



HILLINGDON
LONDON

VAT GUIDANCE FOR SCHOOLS

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1. Introduction

- 1.1. VAT is a tax on consumer expenditure and is chargeable on all supplies of goods and services within the UK except those specifically exempted, zero-rated or outside the scope/non-business. It is administered by Her Majesty's Revenue & Customs (HMRC), whose officers may visit all VAT registered persons and organisations. During these visits they examine business, accounting records and extraction of data for period VAT returns, to ensure compliance with all VAT regulations.
- 1.2. As all maintained schools operate within London Borough of Hillingdon's (LBH) overall framework, they are bound by the same conditions and regulations as LBH and are registered under LBH's VAT number. LBH's VAT number is GB **222 4308 07**.
- 1.3. The general principles of VAT apply to LBH and its schools in the same way as they do to other organisations. However, LBH benefits from a more generous treatment. LBH is allowed to reclaim most of the VAT that it has incurred on expenditure. The VAT element is charged to the VAT account and reclaimed monthly (schools quarterly) from HMRC. It is important that schools identify the VAT element of any expenditure, as well as charging VAT on income, where applicable.



See **Appendix A** for a list of typical items of expenditure and their VAT liability

- 1.4. Reimbursement claims submitted by schools form part of LBH's legal declaration to HMRC. It is essential that, in accordance with the Financial Regulations, reimbursement claims are accurate, certified by an authorised signatory and submitted to the Schools Finance Team. Failure to submit accurate and timely returns may result in an assessment being made by HMRC.
- 1.5. It is vital that staff who deal with income and/or expenditure are aware of the VAT rules and are able to recognise when VAT implications may arise across school activities. VAT must be processed correctly, as penalties may be incurred if errors are made. Schools are financially liable for any penalties incurred by their actions.
- 1.6. Schools are advised to contact LBH's Corporate VAT Accountant or the Schools Finance Team at the earliest opportunity to obtain the necessary information or clarification where there is some doubt or concern regarding VAT.
- 1.7. VAT is a complex area and is subject to constant changes in legislation and case law. The advice contained in this manual reflects current practice and there will be the need to issue updated guidance as circumstances change.

2. Business versus Non-Business Activities

- 2.1. The VAT system makes a distinction in the purposes for which the expenditure has been incurred.
- 2.2. Transactions not carried out in the course of, or furtherance of a business activity, are non-business and are outside the scope of VAT.
- 2.3. As a general rule, a non-business activity for LBH is one where:
 - LBH has a statutory obligation to undertake the transaction,
 - LBH has a statutory duty through UK legislation to provide it, or where a statutory fee is charged.

2.4. A business activity is one in which the supply is comparable with or potentially in competition with a supply made by a private sector body.

2.5. Typical examples of business and non-business activities are:

Business	Non-Business
<ul style="list-style-type: none"> • School lettings • Off street car parking • Sale of clothing • Sale of meals to staff & visitors • Sale of stationary 	<ul style="list-style-type: none"> • Primary & Secondary education • Educational school visits • Careers Service • Meals supplied to own pupils

2.6. Since many of the activities undertaken by LBH are part of its statutory functions and funded from taxation and central government grants, they are regarded as non-business activities. Under normal VAT regulations, the VAT incurred in providing these services would be irrecoverable. However, LBH has been given a special status which allows it to reclaim the VAT incurred on activities which are non-business and, therefore, outside the scope of VAT.

3. VAT Categories

3.1. As a VAT registered body, LBH must charge the appropriate rate of VAT on its supplies of goods and services.

3.2. The current rates of VAT are:

Standard Rate	20%
Reduced Rate	5% - example: qualifying use of fuel and power
Zero-rated	0% - examples: essential foods and womens' sanitary products. Taxable supplies for which Parliament has decided that the rate of VAT is 0%.
VAT Exempt	Supplies of goods and services those are not taxable. Example: Insurance policy. In most cases, a business that makes all or mostly exempt supplies cannot recover all the VAT on its purchases.
Outside the scope of VAT	Non-business, including supplies made by LBH to its schools and by the schools to LBH.

3.3. LBH has a special concession whereby VAT on supplies purchased for exempt activities may be reclaimed, as long as the total of this VAT does not regularly exceed 5% of the total input VAT on all purchases. This is known as the partial exemption calculation.

3.4. LBH's position under these regulations is monitored corporately and, as a general rule, there are no particular issues regarding this matter with which schools need to be concerned, providing they follow the guidance in this section.

3.5. Schools should identify their exempt income on their quarterly returns, as this figure will be required when undertaking the annual partial exemption calculation. In particular, schools should provide a breakdown of Income (e.g.: Income from Facilities and Services). Should LBH regularly exceed the 5% limit for its partial exemption calculation, this would result in LBH having to repay all the VAT incurred on exempt income for the year to HMRC.

4. Input and Output Tax

- 4.1. When a registered supplier makes a taxable supply, e.g. a sale, the VAT charged to the customer on this income is known as **output tax**.
- 4.2. When a registered supplier receives a taxable supply in the course of their business, the VAT on this purchase is known as **input tax**.
- 4.3. For LBH and its schools the input tax is normally greater than output tax, and HMRC repay the difference to LBH.

5. Penalties and Interest

- 5.1. VAT errors totalling less than £10,000 or totalling between £10,000 and £50,000 or 1% of turnover in a single month across LBH can be corrected on LBH's VAT return with no penalty. Errors totalling more than this, which are disclosed by LBH under the "Voluntary Disclosure" procedure will attract an interest charge for late payment where monies are owed to HMRC.
- 5.2. The limit for making voluntary disclosures is increased to £10,000 or 1% of turnover, whichever is greatest, subject to an upper limit of £50,000.
- 5.3. HMRC can levy a Misdeclaration Penalty for significant underpayments of VAT arising from "innocent" errors that have not been voluntarily disclosed.
- 5.4. The penalty for deliberate evasion of VAT owed is 100% of the VAT.
- 5.5. Penalties can also be imposed for failing to keep adequate VAT records and for the unauthorised issue of VAT invoices.
- 5.6. The penalties can be costly, particularly if they are to come from a school's budget. If there is any doubt over the VAT treatment of a transaction, seek advice from Schools Finance Team who, if necessary, will contact LBH's Corporate VAT Accountant.
- 5.7. All invoices for purchases and supplies, and any supporting documentation such as cash records, must be kept for 6 years plus the current financial year.

6. Recovering VAT

- 6.1. VAT can only be recovered on purchases processed through the school's Council funds.
- 6.2. Schools' accounting arrangements must ensure that the VAT paid on their purchases is correctly identified and that all supplies are accurately accounted for so that LBH reclaims the correct amount.
- 6.3. In principle, VAT on expenditure should be recovered and VAT on income declared in the period in which the tax points of the supplies fall. Input tax can be recovered at any time within three years from the date of the invoice, although any cash flow benefit from an early recovery of tax would be lost. An invoice for output VAT should be issued within 60 days of delivery of the goods or performance of services unless a payment has been received. Output VAT shown on invoices raised by schools must be included in the school's VAT reimbursement claim for the period in which the invoice was raised.



See **Appendix C** for Basic tax point rules.

- 6.4. The tax point for a supply made by a school in normal circumstances will be the date the supply is made or, if earlier, the date the tax invoice is raised or the cash received.
- 6.5. Bear in mind the following important points:
 - These purchases must be for educational purposes for pupils on the school roll, either for use in delivering the curriculum or for the general running of the school.

- The school must place the order, receive the supply, receive a VAT invoice addressed to it or LBH, and make payment from its Council funds.
- A school's Council funds cannot be used to recover VAT on purchases where the ultimate receiver of the goods or services is a third party, e.g. a Parent Teacher Association (PTA) or for the private benefit of a member of staff.

6.6. Voluntary Aided Schools and Foundation Schools cannot reclaim VAT on purchases for which the Governing Body has responsibility. VAT is only claimable on qualifying items as stated in the HMRC guidance (Appendix D)

6.7. Schools will only incur VAT on purchases of standard-rated or reduced-rated goods and services where they are purchased from a VAT-registered supplier.

7. Documentation Required to Recover VAT

7.1. In order to recover VAT incurred on expenditure, LBH (and all maintained schools) must be able to prove that it was the recipient of the supply. Purchase invoices must be retained for tax purposes. It is not sufficient to base recovery on the payment of the amount charged - there must also be evidence that the supply was actually made to LBH or the school.



Appendix A shows a schedule of the items of expenditure most likely to be relevant to schools, and their associated VAT liability.

7.2. Claims for input tax must be adequately supported by tax invoices received from suppliers.

7.3. If the gross payment (including VAT) is more than £250, the tax invoice must include the following items:

- a sequential number based on one or more series which uniquely identifies the document.
- name, address and VAT registration number of the supplier
- time of supply (tax point)
- issue date of the invoice (if different to time of supply)
- name and address of the customer to whom the supply is made (i.e. the school name)
- description identifying the goods/services supplied (see below)
- the unit price, in relation to countable goods and services.

Each **Description** must include the following details:

- quantity of goods/extent of the services
- net amount charged (excluding VAT)
- VAT rate applied
- total charge made, excluding VAT
- rate of any cash discount offered
- total amount of VAT charged.

7.4. If the gross payment is less than £250, schools may use a less detailed VAT invoice as evidence for VAT recovery. In this case, only the following details are required:

- name, address and VAT registration number of the supplier
- date of issue
- the time of supply (tax point)
- description of the goods/services supplied

- for each VAT rate applicable, the total amount payable (including VAT) and the VAT rate charged.
- 7.5. If the supplier does not provide a taxable invoice that complies with these requirements, schools should not make the payment and must obtain a correctly prepared invoice from the supplier.
- 7.6. When credit is due as a result of defective goods or unsatisfactory services, the school should request a credit note.
- 7.7. There are limited circumstances where a VAT invoice is not required to support the recovery of VAT, i.e. for:
- telephone calls from public or private telephones
 - purchases through coin-operated machines
 - off street car parking charges (on street parking meters are not subject to VAT).
- 7.8. However, this only applies if the total expenditure is £25 or less (including VAT) and you must be sure that the supplier is VAT registered. Providing these requirements are met, the VAT incurred may be recovered. These items generally refer to claims for out-of-pocket expenses.
- 7.9. Only original or certified copies of invoices can be used to support a VAT claim. Photocopies are not normally acceptable. Note that, if the necessary documentation is not obtained, HMRC can disallow the recovery of VAT paid, impose penalties, and default interest. Records in respect of VAT must be maintained and the evidence easily retrieved.
- 7.10 Hard copies of invoices and other records such as computer records should be retained for six years plus the current year. HMRC have agreed that, after two years, records can be transferred to electronic media (e.g. microfilm) provided that a clear audit trail is available, with an appropriate view and printing facility.

8. Buying goods From Abroad

Buying from countries overseas

- 8.1.** If purchasing goods from a VAT registered overseas supplier, you will need to provide the supplier LBH's VAT registration number (including GB prefix). This will be quoted on the invoice so that the overseas country rate of VAT does not get charged. The VAT rate will be defaulted to zero. The Corporate VAT Accountant will need to be given full details of this purchase as well as a copy of the VAT invoice received from the supplier. This is due to a change in the accounting treatment since the UK left the EU on 31st January 2020. VAT is now subject to the reverse charge. When paying the invoice on FMS, the net cost of the goods should be identified clearly on your VAT return, coded to zero rated, enabling LBH to show the UK VAT element for this invoice in its return to HMRC. When submitting your VAT submittal include another copy of the invoice so that VAT can be shown accordingly on the LBH return to HMRC. Where invoice is in foreign currency, it should be converted using the appropriate exchange rate to convert to sterling pounds for recording on your FMS system.
- 8.2. If the supplier has not had receipt of the LBH VAT number prior to issuing the invoice and overseas VAT rate is charged, LBH cannot claim it on their UK VAT return or. The best that the school can then do in these circumstances is to confirm its VAT registration number to the overseas supplier, then ask for a full credit note and for the goods to be re-invoiced without VAT. Should the overseas supplier be unwilling, the school will need to suffer the VAT charged and code the gross amount to out of scope.
- 8.3. You must enter the VAT details on your VAT return. The tax point for VAT purposes is the time of acquisition - normally, the time the goods come into the UK. The Corporate VAT

Team must account for the acquisition tax on the VAT return for the period in which the tax point occurs, accounting via the reverse charge method.

9. Accounting for VAT

- 9.1. LBH is registered for VAT and is therefore entitled to reclaim any VAT charged by suppliers of goods and services, subject to certain conditions. LBH is also required to charge VAT, where appropriate, on the goods and services it provides.
- 9.2. Schools come under LBH's VAT registration. LBH is ultimately responsible for ensuring that all VAT requirements are met and for calculating the correct VAT liability. Further VAT advice can be obtained from LBH's Corporate Finance via the Schools Finance Team.
- 9.3. A completed and signed statement (VAT submittal) should be supplied to the Schools Finance Team to claim for VAT reimbursement. The Schools Finance Team will then co-ordinate school VAT statements and submit them to LBH for reimbursement.
- 9.4. The amount of VAT reclaimed on behalf of the school will be paid to the school after LBH has received it from HMRC.
- 9.5. It is essential that all requirements specified by HMRC be adhered to in the accounting treatment of VAT. Failure to comply with these requirements may result in financial penalties against the school if the school is in error.

10. Private (Non-Council) Funds

- 10.1. Schools' Private (non-Council) funds are not part of LBH's VAT registration. Private (non-Council) funds do not count as Council resources and need to be separately VAT registered if the total annual taxable turnover exceeds the statutory threshold, which is £85,000 for a 12 month period.
- 10.2. Most schools' Private (non-Council) funds are not VAT registered. However, it is not uncommon for schools' Private (non-Council) funds, particularly in large secondary schools, to reach this threshold.
- 10.3. If you believe that the taxable turnover of your Private (non-Council) fund is near or above the threshold you should seek advice to determine whether or not the fund should be registered for VAT. There may be penalties for late registration. In any case it should be monitored month-by-month.
- 10.4. A Private (non-Council) fund may register for VAT even if its turnover is below the threshold, but seek advice before a decision is made to register. HMRC Notice 700/1 "Should I be registered for VAT?" gives more information about registering for VAT
- 10.5. Note that HMRC do not allow schools' Private (non-Council) funds to be disaggregated in order to keep each individual fund or account below the threshold. If HMRC believe that the funds are not fundamentally separate entities, they will treat them all as one fund. However, it is generally accepted that Governors' funds and PTA funds, for example, are separate and distinct, as each will have its own constitution. If your school maintains other private (non-Council) funds, you should seek advice as to whether they can be treated separately for VAT purposes.

11. Purchases Made from Private (non-Council) funds

- 11.1. Income and expenditure relating to Private (non-Council) funds must **not** be accounted for through the official Council accounts, The Governors will not be able to recover VAT on purchases unless the Private (non-Council) fund is registered for VAT.

Furthermore, the LA can recover the VAT only if the school opts to donate the money to the local authority and the latter buys the goods and services itself. The LA must meet the conditions set out below:

- makes the purchase
 - receives the supply
 - receives a VAT invoice addressed to it; and
 - makes the payment from its Council funds.
 - use the goods and services for the educational purposes of the school
 - retain ownership and adequate records
- 11.2. The school must keep sufficient records for proof of purchase and to identify the purpose for which it was made.
- 11.3. In practice, the purchase would require:
- The Private (non-Council) fund to make a donation to the school's Council funds for the net amount (exclusive of VAT) for the item they wish to purchase for the school
 - LBH to procure the goods, pay, and recover the VAT in the normal manner; and
 - LBH to retain legal ownership of the goods.
- 11.4. "Retention of ownership" and the "use for educational purposes" are conditions designed to make sure that purchases are not made on behalf of third parties. One of the implications of these conditions is that any item purchased is LBH's property. For example, a minibus purchased through the school's Council funds with funds donated from its Private (non-Council) fund would become LBH's property, and must be used as part of the provision of education. If the school later sells the minibus, VAT must be charged on the sale price because LBH is VAT registered. The proceeds must be paid into the school's Council funds and the VAT accounted for in the normal way.
- 11.5. This concession must not be used to purchase goods for use by governors, the PTA or similar groups. For example, a computer to account for Private or PTA funds; or to obtain an unjust tax benefit where the responsibility is that of a particular group. If you are in any doubt, please seek advice from LBH's Schools Finance Team.

12. VAT on Income

- 12.1. VAT is chargeable on the supply of goods or services where such supplies are made in the course or furtherance of business. The first decision to be made is whether the charge relates to a business or non-business activity. If the charge relates to a non-business activity, the transaction is outside the scope of VAT, so VAT is not applicable. If the income relates to a business activity it is necessary to determine the VAT liability of the supply (standard, reduced, zero or exempt).
- 12.2. It is essential that the correct liability is established, and the right amount of VAT is declared if assessments, penalties and default interest are to be avoided. Determining the VAT liability for each supply and charging output tax is the responsibility of the person making the supply - referred to as the "taxable person".
- 12.3. VAT should not be charged on internal transactions, i.e. where supplies are made to other parts of LBH. VAT should not be charged on invoices raised for grants.
- 12.4. Schools must ensure that:
- VAT is charged at the correct rate on supplies that are subject to VAT
 - VAT charged is accounted for according to the VAT liability of the supply

- Where a standard-rated supply is made, a VAT invoice is provided, if requested by the person to whom the supply has been made. Failure to issue a VAT invoice when requested by a taxable person may result in a financial penalty.
- VAT is correctly recorded in the school's accounts.

12.5. The school should only charge VAT on standard and reduced-rated supplies made through the Council fund.



See **Appendix B** for a sample list of business supplies and their VAT liability.

12.6. VAT collected by the school from such supplies should be itemised on the monthly VAT Reimbursement Claim.

12.7. Cash income is received from a number of sources, so it is essential that any VAT element be correctly identified. Schools must maintain adequate records regarding the receipt of cash income and the VAT liability that has been applied in accounting for the receipt.

Use the following calculations to find the VAT element in a gross amount, and the amount exclusive of VAT:

For Standard Rate of VAT of 20%

$$\frac{\text{Gross Amount} \times 20}{120} = \text{VAT Element}$$

$$\frac{\text{Gross Amount} \times 100}{120} = \text{Amount Exclusive of VAT}$$

13. Sale of Goods Closely Related to Education

13.1. Hillingdon schools may charge for goods or services sold to pupils that are closely related to the provision of education. A school can treat the goods and services it supplies to its pupils as non-business (outside the scope of VAT) if they are closely related to the non-business provision of education. In order for this to happen, the following principal conditions must be satisfied:

- The specific goods or services purchased are for the direct use of the pupil in lessons during LEA supervised tuition.
- In the delivery of education that is part of the school curriculum, and
- Are necessary for delivering that education.

For avoidance of doubt, it is not enough that a similar item is used in the LEA tuition, whilst the purchased item is used elsewhere, e.g. at home, for homework or musical practice.

13.2. Any input VAT incurred in the purchase of goods and services for sale to pupils can be recovered by the school, subject to the purchases having been made through the school's LEA funds. HMRC have issued standardised procedures and the following rules should be applied to determine whether goods/services are closely related to education:

- The goods and services must be closely related to the education provided, i.e. they must be for the direct use of the pupil and necessary for delivering education to him or her.
- The pupil must receive education from the LEA in either an LEA maintained school or in connection with some other LEA run educational activity (such as an orchestra).
- The goods and services required must be purchased from the LEA. This means that the LEA must hold title to the goods, and transfer ownership to the parent, guardian or pupil purchasing them. However, the delivery address and point of distribution is a matter for the individual LEA to determine.

- Payment for the goods must be made either to the LEA or to the school. If paid to the school, it must be paid into the school's official (Council) funds.
 - Some evidence (e.g. order form) must be kept to show that the recipient of the goods/services has been receiving education from the LEA, and that what has been supplied was essential to that education. The style of the order form can be tailored to the needs of the LEA.
 - The price of the goods/services must be at or below cost; there must be no intention to make a profit. "Cost" means the full overhead-inclusive price of supplying the goods/services to the pupil and includes, for example, the costs associated in administering the charges.
 - Where goods are leased, the same rules will apply as for sales.
- 13.3. Goods incidental to education are goods/services closely related to the education provided, and includes pens, exercise books, drawing materials, mathematical instruments etc. The definition of goods incidental to education does not apply to goods supplied directly to a pupil by a trader.
- 13.4. Supplies that are not closely related to the provision of education are generally taxable. These may include:
- Supplies to staff (including summer school tutors) and other non-students
 - Sales of goods from schools shops
 - Sales from vending machines
 - Sales of goods not needed for regular use in class
 - Administration and management services
 - Commission for allowing sales by outside organisations at an educational establishment
 - Sales by a sole proprietor or partnership in connection with private tuition.
- 13.5. **Laptop Computers:** HMRC consider that when the rules detailed above are applied to the case of laptop computers the only way that they could possibly qualify for treatment as items closely related to education is if they are used by a student in lessons as a necessary part of receiving tuition from a teacher. Use of the item for homework, for example, does not meet these requirements.
- 13.6. **Sale of Laptop Computers to Teachers and Parents:** Sales of computer equipment by LEA schools to either parents or teachers are not considered to be closely related to the provision of non-business education to the pupils and therefore cannot benefit from non-business treatment even if supplied at or below cost. Thus, any payments received by the LEA are business and standard rated. This is because the parents and teachers are not those receiving education. The intention is not to stop a parent (or guardian) personally paying for a laptop for the use of their child, as HMRC accepts that this is what may happen in practise. It is the child who must be receiving the education for "closely related" to apply.
- 14. Sales of Closely-related Supplies to Non-LBH Pupils/Students**
- 14.1. Although LBH is an eligible body, it may not exempt any closely related goods and services it supplies to other eligible bodies unless it also supplies the education or training itself. The exemption for closely related supplies between eligible bodies applies only when LBH is making a principal supply of education or training to the recipient organisation.

15. Sale of School Uniforms and Sports Clothing/Equipment

- 15.1. Sales of school uniforms and sports clothing/equipment (including plimsolls and swimming bags) are specifically excluded from the scheme outlined above. It is not generally appropriate to pay for such items from the school's Council funds unless the school is to retain ownership. This is because VAT would need to be declared on sales to pupils except where the items qualified for zero rating.
- 15.2. Most schools operate sales of uniforms and/or sports clothing and equipment through the school's Private (non-Council) fund. If the annual level of sales made through the account is below the VAT registration threshold, such sales can be operated on a recovery of cost basis. Note that no VAT can be recovered on purchases made through this account.
- 15.3. Current legislation provides that articles designed as clothing or footwear for young children, which are not suitable for older persons, can be zero-rated. HMRC have defined the upper age limit of a "young child" to be the eve of the child's 14th birthday. Generally, garments will only be zero rated if they do not exceed the body sizes of an "average" thirteen-year-old (see the following table).

	Boys		Girls	
	Cm	Inches	Cm	Inches
Height	163	64.0	161	63.0
Chest	84	33.0	85	33.5
Waist	70	27.5	69	27.0
Hips	85	33.5	90	35.5

Golden Rule: If the supplier charges the school VAT on certain sizes, you should charge VAT when the same uniforms are sold on to pupils.

- 15.4. Schools providing exclusively for pupils under 14 years of age may zero-rate supplies of garments bearing a prominent badge or logo which identifies them as part of the school uniform, irrespective of size.
- 15.5. Whichever fund sales of uniforms are processed through, it is beneficial to obtain zero-rating where the conditions can be satisfied, as the cost to the pupil will then be free of VAT. It is recommended that the application of zero-rating is confirmed and agreed with the supplier.

16. VAT Liability of Lettings

- 16.1. The following table shows the VAT rate applicable for letting sports and non-sports facilities:

	Sports Facilities	Non-sports Facilities
Used for Sport	Standard Rate	Exempt
Used for non-sport	Exempt	Exempt

- 16.2. **Hire of Non-Sports Facilities:** letting non-sports facilities includes the hire of rooms. Room hire is VAT exempt where the room includes:

- tables and chairs
- tables and chairs and hire of a kitchen where the hirer can prepare their own food and drink
- access to a bar where the bar is operated by the Local Authority who account for VAT on the takings.

- 16.3. **ICT/IT Suite Hire:** letting of an ICT/IT Suite as an IT suite will be subject to VAT at the standard rate as the charge is to hire/use the computer equipment/facilities. When the IT

suite is hire just as a room for meetings due to no other room being available, this charge will be exempt from VAT.

- 16.4 **Sports Facilities:** letting facilities designed or adapted for playing sport or for physical recreation is normally subject to VAT at the standard rate. Lettings may only be exempt from VAT if certain conditions are met (see conditions below). Facilities designed for sport can be either land or property and could include tennis courts, squash courts, cricket pitches and football pitches. Facilities adapted for sport include general-purpose halls that have fixed basketball nets or bars. General-purpose halls that only have floor markings (e.g. for playing badminton) are not classed as sports facilities, and letting these for sport/recreation is VAT exempt.
- 16.5 A sports facility let for sport is VAT exempt for single lets of over 24 hours, when let to the same person who has exclusive control of the facility throughout the period.
- 16.6. Letting sports facilities for sports may be also exempt from VAT, provided all the following conditions are met:
- the series consists of 10 or more lets
 - each session is for the same sport or activity
 - each session is in the same place. This includes different pitches, lanes or courts within the same premises. It is also acceptable to have different numbers of pitches, courts or lanes.
 - the interval between each session is at least one day and not more than 14 days (although the duration of each session can be varied). Letting for every Monday afternoon would fulfil this condition. However, there is no exception for intervals that are longer than 14 days due to closure, e.g. for public holidays. HMRC have confirmed the minimum interval is strictly 24 hours, taken to run from the start of the session. For example if a club hires a squash court on Saturday at 3pm the earliest that the next qualifying session can start is 3pm the next day. A booking for 2pm on the Sunday would not qualify and the series would be liable to VAT at the standard rate. Letting for every Monday afternoon would fulfil this condition, however, there is no exception for intervals, which are longer than 14 days due to closure of the facility for any reason e.g. for public holidays.
 - the series is paid for as a whole and there is written evidence to that effect. This must include evidence that payment is to be made in full for the series whether or not the right to use the facility for any specific session is actually exercised. The school should ensure that they hold sufficient documentation committing an organisation to the series before the first session (to which the documentation refers) takes place. A formal agreement, exchange of letters, or an invoice issued in advance requiring payment for the sessions specified on the invoice would be sufficient evidence. Payment in instalments is acceptable provided that the other criteria are met.
 - provision for a refund can only be made in the event of the unforeseen non-availability of the facility. A refund in any other circumstances would breach the exemption conditions and all sessions used would be subject to VAT at the standard rate
 - the sports facilities are let to a school, club, association or an organisation representing affiliated clubs or constituent associations (such as a local league). This does not include informal groups of people or commercial organisations.
 - the person to whom the facilities are let has exclusive use of them during the session.
- 16.7. With regard to cancellations in a series of lets, the following criteria apply:

- 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 above (e.g. if of a series of 30 lets, the 11th let is cancelled leaving 10 lets before the break and 19 lets after);
- In other cases, where cancellation by the lessee would invalidate an otherwise exempt series of lets, provided the series is paid for in full with no refund, the original exemption will still be allowed. This applies even if the cancelled facility is re-let to other users.
- Cancellations by the Council due to bad weather are covered by the reference above to “unforeseen non-availability of the facility” and do not invalidate exemption from VAT.

17. School Trips

- 17.1. When organising a school trip, you will need to decide whether the trip is to be accounted for through the school's Private (non-Council) fund or through Council funds. You must ensure that all income and expenditure in connection with a particular school trip is accounted for through the same fund. However, it is acceptable for different visits to go through different funds.
- 17.2. The school must not account for VAT on school trips administered through the Private (non-Council) fund if the Private (non-Council) fund is not VAT registered. If as a result the Private (non-Council) fund's taxable turnover exceeds the statutory threshold, the fund must register for VAT. (See *Section 10 – Private (Non-Council) Funds*, above.)
- 17.3. Where a school trip is accounted for through LBH's funds you will need to determine the nature of the trip. If the school trip is educational and forms an agreed part of the curriculum it can be treated as a non-business activity and there is no need to charge VAT on contributions from pupils and teachers. The Education (National Curriculum) Attainment Target and Programme of Study in Physical Education Order 1992 is quoted as a statutory reference for the core of teaching in this area, in which educational school trips play a part.
- 17.4. There is no longer a requirement for charges to pupils be subsidised in order for the visit to be regarded as non-business.
- 17.5. Any VAT paid by the school for a trip that is in some way related to the school curriculum can be recovered, and no VAT should be deducted from income received from pupils or their parents.
- 17.6. In case HMRC decides to query whether or not a particular school trip is educational, the Headteacher should keep a written record confirming that, in the opinion of the Headteacher, the school trip is of educational value and related to the curriculum.
- 17.7. Any trip arranged by the school that is not related to the curriculum is regarded as a business activity for VAT purposes. Such trips should not normally be accounted for through Council funds. Providing the school's Private (non-Council) fund is not registered for VAT, this will not cause any problems. However, if the Private (non-Council) fund is VAT registered there may be the need to apply the Tour Operators Margin Scheme (TOMS). HMRC have indicated that nearly all school trips will be able to meet the requirement of being related to the school curriculum. It would be unusual to find a school trip treated as a business activity.

18. School Photographs

- 18.1. The VAT treatment of school photographs depends on the arrangements for sale.
- a) Sale of Photographs by the Photographer Directly to Pupils/Parents

If Head Teacher is agent of the Local Authority - Taxable supply of facilities and output tax due on commission

If Head Teacher is agent of Governing Body - Taxable supply by Governing Body - output tax due on commission if Governing Body is VAT registered

b) Sale of Photographs by the School

Output tax due on sale

18.2. How do you decide whether the arrangement is (a) or (b)? To distinguish between the two scenarios above, you need to consider the following questions:

- **Who has title to the Photographs?** i.e. who has responsibility for faulty goods, and who will suffer financially if a parent does not pay. If the school has these responsibilities this would imply that the school has bought the photographs from the photographer and then made an onward sale to parents. If the photographer bears these responsibilities then he has made a direct sale to the parents and title to the photographs remains with him.
- **Who sets the price?** If the school determines the final selling price to the parents after addition of a mark up to the fee paid to the photographer, this would imply that the school has bought the photographs from the photographer then made an onward sale to parents. If the photographer sets the price by labelling packages of photographs at a pre-arranged price, then he is selling direct to the parents.
- **What is the school's fee based upon?** If the school is selling photographs to the parents, it pays a set fee to the photographer, and the amount the school earns is determined by how much the parents are willing to pay. The photographer may reduce the price that the school pays to him if the school undertakes extra duties, e.g. collecting and sorting money. This would suggest that the photographer is selling the photographs direct to the parents, with the school in turn providing a package of services to the photographer.

19. Breakfast and After School Clubs

19.1. Where a school provides for its pupils to attend before (breakfast) and after school clubs, these supplies may be treated as closely related to education and therefore non-business when supplied at or below cost.

19.2. This applies even where the activities do not appear to be linked to the curriculum, for example, snooker and football, as they are considered to be "social education".

19.3. If the charges are made above cost, the supply will be considered to be exempt business.

20. Telephone Income

20.1. Where a payphone is rented from a supplier, the person renting the machine makes supplies to the users and VAT is due on this income.

20.2. Income from recharges to staff for private use of the telephone is subject to VAT at the standard rate.

21. Sales of Stationery and Other Office Supplies

21.1. Sales of stationery sold as not incidental to the supply of education is subject to VAT at the standard rate.

22. Donations

22.1. Where a school receives a donation, which is freely given, it is outside the scope of VAT providing that the school does not provide anything in return. When there is a condition attached to a donation that gives a donor some kind of benefit, for example, free tickets or preferential booking to a school show or concert, advertising in some form or other etc., then the donation is subject to VAT. A simple acknowledgement of the donation is permitted.

23. Sponsorships

23.1. Sponsorships may be treated as donations providing the support is freely given and secures nothing in return. A taxable supply will not arise by a simple acknowledgement of support but will be created where, for example, the school in return displays the sponsor's logo in some fashion or names the event after the sponsor.

24. Supplies of Teaching Staff

24.1. Where a school provides staff to another education provider, that supply is seen as being an exempt supply of the school where the staff are used in an educational capacity associated with the provision of education to students. For example where a teacher is seconded to a further education college and is involved directly in the provision of education to students at the school, or a laboratory assistant is seconded to a further education college and assists in classes for the college's students, both of these supplies will be treated as exempt activities for the school. (Supplies within the LBH VAT group are outside the scope)

25. Catering

25.1. The whole school site is now considered to be an "outlet" for the purposes of catering. Therefore, all food and drink sold by the school from outlets such as cafeterias, snack bars, tuck shops, trolleys and vending machines, will be added together and treated in the same way no matter where they are located within in the school site.

25.2. The treatment of supplies of meals to staff and visitors is subject to VAT at the standard rate, where sales cannot be separately identified a reasonable basis of apportionment must be agreed with HMRC. Supplies of food and drink to staff and visitors will be subject to VAT depending on the VAT liability of the item sold.

25.3. The treatment of catering supplies by Council schools to its pupils is non-business and outside the scope of VAT, provided the charge made is "at or below cost". Catering supplied "at or below cost" is considered to be incidental to the provision of education and includes the sale of taxable foods.

25.4. The non-business treatment for sales of catering to pupils is subject to the total of all sales of food and drink for the whole school (outlet) for the school year being "at or below cost". "Cost" means the fully overhead inclusive cost of bringing the food and drink to the pupils and includes the labour costs associated with cooking and serving meals and the revenue costs of running the kitchens.

25.5. Should a school fail to meet the "at or below cost" condition it will be necessary to make a separate calculation for each outlet, such as the cafeteria or vending machine, and to treat as business only those where income was greater than cost incurred. Where an outlet exceeds cost the supplies of that outlet will be treated as one of catering at the standard rate of VAT, and output tax will need to be declared to HMRC.

25.6. This treatment applies only to sales of food and drink by the local authority school to its pupils and from outlets operated by either the local authority itself or the governing body. It does not apply to sales made by catering contractors as principal.

26. Voluntary Aided Schools - Buildings Related Expenditure

- 26.1. The Governors of Voluntary Aided schools, not LBH, have the responsibility for their school buildings, built-in equipment, and alterations to the buildings and repairs to the exterior of the buildings. However, they are not responsible for:
- Maintaining playing fields or any building or other structure connected with their use
 - School premises to the extent that the LEA has directed that the school premises shall be used for purposes other than those of the school
 - The provision of any new site that the LEA is to provide by virtue of the School's Standards and Framework Act 1998 (Schedule 3, Part II, paragraph 4)
 - Premises works under £10,000 (LA de-minimis), exclusive of VAT.
- 26.2. LBH is not able to recover VAT when it pays for buildings-related expenditure that is the responsibility of the Governors at a Voluntary Aided School.
- 26.3. Capital work where a grant is available from the DFE: The Governors of a Voluntary Aided School, unless registered for VAT, cannot recover the VAT on either expenditure funded from the 90% DFE contribution, or their own 10% contribution. Please note that the 90% grant from the DFE will be inclusive of VAT. The VAT on the 10% must be met by the Governors, although in some cases the particulars of the works may mean that they are zero rated for VAT.
- 26.4. The accounting for these works should be done through the governors' accounts.
- 26.5. The DFE will only pay grants into the school governors' bank account.
- 26.6. For revenue maintenance and other running costs, where funding comes from the school's delegated budgets VAT can be recovered.



See Appendix D for further details

Appendix A - Typical Items of Expenditure and their VAT Liability

Please note that items purchased from a business that is not VAT registered will not show VAT even if the item is listed as liable to VAT. Such purchases are outside the scope of VAT. It is also the responsibility of the supplier to correctly apply VAT treatment.

Standard Rate 20%	VAT at 5%	Zero-rated	VAT Exempt
• Accountancy services	• Fuel/power to	• Books - text books,	• Bank charges &

<ul style="list-style-type: none"> • Agency Staff • Bottled water • Business water rates (mixed supply of 20% & zero rated) • Cars and Vans • Catering services • CDs, CD ROMS, cassette tapes • Cleaning materials • Computers, printers, photocopiers, etc. • Contract Cleaning • Crisps, chocolate, chocolate biscuits, soft drinks, fruit juice, ice cream • Educational equipment (purchase/ rental) • Exercise books • Fixtures & Fittings • Fuel/power to commercial buildings • Furniture/equipment • General consumables • General repairs (structural equipment) • Grounds Maintenance • Laundry • Medical Supplies (not prescriptions) • Pest Control • Photocopier leasing • Postage & Packing (unless provided by Post Office) • Printing & Stationery • Refuse Collection • Sports Equipment • Taxi Hire (if VAT registered) • Window Cleaning 	<p>domestic and charity buildings for a qualifying purpose</p> <ul style="list-style-type: none"> • Children's Car seats • Installation of energy saving materials • Contraceptive products 	<p>library books, children's picture books, music books, painting books</p> <ul style="list-style-type: none"> • Children's clothing (including cycle helmets) • Domestic water & sewerage • Journals, newspapers, maps, charts • Milk, tea, coffee • Most basic food items • Passenger transport (10 or more passengers) • Public Transport • Cold take-away food • Women's sanitary products 	<p>monetary transactions</p> <ul style="list-style-type: none"> • Examination entry fees • Examination Services • Insurance by an Insurance Broker • Lotteries, raffles, tombolas • Most land transactions (Lettings, Leases, Sales) • Postal Services provided by the Post Office (including stamps & franking) • Vocational training/education • Childcare vouchers • TV Licence <p>Outside the Scope of VAT</p> <ul style="list-style-type: none"> • Charitable Donations • Grants • Rates • Salaries and Wages • Items purchased from a business that is not VAT registered (even if the item is listed as liable to VAT). • Invoices received from LBH • Invoices received from LBH maintained schools
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Appendix B – Sample Business Supplies and their VAT Liability

Standard 20%	VAT at 5%	Zero-rated	VAT Exempt
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<ul style="list-style-type: none"> • Accountancy or consultancy services supplied to an external organisation • Advertising services • Car parking (off street) • Catering services supplied to an external organisation, staff or visitors • Cleaning/laundry services • Commission on sales. e.g. at artists' exhibitions • Conference income • Equipment and vehicle hire • Consultancy services (non-education) supplied to an external organisation • Gas, electricity and fuel oil supplied to commercial buildings • Hire of cassettes, videos and CDs, including charges for late returns • Non-food vending machines • Private photocopying to staff or external organisations • Private street works • Private telephone calls to staff or external organisations • Sale of adult clothing and sportswear • Sale of school uniform which exceeds the measurements for children (unless logo added - see guidance) • Sale of second-hand goods/ commercial vehicles & scrap • Sale of sports equipment • Sale of videos • Sales to staff, e.g. stationery, School Dinners • Secondment of staff (with the exception of staff seconded to another education provider used in an educational 	<ul style="list-style-type: none"> • Gas, Electricity and Fuel Oil Supplied to domestic or charitable non-business buildings • 	<ul style="list-style-type: none"> • Sale of Books, leaflets & pamphlets • Sale of school publications, newspapers, journals, periodicals, brochures, booklets • Design/printing work where the final product is a book, leaflet or pamphlet • Passenger transport fares (bus and coach) • Bus or coach hire with a driver provided where the vehicle carries not less than 10 passengers • Sale of women's sanitary products 	<ul style="list-style-type: none"> • Vocational training supplied to external organisations • Supply of education for which a fee is charged to external organisations • Staff seconded to another education provider used in an educational capacity associated with the provision of education to students. (Non LBH) • Car Boot Pitch Hire (charges to stall holders) • Examination fees – supplied to a pupil • Lease/letting Council property on a commercial basis (mostly exempt with an option to tax) • Admission charges if cultural in nature - example admission to plays, dances, museums, and art galleries. • Note: Lettings of playing fields or sports halls where the hirer will use the facilities are standard-rated. • There are special rules relating to the long-term hire of sporting facilities, which allow exemption of the
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<p>capacity associated with the provision of education to students – this would be an exempt supply)</p> <ul style="list-style-type: none"> • Sponsorship, when a benefit is supplied to the sponsor • Telephone box income • Testing/repairing equipment 			<p>hire if certain conditions are met - see guidance</p> <ul style="list-style-type: none"> • Bank Interest
			<p>Outside the Scope of VAT</p>
			<ul style="list-style-type: none"> • Items that can proved to be closely related to statutory education - school trips, pupil meal income, breakfast/after school clubs • Donations where nothing received in return • Grants • Income from LB Hillingdon • Income from LB Hillingdon maintained schools

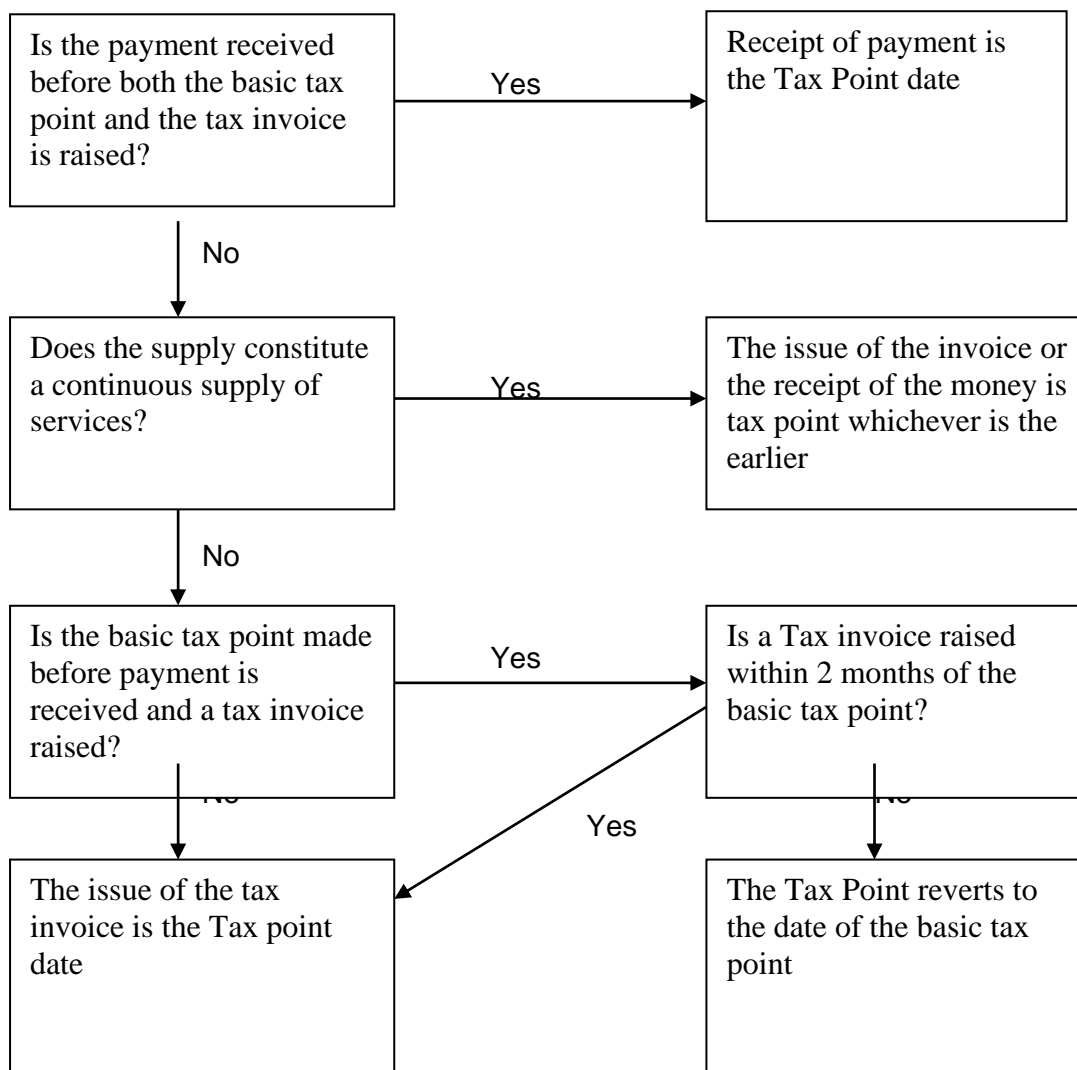
Appendix C - TIME OF SUPPLY (TAX POINT)

There are three significant events in the creation of a tax point.

1. The basic tax point, which is the delivery date of goods or the date of completion for services.

2. The issue of a tax invoice
3. The receipt of payment

The time of supply for VAT purposes is largely, which is the first of these three unless the issue of tax invoice as in tax point 2) above is within 2 months of tax point 1) above. The following chart gives the time of supply and provides the correct tax point date to be shown on each sales invoice.



Appendix D - HMRC Guidance for Local Authorities (LA) and Voluntary Aided (VA) Schools in England

VAT Recovery on Expenditure

Section 33 of the Value Added Tax Act 1994

S33 is a special refund scheme allowing specified bodies, including LAs, to recover VAT incurred on their non-business activities. In order to be considered by HM Treasury for inclusion in s33, a body must:

- undertake a function ordinarily carried on by local government; and
- have the power to draw its funding directly from local taxation.

LAs have a statutory requirement relating to the provision of free education in their maintained schools, such that this is a non-business activity of the LA. This includes VA schools although their Governing Bodies are responsible for their premises.

Governing Bodies (GBs)

Under section 36(1) of School Standards and Framework Act 1998 (SSFA), GBs of maintained schools are separate legal entities. They are not covered by s33 VAT Act 1994, and so VAT incurred by them in respect of their non-business activities may not be recovered under s33.

The GBs of VA schools have responsibilities in relation to capital works to premises.

The DfE in England may make grants to GBs of VA schools in order to help them meet their responsibilities, funding 90% of qualifying expenditure. VAT will not be recoverable by the GB in respect of this funded expenditure and the grant includes irrecoverable VAT costs.

VA school GBs are expected to meet the remaining 10% of costs from their own resources, although the SSFA allows LAs to contribute to the GB's 10% contribution, if they so wish.

Delegated budget

All maintained schools, including VA schools, receive recurrent funding from their LA under arrangements set out in sections 45-53 of SSFA - which allows that every maintained school shall be financed by their LA by means of a "budget share" (the school's delegated budget).

S49(5) of SSFA allows that "any amount made available" by the LA to the GB of a maintained school shall remain the property of the LA until spent by the GB, and when spent by the GB shall be taken to be spent by them as the LA's agent. This generally allows the LA to recover VAT on expenditure made from the delegated budget.

However, in the case of VA schools, s49(6) of SSFA stipulates that the GB does not act as the LA's agent when spending amounts from the delegated budget to meet expenses payable by the GB in relation to the capital works for which the GB is responsible. Therefore, VAT may not be recovered on such expenditure.

Factors Determining the Responsibility for Expenditure

The GB of a VA school are responsible for meeting all capital expenditure in relation to the school premises (with certain exclusions), except where it falls within a relevant de-minimis limit.

These terms are explained in the following paragraphs.

School premises

The GB's responsibility extends only to premises expenditure, specifically excluding playing fields, sports pitches, and buildings thereon (related to that use). The responsibility includes "fixed" furniture (e.g. laboratory table), fixtures, fittings that form part of the infrastructure. It does not include "loose" items, for example freestanding desks and freestanding educational equipment e.g. laptops, kindles, iPads etc.

The following table provides guidance on what ICT expenditure is regarded as premises related:

Premises (GB Responsibility)	Non-Premises (LA Responsibility)
Note: VA Schools are allowed to use capital grant funding to pay for ICT equipment, but VAT will not then be recoverable	
ICT <ul style="list-style-type: none">• Building of ICT Suite - including construction works and all equipment, furniture & fittings installed. <i>These become part of the premises.</i>• Installation of:<ul style="list-style-type: none">○ ICT cabling;○ WiFi systems, incl. ethernet & routers;○ Security systems, incl. proximity cards<i>These are purpose built for premises, and not removable for use elsewhere.</i>	<ul style="list-style-type: none">• PCs, servers, interactive electronic whiteboards, projectors, printers and fax machines installed individually (not as part ICT suite)• Laptops, kindles, iPads and other 'hand held' equipment used in the classroom *• Laptop trolleys (storage / connection facilities)• Electronic tills and biometric identification scanning devices <i>All of the above are not part of premises as removable and available for use elsewhere.</i> <i>* VAT recoverability on such items used by teachers is as non-VA schools.</i>

Capital expenditure

It is necessary to determine whether expenditure is of a **capital nature in accordance with proper accounting practices**, as expenditure of a revenue nature will always be the LA's responsibility. [Appendix 1](#) gives some examples of how commonly incurred premises expenditure is generally treated.

De minimis limit

S35 of the EIA amended Part II, schedule 3 of the SSFA. This limits "capital expenditure" to being "...expenditure .. which falls to be capitalised in accordance with proper accounting practices..." (paragraph 9A) with reference to "...any generally recognised published code..." applicable to either individual VA schools or the LA (paragraph 9B).

For materiality reasons, many LAs set de-minimis limits on capitalisation of their expenditure in accordance with the "CIPFA Code of Practice on Local Authority Accounting in the United Kingdom". In the absence of a recognised individual VA school de minimis limit the LA de minimis limit set in accordance with this Code may be applied. Expenditure within these limits is not the responsibility of the GB.

At the time of publication of this guidance, no published code specifically applicable to individual VA schools has been identified. In any event, Regulation 2 of the CEVA sets out that any expenditure by a GB below £2,000 shall not be treated as capital expenditure. CEVA does not determine whether expenditure above £2,000 is capital. See Appendix A for further information.

It is important to note that the de minimis limit should not be used to artificially disaggregate capital expenditure to recover VAT. For example, a single supply of ICT infrastructure should not be split into smaller contracts for individual ICT works.

Similarly construction works should not be split so that if invoiced separately, this could be treated as revenue expenditure as individually below the de minimis limit.

Definition of the Responsibility for Expenditure

The current responsibility for expenditure within VA schools can therefore be defined as follows.

GB Responsibility

Expenditure which is capital in nature, and relates to:

- The existing buildings (internal and external)
- Perimeter walls and fences, even if around the playing fields
- Playgrounds
- Fixed furniture, fixtures and fittings – including ICT infrastructure

Except where it is excluded from the definition of capital expenditure due to it falling below the de minimis limit applicable, being the higher of:

- a de minimis limit set by the Governing Body of a VA school in accordance with a generally recognised published code
- (only in the absence of a de minimis limit set by the Governing Body) a de minimis limit set by the LA in accordance with the “CIPFA Code of Practice on Local Accounting in the United Kingdom”
- £2,000

LA Responsibility

Expenditure which is capital in nature, and relates to:

- Expenditure excluded from GB responsibility (above) by virtue of it falling below the de minimis limit applicable
- Maintenance of playing fields (including sports pitches)
- Buildings on those fields related to their use
- Day to day running costs of the school e.g. costs of staff, training, consumables, teaching resources, utilities etc

VAT Recovery on Expenditure

Generally the LA may recover VAT (under s33 of the VAT Act 1994) incurred by the LA in relation to expenditure for which it is responsible, i.e. where it receives the supply and uses its own funds (including donations as detailed below).

However, VAT incurred by a GB on expenditure for which the GB is responsible is not recoverable under s33, even when payment is made from the delegated budget. VAT is only ever recoverable on expenditure from the delegated budget to the extent that it relates to expenditure for which the LA is responsible.

Neither is VAT recoverable by the LA on any expenditure made from DfE grant funding awarded specifically to the GB. Again, this is designated for expenditure for which the GB, rather than the LA, is responsible.

Further, although LAs commonly contribute towards a GB's capital expenditure, for example, to assist GBs in meeting their own 10% contribution for capital works, or to subsidise certain projects, VAT is not recoverable by the LA on such contributions. HMRC recognise that there has been some confusion in the past regarding such recovery and until 2009 had accepted that LAs could recover the VAT incurred on expenditure which was the responsibility of the GB but which the LA funded. However, when this policy was reviewed it was realised that it went beyond what s33 actually permits. In these arrangements, the GB is responsible for the entire expenditure and receives the whole supply. Thus, any VAT incurred on the supply is incurred by the GB, not the LA. This revised guidance now seeks to bring such treatment within the normal rules for VAT recovery for LAs as set out in Public Notice 749 "Local authorities and similar bodies." Therefore, with effect from 1 September 2009, for projects initiated after this date, VAT may no longer be recovered by LAs in these circumstances, as the supplies are not made to them (whether or not paid from the delegated budget). HMRC will consider, on their individual facts, cases where a project initiated after 1 September 2009 was funded on the basis of the previous policy.

Where however, an LA decides to spend its own funds (excluding the delegated budget), on work to a VA school for which the GB is statutorily responsible by placing an order directly with a supplier then, under certain circumstances, it may recover VAT under s33. This is described in para 7.1 of Public Notice 749 i.e. the LA must procure the goods or services, receive the supply and pay from its own funds. However, the LA must treat any contribution towards its costs from the GB as consideration in accordance with the normal VAT rules and declare VAT on that contribution where appropriate.

The tables of examples and flowchart are intended to give further guidance on circumstances when the LA may recover VAT and LA may not recover VAT. These examples are not intended to be exhaustive. In cases of doubt, GBs or LAs are advised to discuss the matter with HMRC.

Insurance arrangements for VA schools

Annex B of the DfE's Blue Book details these such that this section only considers the VAT recovery consequences under the above VA school VAT rules.

Where VAT is recoverable, insurance claim settlements exclude VAT on the cost of works. However, if remedial works are GB responsibility, VAT will not be recoverable by the LA. Therefore, when establishing the insurance policy and its value, the insurer should be made aware that any VAT incurred in respect of such works at VA schools is irrecoverable and the premium should therefore reflect that. (DfE confirm this view and that this results in increased premises insurance premiums for VA schools, for which LAs are responsible).

Any DfE grant aid, available as 90% of replacement costs via capital grant where resources permit, towards this is awarded to the GB. The GB must fund the remaining 10% of costs to be met from its own resources.

VA schools should be treated in the same way as other maintained schools in relation to providing for any revenue premises losses including all losses below the de minimis level applicable to the LA for which the LA is responsible. The LA can reclaim VAT on these works.

Examples when VAT is recoverable by LA under s33

	Example	Comments
1	Where GBs undertake revenue (LA responsibility) works and pay for them through the delegated budget	GB acts as LA's agent (S49(5) SSFA)
2	Where donations are received from: <ul style="list-style-type: none"> • GBs • private school funds (e.g. operated by the GB or PTA) • charities • commercial organizations and used to meet expenditure for which LA is responsible. 	<p>Provided the conditions in:</p> <ul style="list-style-type: none"> • para 10.4 of Public Notice 701/30 and/or • para 7.3 Public Notice 749 (LA contracts for, pays for, retains ownership etc) (HMRC Internal Guidance VATGPB7550 and VATEDU65750) are met, LA may recover VAT under s33. <p>This will not be possible where the donated funds are used by LA to pay for works that are the GB's responsibility.*</p> <p>Donations must be paid into the delegated budget, and the goods / services bought must be for the benefit of the school rather than the donor.</p>
3	Where the LA decides to spend its own funds (excluding the delegated budget), by means of an order placed directly by the LA (i.e. not by the GB) with a supplier. This is so even if the expenditure is in respect of GB responsibility works.	<p>When LA uses its own funds, VAT may be recovered under s33 as described in Public Notice 749 para 7.1 - i.e. LA must procure the goods or services and receive the supply.</p> <p>However, the LA must treat any contribution towards the costs from the GB as consideration in accordance with the normal</p>
4	Ongoing maintenance/lifecycle costs resulting from building works funded by PFI	Any unitary charge from the PFI provider is regarded as revenue expenditure and as such is the LA's responsibility

* *this is because:-*

- it will be difficult in most cases for the LA/GBs to argue that the LA can retain ownership of capital works in VA schools. (Dioceses, or trustees, will usually own school buildings and LA is responsible for ongoing costs of upkeep)
- where funding originates from DfE direct grant to GBs to fund 90% of capital projects, any such funding paid by GBs to LAs to fund capital works should be treated as consideration for a supply to GB. In other words, the money is not donated because it obtains benefits for the GB.

Examples when VAT would not be recoverable by LA under s33

	Example	Comments
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1	Where expenditure is met from 90% DfE funding (e.g. Devolved Formula Capital).	This grant is <u>awarded and belongs to the Governing Body</u> for spending on GB responsibility works. It is calculated to include irrecoverable VAT costs.
2	Where remaining 10% is met directly from GBs' fund raising or delegated budget funding.	S49(6)(b) SSFA specifically excludes GBs from acting as LA's agent when they use delegated budget to pay for works that are their responsibility
3	Where GB spends own funds on revenue expenditure, procuring goods/services itself.	i.e. not paid for from delegated budget or funds donated to the LA
4	Where LA donates funds to GB for capital works for which GB is responsible	Unless LA procures, receives and pays (para 7.1 of <u>Public Notice 749</u>), then supply is not to LA. (<i>HMRC historically allowed recovery by LA, this was corrected from September 2009</i>).
5	Where expenditure is paid for from funding obtained by the GB from sources such as: <ul style="list-style-type: none"> • charges for community services (adult education, sporting facilities etc.) • Lottery, Sport England etc. • <u>Government grant awarded to the GB rather than the LA.</u> 	Funding does not belong to LA. The GB owns the funds and is the body responsible for carrying out the works. If funds are passed by the GB to the LA, this may allow VAT recovery by the LA, but will also require output tax declaration on the funds passed.
6	Although paid via the LA, Building Schools for the Future (BSF) funding for Design & Build (D&B) or redevelopment of VA schools is awarded and belongs to the GB for these capital works for which the GB is responsible. (Exceptionally BSF grant is paid to meet 100% of GB's liability).	For D&B or redevelopment works procured under BSF, the LA and GB will enter into a Development Agreement for the BSF works. Acting as principal, the LA will procure/project manage BSF work for all schools in its area. When complete, the LA will make a supply of the works to the GB, which will be subject to VAT unless the work can be zero rated. The LA will retain the school's BSF funding as consideration for the supply of the works to the GB.

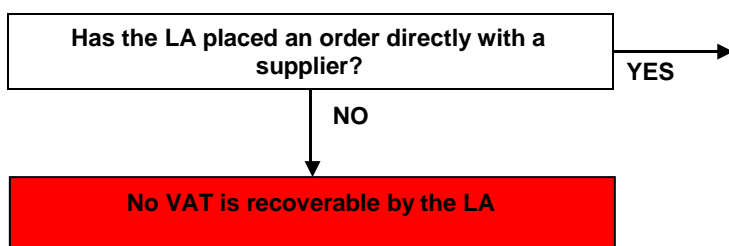
Ownership of grant funding

The ability of an LA to recover VAT when spending grant funding on GB responsibility works generally depends upon whether the ownership of the grant lies with the LA or the GB, and who procures the work. Some grants administered by LAs may still belong to GBs. The DfE has provided guidance on the ownership of grants currently available:

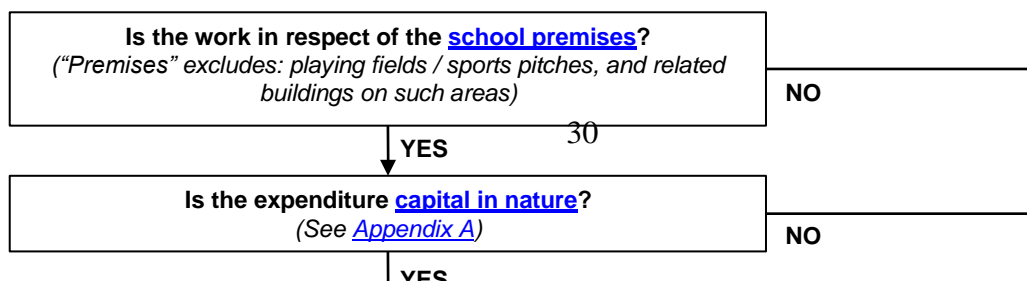
GRANT NAME	OWNERSHIP i.e. LA or GB	PURPOSE / DESCRIPTION
Locally Coordinated Voluntary Aided Programme (LCVAP)	GB	Pupil-weighted share of capital maintenance funding. Funding is awarded to the GB for those capital works for which the GB is responsible.
Basic Need	LA	LAs have a duty to provide sufficient schools for their areas. Basic Need Funding for all taxpayer-funded schools has been allocated to LAs to support them in that duty.
Devolved Formula Capital (DFC)	GB	To provide each school with some capital funding to address its own priorities. Funding is awarded to the GB for those capital works for which the GB is responsible.
Modernisation	LA	To upgrade and build new buildings and facilities in line with priorities in the local asset management plan.
School Access Initiative	LA	To improve the accessibility of mainstream schools to disabled pupils and those with special educational needs.
Extended Schools	LA	To provide pump priming capital funding to develop extended schools across an area, delivering the core offer of extended services. It was expected that funding would be joined up with other devolved LA level funding, including in particular, the resources being made available through the Primary Capital Programme.
Targeted Capital - Standards and Diversity	GB	To raise standards by supporting choice and diversity of provision. Funding was awarded to the GB for those capital works for which the GB is responsible.
Targeted Capital - 14-19 and Special Educational Needs	LA	To provide those LA areas not currently in the BSF programme with additional funding to support the provision of facilities for the delivery of 14-19 diplomas and/or to improve facilities for pupils with special educational needs and disabilities.

GRANT NAME	OWNERSHIP i.e. LA or GB	PURPOSE / DESCRIPTION
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Targeted Capital - Basic Need Safety Valve	LA	To enable LAs to provide additional school places to cope with exceptional growth in pupil numbers, where these cannot be met from other programmes.
16-19 Capital Fund	GB	To provide capital funding for significant numbers of new 16-19 places in schools and colleges. Funding was awarded to the GB for those capital works for which the GB is responsible.
Primary Capital Programme	LA	Funding to support rebuilding or redevelopment of primary schools, was subject to agreement of an LA's Primary Strategy for Change.
Building Schools for the Future (BSF)	GB	Funding to support rebuilding or redevelopment of secondary schools. Although paid via the LA, BSF funding was awarded to the GB for those capital works for which the GB is responsible.



Flowchart for determining VAT recovery



VAT is recoverable by the LA.

Please note: the passing of any funds to the LA by the GB, and the spending of delegated budget, represents consideration for a supply of works by the LA to the GB – to which normal VAT rules apply. The DfE provides details of the [ownership of specific grant funding](#).

The following indicative table is provided to assist in determining how some examples of commonly incurred premises expenditure might be treated. Where expenditure is shown as capital, the remainder of the guidance will still need to be considered in order to determine the responsibility.

Capital	Revenue
Roofs	
Structure. New (not replacement) structure.	Repair/replacement of small parts of an existing structure
Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure.	Replace small areas of rotten or defective timber, make good minor areas of spalling concrete where reinforcing bars are exposed. Replace/repair small areas of rotten/defective joists, rafters, purlins, etc. Not complete trusses.
Screed/insulation in a new building/extension	Repair/replacement of screed/insulation where defective.
Screed/insulation. Replacement/repair of substantially all. Improve effectiveness of insulation.	Work to improve insulation standards, during work to repair/replace small areas of roof. Repair/replacement/increasing thickness of insulation in an existing roof.
Finish on new build. Replacement of all/substantially all on existing roof.	Replacement of roof finish on existing building. Re-coating chippings to improve life expectancy. Replace missing/damaged small parts.
Bargeboard/edge trim/fascia on new build	Repairs/replacement/repainting.
Bargeboard/edge trim/fascia, replacement of all/substantially all on existing roof.	Repairs/replacement/repainting.
Drainage on new build/extension. Replacement of all/substantially all on existing roof.	Clearing out gutters and downpipes. Replacement/repair of individual gutters/pipes. Repainting gutters/pipes.
Other items e.g. flashings, rooflights/windows on new build/extension. Replacement of all/substantially all items on existing roof.	Repair/replacement/cleaning of individual items
Provide new covered link etc. between existing buildings	Minor repairs, maintenance to existing covered link.
Rebuild or substantially repair structure of existing covered link. Add porch etc to existing building	Minor repairs, maintenance to existing structure.
Rebuild or substantially repair structure of existing porch.	

Floors

Structure and damp proof course (dpc) in new building	Repair/replacement of small parts of an existing structure
Structure and dpc – replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	
Screed and finish in new build, replacement of all/substantially all on existing floor – e.g. replacement of most carpet/tiles in a room.	Replacement and repair of screed and finishes/replacement of mats/matwells. Maintenance e.g. revarnishing wooden floors.

Ceilings

Suspension	Repair/replacement inc from water damage & necessary decoration
Membrane	
Fixed	Repair/replacement inc from water damage.
Access panels	Repair replacement
Specialist removal/replacement of damaged/disturbed Asbestos based materials, planned or emergency	Inspection/air testing. Applying sealant coats to asbestos surfaces for protection

External Walls – masonry/cladding

Structure. Underpinning/propping for new build. External finish on new build	Repairs/preventative measures e.g. tree removal. Repairs/replacement of small parts of an existing structure e.g. repointing/recladding a proportion of a wall where failure has occurred.
External finish on existing build where needed to prevent imminent (or correct actual) major failure of the structure e.g. repointing/recladding work affecting most of a building/replacement build.	

Windows and Doors

Framing – new build	Repair/replacement of individual frames. Repainting frames.
Framing – structural replacement programme	Repair/replacement of individual windows. Repainting frames.
Glazing – new build	Replacing broken glass
Glazing – upgrading existing glazing	
Ironmongery	Repair/replacement
Improved security	Upgrading locks etc.
Jointing including mastic joints	
Internal and external decorations to new build	Internal and external decoration to include cleaning down and preparation.