

Academies VAT Guidance



A guide for academies on VAT
and how to treat common transactions



Charities &
Education



V2 - April 2023

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Academy VAT can be rather complicated. This briefing highlights the main areas to consider when determining if VAT should be charged or reclaimed on certain transactions.

1. VAT – THE BASICS

Input VAT = VAT on purchases made by the Academy (goods / services coming **IN**)

Output VAT = VAT on sales made by the Academy (goods / services going **OUT**)

1.1 VAT types of supply

VAT is generally recoverable on taxable business activities. There are 5 types of supply:

Standard rate Output VAT is chargeable at 20%, and input VAT is recoverable on purchases related to the standard rated supply.
For example: Computers and office equipment.

Reduced Rate Output VAT is chargeable at 5%, and input VAT is recoverable on purchases related to the reduced rated supply.
For example: Energy saving materials and domestic fuel.

Zero Rate VAT is chargeable at 0%, and input VAT is recoverable on purchases related to the zero-rated supply.
For example: Food, books, newspapers and construction of certain buildings.

Exempt No output tax is payable, but no input VAT is recoverable on purchases related to the exempt supply (subject to other taxable supplies and de-minimis limits).
For example: Insurance, education (by way of business) and land.

Outside the scope No output or input VAT is payable under any circumstance. A transaction is outside the scope if it is:

- made by someone who is not a taxable person
- not made in the course or furtherance of business
- potentially subject to other taxes.

For example: Wages payments and fees fixed by law (congestion charge, MOT).

The examples given are only indications of a general supply. VAT legislation is quite specific about how the law applies to individual items.

Output VAT may only be charged by an academy if it is registered for VAT.

Input VAT may only be recovered where:

- it has been correctly charged
- the supply has been made to the Academy
- the required evidence is retained (for example the invoice).

1.2 VAT registration

There are two tests that need to be considered:

Historic test - If, at the end of any month, your business taxable income (standard, reduced and zero-rated supplies) in the 12-month period then ended has exceeded the threshold (£85,000 from 1 April 2017) then you must register within 30 days of the end of that month.

The registration would take effect from the end of the month following the month in which the threshold is exceeded. For example, if the threshold is exceeded in November 2016, you must register by 31 December 2016 and the registration would take effect from 1 January 2017. Registration under the historic test may not be required if the taxable turnover during the next 12 months will not exceed the de-registration threshold (£83,000 from 1 April 2017).

Future test - If, at any time, your business taxable income is expected to exceed the threshold (£85,000 from 1 April 2017) within a period of 30 days alone then you must register. Registration is required by the end of the 30-day period in which the threshold is expected to be exceeded and will take effect immediately.

As an academy is likely to be in regular repayment of VAT you can opt to submit either monthly or quarterly VAT returns, whichever most suits your circumstances. By moving to monthly returns, an academy can help ease the pressure on its cash flow; however, this means submitting 12 returns a year instead of 4 which increases the administration burden on the Academy.

VAT can only be charged on taxable supplies if the Academy is VAT registered.

VAT registered entities have to submit their VAT returns electronically. The registration and submission process is operated through the HM Revenue & Customs Online Services portal.

Dealing with VAT returns can be a time-consuming process, depending upon the number and complexity of the transactions involved. If you have very few taxable supplies and the business specific VAT is minimal, then you may decide not to register and suffer a small loss in recoverable input VAT on those taxable supplies. Non-business input VAT can still be recovered through a paper-based system (see section 1.5).

1.3 Voluntary registration

If you are making taxable supplies below the registration threshold, you may apply for voluntary registration. You will then become VAT registered from a mutually agreed date with HM Revenue & Customs (HMRC). This will allow you to recover input VAT even though your taxable supplies may be minimal.

1.4 De-registration

VAT registration is no longer required if at any time HMRC are satisfied that the value of your taxable supplies in the next 12 months will fall below the deregistration threshold (£83,000 from 1 April 2017). You may however opt to remain VAT registered if it is in your best interest.

1.5 Infrequent taxable supplies

As an Academy, if you only have "infrequent or minimal" taxable supplies and you choose not to be VAT registered, you can reclaim input VAT without registering. Input VAT is recoverable, where it relates specifically to the provision of non-business education, subject to normal rules. An

unregistered body must submit its claim within four years of the end of the month in which it received the supply, but academies may only claim the VAT they have incurred since 1 April 2011.

In order to claim under this method, HMRC form [VAT 126](#) should be used. This form can be used on a monthly basis.

It is important to note that by not registering for VAT, you cannot claim the input VAT relating to your business activities. The VAT refund scheme for academies is only concerned with input VAT relating to the non-business activities of an academy.

1.6 Business Vs. Non-business

HMRC Brief 02/05

There is no defined list of what is and is not a business activity and therefore the meaning of 'business' or 'economic activity' has emerged from Case law.

Since 1981, the predominant tests have been those derived mainly from the Lord Fisher and Morrisons cases, as follows:

1. Is the activity a **serious undertaking** and **earnestly pursued**?
2. Is the activity an **occupation or function** that is **actively pursued** with reasonable consistency?
3. Does the activity have a certain measure of substance in terms of the **value of taxable supplies** made?
4. Is the activity **conducted in a regular manner** and on sound and **recognised business principles**?
5. Is the activity predominantly concerned with the making of **taxable supplies for a consideration**?
6. Are the taxable supplies of a kind which, subject to differences of detail, are commonly made by those who seek to **profit** from them?

However, in 2022, HMRC issued new guidance in Revenue & Customs Brief 10/22 which states that the 'predominant concern' test is now irrelevant and that the focus must be on whether there is a direct link between the services the recipient receives, and the payment made rather than on the wider context of the organisation's objectives or motives.

This is derived from the Court of Appeal decision in the case of Longridge on the Thames v HMRC.

Replacing the Lord Fisher tests HMRC have set out the following (not helpful) two-part test derived from the Court of Appeal decision in the case of Wakefield College:

Test One: The activity results in a supply of goods or services for consideration. This requires a legal relationship between the supplier and recipient. The initial question is whether the supply is made for a consideration. An activity that does not involve the making of supplies for consideration is not a business activity.

Test Two: The supply is made for the purpose of obtaining income therefrom (remuneration).

You will note in the following sections that the supply of grant funded education is non-business.

2. ACADEMY NON-BUSINESS INPUT VAT

State & Academy school education is typically a non-business activity as there is no charge for the education provided; therefore, no taxable supply is made. VAT is not usually recoverable in relation to the supply of a non-business activity. The Finance Act 2011 introduced a new section into the VAT Act (33B) which allows academies to reclaim VAT incurred from 1 April 2011 on the provision of non-business education.

As a result of the Finance Act change, all VAT incurred on goods and services purchased which are used in connection with the education taught at an academy can be reclaimed from HMRC. VAT can also be recovered on purchases, acquisitions and imports which are used for any other non-business activities.

"The proposal is designed to be tax neutral, putting academies in the same position as schools under local authority control. Most academies will be VAT registered and will submit VAT returns, through which the refund will be claimed. This should have a minimal effect on current record-keeping requirements imposed on maintained schools if they choose to convert to academies"

[HMRC Impact Assessment](#), March 2011

3. LIABILITY OF INCOME TO VAT

3.1 Government Annual Grant (GAG)

Government funding is classified as non-business; it is outside the scope of VAT and therefore is not subject to any VAT. This includes all the Government Annual Grants, Capital Grants etc. that an academy will receive and should not be included on the VAT return.

3.2 Other income streams

These may include income from the letting of buildings, rooms, sports facilities and sports fields. These income streams need to be looked at on an individual basis as they may be classified as non-business, taxable (standard, reduced or zero rated), or exempt.

4. CLOSELY RELATED SUPPLIES

In general terms "closely related" refers only to goods and services that are:

- for the direct use of the pupil, student or trainee; **and**
- necessary for delivering the education to that person.

For an academy this will typically include the following areas:

- accommodation
- catering (ref. [section 6](#))
- transport
- school trips
- field trips

Closely related supplies will follow the liability of the main supply of the academy which therefore makes them non-business. All associated input VAT can therefore be reclaimed on these activities.

4.1 Purchase of computers for students

The purchase of computers and subsequent resale to pupils could fall under the rules of closely related supplies. The academy may purchase the computer and recover the input VAT paid. The subsequent sale to the student could fall outside the scope of VAT and therefore no output VAT need be charged. However, there are strict rules governing this area, including the requirement that the computer must be used directly by the student in connection with lessons, and is necessary for delivering the education to him/her. It is therefore recommended that records are retained as evidence of the direct educational use (i.e., specific software for specific classes).

4.2 Purchase of Musical Instruments

The Assisted Instrument Purchase Scheme (AIPS) was originally set up for Local Authorities to reclaim VAT on musical instruments and then be able to lease them to the student without charging any VAT, thereby reducing the cost to the student.

The legislation surrounding the AIPS scheme does not refer to academies being entitled to use it in the same way as an LA maintained school, however it is known that HMRC have confirmed that academies can recover VAT on musical instruments where they are closely related to the education provided and for the use of pupils in school music lessons or in school orchestras. The instrument can also be sold on to the student without charging VAT, provided that it is sold at or below cost and for use of pupils in school music lessons or in school orchestras. This should qualify as a "closely related supply" and therefore be included as non-business supply.

4.3 Not closely related supplies

Some activities may appear to be a closely related supply but are specifically not included. These usually arise when goods / services are sold to staff or, are not wholly necessary for delivering education.

Some examples would be:

- supplies to staff (including tutors on summer schools) and to other non-students
- sales of goods from school shops, campus shops and student bars
- sales from vending machines
- sales of goods not needed for regular use in class
- separately charged laundry and other personal services
- sales of school uniforms and sports clothing (discussed later)
- admission charges (other than for taking part in sports activities) for example, admission to plays, concerts, dances, sporting venues, exhibitions, museums and zoos
- administration and management services
- commission for allowing sales by outside organisations at an educational establishment.

As these items are not closely related supplies, they are a business activity. If an academy is VAT registered, then output VAT should be charged on their supply at the appropriate rate and input VAT can be recovered on the related purchases.

5. SUPPLIES OF EDUCATION

5.1 Partly private funding

As mentioned in [section 3.1](#), the government grant is outside the scope of VAT. This remains true, provided the education is wholly funded by the grant. If the education provided is funded by a combination of government grants and making a charge, it is classified as a supply for VAT purposes and treated as exempt.

Donations made to the academy by parents / students are not a business activity provided they are clearly voluntary and not a requirement to attend the academy. Donations are outside the scope of VAT and therefore no VAT is chargeable.

5.2 Breakfast clubs, after-school clubs, crèches & holiday clubs

[VAT notice 701/2](#)

Clubs within an academy (run between 8am and 6pm) are classified as non-business and are not subject to VAT provided the club operates on a **not-for-profit basis** – this should apply generally to most clubs. Input VAT is fully recoverable on related purchases. Charges can be made provided the club is not operated intentionally to make a profit.

Nurseries and holiday clubs are exempt from VAT as they are classified as welfare services. VAT is recoverable subject to the partial exemption rules ([section 13](#)). This exemption does not include activity-based clubs such as dance classes.

5.3 Adult Education

The provision of adult education classes will be an exempt business activity.

5.4 School uniforms

[VAT notice 714](#)

School uniforms are a taxable supply. Whether they are zero rated or standard rated depends on the criteria listed below. Output VAT must be charged on the sale at the appropriate rate, and all associated input VAT can be reclaimed.

There is a VAT relief that allows clothing to be zero-rated provided they meet the following criteria:

- it must be an article of clothing or footwear
- it must not be made of fur
- it must be designed for young children, and
- it must only be suitable for young children.

The definition of “young children” is ambiguous. HMRC uses a variety of measures including clothing size and age (ref [VAT notice 714](#) section 4.2). As a guide this applies to children up to 14 years old, therefore all primary academies will fall into the zero-rated category. If the above criteria are met and zero-rating applies, no VAT needs to be included on the sale of the clothing, and all associated input VAT can be reclaimed.

5.5 School photographs

VAT notice [701/30](#)

There are two ways that photographs can be supplied to the academy.

5.5.1 Photographs supplied direct to the students

The photographs can be supplied directly to the student from the photographer. In this case there is no VAT to be accounted for by the academy on the photographs themselves as no supply is made by the academy.

If any commission is received from the photography company, then VAT at the standard rate should be accounted for.

5.5.2 Photographs supplied to the academy who then charge the students

This is a business activity and is therefore standard rated for VAT purposes. Input VAT should be recovered on the purchase of the photos, and output VAT charged on the sale of the photos to the students.

5.6 School trips

Where a school trip is for educational purposes then the input VAT may be reclaimable, and no output VAT should be charged as this would be a closely related non-business supply. Where the trip is abroad, professional advice should always be sought on how to treat the transactions. The overseas VAT rules are complex and trying to correct a mistake after it has been made with foreign VAT can be an expensive and time-consuming process.

5.6.1 Travel companies

Where a trip is arranged through a travel company, the *Tour Operators Margin Scheme* is likely to apply on their supply to you. As a result of this scheme no input VAT can be recovered on school trips organised through a tour operator as the VAT is not identified separately on the supply from the tour operator. The total cost from the travel agent is the cost to the academy.

6. CATERING

Catering is defined as any supply of food for consumption on the premises on which it is supplied, or any supply of hot food for consumption off premises.

6.1 Supplies to pupils

When an academy provides school meals to students, they are classified as a closely related supply ([section 4](#)). If the supply of education is non-business (which is almost always the case with academies) the supply of catering is also non-business, provided it is made **at or below cost** by the academy. Provided these conditions are met, output VAT does not need to be charged and input VAT can be recovered on the related purchases.

This applies to anything provided by way of catering and includes lunchtime meals and break time snacks from the canteen or other catering outlet (but not vending machines).

If a profit is made on the catering, then a business activity is taking place, therefore output VAT should be charged on the sale of food and input VAT can be recovered on the related purchases.

6.2 Supplies to staff and visitors

If catering is supplied for staff or visitors (excluding visiting students as they come under the rules in [section 6.1](#) above) output VAT must be accounted for as they are specifically not a closely related supply ([section 4.1](#)). Input VAT is recoverable in this situation. If the Academy is not VAT

registered, then the input VAT claim should be adjusted to reflect the costs relating to these business supplies.

It can be somewhat impractical to account for these supplies separately; therefore, you are allowed to apportion takings on a fair and reasonable basis. Input VAT would be recoverable in full.

6.3 Catering contractors

If you have a catering contractor running catering facilities on site and selling direct to the pupil or staff, the contractor should be charging VAT on all of their sales as they are running the catering as a business activity, which is not aligned to the Academy's non-business education. There is no VAT reporting issue here for academies unless the catering company pays a commission.

Many catering contractors may be classified as agents meaning that the Academy is responsible for the sales to the customer (i.e. pupils, staff or visitors). This means the majority of the income is non-business and therefore that no VAT needs to be charged to pupils, however the supply of staff meals is Standard Rated, such that VAT should be charged if the Academy is VAT registered or some input VAT not claimed if the VAT 126 reclaim form is applicable. In this scenario the Academy must recognise the full income from the customer and then account for the purchase invoices and costs from the catering contractor in their accounting records.

6.4 Tuck shops

If the supply of education is non-business, as in the case of an academy, the supply of catering will also be non-business for the students, provided that the **food and drink is supplied at or below cost**. This applies to school meals ([section 6.1](#)) as well as tuck shops. Therefore, VAT should not be charged on sales, but input VAT can be recovered on associated purchases.

If the supply is made **above cost**, a taxable supply is made and output VAT should be charged, as well as reclaiming input VAT on the associated purchases.

7. SUPPLIES OF STAFF AND STAFF SERVICES

This is a complicated area, ordinarily a supply of staff or administrative or management services is standard rated, however there may be circumstances in which this will not be the case. HMRC are yet to provide detailed guidance specific to academies in this area. Given the potential complexities professional advice should be sought whenever in doubt.

7.1 Supplies of services

7.1.1 Supply of secretarial, administrative or financial management services

This supply would ordinarily be standard rated, non VAT registered businesses should be conscious that this type of supply does mean taxable supplies may exceed the VAT registration threshold.

7.1.2 Supply of support services

The provision of support services by an academy to another school may be standard rated but has the potential to be exempt under the Examination Services provision. A distinction is made where the services are provided by specialists in the educational and training fields.

Accordingly rescue services and most headteacher consultancy services will be exempt. VAT registered academies will need to consider the effect on the partial exemption calculations.

7.2 Supplies of staff

7.2.1 Supply of teacher or classroom assistant

A supply of staff is deemed to be made if a contractually employed member of staff (i.e., not a supply teacher) is provided to another organisation for consideration. The member of staff would not be employed by the recipient, but they come under the recipients' direction.

Ordinarily this would be a standard rated supply of staff, however HMRC confirm in their manuals that the supply of teaching staff from one eligible body to another qualifies as a supply of education in its own right and is exempt. This includes the supply of classroom assistants but be aware that input VAT may be restricted based on the partial exemption calculations.

7.2.2 Supplies between charities

It is possible for the secondment of staff to be outside of the scope for VAT if the employee is only engaged in non-business activities in both the supplying and engaging charity **and** if the payments made do not exceed their normal remuneration.

This outside the scope of VAT supply is likely to be the most beneficial route for most academies.

8. LETTING ACTIVITIES

8.1 Sports facilities

Premises are classified as sports facilities if they are designed or adapted for playing any sport or taking part in any physical recreation and include the following:

- swimming pools
- astroturf pitches
- dance studios
- football pitches
- school halls
- gymnasiums

Under HMRC's definition, each individual pitch or court is a separate sports facility. This becomes very important when deciding on the correct VAT treatment.

If you let facilities for playing any sport or taking part in any physical recreation, then your supply is normally standard-rated and output VAT needs to be charged to the customer. There are exceptions to this rule, and these are explained below:

8.1.1 Block bookings

[VAT notice 742](#)

If the facilities are let for over 24 hours to the same club and they have exclusive control of the facility for the duration of the let, then the supply is exempt, and no output VAT should be charged.

If the facilities are let for a series of sessions, then again this may qualify as an exempt supply, however there are numerous conditions that need to be met, the most important being:

1. At least 10 sessions must be booked.
2. The interval between sessions must be no more than 14 days.

3. It must be paid for as a whole.
4. The person to whom the facilities are let has exclusive use of them during the sessions.

There is therefore a significant benefit for clubs to book a series of sessions as opposed to single sessions as the academy may not have to charge VAT for these longer bookings.

8.1.2 Sporting services provided by Non-profit making bodies

[VAT notice 701/45](#)

Where an academy provides sporting services to 'individuals' this income could be exempt from VAT, but only where any profit made from the activities is devoted to the purposes of the Academy.

'Individuals' includes family groups, informal groups (where one individual makes a booking on behalf of a group) and corporate persons or unincorporated associations provided that the supplies are closely linked and essential to sport which includes the provision of a playing area (e.g. court, pitch or green fees).

It is therefore likely that most sporting lets by an academy are exempt from VAT. Please note this exemption specifically excludes Local Authorities and may be the subject of change in future.

Academies with trading subsidiaries limited by shares would not be granted the non-profit making charitable status for this specific exemption, however the block bookings exemption would still apply.

8.2 Swimming Lessons

Where a charge is made to students for swimming lessons, the supply should be treated as an educational non-business activity, therefore no output VAT need be charged and all associated input VAT can be reclaimed. It is not sufficient to say that there is an instructor present in the pool (e.g., as a lifeguard). The legislation specifically requires that the classes are led by an instructor rather than merely supervised.

Any spectators' admission charges would be a standard rated supply.

8.3 Meeting Rooms

If you hire out a room for a meeting then it is generally an exempt supply, this can include where a room is let out for birthday parties and other similar functions. You can also serve minimal refreshments such as tea, coffee and biscuits and this will also be treated as exempt. No output VAT should be charged, and any related input VAT would not normally be recoverable subject to the partial exemption rules ([section 13](#)).

If the meeting room is provided with substantial refreshments, such as a meal or buffet, the catering element would be treated as a separate standard rated supply and output VAT should be charged. Any associated input VAT would then be recoverable in full. If a single 24-hour conference rate is charged for all services, then the entire supply would be taxable at the standard rate and any input VAT would be recoverable as well.

If an academy has "Opted to Tax" a building from which a meeting room is then let, then the income from that let would automatically be subject to VAT at the standard rate regardless of any exemptions mentioned above. All input VAT would then also be fully recoverable.

9. FUNDRAISING EVENTS

[VATA 1994 Sch 9 Gp 12 Note 4](#)

Fundraising events are usually run by charities to generate income for future projects. Academy schools are classified as exempt charities (a charity for all intents and purposes, but not required to be registered or regulated by the Charity Commission) thereby giving them a relief to facilitate VAT exempt fundraising events.

A fundraising event is an event clearly organised and promoted primarily to raise money for the benefit of the charity or qualifying body. People attending or participating in the event must be aware of its primary fundraising purpose, otherwise it cannot be classified as a fundraising event i.e. social events that make a profit do not qualify for exemption. Provided these conditions are met, the event, its income and expenditure will be classified as exempt.

When more than 15 fundraising events are held within a single accounting year, at the same location (i.e., the academy grounds), then these would not be classified as exempt and VAT should be charged at the appropriate rate. This twelve-month rule resets at the beginning of each accounting year (typically 1st September).

However, goods that are normally zero-rated, such as brochures, books, childrens' clothing etc., can still be zero-rated even when sold at a qualifying event. This means that if you are VAT registered you can recover the VAT you pay out on purchases relating to those zero-rated sales.

9.1 Admission to plays & concerts

[VATA 1994 Sch 9 Gp 13](#)

Admission charges to theatrical, musical or choreographic performances of a cultural nature may be exempt from VAT provided the following three conditions are met:

1. The entity must be a non-profit making organisation
2. Any surplus made must be applied to the continuance or improvement of the facilities, or applied in connection with the making of related cultural supplies
3. The entity must be managed and administered on an essentially voluntary basis and by people who have no direct or indirect financial interest in the activities of the body.

If the above conditions are met, then the supply is exempt, no VAT should be charged on the admission fee and no input VAT can be recovered on associated costs, subject to the partial exemption rules ([section 13](#)).

Where an academy puts on performances that do not fall into one of the above categories (e.g. fashion shows) then VAT should be charged on the admission fee at the standard rate, and any associated input VAT can be recovered.

Programmes that are printed for the event would normally be a zero-rated supply, therefore no VAT should be charged on their sale and all input VAT can be reclaimed on the printing cost (the printer should not charge VAT on the initial sale if you tell them you are a charity).

10. BUILDING WORK

Most building work is typically standard rated, however there are some exceptions. Below are some typical examples.

Land and buildings is a complex area of VAT and professional advice should always be sought.

10.1 Residential accommodation for students

Construction of a new residential building or carrying out an approved alteration to a listed building which will be used as residential accommodation for students can be zero-rated. VAT would not be charged to you on construction and input VAT should be recoverable on all related non-business expenses (repairs etc.).

The zero rating above applies where it will be used "solely" as residential accommodation. The definition of "solely" is 95% and this can be calculated on a reasonable basis. There is therefore, scope for a small amount of secondary use for the building without the zero-rating being affected. Zero rating requires the issue of a certificate and there are penalties for the incorrect issue of a certificate, so care needs to be taken.

It is accepted by HMRC that student accommodation can also qualify as dwellings subject to meeting certain tests.

It can be advantageous to adopt this definition rather than relevant residential purpose in some circumstances to avoid the 95% qualifying use restriction and the self-supply charge on change of use.

10.2 New buildings & repairs

The construction of buildings for a "relevant charitable use" may also be zero rated and VAT should not be charged on the bulk of the building. The building must be used "solely" (95% rule) for this relevant charitable purpose (If the building is frequently let out for a charge (even if not for profit) then the building may not be eligible for zero-rating but the VAT incurred may be recoverable in part (see 10.3 below)

The construction of an "annexe" can also be zero rated in certain circumstances, whereas an "extension" is normally standard rated. There is scope for planning around this rule to avoid paying VAT unnecessarily.

If, at any point within 10 years of the construction of a zero-rated building, the building ceases to be used "solely" for a qualifying purpose then VAT is potentially payable for the remainder of the 10-year period. Professional advice should be sought on this area if you think it applies to you.

Repairs are standard rated across the board. This includes listed buildings unless the works qualify as a substantial reconstruction.

10.3 Capital Goods Scheme

If a new building is constructed (>£250,000 net of VAT) and is intended to be partly used for making exempt supplies, then only a proportion of the input VAT is recoverable. If, over the first 10 years of the building's life, the proportion of exempt supply of the building changes, then a VAT adjustment may be necessary.

11. SUPPLIES OF FUEL & POWER

If the power supplied to the academy is used primarily (60% or more) for non-business activities, then you should receive all of the supply at the reduced rate of VAT (5%).

12. MULTI ACADEMY TRUSTS

Where a number of academies are run by a single trust, the Trust is the legal entity required to register for VAT. The implications are that there will be one single VAT return, one partial exemption calculation and an increased chance that taxable supplies will exceed the VAT registration threshold, although we are aware of circumstances where each academy continues to submit a VAT126 form currently.

Transactions between participating academies within the Trust can be ignored as intra VAT registration transactions.

Partial Exemption attribution is likely to be more challenging, given the makeup of each Trust, so thought to agreeing a special method should be considered.

13. PARTIAL EXEMPTION

Input VAT relating directly to taxable activities is always recoverable. Input VAT directly attributable to exempt activities is not normally recoverable. Where an academy makes both taxable and exempt supplies there will also be residual input VAT (incurred on overheads relating to all the activities) which therefore relates to both taxable and exempt activities.

Where this is the case the academy will fall under the partial exemption rules, which involves complicated calculations to ensure that the correct input VAT is reclaimed.

There is however a de-minimis limit where the exempt input VAT can be recovered in full as long as certain criteria are met. This is generally where the total value of exempt input tax is not more than:

- £625 per month on average; **and**
- half of your total input tax in the relevant period.

There are other methods to calculating de-minimis and partial exemption rates.

Partial exemption rules are very complicated and professional advice should be sought to discuss your specific circumstances.

UK200Group Academy Forum members are available to assist with partial exemption methods and calculations.

SUMMARY

Type of Income / expense	Trading / Non-business	VAT Treatment
GAG Funding	Non-business	Outside the scope
Sale of Laptop to student	Non-business	Outside the scope
Sale of musical instrument to student	Non-business	Outside the scope
Sale of goods from school shops	Trading	Standard rated
Sale of management & admin services	Trading	Standard rated
Partly private funding for education	Trading	Exempt
Donations from parents	Non-business	Outside the scope
Breakfast / after-school clubs (not for profit)	Non-business	Outside the scope
Nurseries & Holiday clubs	Trading	Exempt
School uniform (young children)	Trading	Zero rated
School uniform (to children over 14 years old)	Trading	Standard rated
Commission from photography company	Trading	Standard rated
Sale of photographs to students	Trading	Standard rated
School trips for educational purposes	Non-business	Outside the scope
Catering for students (at or below cost)	Non-business	Outside the scope
Catering for students (run for a profit)	Trading	Standard
Vending machines	Trading	Standard rated
Catering for staff and visitors	Trading	Standard rated
Tuck shops (at or below cost)	Non-business	Outside the scope
Tuck shops (run for a profit)	Trading	Standard rated
Secondment of general staff	Trading	Standard rated
Secondment of educational staff	Trading	Exempt/Outside the scope
Letting of sports facilities (block booking)	Trading	Exempt
Letting of sports facilities (individual booking)	Trading	Exempt
Letting of swimming pool (swimming lessons)	Non-business	Outside the scope
Letting of swimming pool (spectators)	Trading	Standard rated
Letting of swimming pool (leisure use)	Trading	Exempt
Letting of meeting rooms	Trading	Exempt (subject to option)
Letting of meeting rooms (with buffet)	Trading	Food – Standard Room - Exempt
Fundraising events	Trading	Exempt
Admission to musical, theatrical performance	Trading	Exempt
Admission to fashion show	Trading	Standard rate
Construction – Residential accommodation	Trading	Seek advice
Construction – Building for educational purpose	Trading	Seek advice
Building repairs	Trading	Standard rated
Fuel & power bills	Trading	Reduced rated

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Updated by UK200Group Academy Member Firm Haslers – February 2023

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