

VAT Treatment of Income and Expenditure

Item	VAT treatment if income paid into School Fund	VAT Rate	Treatment of Expenditure if income paid into School Fund	Treatment of expenditure if income is paid into Private fund Notes 1/3/4
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SALES TO ADULTS				
Private Telephone Calls	Standard Rated	20%	Vat recovered on expenditure	Transfer of Vat inclusive amount required to private fund or invoice paid from Private Fund
Photocopier use by adults	Standard Rated	20%	Vat recovered on expenditure	Transfer of Vat inclusive amount required to private fund or invoice paid from Private Fund
Onward Sale of Stamps	Exempt	0%	No VAT on original purchase	Transfer of cost to Private Fund
INCOME RELATED TO PUPILS Note 2				
Photocopier use by pupils	Non Business/Outside the Scope	0%	Vat recovered on expenditure	Transfer of Vat inclusive amount required to private fund or invoice paid from Private Fund
School Uniforms and Sports Clothing	Use Private Fund- otherwise follow liability of children's' clothing	Mostly 0% but some items will be 20%	Vat recovered on expenditure although most items will be zero rated	No VAT recovery most items will be zero rated
Book Bags	Non Business/Outside the Scope	0%	Vat Recovered on Expenditure	Transfer of Vat inclusive amount required to private fund or invoice paid from Private Fund
Sale of items to Pupils	Non Business/Outside the	0%	Vat Recovered on	Transfer of Vat inclusive

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required for their education i.e. Rulers, Calculators, hockey stick etc	Scope		Expenditure	amount required to private fund or invoice paid from Private Fund
Sale of Musical Instruments to Pupils where lessons are provided via LEA Music Service or in school – includes large items providing supply is related to school education	Non Business/Outside the Scope	0%	Vat Recovered on Expenditure	Transfer of Vat inclusive amount required to private fund or invoice paid from Private Fund
Swimming Tuition	Non Business/Outside the Scope if arranged via LEA	0%	Vat Recovered on Expenditure	Transfer of Vat inclusive amount required to private fund or invoice paid from Private Fund
Sale of Computer Equipment where this is required for a child's education (any scheme to be agreed with LEA and subject to meeting non business requirements)	Non Business/Outside the Scope Note 5	0%	Vat Recovered on Expenditure	Transfer of Vat inclusive amount required to private fund or invoice paid from Private Fund
Exam Fees	Exempt	0%		
Recoupment	Non Business/Outside the Scope	0%		N/A
School Photographs Supply of photographs is	Standard	20%	Vat recovered on expenditure	If the net proceeds are paid into Private Fund need to

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to school for resale				check that there isn't VAT included in the invoice that should have been paid to R&C on behalf of the photographer- in which case use School Fund and account for VAT
School Photographs- Commission only and where the Governing body has the contract with the photographer not the LEA	Use Private Fund	No VAT		Commission only paid into Private Fund
School Trips if classified by Head as curriculum and no profit is made Unit Price should be calculated on net amount	Non Business/Outside the Scope	0%	Vat recovered on expenditure if this is charged by supplier	Only use Private Fund as holding account for income
After School Club, Homework Club or Breakfast Club run by the school	Non Business/Outside the Scope	0%	Vat recovered on expenditure	Transfer of Vat inclusive amount required to private fund or invoice paid from Private Fund
LAND AND PROPERTY TRANSACTIONS				
Lettings-non sport Includes use of equipment in a room/hall if this is	Exempt	0%	Vat Recovered on Expenditure	Transfer of Vat inclusive related expenditure required to private fund

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incidental to the letting	For VA/ Foundation schools income can go to private fund			
Lettings Sport	See flow chart Exempt or standard rated		As above	As above
OTHER INCOME				
Bring and Buy Sale	Use Private Fund			Fundraising- but any related costs to be paid from private fund
First Aid Course	Exempt	0%	Vat recovered on expenditure	Transfer of Vat inclusive amount required to private fund or invoice paid from Private Fund
Sponsorship where identifiable benefits are received by the Sponsor	Standard Rated	20%	N/A	N/A – but be careful that sponsorship does not lead to private fund exceeding VAT registration limit
Sponsorship where there is no commercial benefit to the sponsor such as research projects	Non Business/Outside the Scope	0%		
After School Club privately run	Exempt if income is collected on behalf of the organisation running it Or income from rental of space to organisation	0%	VAT recovered on expenditure on premises	Organisation running the course should be charged VAT inclusive cost of running the premises

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	running the club			
Donated Fees – where provider of service asks for donation to be made to school instead of taking a fee	Non Business/Outside the Scope	0%		May need to transfer related costs to Private Fund if met from main school account i.e. cost of running a course
School Productions-ticket sales –see separate guidance	Standard Rated	20%	Vat recovered on expenditure	Transfer of Vat inclusive amount required to private fund
Programmes – not used as entrance tickets	Zero Rated	0%		
Donations	Non Business/ Outside the Scope Note 6 /7	0%		
Fee charging crèches defined as welfare provision not education	Exempt	0%	Vat recovered on expenditure	Transfer of Vat inclusive amount required to private fund
CATERING SERVICES				
Recharges to Caterers for premises Gas /Electric Water	Standard Rated Zero Rated	20% 0%	Vat recovered on expenditure Zero Rated supply	Transfer of Vat inclusive amount required to private fund or invoice paid from Private Fund
Vending machines in schools- sales to pupils	Non Business/Outside the Scope	0%	Vat recovered on expenditure	Not recommended that income is paid into private

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				fund
Vending Machine Rental of space to vending company	Standard Rated	20%		
Children's Meals	Non Business/Outside the Scope	0%	Vat recovered on expenditure	
Adult Meals	Standard	20%	Vat recovered on expenditure	

Notes

1. The notes about private fund assume the school is not registered for VAT in it's own right
2. Sales to Pupils must not be at a profit if VAT has been recovered through the main school fund, but the addition of a small administrative charge is acceptable.
3. There must be 'matching' of income and expenditure in either the school fund or the private fund. Income can be held in the school private fund pending transfer to the school fund as long as there is the intention to pay this income over once the related expenditure invoice has been paid.
4. It is not acceptable from a VAT point of view to buy items through the main account and recover VAT and then bank income in the private fund. If the income is paid into the private fund the VAT inclusive cost should be charged to the private fund as well. The most straightforward way to do this is to raise a basic charge plus VAT and account for VAT on the income to the school fund.
5. Although Revenue & Customs has granted concessions regarding the onward sale of Computers to pupils the supply of such an item to a pupil must be absolutely essential to their education. In most cases pupils would not need a computer of their own to follow a course of study. There should not be any attempt to make a profit from the sale of such items.
6. Donations from a VAT point of view can only be where there is no expectation of any goods or services in return.
7. Many items of income that schools may call donations would be regarded by Customs and Excise as payment in return for specific goods and/or services. You may continue to call such items donation in your accounts providing you follow the correct tax treatment for the related income and expenditure.
8. Please contact your link officer for further information. In some circumstances the tax treatment of income may need to be specifically agreed with Revenue & Customs particularly donations.
9. Even if you are not charging VAT on your income it is important to indicate why there is no VAT in your school based systems. The identification of exempt and non-business income is a significant factor in enabling the Council to retain its ability to recover all of its

VAT on expenditure. The Council has a concession under VAT law that means it can recover all of its VAT including that paid on non business activities but there is a requirement to provide statistical information to Customs and Excise This is why you will be asked to analyse your VAT treatment of income.

- Non Business/Outside the Scope
This is income relating to a statutory obligation – i.e. education of children or it is income where there has been no supply of goods and services such as a donation.
- Exempt
This is income where the type of goods and services are specifically exempt from VAT under legislation. This is mainly for land and property transactions and education other than school. Normally businesses would not be able to recover their associated VAT on expenditure.
- Zero
This is income where the goods or services provided are specifically zero rated under VAT legislation such as children's clothing or basic foods.