

Annual VAT Training for Schools

2025/26



Why is there a need for mandatory VAT training?

- HMRC are taking a greater interest in VAT
- 5,000 Compliance Managers recruitment to strengthen tax enforcement in 2024/25
- In 2022 the Council received a penalty for omitting VAT from catering sales from an LBH maintained school
- Business risk review in 2023 which lasted 6 months – Medium rating
- All penalties and interest charges **WILL** be recharged back to the school
- Each penalty or suspension period affects the WHOLE Council, not just the individual school
- VAT coding on sales and purchases need to be correct!



Course Objectives

To help you:

- Understand on how VAT works - Refresher
- Make informed VAT decisions
- Manage the Council's VAT position
- Ensure the Council complies with legislation

Tips of the day

The answer to any VAT question is....
“it depends”

And,

When assessing the VAT rate for income, always
assume it is standard rated until you can find a relief.

Scope of VAT

- It is a tax on transactions of supplies of goods and services.
- It is added on taxable supplies in the UK made by a taxable person.
- Businesses collect VAT on behalf of HMRC through sales (output tax) and reclaim it on purchases (input tax).



Taxable Person - Refresher

- Registered for VAT
- Anyone in business can register for VAT
- Must register if taxable turnover >£90k in past 12 months or in the 30 days.
- Must charge VAT if registered
- If company is not registered, they cannot charge a rate of VAT
- VAT should not be applied to internal company transactions where they share the same VAT registration i.e LBH to LBH



Scope of VAT - Schools

- Set up for educational purposes so activities are mostly exempt or outside the scope of VAT.
- When schools let out facilities or sell goods/services, those activities may be taxable and need VAT treatment.
- “Is this activity part of the school’s educational function (non-business) or something commercial (business)?”
- Local authorities can reclaim VAT incurred on non-business activities, such as education (*s33 VAT Act 1994*).



Current VAT Rates - Refresher

Standard rated – 20%

Most goods and services such as:

- Catering for staff / visitors
- Cleaning contract
- Furniture / equipment
- Repairs / maintenance
- Professional services
- Adult clothing
- Agency staff
- Computers, printers & photocopiers

Reduced rated – 5%

- Children's car seat
- Domestic gas & electricity
- Energy-saving materials
- Non-prescribed contraceptive products



Current VAT Rates - Refresher

Zero rated – 0%

- Printer materials such as books, magazines, newspapers
- Basic food items such as tea, milk, coffee
- Domestic water
- Uniform with school logo
- Transportation (10 seats+)
- Sanitary products
- Children's clothes
- Travel fare on public transports

Exempt – no VAT %

- Insurance premium – IPT is not recoverable
- Childcare vouchers
- Bank charges
- Land and Lettings (exceptions apply)
- Examination fees to pupil
- Postage fee
- Admissions to plays
- Vocational training/education (provided by an Eligible body, VAT Notice 701/30)



Out of Scope of VAT

These are for transactions that are non-business such as:

- Purchases/sales to LBH - Supplies within same VAT registration
- Donations (with nothing in return)
- Grants
- Compensation
- Salaries and wages paid to staff
- Linked closely to statutory education (School trip for students, breakfast/after school clubs)
- Supply by someone not registered for VAT
- Where no VAT documentation has been obtained
- Land and Lettings (exceptions apply)



Fundamentals - Refresher

- The supply must be for school activities!
- To claim back VAT you need a proper VAT invoice
- Normally you need to use school funds to make purchases (Private funds separate)
- Do not facilitate tax evasion
- Make sure you treat sales properly
- Understanding nil tax rates is important
- Using the correct VAT coding when recording sales and purchases
- Do not just post to VAT codes where unsure – ask!
- Where errors occur, journals will need to be posted to fix. Potential of 4-year retrospective adjustments.
- Recognising income and expenditure correctly and posting into the correct quarter.



Default FMS Codes

Do not rely on the historical default ledger codes



Check the VAT rate each time an invoice is entered into the system.

Quick Quiz

1. An academy runs an after-school club where parents pay a small charge for childcare. What VAT treatment normally applies?
2. A school sells printed textbooks to pupils at cost price. What VAT rate applies?
3. Which of the following supplies can be charged at the reduced rate (5%) of VAT?
 - a) Sale of children's uniforms
 - b) Domestic electricity supplied to a boarding school
 - c) Sale of printed textbooks
 - d) Catering for staff lunches
4. The school sells uniforms through the school shop. Does it need to charge VAT on these sales?
5. A state-funded school provides education to pupils and receives funding from the local authority. What VAT category does this fall under?



Quarterly VAT Submissions

The Corporate VAT Team will intervene and adjust quarterly submission figures should errors be found where input VAT has been overstated or where output VAT has been understated.

This will cause variances from quarter to quarter and will need to be monitored.

Items that **will** be adjusted by Corporate VAT Team are:

- Incorrect VAT rate chosen for sales income
- Incorrect VAT rate chosen for purchase expenditure

Items that **will not** be adjusted by Corporate VAT Team are:

- Income and expenditure that has been incorrectly coded to zero, exempt and outside the scope where VAT ££ is not being underpaid or overclaimed.

The school will need to process a journal to account for the VAT adjustments. These need to be posted into the subsequent open quarter.

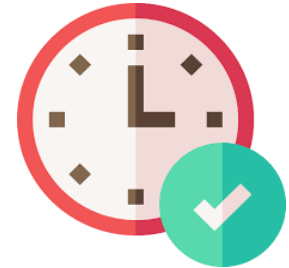
VAT needs to be recognised in the correct period.



Quarterly VAT Submission - Reminders

Quarterly VAT report needs to be:

- Submitted to your LBH Finance Officer on time
- In the correct format
- Signed and dated



The Corporate VAT team will not hold the council VAT return waiting for late submissions.

Implications of submission not included:

- Impact on cash flow on the school
- Disclosure to HMRC naming the school and including details such as reasons why
- School will be closely monitored by the Corporate VAT Team
- Potential monitoring from HMRC

Quarterly VAT Sampling

VAT sampling has evolved in line with HMRC.

The Corporate VAT Team will continue to sample your school on a quarterly basis provided:

- Correct VAT rates are used
- Reports are provided on time
- VAT invoices are obtained to support each purchase

Typically, the sampling will feature two parts:

1. Copy invoices
2. Coding checks

Should you **not** be in receipt of a VAT invoice – DO NOT RECOVER THE VAT!
Should you be unsure about which VAT code to use – PLEASE ASK!



The Importance of a VAT invoice

- A VAT invoice is your document to prove that the VAT you paid over to the supplier has been paid to HMRC
- If you reclaim VAT without a proper VAT invoice – Can be classed as committing fraud!!
- There is no 1p/2p threshold, you can only reclaim the amount of VAT detailed on the VAT invoice
- Order confirmations, delivery notes and pro-formas are not accepted documentation
- Purchases made by credit card are not an exception
- Recognise the correct rate of VAT
- If in doubt, please ask!



Full VAT Invoice

INVOICE ← Labeled 'invoice'

Name and address of the retailer → [Business Name]
[Business Street Address 1]
[Town/City]
[Country]
[Postcode]

The supplier's VAT registration number → [Business Phone Number]
[Business Email Address]
[Business VAT Number]

Customer name and TRN → **Bill to:** [Business Name]
[Business Address]
[Town/City]
[Country]
[Postcode]
[Business Phone Number]
[Business Email Address]

Invoice Number: 2001321 ← Unique invoice number

Tax point (Time of supply): 30/01/2020 ← The time or date of the supply of goods or services

Issue Date: 30/01/2020 ← Date of invoice (if different from tax point)

Due Date: 30/02/2020

Description, Quantity, Unit price, Price per item and VAT rate for each item →

Description	Quantity	Unit Price (Excl. VAT)	Amount Price (Excl. VAT)	VAT Rate	VAT Net
Product 1	10	£100.00	£1000.00	20%	£200.00
Product 2	1	£10.00	£10.00	20%	£2.00
Service 1	1	£100.00	£100.00	5%	£5.00
Service 2	1	£10.00	£10.00	0%	£0.00

Excluding VAT →

Subtotal	£1120.00
VAT total	£207.00
Total due	£1327.00



Simplified VAT Invoice

INVOICE ← Labeled 'invoice'

Name and address of the retailer → [Business Name]
[Business Street Address 1]
[Town/City]
[Country]
[Postcode]

The supplier's VAT registration number → [Business Phone Number]
[Business Email Address]
[Business VAT Number]

Unique invoice number → **Invoice Number:** 2001321
Tax point (Time of supply): 30/01/2020 ← **The time or date of the supply of goods or services**
Due Date: 30/02/2020

Description	VAT Rate
Product 1	20%
Product 2	20%
Service 1	5%
Service 2	0%
Total (Incl. VAT)	£220.00 ← Total amount including VAT



Mixed Supply Invoices

Each items need to be recognised with the correct VAT rate.

Where a mixed supply occurs, the invoice needs to be split.

You **should not** enter the net and manually adjust the VAT.



Invoices With Odd Rates of VAT

It is a rare occurrence, but you may receive an invoice with a rate of VAT at 8% or 13%

Usually due to a mixed supply of vatable goods being sold as one item.

As long as you have a VAT invoice that meets the requirements as set out by HMRC then this VAT is recoverable.

Due to system limitations:

1. Enter the invoice into your accounting software as 20% and adjust figures to match invoice.
2. Send a copy of the VAT invoice to your Officer.

If invoice is not sent to Officer, VAT will need to be reversed.



Overseas Purchases

Since Brexit, the way overseas purchases are accounted have changed.

How to account for overseas purchases:

1. The overseas company needs to be provided with the LBH VAT registration number prior to purchase. This will then zero rate the sale.
2. Send the VAT Accountant a copy of the invoice to comply with accounting via the reverse charge.

If the overseas company are not provided with the LBH VAT registration, then VAT will be charged at the country of origin rate. This **cannot be reclaimed**, and the school will have to forgo the reclaim.



In all cases, the VAT team need to know about foreign goods and services as they have to account for it correctly on the VAT return

HMRC Case

Background

A company recovered £5.6m in VAT. Later it was revealed that the supplier invoices were invalid. There was no VAT registration number, and it did not name the company as the customer.

The supplier was later found to not be registered and had not paid the output tax on the transaction to HMRC.

Update

HMRC disallowed recovery of input tax initially on the basis of connection to fraud.

Court decided disallowable on the basis invoices were invalid

Impact and action

- Highlights importance of verification checks and evidence
- Alternative evidence cannot be accepted in place of an invoice.

Quick Quiz

1. Which of the following must appear on a full VAT invoice?
 - A. The customer's VAT number
 - B. The supplier's VAT registration number
 - C. A reference to the purchase order
 - D. The supplier's bank details

2. A school café sells snacks to visitors for small amounts. Which invoice format can it issue?
 - A. Only a full VAT invoice
 - B. A simplified VAT invoice if the total is £250 or less (including VAT)
 - C. No VAT invoice needed
 - D. Only if the customer is VAT-registered

3. Which of the following would make a VAT invoice invalid for reclaiming input VAT?
 - A. Missing the supplier's VAT number
 - B. Showing prices without VAT breakdown
 - C. Showing the wrong date
 - D. All of the above



VAT Invoice summary

Invoice information	Full invoice (purchases over £250)	Simplified invoice (purchases under £250)
Unique invoice number that follows on from the last invoice	Yes	Yes
The supplier's name and address	Yes	Yes
The supplier's VAT number	Yes	Yes
Date	Yes	No
The tax point (or 'time of supply') if this is different from the invoice date	Yes	Yes
LBH's name and address	Yes	No
Description of the goods or services	Yes	Yes
Total amount excluding VAT	Yes	No
Total amount of VAT	Yes	No
Price per item, excluding VAT	Yes	No
Quantity of each type of item	Yes	No
Rate of any discount per item	Yes	No
Rate of VAT charged per item - if an item is exempt or zero-rated make clear no VAT on these items	Yes	Yes
Total amount including VAT	No	Yes



Output VAT - Sales

The obligation is on LBH to allocate the correct VAT treatment

Questions to Consider When Deciding Which VAT Treatment to Use

- Understand the underlying supply of the transaction
- Who is receiving the supply?
- Who is paying for the supply?
- Why are the goods/services being sold?
- Each transaction needs to be treated in isolation. Just because an item was purchased from a business and treated as out of scope, doesn't mean if you sell it the same VAT treatment will apply.
- Prior to agreeing new contracts/services or amendments, the VAT treatment needs to be ascertained as it could seriously impact the VAT position and the viability of the income stream.
- If in doubt, please ask!



Commonly miscoded items

- Nursery income
- Land and Lettings
- Staff reimbursements

If in doubt, please ask!

Land and lettings

Lettings are complex.

Always assume that they are standard rated until a relief is found.

Questions to ask prior to the let:

- What is being hired?
- Why is it being hired?
- What are they expecting for the hire?

Room lets and facility lets are completely different!

If you are in doubt, please ask!



Room/space hire

Always exempt unless the building or land **opted to tax** then becomes standard rated at 20%

- *For instance, a club or commercial company or an individual hires a room for meeting or social event.*

If a member of staff is playing an active role during the period of the letting, or the letting comes with additional services then it becomes standard rate at 20%

- *E.g. If the room hire comes with provision of catering, hospitality or specialist equipment.*

- ❖ Letting of sports goods such as table tennis bats, badminton rackets etc... in conjunction with the letting can be treated as closely related to the provision of the sports services therefore non-business.
- ❖ Let for parking vehicles such as parking areas is always standard rate at 20% regardless of opting to tax or not.

Facilities

Letting of schools' sports facilities such as sports halls, football pitches are considered as non-business therefore outside the scope if they are hired by anyone but for:

- the use of sports.

Non-sports facilities such as school halls & community centre are now considered as non-business and therefore outside the scope

ONLY if:

- the school/LA has set up the room or space for use as a sport or leisure facility i.e marked the floor, provided badminton rackets or cones and balls etc...

Otherwise, it would be exempt unless the facilities came with additional services.

VATGPB8410



Does your VAT invoice meet HMRC's requirements?

- Are you raising sales invoices off the system?
- How are they being recorded on the system?
 - Are they being recorded at the time of payment?
 - Or when they are being raised?
- Do your templates meet the standards?
- What format are you sending the invoices in?



Should you require assistance with compliance please contact Corporate VAT Team

Tax Points

A tax point is the date VAT becomes due on a particular transaction.

The VAT on the transaction must be included in the VAT return that date falls.



Example:

Tax point: 5th February 2026

Must be included in: Q4 25/26

Tax Points

Basic Tax Point

- For goods – date **delivered**, made available or **collected**.
- For services – date services **performed**



Actual Tax Point

- An invoice is issued **before** or **within 14 days** of the basic tax point.
- A **payment** is received **before** the basic tax point.

Basic or Actual scenarios

Scenario 1: You agree to provide a service that will be completed on April 30, but the client pays you in full on April 1.



Scenario 2: You deliver goods to a customer on March 1, but you issue the invoice on March 10.

Scenario 3: You deliver goods on June 5 and issue the invoice on June 25.

School Trips & Extended Clubs

School Trips

- Trip needs to be closely related to the curriculum and for the pupils of the school only
- Trip to be recharged to parents/carers at cost
- Income from parents/carers to be coded as out of scope
- Input VAT fully recoverable
- If trip is charged to parents/carers to make a profit, then this is a standard rated supply.



Extended Clubs – Wrap around care

- Clubs to be for pupils of the school only and charged at/below cost and run by the school
- Income from parents/carers to be coded as out of scope
- Input VAT fully recoverable



Donations and Contributions

Donations are given freely with nothing expected in return.

Donations and/or grants can contain conditions
e.g. PTA funds donated to purchase new science equipment.

If the donor benefits from the donation, then this is a consideration for a supply of goods or services.



Contributions can be a suggested amount and you can receive something in return*

e.g. £5 entry to the school play performed by the pupils.

*If you refuse entry for non-payment or payments under the suggested amount, then this is not a contribution!

True donations/grants/contributions are outside the scope of VAT.



PTA Funds – Correct Accounting

The correct way to account for PTA funds that have been donated to the school to ensure the full VAT reclaim is available:

1. Transfer the donated funds from the PTA private fund to the school bank account.
2. The school purchases the goods/services receiving a VAT invoice addressed to the school.
3. The school pays the invoice and retains ownership of the asset/services purchased.
4. Input VAT can be reclaimed

If the school purchases the item and charges the PTA the net cost, or if there are questions over who owns the asset it could be viewed by HMRC as tax evasion!

Updates to VAT training

- Introduction of the annual schools mandatory training session 3 years ago
- NEW e-learning module is a work in progress



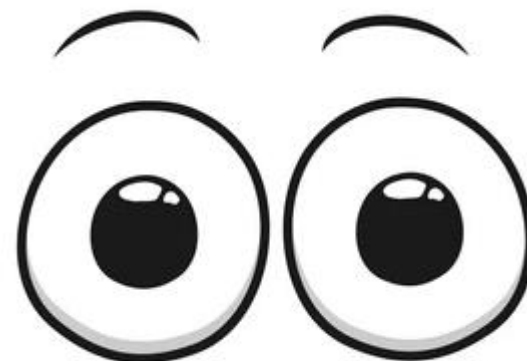
Quick Quiz

1. The school rents out its hall for a birthday party. Does it need to charge VAT?
2. Commission for allowing sales by outside organisations at an educational establishment. Should VAT be added?
3. The school receives a donation but in return the school must let the donor use their parking facility. Is this vatable supply or donation?
4. A member of the PTA buys a laptop in their name but would like to donate it to the school if the school claim the VAT on their behalf. Is this acceptable?
5. The school rents out its football pitch to the insurance company down the road. Does it need to charge VAT?



The Bigger Picture.....

- School VAT submissions are merged into the main council VAT return
- Income and expenditure recognised by the school are also recognised by the council
- Yearly sampling – retrospective amendments in the following quarter
- Last 12-month period to September 2025, £53.7m has reclaimed from HMRC - input VAT
- Last 12-month period to September 2025, £2.7m has been declared to HMRC - output VAT
- The partial exemption threshold is monitored by the Corporate Finance Team



HMRC - Disclosure

Disclosures require a large amount of information.

- Name of school
- Amount of VAT
- Reason for error
- Steps taken to correct error
- Assurance error not to re-occur



HMRC Penalties

Penalties are levied against:

- Late VAT submissions
- Underpayments, overclaims, incorrect rates
 - 100% of VAT underpaid or overclaimed
 - Plus 3% interest



Each penalty has a different treatment and affects the whole council - not just the department/site where the error/late submission occurred!

The school will be liable for any penalties and interest chargeable!

Criminal Finances Act – Corporate Criminal Offence

The Council will be criminally liable where it fails to prevent those who act for, or on their behalf, from criminally facilitating tax evasion.

Only 2 things need to happen:

1. Fraud committed
2. Facilitated by someone associated with the Council

Unlimited fines of the Council if found liable.

If you commit or facilitate tax evasion you are personally liable



Quick Quiz

1. You know that the supply is vatable, but you do not have an invoice to back this, should you claim the VAT on your return?
2. Should you round up the input VAT so that you could have a nice rounded figure?
3. Parents are paying £3 towards the pupils' Christmas play for entry. Is this vatable or non-business?
4. A trusted member of the PTA asks the school to claim input VAT on their personal items purchased to help increase the school's fund. Is this allowed?



Resources Available

- Schools VAT manual
- HMRC webpages
- Schools Finance Team
- LBH VAT Team

Where VAT is concerned, no question is a silly question – please ask!

Contact Details for LBH VAT Team

VAT generic mailbox

vat@hillingdon.gov.uk

Principal Accountant – Taxation and Banking

Rokib Adisa

radisa@hillingdon.gov.uk

ANY QUESTIONS?

**Please give feedback on how to run the session effectively
& contents that you would like to see**