Value Added Tax

1.4 Where the Council provides goods or services free of charge, or under

3 Responsibilities and Relevance to Schools

3.1 The responsibility for accounting for VAT in schools lies with schools themselves and the Council's VAT Team. The Council's VAT Team is responsible for submitting the Council's VAT return every month.

3.2 Compliance with VAT regulations is self-assessed but enforced by HMRC. HMRC undertakes a continuous rolling audit of the Council's VAT management. Financial penalties for non-compliance can be very severe. HMRC normally charge interest on VAT errors and can charge penalties of up to 100% of any VAT errors made by the Council. Therefore, schools must ensure that they correctly apply the VAT rules to their income and expenditure. If there is ever any doubt, please consult the Council's VAT Team.

4 Specific Issues

4.1 **Catering (f42.0.03700033005030044>30051>30044804A>30048805060048>30051805]TJETQ00**

A low value token (such as a sticker or voluntarily naming a chair after the donor) given as an acknowledgement of a donation will not make the donation liable to VAT. Thus, donations in those circumstances remain outside of the scope of VAT.

4.4 **Education Provided by the Council**

Any education, including/vocational courses, provided by the Council or its schools, for a charge, are exempt from VAT.

Any education provided free of charge is non-business.

Music lessons provided to school pupils are non-business, even when a charge

supplier's country. As mentioned above, to avoid receiving an invoice with VAT charged in another country, the school must quote the Council's VAT registration number when making overseas purchases.

Wherever possible when making internet purchases, the school should ensure that it is set up with suppliers as a business customer otherwise it may not receive a valid VAT invoice or may be charged non-UK VAT.

The Council can only reclaim UK VAT on its VAT returns. The Council cannot reclaim any VAT charged by suppliers outside of the UK on the Council's VAT return. Such VAT may be reclaimed from the VAT authority in the supplier's country. This is a complex process which takes time and may not always be possible. Hence it is important to ensure that the Council/school does not unnecessarily pay any VAT to non-UK suppliers.

Any internet purchases requiring credit, debit or purchase card payments should only be made using the Council's purchase card. Purchases should not be made using personal debit or credit cards as this may not generate valid VAT invoices to support the Council's/school's claim for VAT paid on purchases.

4.9 School Lettings

It is common for schools to hire out halls, and other rooms, etc. to external groups and individuals, for a wide variety of functions or activities. The VAT treatment of such lettings is detailed below.

4.9.1 Letting of rooms, e.g. classrooms, school halls etc.

The hire of a room is exempt provided that the hire is for the occupation of the room rather than the use of any facilities that the room may offer. If any optional extra equipment or services are provided, VAT may be chargeable if a separate charge is made for the equipment or services.

The letting of a room with

The letting of sports facilities for a purpose other than playing sport or taking part in physical recreation, e.g. a stadium let for a concert or a sports hall let for a jumble sale, is exempt.

4.9.4 Ancillary supplies

Where changing rooms, floodlighting or other minor goods and services are included in a letting of sports or physical recreation facilities, they are normally regarded as incidental to the letting and have the same VAT liability as the letting. This applies even if they are invoiced separately.

If optional extra equipment or services are provided, these must be treated according to their normal liability and VAT charged where appropriate.

4.10 School Photographs

The VAT treatment of school photographs depends upon the circumstances in which the photographs are provided:

4.10.1 School photographer supplies photos direct to the pupils

If VAT registered, the photographer charges and accounts for VAT on the price of the photographs sold to pupils.

Any commission paid to a community or voluntary controlled school is liable to VAT if the income is paid into the official school budget. No VAT is due if the income is paid into income is paid into income is pincomeincome is paid into t.

A trip organised through a tour operator may fall under the Tour Operators Margin Scheme. Invoices for such trips will not show VAT and VAT cannot be reclaimable on those invoices.

Similarly, if a school arranges an overseas trip directly with transport and accommodation providers etc. outside of the UK, VAT will not be reclaimable on invoices received from those providers.

4.12 **Secondment of Staff**

The secondment of non-teaching staff to organisations outside of the Council, is liable to VAT. This includes the provision of staff to examination boards to undertake assessments and examination services.

The secondment of teaching staff to another education provider is exempt where the teacher is directly involved in providing education to pupils/students.

Secondments of staff between the Council's schools is an internal transaction and outside of the scope of VAT.

4.13 **Voluntary Aided Schools**

Voluntary Aided ("VA") Schools provide non-business education. As such, VA schools that operate the EPA or Full Cheque Book scheme can reclaim VAT on always be obtained for any works that are the Council's responsibility to ensure that VAT can be reclaimed on those works.

Any penalties imposed by HMRC for failing to comply with these rules will be charged directly to the school(s) concerned.

Appendix A

EXAMPLES OF LOWER (REDUCED) RATED ITEMS

- Fuel and power for "qualifying" use, being domestic, non-business by a charity (including voluntary aided schools) or within certain (small) quantities;
- Installation of energy saving materials in residential accommodation;
- Grant funded installation of heating equipment in residential accommodation;
- Grant funded installation of security goods in residential accommodation;
- Grant funded installation of connections to gas supplies in residential accommodation;
- Children's car seats;
- Residential conversions;
- Residential renovations and alterations;
- Contraceptive products;
- Welfare advice or information.

This list is not exhaustive and there are always exceptions so if in doubt, contact the Council's VAT Team for further advice.

Appendix D

NON-BUSINESS ITEMS

- Statutory school education;
- Pupil school meals (but **not staff**, including teachers, or visitors);
- Before and after school clubs provided by a local authority school;
- Educational school trips;
- Goods and services sold in class that are closely related to statutory school education;
- Donations.

This list is not exhaustive and there are always exceptions so if in doubt, contact the Council's V3s2238 Team for further advice.