

SECTION 5 - VALUE ADDED TAX

Updates since the last version are highlighted

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PLEASE NOTE:

Further advice on VAT matters can be obtained from NCC Exchequer Accountancy on 01604 237864.

1. INTRODUCTION

THESE RULES APPLY TO ALL SCHOOLS

1.1 Records and Accounts

There are TWO sets of accounts:-

1. The Public Accounts – school accounts.
2. The Private Accounts.

At the end of each VAT quarter, schools have to submit VAT claims to NCC Schools Finance. These claims are computer generated print outs from the SIMS FMS system which itemise all expenditure and income, the rate of VAT and the amount of VAT.

Schools are reimbursed for the amount of input tax (on expenditure) less output tax (on income).

1.2 Legal Entities – the Role of the Local Authority (LA) and Private Accounts

The local authority

NCC is a legal entity registered for VAT under number 121 4804 09.

Maintained schools are part of the local authority and are therefore registered for VAT under the same number.

Do not use this number for the school private funds or PTA funds – these may have to register for VAT in their own right and would have a different number.

Schools public accounts are part of the local authority accounts and are therefore registered for VAT under the same number.

There are certain trading activities which take place within schools that local authorities are precluded from carrying on.

The private funds

Whilst the private funds are closely linked to the school they **are not part of the local authority**.

These organisations are not responsible for education, but are responsible for the trading activities within the school such as the sale of school uniform and sports clothing, and fund raising events.

Income and expenditure should always be matched to the same legal entity.

Materials/goods cannot be purchased from the public funds on behalf of a school fund/PTA in order to avoid the VAT cost.

IT IS IMPORTANT TO RECOGNISE THE DIFFERENT ROLES AND RESPONSIBILITIES OF THESE LEGAL ENTITIES.

1.3 VAT Terminology

SUPPLY OF GOODS - Sale of goods or transfer under hire purchase agreement.

SUPPLY OF SERVICES - Hire of goods or supply of personal services. Lend business assets to someone.

CONSIDERATION - Consideration is what the school gives in return for receiving the supply. This is usually money but can be in the form of BARTER.

OUTPUTS - This means school sales.

OUTPUT TAX - This is the amount of VAT you have to charge on standard rated sales.

INPUTS - This means school purchases.

INPUT TAX - This is the VAT schools reclaim on the goods and services schools buy.

1.4 Rates of VAT

STANDARD RATE OF 17.5%

LOWER RATE OF 5%

ZERO RATE 0%

EXEMPT

NON-BUSINESS – OUTSIDE THE SCOPE

WHAT IS THE DIFFERENCE BETWEEN ZERO, EXEMPT, BUSINESS AND NON-BUSINESS SALES?

Zero rated sales are taxable sales on which no VAT is levied at present. The UK is the only member state to have zero rating.

Exempt sales are applied to activities which are provided in the public interest, such as the services of doctors, dentist, opticians, insurance, burial and cremation. These activities are outside the tax system and no VAT is levied on them.

1.5 Business

The schools business sales will be those that are provided in competition with the private sector, for example, photocopying and the sale of goods to external organisations.

In the case of "business activities" the school is required to add VAT where applicable. If schools did not have to add VAT they would have the advantage of being able to make supplies cheaper than the private sector and this could be construed as unfair competition.

1.6 Non-business

These relate specifically to local authorities, for the services they provide under a special legal framework which are usually free or for which there is a minimal charge.

For example, provision of free education, free libraries and provision of welfare services.

1.7 Recovering VAT on School Purchases

In order to recover VAT charged on purchases the document schools receive from your supplier must contain specific information.

This is set out in the section titled "Expenditure" under "T" – Tax invoices.

1.8 Calculating VAT

1. If the school is required to charge VAT on a supply of goods or services then the amount of VAT must be ADDED to the value of the goods or services supplied. This is done as follows:-

Selling price x 17.5% = VAT amount

2. Schools may have to work out the VAT when they have been given a price INCLUDING VAT. This is done as follows:-

The bill shows a VAT inclusive price of £15.00. Multiply £15 by 7 and then divide by 47 = VAT amount of £2.23.

3. SHOULD THE RATE OF VAT CHANGE SCHOOLS CAN WORK OUT THE NEW VAT FRACTION AS FOLLOWS:

rate of tax

100 + rate of tax

1.9 VAT Errors

ALL VAT errors must be reported to **NCC Exchequer Accounting** who will advise on the correct action to be taken. Failure to report errors may result in the school being assessed for mis-declaration of tax or penalised for breach of VAT regulations.

1.10 VAT Inspections

H. M. Revenue & Customs carry out a programme of inspections of VAT registered bodies, these are known as Control Visits. During these visits the H.M. Revenue & Customs Officer is free to examine any aspect of the Authority's activities to ensure compliance with VAT Regulations. He has the legal power to "require taxable persons to produce documents or furnish information". In fact it is an offence not to do so. During his visit schools should provide him with any documents he asks for and answer any questions put to them. If schools are unsure of how (or whether) to answer any questions raised they should refer the H.M. Revenue & Customs Officer to **NCC Exchequer Accounting , 01604 237864.**

2. EXPENDITURE

2.1 Accommodation

Accommodation charges in hotels, inns, boarding houses and similar establishments are standard rated.

2.2 Admission Charges

Where schools are charged admission:-

To cinemas, historic houses etc. are standard rated.

Admission charges to zoos, museums and cultural centres MAY be exempt.

If schools wish to reclaim the input tax on school visits to these places they must ensure you obtain a proper tax invoice – see Tax Invoices.

2.3 Advertising

When placing adverts in newspapers etc. schools will be charged VAT.

2.4 Business Gifts

Gifts costing more than £50 received by NCC from VAT registered 3rd parties

A "TAX CERTIFICATE" should be obtained from the donor.

This should have the following statement written on the invoice:-

“TAX CERTIFICATE, NO PAYMENT IS NECESSARY FOR THESE GOODS, OUTPUT TAX HAS BEEN ACCOUNTED FOR ON THE SUPPLY”

Provided the goods are used for **business** purposes input tax can be reclaimed against the invoice. If schools are unsure whether the goods are for business or non-business, please seek guidance from **NCC Exchequer Accounting**

2.5 Buses, Minibuses, Coaches etc

Owned and maintained by the School

Where a school bus is purchased through the public accounts and expenses incurred in maintaining the bus are paid out of the public accounts, then the school is entitled to reclaim any VAT charged.

Where a school bus is purchased through a private school fund such as the PTA/Friends of the School, then the school is not entitled to any refunds of VAT charged on the purchase of the vehicle.

Where a school bus is purchased through a private fund, but the maintenance costs are paid for out of the public accounts, then input tax is recoverable by the school on the maintenance charges.

If the school is reimbursed by the private fund for the maintenance costs, then the school must account for output tax on this income.

2.6 Cleaning Materials

The purchase of cleaning materials and cleaning services is standard rated.

2.7 Credit Notes

Any changes to invoices which affect the amount of output tax being paid or the amount of input tax being reclaimed, must be done by issuing a credit or debit note.

Manual alterations will not be accepted by H.M. Revenue & Customs. If a supplier asks schools to make alterations to his invoice, insist on either a credit note or revised invoice.

2.8 Donations to the Public Accounts by the Private Funds

Where a body (such as the PTA) raises funds **FOR A SPECIFIED PURPOSE** (e.g. for the purchase of a computer or minibus) they can donate those funds to the public accounts.

The school can then make the purchase and reclaim the VAT provided the following conditions are met:-

- a) the school makes the purchase itself by:
 - placing the order;
 - receiving the supply;
 - receiving a VAT invoice addressed to it, and making payment.
- b) the school retains ownership of the purchase and **uses it for its own purposes** (items cannot be bought for use by the private funds simply to avoid the VAT cost) and
- c) the school keeps sufficient records of the purchase (and the purpose for which it is made) to be easily identified. ALL the above conditions must be met.

2.9 Furniture and Fittings

Purchases of and repairs to furniture and fittings are standard rated.

2.10 Gifts and Awards to Staff

Where the school buys gifts and awards for its staff input tax is reclaimable.

No output tax need be accounted for (as these gifts are not deemed to be "by way of business").

Gifts can include such items as long service awards, retirement gifts, staff welfare gifts and bouquets.

2.11 Insurance

Premiums for all types of insurance are exempt.

Where insurance is supplied as part of a package with other goods and services the supplier should provide a document setting out the amount relating to the exempt insurance supply. Any VAT due on the goods/services should be identified separately from the supply for the insurance.

2.12 Insurance Premium Tax

This must not be confused with VAT and cannot be reclaimed.

There are two rates of insurance premium tax, a standard rate at 5% and a higher rate at 17.5%. This tax is charged by insurance brokers.

2.13 Lottery Funding

The school will ONLY be able to reclaim input VAT incurred on projects funded by the lottery provided the lottery monies are paid into the public accounts. The school will not, however, be able to reclaim input VAT when the monies have been paid direct to a third party e.g. a school's private fund account.

2.14 Procedures for Ordering Goods Financed by the Private Funds

- i) An order for the goods to be purchased should be made out in the normal way.
- ii) The name of the private fund financing the purchase should be shown prominently on the order.
- iii) The top copy of the order may be sent direct to the supplier but the other copies should be dealt with in the usual manner.
- iv) When the account is received, it should be certified for payment in the usual way and the name of the private fund financing the purchase should be clearly shown.
- v) This account should be paid in the usual way.
- vi) A cheque payable to "School Name" for the VAT-exclusive amount drawn on the private fund should be banked by the school in the same way as it would bank any other income.

The income does not have to be matched against specific expenditure as the net expenditure for the school will be the figure that matters.

2.15 Purchasing Goods and Services from Abroad

VAT AND CUSTOMS REQUIREMENTS FOR SCHOOLS PURCHASING GOODS ABROAD AND PURCHASING AND SELLING SERVICES ABROAD (via the www. or otherwise)

2.15.1 Rules for Purchasing Goods from within the EU

When purchasing goods in the EU, the VAT cannot be reclaimed via SIMS FMS. Another method has to be used to obtain reimbursement. To ensure there is no VAT loss the following procedures must be followed.

When placing an order with a supplier **in the EU**, schools **MUST** provide them with the Council's VAT registration number including the two-letter prefix code, **GB 121 4804 09**. If schools do not provide this VAT number the supplier will charge them VAT at the rate in force in his country (which could be as high as 25%).

If schools forget to quote the Council's VAT number and are charged "foreign" VAT, they should contact the supplier immediately, quote the council's VAT number and ask for a credit note to cover the first invoice.

If schools are unable to obtain a credit note, notify **NCC Exchequer Accounting** on 01604 237864.

These rules apply for purchases from the following countries which are in the EU:

Austria – AT

Belgium – BE

Denmark – DK (Excluding the Faroe Islands and Greenland)

Finland – FI (Excluding the Aland Island)

France – FR (Including Monaco but excluding Martinique, French Guyana, Guadeloupe, Reunion and St. Pierre and Miquelon)

Germany – DE (Including Jungholz and Mittelbery but excluding Busingen and the Isle of Heligoland)

Greece – EL (Excluding Mount Athos)

Ireland (Southern) IE

Italy – IT (Excluding the communes of Livigno and Campione d'Italia and the Italian waters of Lake Lugano)

Luxembourg – LU

Netherlands – NL

Portugal –PT (Including the Azores and Maderia)

Spain –ES (Including the Balearic Islands but excluding the Canary Islands, Ceuta and Melilla)

Sweden – SE

Channel Islands and Gibraltar

Cyprus – CY

Czech Republic – CZ

Estonia – EE

Hungary – HU

Latvia – LV

Lithuania – LT

Malta – MT

Poland – PL

Slovakia –SK

Slovenia - SI

How to record the invoice in your accounts

The invoice should be recorded on SIMS LRM and the full cost should be coded to the relevant expenditure code, including any VAT charged if schools have not quoted the Council's VAT number and cannot get a credit note. The costs will have to be converted into sterling (a daily rate is shown in the Financial Times or the method approved by H.M. Revenue & Customs may be used– contact **NCC Exchequer Accounting**).

The VAT code used on SIMS is EEC Expenditure 05. **This must always be a NIL value and no VAT expenditure should be charged in school accounts.**

Information required on purchases from the EU

The information below will have to be forwarded to **NCC Exchequer Accounting** in time to be included in the Council's VAT return for the month in question. (Although schools submit quarterly VAT returns there is a different type of return that is made by **NCC Exchequer Accounting** on which this must be shown)

When schools receive an invoice a copy of the invoice should be sent **immediately** to **NCC Exchequer Accounting**.

2.15.2 Rules for Purchasing Items from Outside the EU

When purchasing goods from outside the EU schools are advised to consider any additional "hidden" costs that you may incur.

Most imported goods are subject to Customs Duty as well as VAT. Customs Duty rates vary between 0% and 90%. **NCC Exchequer Accounting** can advise you of current Duty rates.

It is essential that schools check the amount of duty chargeable before purchasing. Schools should also consider the rate of exchange.

Most goods arriving in the UK from outside the EU are liable to any or all of these charges;

Customs Duty,
Excise Duty
VAT.

These must be paid whether schools purchase the goods or receive them as a gift, whether the goods are new or used.

Relief from Duty or VAT on goods

Relief is available on certain imported goods with a value of £18.00 or less, excluding postage, packing and other miscellaneous costs.

Other charges

In addition to Customs Duties and VAT schools will have to pay postage and packaging; schools may also have to pay transport and insurance charges, fees for an import/export agent, commission and a Post Office clearance fee. (The Post Office handles packages for H.M. Revenue & Customs examination and, if required, open and re-pack them). The Post Office will also store packages if Customs need to make enquiries: for example, when the content has not been declared properly by the sender.

An example of how much schools may have to pay is set out below:

EXAMPLE ONLY –PURCHASE OF COMPACT DISCS

Say the cost of the CD's abroad, including local taxes + postage, packing and/or freight + insurance, was £100 sterling and the duty rate was 3.5% and the VAT rate was 17.5%, schools would pay:-

$$\begin{aligned} £100.00 \times 3.5\% &= £ 3.50 \\ £100 + 3.50 &= £103.50 \\ £103.50 \times 17.5\% &= £ 18.11 \end{aligned}$$

The duty and VAT payable to H.M. Revenue & Customs is £21.61 – The total cost to the school is £121.61.

Customs charges

Usually the Post Office will collect charges on delivery. A charge label will be affixed to the package at the Customs Postal Depot. This will show the amount of Customs charges to pay as well as any Post Office fee applicable.

Sometimes schools may be sent a declaration form that they must complete and return to the Depot before a package can be delivered. Schools should not send any payment of Customs charges with the form unless they are asked to do so.

For items which cannot be sent through the post and for postal packages costing more than £2,000, schools will have to pay a Freight Forwarder to have the goods "cleared" through Customs.

If schools intend to import any bulky or expensive items, please inform **NCC Exchequer Accounting**.

2.16 School Trips

2.16.1 Non-Business

The provision of an educational trip by a school to its own pupils is a non-business activity (but see new policy regarding trips organised through tour operators below). The school is entitled to a refund of any VAT incurred.

- i) Education means a course, class or lesson of instruction or study in any subject, whether or not that subject is normally taught in schools, colleges or universities and regardless of where and when it takes place. Education includes sporting and recreational courses.
- ii) As the educational curriculum is very wide, it could encompass most trips which are described as educational.
- iii) Where a Headteacher or Director Children and Young People state that a trip is educational, Customs will generally accept that it is a non-business supply of education.
- iv) VAT will only be charged on residential trips. If the trip is educational then the VAT charged can be reclaimed as Input tax. Note that unless you are purchasing the trip from a specialist school trips organiser your supplier may be reluctant to issue a VAT invoice as in most cases they are prohibited from doing so. However, a school as a customer is one of the exceptions to this VAT rule and is entitled to receive a VAT invoice to recover any VAT incurred on the trip.

What to do with the money you collect

Where a trip is to be administered through the official funds then monies collected for the school trip, should be banked into the official local bank account promptly.

Input Tax on Educational Trips

If the school trip takes place in the EU and is educational, then input tax can be reclaimed by the school for costs incurred PROVIDED THAT PAYMENT IS MADE THROUGH THE PUBLIC FUNDS.

Deposits Paid for School Trips

Where a company charges you VAT on invoices and deposits, schools cannot reclaim the input tax relating to these invoices and deposits if schools have paid for them directly out of the school's private funds.

In order to reclaim input tax, all payments should be made through the school budget.

Charges to Parents

If parents are needed to accompany children on the trip in order to make up the required number of adults to pupil ratio and a charge is made to the parents H.M. Revenue & Customs view the charge as relating to a business activity and state that the school must account for output on this income.

2.16.2 Trips Arranged via Tour Operators

Changes brought in by HMRC means that as from 1st January 2010, local authority schools will no longer be able to reclaim VAT on UK educational/school trips that are subject to invoices being received from tour operators who operate the Tour Operators Margin Scheme (TOMS).

It is unclear at present as to whether VAT will be continue to be shown separately on invoices received from Tour Operators, or simply incorporated into the gross value.

If invoices from Tour Operators continue to be received with VAT shown separately, the VAT element must not be reclaimed as input VAT on invoices with a tax point of 1st January 2010 onwards. In either case therefore, the gross value of an invoice (including VAT) becomes the cost of a trip and needs to be entered on accounting systems accordingly.

This will clearly have an impact on trips which have already been booked for next year, as the cost will increase by the value of the VAT unless a tax invoice dated prior to 1st January 2010 can be obtained.

Please note that this change of rules only affects VAT when Tour Operators have been used.

Other considerations:

- If schools do not use a travel agent/tour operator, and make their own travel arrangements, then providing that relevant tax invoices for each service are obtained then VAT can still be recovered.
- Schools can continue to reclaim VAT on travel agent/tour operator invoices for educational trips received prior to implementation of the new arrangements.
- Any contributions towards trips received from parents/guardians will continue to be outside the scope of VAT where the trip is part of the school curriculum.
- It is suggested that schools contact their travel agent/tour operator to check the details of any arrangements currently in place, or the implications for trips planned in the future.

2.17 Tax Invoices

Purchase invoices

Input tax can only be reclaimed against a proper tax invoice and only if the invoice relating to the supply is addressed to the taxable "person" (i.e. school etc.) concerned and the supply is received and paid for by that person (i.e. school).

Invoices which are marked "Pro-Forma" or "This is not a tax invoice" cannot be used as evidence for reclaiming input tax.

WHAT INFORMATION SHOULD A TAX INVOICE CONTAIN?

- * an identifying number
- * the name, address and VAT registration number of the supplier
- * the date of supply
- * the customer's name and address
- * the unit price
- * a description of the goods or services supplied for each description
- * the quantity of goods
- * the charge made excluding VAT
- * the total charge made including VAT
- * the rate of VAT
- * the rate of any cash discount
- * the total VAT payable

LESS DETAILED PURCHASE INVOICES

If the supply does not exceed £250 including VAT the supplier may issue a less detailed tax invoice, this must contain:-

- * the name, address and VAT registration number of the supplier
- * the date of the supply

- * a description to identify the goods or services supplied
- * the total amount payable including tax and
- * the rate of tax

Examples are shown below.

EXAMPLE OF A FULL TAX INVOICE

MR JOE BLOGGS
12, ANY ROAD
ANY TOWN
NORTHAMPTONSHIRE

Invoice No. ABC1234

VAT REGISTRATION NO. 123 4567 89

To:-
Northamptonshire County Council
P.O. Box 136
County Hall
Northampton NN1 1AT

Tax Point (Date) 22 July 200X

SALE

| Qty;- | Description | Unit Price | Amount £ | VAT Rate | VAT £ |
|-------|-------------|------------|---------------|-------------|----------|
| 30 | Desks | £50.00 | 1,500 | | |
| 30 | Chairs | £15.00 | 450 | | |
| | | | 1,950.00 | 17.5% | 341.25 |
| | VAT @ 17.5% | | <u>341.25</u> | | |
| | TOTAL | | 2,291.25 | | |

EXAMPLE OF A LESS DETAILED TAX INVOICE**FOR INVOICES OF LESS THAN £250 INCLUDING VAT**

MR A BLOGGS
12, ANY ROAD
ANY TOWN
NORTHAMPTONSHIRE

Date: 22 July 2000

VAT REGISTRATION NO 123 4567 89

Goods: Artists Materials

Price:-£58.75.

Total includes VAT @ 17.5%

Till Receipts

If a till receipt contains all the details of a "less detailed tax invoice" then it will be accepted as a tax invoice. In all other circumstances contact **NCC Exchequer Accounting**.

IS THE SUPPLIER OBLIGED TO GIVE ME AN INVOICE?

YES PROVIDED THEY ARE VAT REGISTERED AND HAVE SOLD YOU STANDARD RATED OR MIDDLE RATED GOODS OR SERVICES - Anyone making retail sales **must** give their customer a tax invoice if they are asked to do so. This may be a modified invoice for items totalling less than £100.00 including VAT.

If a supplier does not issue a tax invoice when asked to do so by a representative of the school they may be liable to a financial penalty.

Tax Point for Purchases

The tax point for purchases is the date on the invoice. If payment is made prior to receiving a tax invoice, (i.e. on a pro-forma invoice) input tax cannot be claimed on the date payment is made, schools must wait until they receive a proper tax invoice.

Input Tax Recovery without a Tax Invoice

There are four situations, all relating to employee expenses claims, where input tax can be recovered without supporting tax invoices:

- i) telephone calls from public or private telephones

- ii) purchases through coin operated machines (e.g. identity card photographs)
- iii) off street car parking charges (does not include on street parking meter charges which are outside the scope)

Changes to Invoices Requiring Alteration

The VAT amount on an invoice should never be altered manually. If the VAT amount requires altering an amended invoice must be issued.

The invoice must not be altered because it is the main source of evidence for the reclamation of VAT and the customer and suppliers copy of the invoice **must be the same**.

2.18 Discounts

If a supplier gives discounts, the VAT charged should be calculated on the discounted value. This is the amount that must be recorded on SIMS FMS regardless of whether payment of the invoice will take place in the required time and the discount taken up. EXAMPLE:

| | |
|--|-----------------|
| Value of goods/services supplied | £100.00 |
| Discount for payment within 3 months 10% | £ <u>10.00</u> |
| Amount due | £ 90.00 |
| VAT due @ 17.5% | £ 15.75 |
| Total due | £ <u>105.75</u> |
| Payment made after 4 months – amount due | £100.00 |
| Plus VAT @ 17.5% (calculated on discounted amount) | £ <u>15.75</u> |
| Total due | £ <u>115.75</u> |

2.19 Tax Indicators on SIMS (FMS6)

VAT on expenditure

The VAT on expenditure should be coded to “YBEBK000-YEB11”.

- 00= Zero rated
- 01 = Standard rated
- 02 = Exempt
- 05 = EEC purchases
- 08 = Fuel (5%)
- 09 = Beyond the scope

2.20 Mixed VAT Rates on an Accounts Payable Invoice

If an accounts payable invoice contains “mixed VAT rates” the expenditure related to each VAT rate must be separated out.

An example is shown below.

EXAMPLE

Invoice details:-

| Qty | Description | Unit Price £ | Price Ex. VAT £ | VAT Rate | VAT £ | Total inc. £ |
|-----|-------------|-----------------|--------------------|----------|----------|-----------------|
| 2 | Books | 10.00 | 20.00 | 0% | 0.00 | 20.00 |
| 5 | A4 Notepads | 1.00 | 5.00 | 17.5% | 0.88 | 5.88 |

The correct coding details are:-

| Line No. Tax Code | Expense Account | Net Amount | Tax Amount |
|----------------------|------------------|------------|------------|
| 01 | RHZAA009---DXXXX | 20.00 | 0.00 |
| 02 | RHZAA009---DXXXX | 5.00 | 0.88 |

2.21 Telephone Calls

Private Calls

Where the school reimburses an employee for telephone calls (i.e. work related calls made from home) and/or rentals, the school is entitled to reclaim VAT relating to that proportion of the expenditure it meets, provided that a copy of the telephone bill of the original account is retained as support to the claim for input tax and the school accounts show that the employee has been reimbursed for the relevant proportion of telephone costs on which the authority has claimed VAT.

Private Use of School Mobile Phones

In order to legitimately recover input tax incurred by the school upon the costs of each mobile phone (that is for fixed charges and calls) the school must:

- have in place a policy prohibiting the private use of mobile phones, OR
- have in place a policy of charging the user for private calls made, AND
- in either case visibility to enforce that policy

2.22 Purchase of Mobile Phones and Computer Chips

Since June 2007 any purchase of mobile telephones or computer chips exceeding £5,000 requires special VAT treatment, viz. that instead of the UK supplier charging VAT to the customer in the normal manner the customer pays the VAT on the purchase direct to HMRC. The purpose of this unorthodox arrangement is to prevent VAT fraud on the part of the supplier.

3. INCOME

3.1 Accommodation

Accommodation charges to staff in a local authority residential establishment (whether or not they are required to be a resident) is non-business income

3.2 Admission charges

School charges for admission - (see also quick reference guide)

Where schools charge for admission to school premises:

If schools charge for admission to events such as plays, concerts, sports meetings and exhibitions, they are not providing education and such charges are VAT-able at the standard rate.

3.3 Advertising

When charging for providing advertising space, say in the school magazine, schools should account for VAT on the income.

3.4 Banks within schools

Where a commercial bank operates within a school, any monies received from the bank, such as an initial cash payment for setting it up or amounts paid for each account opened or annual cash payments are viewed by H.M. Revenue & Customs as commission income and output tax must be accounted for on the money received.

3.5 Benefits in kind – goods/services received in lieu of money

VAT law applies to barter transactions.

Where a school provides a service and receives goods or services in return, rather than money, VAT is due on the value of the goods or services received, even though no money has exchanged hands.

The value of the goods or services received will be determined by the supplier.

Action Required

1. Determine the value of the goods received or the discount received.
2. Calculate the amount of vat included in the value of goods or discount received i.e. Value of goods x 7/47ths.
3. Administration on SIMS FMS:
 - i) Record an invoice:

| | |
|------------|-----------------------------------|
| supplier | NCC |
| code | any expenditure code e.g. 3032 |
| net amount | VAT total calculated in (2) above |
| vat amount | nil |
 - ii) Produce a cheque from FMS. Do not select any other NCC invoices to be paid on the same cheque run.
 - iii) Pay the cheque into the NCC county fund bank account using your own NCC county fund bank account paying in book. Code the full amount to YBEBK999-YEB11 on the back of the paying in slip.

EXAMPLES

1. Commission received as income:

| | |
|---------------|---------|
| Cash received | £150.00 |
| Record income | £127.66 |
| VAT | £ 22.34 |
| | ----- |
| | £150.00 |

Benefit to the school = £127.66

2. Commission received as goods or discount

| | |
|-------------------------|---------|
| Value of goods/discount | £150.00 |
| VAT to be paid | £22.34 |
| Record on an invoice | £22.34 |

The invoice will be recorded as a cost to the school therefore the benefit to the school becomes £127.66 (goods value less the cost to the school).

N.B. The benefit to the school becomes the same whether the commission is received as income or goods/discount.

3.6 School Buses, Minibuses, Coaches etc.

Fares received when vehicle has been purchased with public funds.

If the school uses its own minibus to transport its own pupils on curriculum based trips and charges a fare, this is a non-business activity and no output tax need be accounted for on the income.

If fares are charged in other circumstances see below for rules.

Hiring out the bus when vehicle has been purchased with public funds.

Without a driver –

If the bus is hired out to “external” bodies, including members of staff, regardless of the number of seats, VAT must be charged as this is a supply of services.

With a driver –

If a bus with 10 or more seats (including the driver’s) is hired to an external body, including members of staff, with the driver, this is a zero-rated supply of transport.

If the vehicle is designed to carry less than 10 passengers hire fares are standard rated.

Sale of buses when purchased with public funds-

Input tax will have been reclaimed when purchased. When the vehicle is sold output tax must be accounted for on the full selling price (not the price less any trade in value).

3.7 Car parking

If the school premises are used for car parking, for which a charge is made, then the income is standard rated.

3.8 Caravans and Tents

Where land is rented out to individuals or a group of individuals requesting to pitch their tents or site their caravans, the supply is standard rated.

However, where the land is let out to the "Caravan Club" this is exempt as it is a licence to occupy land.

3.9 Catering

a. **School meals provided by outside caterers who hold a licence with a school**

Meals provided by outside caterers who are registered for VAT are standard rated. However, there is a system whereby pupils can have their meals VAT free.

NCC (via the school governors) effectively purchases all the school meals directly from the caterer and then sells them on to the pupils VAT free.

The council can grant the caterer a licence to run a business from the kitchen for the provision of school meals.

The caterer supplies the meals to the school governors and the governors then sell the meals to the pupils. The governors (as agent of the LEA) can sell the meals VAT free to the pupils as "goods incidental to education". The caterer charges VAT to the school governors who then arrange payment to the caterer.

A formal contract must be signed before this system can be implemented.

- i) The cost of the meal to the pupil is exclusive of VAT but as stated above this is charged to the governors.
- ii) The caterer can also include sales of confectionery, soft drinks etc. supplied at mealtimes and break times from the refectory, canteen or other similar outlets on the school site.
- iii) The school must verify the value of meals sold on the caterer's invoice before payment.
- iv) Sales to staff and visitors are always standard rated regardless of how the catering operation is organised. These sales must also be excluded from the scheme.
- v) The school may be liable to repay any input tax incorrectly claimed, plus appropriate charges.

b. **School meals provided by the school**

Where the school operates the catering service the sales of food and drink to the school's own pupils, which are sold at or below cost* will qualify for non-business treatment. This includes supply of meals, sales from vending machines, trolleys, tuck shops etc

Sales to staff and visitors are always standard rated regardless of how the catering operation is organised.

*sold at or below cost

If the governors have agreed as a matter of policy that the service should be operated to make a profit then VAT must be charged on all sales.

Cost - implies the fully overhead inclusive cost of bringing the food and drink to the pupils.

Surplus – prices should be structured with the aim of breaking even. If a surplus is made e.g. Due to the price of goods having been reduced, or a discount offered which was not available when you first set your prices, then providing the surplus is ploughed back into the catering function e.g. To purchase new equipment, this would not be viewed as a making profit

Methods of calculating profits

In order to determine whether you make a profit you should first use a global formula and look at all your sales of food and drink from all the outlets. Providing the total sales are at or below cost the school can treat all its sales of food and drink as non-business.

Should your school fail to meet the at or below cost criteria according to this global formula then a separate calculation can be made for each outlet e.g. Canteen, tuck shop trolley, vending machine etc and treat as business only those where cost is exceeded.

These rules assume that whoever is operating the kitchen is also operating the other outlets i.e. vending machines kiosks etc.

All expenditure and income relating to the operation must be administered through the official funds of the school.

c. School meals – other arrangements

Where the arrangements in place are different to points 1 and 2 above, guidance must be sought from **NCC Exchequer Accounting**.

3.10 Children's Clothing

The sale of school uniform, sports clothing and sports goods, including ties and badges, must be administered through the private fund and not through the schools accounts.

3.11 Courses

The school is providing a course over the summer holidays - is VAT chargeable?

This will depend on whether the course can be classified as “education” or is merely recreational and supervised.

What can be classified as an educational course?

There is no definition of “education” in VAT legislation.

H.M. Revenue & Customs regard education as meaning:-

“A course, class or lesson of instruction or study in any subject, whether or not normally taught in schools, regardless of where and when it takes place. It includes lectures, educational seminars, conferences, together with holiday, sporting and recreational courses”. Education includes classes that are **led and directed**, rather than merely supervised.

For example:-

If the school is supplying instruction in the use of equipment and in “warming-up” techniques etc in the gym, (which the school has employed Mr Smith to do) this is educational and is therefore exempt. Any separate charge for registration is part of the supply of education.

However, if schools charge the individuals to use the gym where **no instruction** takes place, **the supply is not one of education and is therefore standard rated**. Under these circumstances, the charge the school is making is for admission and the use of facilities and is thus liable to VAT. Any separate charges that are made e.g. Membership fees, refreshments, meals etc. are standard rated.

3.12 Credit notes

Any changes to invoices which affect the amount of output tax being paid or the amount of input tax being reclaimed must be done by issuing a credit or debit note.

Manual alterations will not be accepted by HM Revenue & Customs. If a supplier asks schools to make alterations to his invoice, insist on either a credit note or revised invoice.

3.13 Donations and Sponsorship from Outside Bodies

3.13.1 Donations

If the money, goods or services are given freely and without any benefit to the donor, and schools do not have to do or give anything in return, then output tax does not have to be accounted for on the income/value of the supply.

Acknowledging the donation in a programme or annual report would not constitute a "benefit" but publicity in any other form would.

In these circumstances the money can be banked either in the private fund or the school accounts.

If schools receive the money "on condition" that the school does or supplies something in return this is not a donation. As the school has had to supply something in return, the money should be banked into the school accounts and output tax is due on the amount received (7/47th's).

However, where the donor is VAT registered, the school can invoice them for the VAT element (a VAT only invoice). This will not be an extra cost to the donor as they will be able to reclaim the VAT from their invoice as input tax and it ensures that schools retain the full value of the donation.

3.13.2 Gifts of Donated Equipment

General Information

- a) VAT registered companies and individuals who make gifts of equipment to schools have to account for the output tax. This is because these gifts are considered to be given "by way of business". The donor has to account for output tax on gifts costing £50.00 or more.

Input tax can be reclaimed by schools providing they receive a proper tax invoice or tax certificate.

Are schools obliged to do something in return for receiving the gift?

- b) Where a school is obliged to do something in return for receiving a gift, such as providing free tickets to school functions to the donor, as there is no exchange of money, it is viewed as a form of barter between the donor and the recipient.

The school must account for output tax on "the open market value" of the tickets provided.

3.13.3 Sponsorship

Irrespective of whether the sponsorship is in the form of money, goods or services output tax must be accounted for if:

The sponsorship is provided on condition that you supply identifiable benefits in return, such as publicising the sponsors' business or products, or making facilities available to the sponsor.

Publicity - examples include displaying the sponsors' name or holding an event named after them.

However, where the sponsor is VAT registered, the school can invoice them for the VAT element (a VAT only invoice). This will not be an extra cost to the donor as they will be able to reclaim the VAT from your invoice as input tax and it ensures that schools retain the full value of the sponsorship.

3.14 Exam Fees

Exam fees charged to pupils are outside the scope.

3.15 Fairs - Book Fairs, Craft Fairs, Antique Fairs

All schools should administer these through their private funds to avoid VAT issues

If these are administered through the official funds the following apply

- A. If employees of the school are actively involved in organising the event by collecting the money, forwarding the proceeds to the company, helping out on the stalls, any commission received, either in goods or money, is viewed as being in return for administrative services being provided. Services are taxable at the standard rate and output tax must be calculated (7/47th's) on the income or goods received and coded to YBEBK999-YEB11.
- B. Other arrangements that may be made between the school and the book company.
 - i) The book company sells directly (by using it's own staff) to the pupils/parents, and pays the school separately, provided the school does no more than allocate a room or space to the book seller over which they have exclusive use, and a letting form has been completed, then the school is only supplying a licence to occupy the premises which is exempt from vat.
 - ii) if the books are sold by the PTA or other independent organisation then:

- a) Complete a letting form with a nil charge, and
- b) Ensure the organisation has exclusive use of the area/room where the books are being sold.

Again, the school would only be supplying a licence to occupy the premises and any income or goods the organisation subsequently give the school, is exempt from VAT.

C. Antique Fairs

Admission Charges

If the school charges for admission to the premises the income is standard rated and output VAT must be accounted for on the monies collected.

Where the dealer supplies the goods directly to the public and a charge is made by the school for the use of the premises, a letting form should be completed and provided the dealer has exclusive use of the area/room, the charge is exempt from VAT.

D. Craft fairs

The same rules apply as for antique fairs, however, where supplies of craft materials are made to the school, this will be viewed in the same way a receiving books, i.e. Non-monetary consideration. Deciding whether the consideration received is standard rated or exempt will depend upon what the school provided in return.

3.16 Invoicing - Tax Points

A tax point is created when schools sell goods or services. A tax point is used to determine when H.M. Revenue & Customs are due to be paid.

In order to comply with VAT regulations invoices must be raised within 2 months of the goods or services being supplied. H.M. Revenue & Customs can impose penalties for late invoicing.

3.17 Tax Indicators on SIMS (FMS6)

VAT on income should be coded to "YBEBK999-YEB11".

- b – beyond the scope
- s – standard rated
- x – exempt
- z – zero rated

3.18 Income – non-invoiced

When income is received which has not been generated by a debtors invoice it is the responsibility of the person receiving the income to identify any potential liability to account for output tax.

3.19 Hire of lockers

Charges made to pupils for the use of a school locker are not subject to output VAT.

3.20 Lettings

General purpose hall

The letting of a general purpose hall for a meeting is exempt.

Letting of “sporting facilities”

Sporting facilities consist of premises specifically designed or adapted for playing sport or taking part in physical recreation - this includes the letting of a general purpose hall for playing sport where the hall has relevant floor markings.

Exempt lets

- a) For a meeting
- b) For a single session over a 24 hour continuous period to the same person who has exclusive use of the facilities.

Standard rated lets

- a) For playing any sport even if the equipment provided is not used. For example a sporting facility hired for yoga or dance classes is a standard rated letting (but see below).
- b) For a single session under 24 hours.

The letting of “sporting facilities” is generally standard rated but may be exempt if let for a series of sessions and **all** the following conditions apply:-

- a) The hirer must be a school, *club or association **and**
- b) The series must consist of 10 or more sessions **and**
- c) Each session must be for the same sport or activity **and**

- d) Each session must be in the same place **and**
- e) The interval between each session must be at least 1 day and not more than 14 days. The 14 day rule cannot be broken even for closure due to public holidays **and**
- f) The series is to be paid for “as a whole”. (this means that one invoice must be issued for the series, for example, if the series consisted of 15 sessions you could not issue an invoice for the first 10 sessions and then another one for the following 5 sessions).

Whilst the total due must be charged on one invoice, stage payments are allowed.

There has to be written evidence that payment will be made in full for the series (whether used or not). The written evidence can take the form of a written agreement, invoice issued in advance etc. **And**

- g) the person to whom the facilities are let has exclusive use of them.

If any of the above conditions are not met or are broken the exemption is invalidated.

* 1 day – the opinion of H.M. Revenue & Customs is that 1 day is satisfied by the turn of midnight. This means a club could have a session between 7.00-8.00 p.m. on one day and another between 8.00-9.00 a.m. on the next day in a series of lets without invalidating the exemption.

Clubs and Associations

The exemption does not apply to “informal” groups of people or commercial organisations irrespective of whether they call themselves the “XYZ Club” or “ABC Association”.

An example of an “informal group” would be the “XYZ Netball Team” which was not governed by any written rules or articles, had no committee or secretariat or aim, but merely consisted of a group of people getting together to play netball.

In order to protect schools and the LA from assessments for under-declared output tax by H.M. Revenue & Customs, both Audit & Financial Services and NCC Schools Finance require schools to put procedures in place in order to identify a bona fide club or affiliated association.

This can be done by obtaining a **Declaration Form (see Appendix 3)** from the club stating that they satisfy most, if not all, of the criteria necessary to be recognised by H.M. Revenue & Customs as a club or affiliated association.

***Meaning of a club, association or organisation:-**

“A club is a legal entity or "person" in its own right. It is the club that is deemed to be carrying on a business, not the individual members”

Whilst there is no definition of a club in the VAT legislation, Customs would expect it to have most, if not all, of the following characteristics. Characteristics in bold are considered essential.

The organisation should be a body membership of which is voluntary.

The organisation and administration of the body should be governed by written rules or articles.

***A committee or secretariat, elected by members (in the case of a member's club) should have responsibility for the running of the club's affairs.**

*In the case of a member's club, the amount of the subscription will be determined by agreement within the club.

The club will have an aim of promoting a type of activity or pursuit.

*Payment of a subscription or other type of consideration will be compulsory for the provision of facilities.

Clubs & Associations who cannot meet this criteria must be charged VAT, even if they make a block booking consisting of 10 or more sessions.

Invoices should always be made out in the clubs' name and not addressed to an individual or individuals.

Interruptions due to unforeseen circumstances

When block bookings are interrupted due to unforeseen circumstances such as the football pitch or tennis court being flooded then the following applies:-

if, at the time the booking was made, the conditions allowing the supply to be exempt were satisfied, schools would not be expected to standard rate the supply if there were interruptions due to unforeseen circumstances. Advance knowledge of interruptions, say due to repair work, would not be an acceptable excuse.

Quotes from the Chartered Institute of Public Finance and Accountancy (CIPFA) on this area are as follows:-

- 1) "Cancellations by the local authority due to bad weather do not invalidate exemption from VAT".
- 2) "Cancellation by the lessee of hire periods within an exempt series of lets would not invalidate exemption from VAT if the remaining hire periods before and after the cancellation continued to fulfil all the conditions for exemption".
- 3) "Where cancellation by the lessee would normally invalidate an otherwise exempt series of lets, **provided the series is paid for in full (i.e. for the original number of sessions booked, being a minimum of 10) with no refund**, the original exemption will still be allocated, even if re-let to other users".

Variation of the hire periods

Increase in number of lets

e.g. A club makes a block booking of 12 lets. Later they decide they want to increase the duration of the booking, say to 14 lets.

VAT must be charged on the additional lettings.

Decrease in the number of lets

e.g. A club makes a block booking of 12 lets. Later they decide they want to decrease the duration of the booking, say to 8 lets.

Provided they pay for the 12 lets the exemption still stands.

If a refund is made VAT must be charged on the 8 lets.

Pre-booking and Pre-paying

If a hirer books an additional session(s) after pre-booking and pre-paying for a qualifying series, VAT must be charged on the extra session(s).

Where a school allows their staff to enjoy reduced session charges for sports and leisure facilities, VAT is accountable only on the amounts actually paid by members of staff, not on the normal session charges.

Letting Caretakers Houses

Where empty caretakers houses are let out for use as accommodation, then the rent received is exempt income.

Letting Kitchens and Kitchen Equipment

- 1) If the kitchen is hired out with the use of the equipment included in the room hire, provided that the kitchen is let on an exclusive use basis, this will be exempt from output VAT.
- 2) If the equipment is hired out on its own, this is standard rated and subject to output VAT.
- 3) If the kitchen is hired out and **a separate charge** is made for the use of the equipment, this is a mixed supply - the room hire would be exempt and the hire of the equipment standard rated.

3.21 Supplies between Departments within NCC

Supplies of goods and/or services between departments within NCC are not subject to VAT (i.e. **Traded Services from Finance or LASI to schools** and supplies between NCC maintained schools.

3.22 Supplies made by schools to educational bodies that are not part of local authority bodies

This includes:

- 1) Private schools
- 2) FE and HE colleges
- 3) Universities

Goods and services (including catering) supplied by schools to independent education and training providers are subject to VAT at the appropriate rate (standard, zero, exempt).

3.23 Lottery Funding

The school will only be able to reclaim input VAT incurred on projects funded by the lottery provided the lottery monies are paid into the public funds. The school will not, however, be able to reclaim input VAT when the monies have been paid direct to a third party e.g. a school's private fund account.

3.24 Musical Instrument Purchase & Sale Scheme

There is a special scheme whereby schools can purchase musical instruments for pupils, reclaim the VAT and then sell the instrument to the pupil without having to charge vat.

In order to sell the instruments VAT free the following conditions must apply:

- a) Written individual applications must be made.

- b) The written application must be approved by the head teacher/deputy head/designated authority. Approval must be received **before** the instrument is purchased.
- c) *Sales are only VAT free when the instrument is required for tuition provided by the The Northamptonshire Music School.
- d) The item must be brought into and used in school on a regular basis. Instruments kept permanently at home do not qualify (e.g. Pianos and other large instruments where the school/music services provide one for the actual lesson and the pupil keeps his own at home).
- e) The charge made to the pupil/parent must not exceed the cost of the goods, i.e. No profit should be made on the sale.
- f) Where a pupil has less than 12 months left at secondary school, the instrument should be bought at the Headteachers discretion.
- g) if the parent purchases the instrument first and then requests a reimbursement from the school the school cannot recover any VAT charged.

It is necessary to keep a record of sales of musical instruments in order to be able to demonstrate to HM Revenue & Customs that we are complying with their instructions.

In view of this a new form has been devised and is at Appendix 4.

The forms are an official record of your sales, which HM Revenue & Customs can request sight of on a visit, and there is a statutory obligation to keep such records for six years.

A photocopy of the completed form should be sent to **NCC Exchequer Accounting**.

N.B. *If the music lesson is supplied by an independent self-employed music teacher, (i.e. A private tutor) then any musical instruments supplied are not goods incidental to education (as The Northamptonshire Music School are not providing the education), and cannot be sold to the pupil VAT free.

The provision of music lessons by private tutors is considered to be an extra curricular activity, and is a taxable supply. It will be up to the person providing the tuition to determine the VAT liability and his/her charge will be directly to the pupil/parent.

3.25 Sale of Class work

Sale of class work to pupils where it forms part of their statutory education (e.g. Sale of goods made in woodwork class) is a non-business activity and no VAT need be charged.

Sale of class work in all other circumstances, (e.g. at a school fair) VAT is to be charged at the appropriate rate (standard rate, zero rate, exempt depending on the goods supplied).

3.26 Purchase and Sale of Goods Incidental to Education

These rules only apply to sales to pupils and not sales to teachers or other school staff.

There is a special scheme whereby schools can purchase pens, calculators and other equipment required by pupils for their normal classroom work, reclaim the VAT and then sell the goods to the pupil without having to charge VAT.

Purchases must be made by the school who should receive a VAT invoice in order to reclaim the input tax.

In order to sell the goods without charging VAT, the following conditions must apply:-

- a) The sale must be made **"in class"** by the school to its own pupils. (see "c" below)
- b) The goods must be sold at or below cost (excluding VAT).
- c) They must not be supplied by a school shop operating independently.
- d) The goods must be required for regular classroom use, i.e. on a weekly basis for tuition that forms part of the national curriculum.
- e) Items covered by the rules include laptop computers, mathematical instruments, calculators, pens etc.
- f) Items not covered by the scheme include school uniform, sports clothing and sports equipment. These should be purchased and sold through the private funds.
- g) Parents should be advised that, if the equipment is kept at school, it is left at their own risk, and any claim for loss or damage would need to be on their own insurance policies (e.g. Household contents). The school/ council would not have an insurable interest in the equipment as it is the property of the parents.

- h) The procedure for ordering and paying for the goods is identical to that for *donations except that the parent/guardian's name should be shown on the order.

3.27 VAT Liability of Other Goods Sold in School

- a) PE bags - these are classified as sports equipment and should be bought and sold through the private fund.

- b) Swimming caps -

These are classified as sports clothing and should be sold through the private fund, along with school uniforms etc.

Customs will not give swimming hats relief from VAT even though they are used for safety reasons and not aesthetical ones.

- c) Book bags -

Customs have agreed that the sale of book bags of the type that are normally supplied by primary schools can be sold as "goods incidental to education" providing all the necessary criteria are met.

If the bags are sold at a profit, then they must be administered through the private fund.

3.28 Sale of Second Hand Goods

Output tax is due on the full value of second hand goods when they are either sold on or given in part exchange.

3.29 Subscriptions

Subscriptions are normally wholly standard rated. The definition of a subscription is "payment that gives a person membership of a body, entitling them to take part in the body's activities and receive the benefits that the body supplies".

3.30 Telephone Calls

Income received from payphones is standard rated.

4 VOLUNTARY AIDED SCHOOLS

4.1 Capital Work

VA school governing bodies are liable for:

- the existing buildings (internal and external), including those buildings previously known as 'excepted' (kitchens, dining areas, medical/dental

rooms, swimming pools, caretakers' dwelling houses)

- perimeter walls and fences, even if they are around the playing fields
- playgrounds
- furniture, fixtures and fittings – but not normally Information and Communication Technology (ICT) equipment, as other funding may be available through the LA
- other capital items (which can include capital work to boilers or other services)

Local Authorities (LAs) are liable for:

- playing fields
- buildings on those fields and related to their use as playing fields

These liabilities are not specifically related to ownership. For example, governing bodies of those VA schools which were previously Grant Maintained may now own the playing fields and associated buildings, but the LA will be responsible for any work to them.

Even if the LA owns any of the 'excepted' buildings referred to above, the VA governing body is responsible for any capital work to them. To protect any such investment (in the event of the building being sold at some future point), the school will need to notify the LA of any related capital expenditure. We would expect there to be an independent valuation of the building at the time of any disposal, and the Secretary of State would have the power to intervene if agreement on sharing the proceeds could not be reached.

Teachers' dwelling houses are the liability of the trustees (not the VA school governing body or the LA).

The governing body receives a 90% VAT inclusive grant from the DCSF towards the cost of this work, with the remaining 10% coming from their own funds. VAT is not recoverable on these works as the money does not belong to the LA.

4.2 Revenue work

All revenue work to the premises is LA liability, but the funding is normally delegated to schools in Fair Funding budgets. There is no statutory governing body contribution to revenue work.

Any VAT incurred on LA responsibility works can be recovered by processing the invoices through the SIMS FMS system.

4.3 Energy

Voluntary Aided schools must advise their energy suppliers that they qualify for the reduced rate of VAT i.e. 5% on all supplies of fuel and power as they have charitable status.

If they fail to do so the school will be charged Climate Change Levy, thereby increasing their energy costs.

Guidance on the procedures to be followed is obtainable from **NCC Exchequer Accounting**.

5 FOUNDATION SCHOOLS

5.1 Energy

Foundation schools must advise their energy suppliers that they qualify for the reduced rate of VAT i.e. 5% on all supplies of fuel and power as they have charitable status.

If they fail to do so the school will be charged Climate Change Levy, thereby increasing their energy costs.

Guidance on the procedures to be followed is obtainable from **NCC Exchequer Accounting**.

QUICK REFERENCE GUIDE - EXPENDITURE

For further information or for items not on this list please refer to the section on Expenditure

| EXPENDITURE TYPE | VAT RATE |
|---------------------------------|--|
| Accommodation | Standard rated |
| Admission charges | Generally standard rated |
| Advertising | Standard rated |
| Books | Zero-rated |
| Bus/coach fares | Zero rated (if bus has more than 10 seats) |
| Purchase of school bus | Standard rated – school can recover when paid out of public accounts |
| Car parking | Standard rated |
| Catering | Standard rated |
| Cleaning materials | Standard rated |
| Energy | Standard rate or lower rate |
| Entertaining | Standard rated – VAT GENERALLY NOT RECOVERABLE |
| Examination Fees | Outside the scope |
| Exports | Zero rated if proof of export obtained |
| Gifts and awards to staff | Standard rated |
| Furniture and fittings | Standard rated |
| Insurance | Exempt |
| Insurance Premium tax | This not VAT and is not recoverable. |
| Printed matter | Zero rated |
| Purchasing goods from abroad | Standard rated VAT plus Customs duty |
| Educational school trips: | |
| Residential trips | Standard rated |
| Coach hire | Zero rated |
| Trips via Tour Operators | See latest guidance |
| Water | Zero rated |

QUICK REFERENCE GUIDE – INCOME

THIS SHOULD BE USED IN CONJUNCTION WITH THE MAIN MANUAL WHICH PROVIDES MORE DETAIL AND SPECIFIC CONDITIONS.

| TOPIC | CRITERIA | PRIVATE SCHOOL FUNDS | OFFICIAL NCC FUNDS |
|-------------------------------------|---|--|---|
| ADMISSION CHARGES | | | Standard rated |
| ADVERTISING | | | Standard rated |
| BANKS IN SCHOOLS | | | Standard rated |
| BENEFITS IN KIND | | | Standard rated |
| BOOK BAGS | No profit made Profit made | Must be bought and sold by private fund. | Can be sold without VAT (as goods incidental to education) |
| BOOK FAIRS, CRAFT FAIRS, ETC | Organised by private school fund, P.T.A. Organised by the school | Income can be banked into private fund. | Commission received either in money or goods must be banked into NCC accounts and output tax accounted for. |

| TOPIC | CRITERIA | PRIVATE SCHOOL FUNDS | OFFICIAL NCC FUNDS |
|--|--|---------------------------------|---|
| BUSES, MINIBUSES IF OWNED BY THE SCHOOL | Fares: a) To own pupils Hiring out the bus: b) Without a driver c) With a driver and bus has more than 10 seats d) less than 10 seats e) Sale of buses | | a) Non business b) standard rated c) Zero rated d) Standard rated e) Standard rated |
| CAR PARKING | | | Standard rated |
| CATERING WHERE KITCHEN IS RUN BY SCHOOL OR SCHOOL GOVERNORS | No profit should be made – includes sales from vending machines, trolley, tuck shops etc. Profit made SEE MAIN BODY OF TEXT | | Non business Standard rate |
| MEALS TO STAFF AND VISITORS | | | Standard rate |
| DONATIONS | Freely given where donor receives nothing in return | Can be banked into private fund | Can be banked into NCC accounts - no output tax need be accounted for. |
| | | | |

| TOPIC | CRITERIA | PRIVATE SCHOOL FUNDS | OFFICIAL NCC FUNDS |
|---|---|----------------------|--|
| DONATIONS FROM SCHOOL FUNDS TO THE SCHOOL DELEGATED BUDGET | <p>School must place the order, receive the supply, receive a VAT invoice addressed to it and make payment</p> <p>School retains ownership</p> <p>uses goods for non-business purposes keeps records to identify purchase</p> | | <p>No output tax implications.</p> <p>Input tax can be reclaimed on the goods.</p> |
| FAIRS BOOK FAIRS, CRAFT FAIRS ETC. | Where staff are involved in organising, collecting monies, etc. | | Standard rated including goods received in lieu of commission |
| LETTINGS – GENERAL PURPOSE | Where hirer has exclusive use | | VAT exempt - Must complete a lettings form. |
| | Room hire - including tables and chairs | | Exempt |
| | Including tables and chairs and teas and coffees | | Exempt (except where a separately identifiable charge is made) |
| | Including tables and chairs and hire of a kitchen which the hirer can use to prepare food and drink | | Exempt |

| TOPIC | CRITERIA | PRIVATE SCHOOL FUNDS | OFFICIAL NCC FUNDS |
|-----------------------------------|--|----------------------|--|
| | Including tables and chairs and with kitchen attached and catering supplied by the school | | Room hire : Exempt Catering : Standard rated |
| LETTINGS – GENERAL PURPOSE | Together with access to a bar where the bar is operated by the school who account for VAT on the takings | | Exempt |
| | Together with tables and chairs, flipchart and overhead projector | | Exempt (except where a separately identifiable charge is made) |
| | To a theatre group to put on a play; theatre group accounts for VAT on takings; school provides no staff | | Exempt |
| | (as above) but group has use of a bar, which is staffed by the school who account for VAT on bar takings | | Exempt |

| TOPIC | CRITERIA | PRIVATE SCHOOL FUNDS | OFFICIAL NCC FUNDS |
|---------------------------------------|--|----------------------|--|
| LETTING OF SPORTING FACILITIES | Conditions for exemption:- i) Letting consists of a series of 10 or more lets ii) Each booking must be for the same sport or activity and at the same site | | Standard rated unless conditions for exemption are met as outlined under criteria. |
| LETTING OF SPORTING FACILITIES | Conditions for exemption contd. | | Standard rated unless conditions for exemption are met as outlined under criteria. |
| | iii) The interval between each booking must be more than one day but less than 14 days. iv) It is booked for in writing and/or paid for in advance. v) The booking is to a school, club or association. (see main text) vi) The hirer has exclusive use of the facility hired. OR i) The booking is for more than 24 hours and b) The person hiring the facilities has exclusive use of the facilities | | |

| TOPIC | CRITERIA | PRIVATE SCHOOL FUNDS | OFFICIAL NCC FUNDS |
|----------------------------|--|---|------------------------------------|
| MUSICAL INSTRUMENTS | Conditions for sale of goods incidental to education: a) When instrument is required for tuition provided by NCC b) The instrument must be used in school on a weekly basis c) No profit should be made d) Sales to pupils who have less than 12 months left to serve at secondary school must be done with discretion. e) Appropriate form must be completed (see main text) | | Non business |
| P.E. BAGS | | Must be bought and sold through private fund. | |
| PHOTOCOPYING | For schools and departments belonging to Northamptonshire County Council For other bodies, including pupils and teachers for own use, Parish Councils, District Councils, Churches etc. | | Non Business Standard rated |

| TOPIC | CRITERIA | PRIVATE SCHOOL FUNDS | OFFICIAL NCC FUNDS |
|------------------------------|--|---|--|
| PRINTING | <p>Items which are zero rated include:</p> <p>Books, booklets, brochures, pamphlets, journals, periodicals, music, maps, charts, newspapers, leaflets.</p> <p>Items which are standard rated include:</p> <p>School work books, exercise books, stamp albums, posters, stationery, letters, photocopies.</p> | | Generally zero rated |
| PHOTOGRAPHS | | Commission income can be banked into private fund if "Head" has arranged photographic session "on behalf of the governors". | Schools may pay income into the official funds however output tax must be accounted for. |
| POSTAGE & PACKING | When you supply goods by post you should charge for postage and packing | | You must charge VAT and account for output tax. |

| TOPIC | CRITERIA | PRIVATE SCHOOL FUNDS | OFFICIAL NCC FUNDS |
|--|--|-----------------------------------|--|
| SALE OF GOODS INCIDENTAL TO EDUCATION | <p>Applies to items such as calculators, pens, etc.</p> <p>Conditions for selling goods incidental to education:</p> <p>a) The sale must be made "in-class"</p> <p>b) the goods must be sold at or below cost</p> <p>c) The goods must not be supplied by a school shop operating independently</p> <p>d) The goods must be required for regular classroom use</p> <p>e) Sports equipment, items of clothing</p> | Must be sold through private fund | Non-business |
| SALE OF CLASSWORK PRODUCED BY PUPILS AS PART OF THEIR STATUTORY EDUCATION | <p>To pupils (no profit can be made)</p> <p>Sales in all other circumstances</p> | | <p>No VAT - non-business</p> <p>Account for output tax (some goods may be zero-rated!)</p> |

| TOPIC | CRITERIA | PRIVATE SCHOOL FUNDS | OFFICIAL NCC FUNDS |
|--|--|--|---|
| SCHOOL PLAYS, CONCERTS, SPORTS EVENTS & EXHIBITIONS , FUND RAISING ACTIVITIES - | Event is financed by private fund or PTA (and financing can be evidenced) and organised by an outside body e.g. PTA or Friends of the School or similar association. Event organised by the school and financed through budget share. | Admission charges should be put into private fund. | Income put into public accounts. VAT to be accounted for. (You can either make an additional charge of 17.5% or account for 7/47th's of your takings as VAT. |
| SCHOOL UNIFORM, SPORTS CLOTHING AND EQUIPMENT FOR RE - SALE | Items are sold to pupils | Must be bought and sold through the private fund | |
| SWIMMING HATS | | Must be administered by private fund. | |
| TELEPHONE INCOME | | | Standard rated |

Club Declaration Form

Club/Affiliated Association

Declaration Form

We, the _____

Club/affiliated association (delete whichever is not applicable), hereby declare that our club/affiliated association fulfils the following criteria:-

(Delete whichever is/are not applicable)

- We are a club/association, membership of which is voluntary.
- The organisation and administration of the club/association is governed by written rules or articles.
- A committee or secretariat, elected members (in the case of a member's club) has responsibility for the running of the club's affairs.
- For member's clubs, the amount of the subscription is determined by the agreement within the club.
- The clubs has an aim of promoting a type of activity or pursuit.
- Payment of a subscription or other type of consideration will be compulsory for the provision of facilities.

Signed -----

Position -----

Date -----

The completed form to be retained by the school

SCHEME FOR THE PURCHASE OF MUSICAL INSTRUMENTS**Part 1 To be completed by the parent**

Name of school _____

Pupils name _____

Parents name and address:

Type of instrument _____

Name of music teacher _____

Course of study _____ Starting Date _____

Anticipated Finish Date _____

Supplier _____

Cost inc. VAT _____

Signature _____

Part 2 To be completed by the headteacher/deputy head/designated authority

Name _____

Position _____

I am satisfied that this application meets all the criteria laid down in the scheme
*conditions and that the details above are all correct.

Signature _____ Date _____

When completed please send a photocopy to **NCC Exchequer Accounting**, John Dryden House, PO Box 221, 8-10 The Lakes, Northampton NN4 7DE.