST \$
Hotel	1250.00	1086.96	108.70	54.34
Green fees	850.00	809.52	0	40.48
Lessons	225.00	214.29	0	10.71
Breakfast	140.00	133.33	0	6.67
Lunches	185.00	176.19	0	8.81
Dinners	280.00	266.67	0	13.33
Wine	70.00	60.87	6.09	3.04
	<u>\$3000.00</u>	<u>\$2747.83</u>	<u>\$114.79</u>	<u>\$137.38</u>

The difference in revenue that you get to keep for each package seems small (\$6.45 per package), but consider if you sold 750 of these packages for the season. The increased amount of revenue you would be able to keep is \$4837.50

This does not include golf shop sales, cart rentals or other monies guests would likely spend through the halfway house or beverage cart.

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One caution on using this Reasonable Assigned Value: it must be defensible as well as "reasonable." For example, it would be difficult to defend selling your rooms at \$500 for the week and valuing the green fees at \$1600.

**The beauty here is:
MORE REVENUE FOR THE CLUB...
less tax for the government**

This information is an example of some of the tools that management can use to improve the bottom line of the club. More of these will be included in our Distance Education GCOOL program in the course "Financial Tools for Managers." If you have other innovative items you would like to see in our new publication, send them to me at wschweitzer@selkirk.ca (I promise to give you credit for the idea.)



Selkirk College to launch online courses Nov. 2008

Golf club staff can improve workplace performance through Selkirk College, the only accredited post secondary institution in Canada offering online golf management training. The 10-course Golf Operations Online (GCOOL) certificate includes.

1. Overview of Golf Club Operations
2. Financial Tools for Club Managers
3. Golf Marketing
4. Human Resources for Golf Clubs
5. Tournament & Special Event Planning
6. Financial Controls for Golf Clubs
7. Food & Beverage: Revenue Management Tools
8. Golf Shop Operations
9. Turf Grass Management
10. Organizational Leadership in the Golf Industry



SINGLE MODULES: In addition to complete courses, club staff can select time efficient learning modules designed to upgrade staff knowledge and skills for specific workplace assignments (modules take about 1/2 day to complete). Modules and courses employ the most impactful technologies available to make learning effective and fun.

Courses begin Nov. 3, 2008.

Modules: \$110.00 each (1/2 day)
Courses: \$575.00 each (12 weeks)