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16.1 Introduction

VAT is a tax that is levied on the supply of both goods and services. Organisations with a large enough taxable turnover have to register for VAT. Once registered, they must **charge** VAT on all vatiable goods and services they supply.

North Yorkshire County Council is a VAT registered organisation and has to adhere to the same VAT regulations as the private sector.

Each tax month the County Council has to submit a VAT return to HM Revenue and Customs (HMRC). The return is made up of:

INPUT TAX the total amount of VAT the County Council **can recover** from HMRC

less

OUTPUT TAX the total amount of VAT the Council has to **pay over** to HMRC

HMRC see your school as one section of a larger VAT registered organisation, the County Council. The input tax and output tax that you generate has to be incorporated into the Council's monthly VAT return, which is why it is necessary for you to submit your own VAT returns to Finance each month.

As you are responsible for correctly managing VAT at your school you need to know when to **declare** VAT on your income and how to **recover** VAT on your purchases.

Where VAT has been incorrectly accounted for, HMRC can recover that VAT retrospectively. They can go back four years and they can also demand interest on any VAT owed. This can have a serious impact on your school's budget so it is important that your school accounts for its VAT correctly.

16.2 Rates of VAT

Not all goods and services carry the same VAT charge. The following rates of VAT are levied at present: -

- Standard rate** A VAT registered organisation is required to apply VAT at the standard rate to all its goods and services **unless they clearly fall within one of the other categories** listed below. The standard rate of VAT is 20%.
- Reduced rate** VAT is charged at 5% on small (domestic) quantities of fuel. VA, VC and Foundation schools can get VAT relief on larger quantities of fuel.
- Zero rate** 0% - books, provisions, children's clothing and some publications fall into this category.
- Exempt** These items incur no VAT liability, e.g. rents and lettings, insurance and postage stamps.
- Outside the scope** Also known as "non-business", such transactions are outside the scope of VAT, so they incur no VAT liability. For example, charges between NYCC departments and NYCC schools are outside the scope of VAT. The Council's Statutory activities are also 'outside the scope of VAT'. Because a school is an eligible body for education purposes, the items it provides which are closely related to education are 'outside the scope of VAT' (e.g. school meals sold to pupils, calculators sold to pupils for use in class)

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16.3 Recovering VAT on Invoices

Most goods and services purchased by a school are obtained from VAT registered businesses which are legally obliged to charge VAT on goods/services supplied. Such businesses are also legally obliged to issue VAT invoices for those goods and services.

Always check to ensure that invoices are correct for VAT purposes before you enter them into your financial system.

You can only recover the VAT you have been charged by your suppliers if your school:

- i. Places the order;
- ii. Receives the supply;
- iii. Receives a VALID VAT INVOICE addressed to the school or to the County Council (see below);
- iv. Pays for the goods DIRECTLY out of the school budget and not private funds; and
- v. RETAINS OWNERSHIP of the goods.

In order to recover VAT incurred on invoices of a value over £250 including VAT, the supplier's VALID VAT INVOICE must contain **ALL** of the following:

- i. The goods or services must be supplied and the invoice addressed to the school and not to a third party;
- ii. A unique identifying reference or invoice number;
- iii. The seller's name or trading name and address;
- iv. The seller's VAT registration number;
- v. The invoice date (this must not be a future date);
- vi. The time of supply (also known as tax point) if this is different from the invoice date;
- vii. A description sufficient to identify the goods or services supplied to the customer.

For each different type of item listed on the invoice, it must also show:

- i. The unit price or rate excluding VAT;
- ii. The quantity of goods /services;
- iii. The rate of VAT that applies to each item that is being sold;
- iv. The total amount payable excluding VAT;
- v. The rate of any discount per item;
- vi. The total amount of VAT charged;

If the VAT invoice includes zero-rated or exempt goods or services, it must:

- i. Show clearly that there is no VAT payable on those goods and services; and
- ii. Show the total of those values separately.

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If the invoice contains an error, or does not include all of the above information, then you cannot recover the VAT, and you must return it to the supplier, pointing out the mistake, and request a corrected invoice.

Remember: You have a right to demand a valid VAT invoice from your supplier if you are being charged VAT.

Never amend VAT invoices yourself. HMRC could check the firm's copy of the invoice as well as yours.

No amendments may be made to invoices received, except where discount can be taken, although here the amount of VAT should not be altered. In most cases, the VAT will have been calculated on the discounted amount.

16.4 Recovering VAT on Invoices Under £250.00

In some cases, where purchases are made for small amounts, a simplified form of VAT invoice may be received from the supplier which states that **the total sum includes VAT** at the standard rate without indicating the actual amount of VAT. This type of simplified VAT invoice can be accepted if the value of the supply is less than £250 (including VAT) and contains all the following information:

- i. Name, address and VAT registration number of the supplier;
- ii. Unique invoice number;
- iii. Date of supply (tax point date);
- iv. Description of the goods or services;
- v. Rate of VAT;
- vi. Total amount payable INCLUDING VAT.

The VAT amount will need to be calculated. You can calculate the VAT element of a VAT inclusive invoice by dividing by six or multiplying by 0.1667.

You must write on the invoice the details of the invoice value excluding VAT and the VAT amount itself. If the supply includes items at different VAT rates, the invoice must also show for each different VAT rate:

- i. The total price including VAT; and
- ii. The VAT rate applicable to each item.

16.5 Petty Cash

Normal VAT rules apply to petty cash transactions, i.e. you can only recover VAT on petty cash items if you have obtained **a proper VAT invoice** for the goods (see s 16.3).

Most till receipts do not contain sufficient information for VAT recovery but some firms have adapted their rolls to serve as a proper VAT invoice.

If the firm you purchase your petty cash items from is registered for VAT, then they are legally required to provide you with a proper VAT invoice or a simplified VAT invoice. You will need this to be able to recover the VAT on standard-rated items.

The following examples are **standard-rated**, so you will need to obtain VAT receipts for such purchases:

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- Most stationery items and office equipment, eg pens, rubbers, print cartridges, staples, labels, memo pads, photographs, record books, key cuttings, plugs, light bulbs, tags, calculators etc
- Pet food and cage lining material
- Alcohol and most soft drinks
- Eating out (in cafes, hotels, etc)
- Confectionery, eg sweets, ice cream, crisps, salted nuts, etc
- Most entrance fees

Firms will not charge you VAT on the items listed below. And, as there is no VAT to recover, a normal receipt for the goods is all you will need.

i. **Zero-Rated** Supplies:

- Cold takeaway foods
- Most food and drink of the kind used for human consumption
- Books (including atlases, dictionaries, hymn books, etc.)
- Brochures
- Catalogues
- Young children's clothes
- Loose leaf books
- Magazines and newspapers
- Music - music scores
- Maps
- Protective helmets

ii. **Exempt** Supplies:

- Postage stamps
- Room Hire, with no extras provided.

16.6 Pro-Forma Invoices and "Cheques with Orders"

There will be occasions when either a firm will charge VAT but will only send you a tax invoice when payment has been received (cheque with order) or you may receive invoices that include the words "this is not a tax invoice" or "pro-forma invoice". The pro-forma will often include a note to say that a proper tax invoice will be sent to you when the firm receives a cheque.

Firms often do this to invalidate the documentation for tax purposes, usually because the firm is making you an offer of a service, i.e. a subscription renewal or an invitation to attend a course or seminar, rather than charging you for a supply you have already received.

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VAT cannot be claimed on “cheques with orders” or pro-forma invoices. Payment should be made gross and treated as outside the scope for VAT.

It is best practice to send the firm a letter with the cheque requesting that the tax invoice be sent by return. Upon receipt of the tax invoice you should raise a credit note to reverse out the expenditure before re-processing the invoice using the correct VAT code.

16.7 Discounts for Prompt Payment

When a firm offers you a discount for prompt payment, the VAT element should be calculated on the discounted amount, even if you do not take up the offer to pay the firm within the time limit.

16.8 International Transactions

Schools wishing to make purchases from abroad need to take particular steps **before** the purchase takes place. If you do not follow the correct steps when placing your order, then you may be subject to VAT charges which you will not be able to recover.

Therefore, please contact the Finance Enquiry Service (FES) **before** placing your order for goods/services abroad.

16.9 VAT on Income

As part of a VAT registered organisation you have a duty to pay HMRC the VAT on any VATable income you receive.

The majority of school functions and duties are conferred by Government statute and are generally outside the scope of VAT as they are classed as “non-business activities”.

However, some activities that are of a business nature are carried out in schools and result in charges. These are subject to VAT. The following list of items, although not exhaustive, is VATable. If in doubt contact the Financial Enquiry Service (FES):

- Private photocopying income
- Private telephone calls
- Hire of land for car parking or parking charges
- Sale of old equipment
- Royalties income from vending machine companies
- Staff/visitor meals
- Charges for staff secondments or services provided to external organisations

Appendix 1 provides a list of income types and their VAT classifications

16.10 Community-Focused Provision

16.10.1 Introduction

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Schools sometimes provide extra facilities, services, or activities which may be to benefit the pupils at the school or their families, or people in the local community.

16.10.2 Methods of Delivery

There are two methods of delivery, both of which have different VAT treatment:

- i. The school delivers the activity itself; and
- ii. The school acts in collaboration with other partners/agencies.

The school delivers the activity itself

If a school, through its governing body, manages an activity it is deemed to be delivering that activity as an **agent** of the County Council. This includes employing staff, incurring expenditure and collecting income.

In this instance, the school can recover any VAT incurred in the provision of that service subject to the normal VAT rules for local authorities.

The school acts in collaboration with other partners/agencies

However, where an activity is managed by a group of individuals including some governors, and/or some staff and/or some third parties, this would normally be looked on as being delivered by a 'separate entity' and not delivered as agent of the Council – therefore VAT would **not** be recoverable on expenditure. Advice must be sought in advance of setting up such arrangements as it might be possible for such a group to become an agent of the County Council if, for example, it was set up as a sub-Committee of the Governing Body after which VAT on expenditure might be recoverable.

If a third party is delivering the service on school premises, this should, in most cases, result in a simple lettings arrangement and the usual VAT rules for lettings apply (see s 16.11.1).

If the school chooses to share the management of the extended service with a third party organisation but employs the staff who deliver the service, this is deemed to be a variation of (i), where the school acts as agent.

If the third party is the employer of the staff, then this is deemed to be a variant of (ii) and a lettings arrangement would be required. Separate entities are not entitled to recover VAT through the County Council.

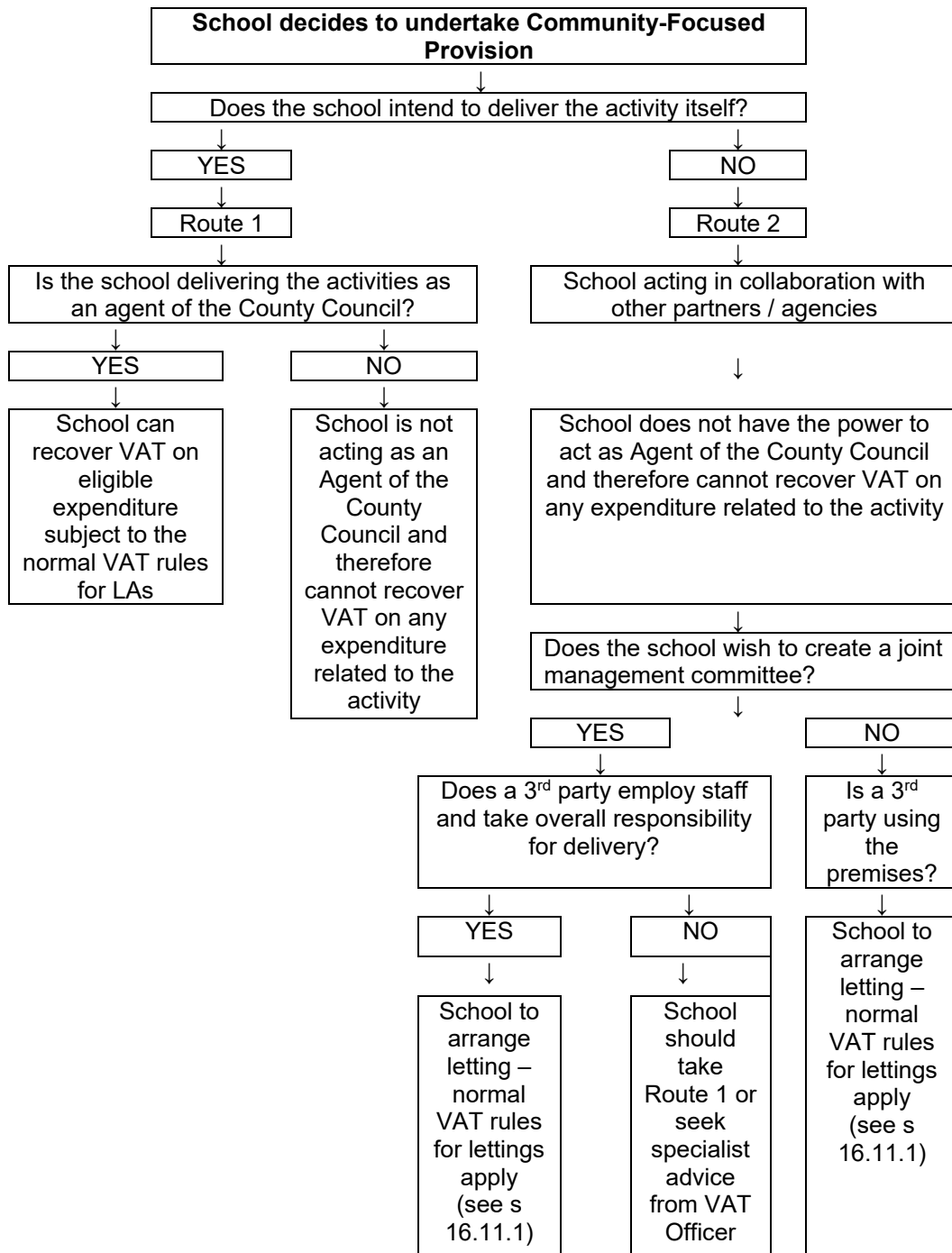
16.10.3 Summary Flowchart

The following flowchart summarises s 16.10.2

For the VAT treatment of **income** relating to Community-Focused Provision, see Appendix 1.

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16.10.3 Summary Flowchart



IF IN ANY DOUBT CONTACT THE FINANCE ENQUIRY SERVICE (FES)

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16.11 VAT treatment of Specific Activities

This part of the chapter considers the VAT treatment of specific activities.

Also see Appendix 1 for VAT classifications of income by type.

16.11.1 Lettings

Room Hire

The hiring out of rooms (including those with kitchen facilities) is usually exempt from VAT. However, the hiring out of specialised rooms such as ICT suites, where the purpose of the hire is to use the **facilities** rather than the room, incurs VAT at the standard rate.

Hall Hire

School hall lets are usually exempt from VAT. For example, if you let your main hall for a WI meeting. However, if the hall is classed as a sports facility, e.g. a sports hall, then different rules apply ...

Sports Facilities

Sports lettings are normally standard rated, so a **one-off** let of your sports hall, pool, gym, tennis court, or football field must include a charge for VAT. If you are letting out a sports facility for purposes other than participation in sport or physical recreation the supply is still standard-rated for VAT. For example, if you let your sports field out for a car boot sale, the supply is standard-rated.

The hire of school land for a car park or for individual parking is always standard-rated for VAT purposes.

The let of sports facilities (whether to be used for a sporting activity or not) is regarded as VAT-Exempt if the let is for a continuous period of **over 24 hours** to the same grantee, and the grantee must have exclusive control of the facility.

A **series of lets of sports facilities** (whether to be used for a sporting activity or not) is usually regarded as VAT-Exempt if the series consists of ten or more sessions and the interval between sessions is at least one day and not more than fourteen days. However, **all of the following conditions must also be met** for the VAT-Exempt category to apply to a series of lets:

- The series consists of 10 or more sessions
- Each session must be for the same sport or activity;
- Each session must be in the same place. This condition is still met where a different pitch, court or lane is used (or a different number of pitches, courts or lanes), so long as these are at the same establishment;
- the interval between each session is at least 1 day but not more than 14 days (for an interval to be at least 1 day, 24 hours must elapse between the start of each session). The duration of the sessions may be varied. There is no exception for intervals greater than 14 days through the closure of the facility for any reason.
- The facilities are let out to a school, club, association or an organisation representing affiliated clubs or constituent associations, such as a local league. The exemption does

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not apply to other groups such as a group of friends who wish to play five-a-side football;

- The person to whom the facility is let must have exclusive use of it during the sessions;
- the series is to be paid for as a whole and there is written evidence to the fact. This must include evidence that payment is to be made in full, whether or not the right to use the facility for any specific session is actually exercised. Provision for a refund given by the provider in the event of the **unforeseen** non-availability of their facility would not affect this condition;
- The school must hold sufficient documentation committing the organisation to the series of lettings before the first session takes place. The agreement should state the dates and times of the lets to be included in the series. An invoice issued in advance could be seen as a formal agreement providing all other criteria have been met. The documentation must clearly state that the supply is for the whole facility as opposed to the use of the facility;
- Payment in advance is not necessary for VAT exemption to apply, but all bookings must be paid for in full;
- Cancellation options allowing refund or credit to the lessee will invalidate the whole exemption even if no cancellations are made. The mere existence of the right to cancel invalidates the exemption;
- Cancellation by the school due to bad weather, double bookings etc are ‘unforeseen’ and will not invalidate VAT exemption;
- If the lessee books an additional session, or increases the length of a session after the initial agreement, whether it is within the period of the series of lets or not, the extra session/time will be liable to VAT at the standard rate;
- Additional charges for optional extras such as supplies of staff are treated as VATable, as are separate charges for metered fuel. Supplies that are an integral part of the let such as changing room facilities, unmetered supplies of fuel, caretaker’s time, floodlighting etc should be treated as part of the overall supply and will follow the same VAT liability as the main supply.

A summary of the above guidance is as follows:

Room/Facility Type	Booking info	VAT Rate
Sports facilities (whether used for sporting activity or not)	Block booking of 10 or more sessions	Exempt (but see conditions above)
Sports facilities (whether used for sporting activity or not)	Booking for continuous period of over 24 hours	Exempt (but see conditions above)
Sports facilities (whether used for sporting activity or not)	Booking of fewer than 10 sessions, and less than 24 hours	Standard
Non-sporting facilities	Hire includes additional equipment (eg ICT equipment)	Standard

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Non-sporting facilities	Hire includes no additional equipment	Exempt
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Further guidance and the forms to be used for lettings can be found under Chapter 12 of this manual.

16.11.2 Catering

In-House Catering

The sale of food and drink, at or below cost, provided by a school to its pupils is non-business (outside the scope of VAT) i.e. you do not have to account for VAT on sales where:

- ‘Cost’ means the fully overhead-inclusive cost of bringing the food and drinks to the pupils, i.e. includes labour costs etc, and
- ‘Food and Drink’ can include items such as crisps, chocolate and fizzy drinks.

When determining whether your school meets the “at or below cost” criterion, all sales of food and drink to pupils can be considered, from all outlets in the school, (including vending machines and tuck shops if they are offered as part of the schools official catering facilities) over a period of time such as a year.

If you are not sure that you are delivering food and drink at or below cost, contact the Finance Enquiry Service (FES) for advice.

Tuck shops etc run through Private Funds

If you run a tuck shop or vending machine through your private funds you need not account for VAT on sales, but you cannot recover VAT on your purchases. Be careful that your private funds do not exceed the limit for VAT registration (currently £85,000 per annum). If they do you will have to treat all private fund catering sales, both to staff and pupils, as standard rated for VAT purposes.

Food sold to pupils to be consumed off the premises

Whilst food sold to pupils to be consumed on site can be treated as non-business, it becomes a business supply if pupils take it away from the premises. The VAT liability will depend on the nature of the food supplied. For example, confectionery and crisps would be standard-rated but cold sandwiches would be zero-rated. If you are aware that this happens at your school, you should attempt to make a reasonable estimation of the value of the food taken away by pupils and account for the appropriate output tax to HMRC on the same. If you need any further advice, please contact the VAT Officer, via the Finance Enquiry Service (FES).

Meals to paying Staff and Visitors

All supplies to staff and visitors who eat in the canteen are standard rated for VAT purposes. Cold takeaway food consumed away from the canteen area is zero rated for VAT purposes. Where food provided to staff cannot be separately identified from supplies to pupils, a reasonable apportionment must be made.

When you provide free meals to staff i.e. to those on duty, the supply is outside the scope of VAT.

Catering Supplied by External Catering Firms

There are some quite complicated VAT issues associated with supplies between the school and the outside catering company. Contracts should be written in such a way as to ensure that

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the meal is supplied to the pupil VAT free. The VAT officer is happy to check any draft catering contract to ensure that it is correct for VAT purposes, but you will need to give enough time to review and comment on the draft. Please contact the Finance Enquiry Service (FES) if you require such a check.

When contracting with an outside caterer the points below should be taken into account:

- the supply of catering is normally standard rated for VAT purposes, however ...
- when a school provides meals to its own pupils the supply is 'incidental to the provision of education' and is therefore outside the scope of VAT.

If a catering contractor were to supply catering direct to pupils, the company would have to charge VAT because it would not, of course, be making the supply as incidental to the provision of education. The way round this VAT problem is to arrange for the catering company to supply catering to the school; and for the school to onward supply the catering to the pupil.

The following paragraphs deal with the most common contractual arrangements between catering companies and schools. This is how an ideal arrangement should work for VAT purposes:

- Agent/principal arrangements:

The best way to avoid VAT being charged to paid pupils is for the catering company to prepare and supply the meals to the school, and not the pupils. The catering company will charge the school VAT on its supplies which, subject to normal VAT regulations, can be recovered through your monthly VAT returns. You can then make an onward supply of meals to your pupils and, because this supply is incidental to the provision of education, it is outside the scope of VAT. When it provides catering to the school, the catering company is acting as principal.

- Catering company acting as agent

In most arrangements the catering company will also serve the meals to the pupils and collect income from them on your behalf. For the purpose of this supply the catering company is acting as an agent of the school.

In practice the catering company will normally offset the income it collects from pupils and staff on behalf of the school against its charges to the school and will therefore only send an invoice to the school for the VAT element of the supply.

- Free meals and duty staff meals

Under the above agent/principal arrangement the catering company will also send a periodic invoice to the school for the supply of free meals plus VAT, and duty staff meals plus VAT. Provided you hold a proper tax invoice from the catering company, you will be able to recover all the VAT charged.

- Paying staff and visitor meals

Staff and visitor meals are standard rated and VAT has to be declared to HMRC on any income collected from them.

The easiest arrangement for VAT purposes is for the catering company to act as Principal when supplying meals to paying staff and visitors. Any VAT due on the sale is then the company's responsibility to declare to HMRC.

If the catering company acts as an **agent** of the school when providing meals to paying staff and visitors, it becomes the school's responsibility to declare output tax on the supply and this is a more complex system to administer.

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Vending Machines

You have to declare VAT on any income you receive from vending machine companies who pay you for the locating of their machines on your premises.

Some companies operate a 'self-billing system'. They will ask you to provide them with your VAT registration number and get you to sign a form agreeing to a self-billing arrangement. They should then send you regular self-billing invoices that in effect replace the debtor invoices that you would otherwise have to send to them. You should keep the self-billing invoices as prime documents and make sure that you treat the accompanying income as standard rated.

Renting Vending Machines

Some companies just rent the vending machine to the school and charge you for the loan of the machine. They will charge you VAT, which you can recover subject to the normal VAT on expenditure rules. The income you collect from the machine is subject to the normal VAT on catering rules above.

16.11.3 Non-Employee Expenses

Interview Expenses

VAT cannot be recovered on the travel and subsistence expenses of job interviewees, regardless of whether or not they are subsequently employed. This is on the basis that the expenses are seen to be incurred by the interviewee, not the prospective employer.

16.11.4 Purchases Made for Re-Sale

Goods cannot be purchased from your school budget on behalf of a third party in order to help them avoid VAT. This would be strictly illegal. If you purchase items for a third party (PTA's, private nurseries, etc) through your official funds, make sure that you charge VAT at the appropriate rate on the onward sale.

Schools throughout the country have been penalised by HMRC for recovering VAT on purchases and not accounting for VAT on subsequent sales. The one exception to the above rule concerns sales to pupils.

16.11.5 Sales to Pupils that are Closely Related to the Provision of Education

Introduction

Schools are able to purchase goods that are considered to be closely related to education (such as calculators, pens, art materials, etc) through their official funds, recover VAT on the purchase and then sell the goods on to pupils VAT-free, providing the following conditions are satisfied:

- the specific goods and services purchased must be for the **direct use of the pupil in lessons during LA supervised tuition**;
- they must be used in the delivery of education that is part of the school curriculum; and
- they are **necessary** for delivering that education to him or her.

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

In addition to the principal conditions above, the following general conditions must also be satisfied to demonstrate a supply by the LA to its pupil:

- The goods and services required must be purchased from the LA. This means that the LA must hold title to the goods, and transfer ownership to the parent, guardian or pupil

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purchasing them. However, within that, the delivery address and point of distribution of those goods and services is a matter for individual LAs to determine.

- Payment for the goods must be made either to the LA or to the school. If paid to the school, it must be paid into the school's official funds.
- Some evidence, i.e. an order form, must be kept to show that the recipient of the goods and services has been receiving education from the LA, and that what has been supplied was essential to that education.
- The price of the goods and services supplied must be at or below cost, there being no intention to make a profit. Cost means the fully overhead-inclusive price of supplying the goods and services to the pupil.
- In certain cases, goods may be leased under the same rules (subject to the LA's leasing regulations).

Laptops

If schools wish to purchase laptops, recover VAT on their purchase and then sell them VAT free to their pupils, they need to comply with the sales to pupils rules above.

In addition, HMRC have made it clear that laptops can only be sold to pupils VAT-free if the machine is going to be **used by the pupil in lessons** as a **necessary part of receiving tuition from a teacher**. The practical upshot of this is that pupils will have to **bring the laptop to school** (which could have security implications for both the school and the pupil). It is **not enough** for the pupil to use the laptop at home for homework and bring a memory stick into school.

Musical Instruments

As well as the general sales to pupils rules above, HMRC have made it clear that schools can only purchase musical instruments for resale to pupils VAT-free if the instrument will be used under the **direct supervision of a LA teacher**. This means that the pupil will have to either transport the instrument into class, or the LA teacher will have to deliver the tuition from another location. Pupils cannot purchase instruments that will be kept at home and then receive tuition on a similar instrument in class. This is obviously going to rule out pupils being able to purchase large bulky instruments such as pianos and drum kits that will be kept at home unless the LA teacher actually teaches the pupil in their own home.

16.11.6 Sales to Pupils that are NOT closely related to Education

Clothing

HMRC **do not consider** the sale of school uniforms or the sale of sports clothing to be closely related to education. However, HMRC does accept that protective equipment with a specific safety aspect, which may include some sports clothing, could be necessary for educational purposes and therefore satisfies the qualifying conditions. In particular, they mention aprons, overalls, protective headgear, gum/teeth protectors and shin pads. Note, however, that HMRC specifically excludes footwear in this category. There are also 'grey areas' like the sale of 'drink bottles' where the link to education is a bit tenuous. If you are not sure whether your sales fit the criteria for VAT avoidance, contact the VAT Officer via the Finance Enquiry Service (FES) for advice.

Goods that are not closely related to education should be bought and sold through the school's private funds. You will be unable to recover any VAT you are charged on the purchase of the goods, but you do not have to declare VAT on the subsequent sale.

Gifts to Pupils

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VAT is recoverable, if charged, on small value items purchased to be given away to children as gifts.

16.11.7 The PTA and Other Private Funds

Chapter 14 of this manual gives guidance on Private Funds.

It is important that you do not mix up income from official County Council funds with income for private funds. Income from official County Council activities such as lettings, private photocopying etc. must be paid into the official school budget and VAT should be declared at the appropriate rate.

You cannot recover VAT on purchases made DIRECT from private funds nor can you recover VAT on invoices paid first through private funds that are then passed to the school for reimbursement from the official BAFS account.

External Contributions and VAT Recovery

PTAs typically raise money for computer and playground equipment as well as end of year 'educational' treats for the children such as school trips to a pantomime. It is quite in order for the PTA to donate the net cost of the supply to the school and for the school to purchase the service through its official funds and recover VAT, providing the following points are observed:

- The net cost of the goods is donated from your private funds to your official funds;
- The purchase is made through the official school budget;
- The school receives the supply;
- The school receives a VAT invoice made out either to the school or to the County Council;
- The school retains ownership of the purchase which is only used for school purposes; and
- Records are kept that will enable you to easily identify the purchase and purpose for which it is made.

Activities that Should be Run through Private Funds

It actually makes sense for schools to run all of their profit making ventures through their private funds because although VAT cannot be recovered on purchases it does not have to be declared on the higher value subsequent sales. Large PTA/private funds may have to be VAT registered (see below). HMRC consider that the following "business activities" should be run through private funds rather than through the official school budget:

- Goods purchased for resale, e.g. badges, uniforms, tea towels, ties, mugs etc.
- Sale of sports clothing
- Income from privately-run tuck shops, drink sales etc.
- Entrance to plays, discos, fireworks etc
- School trips overseas, (for trips in the UK, see s 16.11.8)
- Social Events
- School Photographs

School Photographs

Schools can legitimately operate photograph a/c's through their private funds in order to avoid VAT, i.e. pay income from parents into private funds, write out cheques to photographers direct

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from private funds, and bank commission income into private funds. But if you **choose** to pay photograph income direct into your school budget you have to account for VAT.

Activities that should NOT be run through private Funds

Income and expenditure from **letting property** must be dealt with through the official BAFS account because, for VAT purposes, any supply in relation to land and property can only be made by the owner of that property, which in this case is the County Council.

VAT Registration of Private Funds

If your school's private funds, in total, have a large BUSINESS TURNOVER you may have to register the fund for VAT.

The VAT registration threshold is currently £85,000, and registration is required where either:

- at the end of any month the total value of taxable supplies in the past 12 months exceeds £85,000, or
- taxable supplies exceeding £85,000 have been made in a period of less than 12 months.

The following items of income need to be included when calculating whether or not you will need to register for VAT:

- book club commission;
- profit on school holidays (not educational visits);
- sale of equipment and clothing (excluding "in-class" sales of educational or musical equipment);
- tuck shop sales;
- school magazine sales;
- admission to shows, discos, concerts, plays and quiz nights plus any subsequent commission and refreshment income;
- school shop sales; and
- fund raising from galas, fetes, etc.

You can be fined for late VAT registrations so do consult your private fund auditors for advice if you are concerned.

Note: If you have several separate private funds, you must add them together when calculating business turnover.

16.11.8 School Trips

If the trip is "educational", "output tax" (see s 16.1 for definition) is not chargeable to the pupil/parent but "input tax" (see s 16.1 for definition) can be recovered from HMRC.

To be classed as an "educational" school trip, the event must be supplied to its own pupils, and must be deemed as a necessary adjunct to the curriculum which is documented at the LA school.

Schools need to be able to justify their decision that the trip is of an educational nature. And all necessary documentation needs to be held, e.g. invoices from bus companies, etc.

In order to facilitate the recovery of "input tax", the expenditure **and** income for the trip must be processed directly through the official BAFS account. Alternatively, schools may wish to

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administer visits through the Private Fund – again both the expenditure **and** income must be processed through the Private Fund.

If a school trip is **not** deemed to be “educational”, VAT need not be charged to the pupil/parent **but** VAT on any expenditure associated with the trip **cannot** be recovered.

If VAT is recoverable, trips should be run through the official BAFS account.

VAT is not recoverable on **overseas trips** and so should be run through private funds.

Invoices for School Trips

There are two ways that tour operators / booking agents can treat a supply:

- (i) One being where the tour operator / booking agent’s operations fall within the Tour Operator’s Margin Scheme. This is where the accommodation is supplied by the hotel to the tour operator (and the tour operator is responsible for recovering the VAT), and is then re-supplied from the tour operator to the school without VAT.
- (ii) The other way is where the tour operator / booking agent is acting as a ‘disclosed agent’. This is where the tour operator / booking agent books the hotel on the school’s behalf, in the school’s name, and so it is then the school that is responsible for recovering the VAT.

Therefore, **prior to booking a school trip**, confirmation should be sought as to whether the price quoted includes recoverable VAT (as in (ii) above), or whether the provider is within the Tour Operator’s Margin Scheme (as in (i) above).

If the component parts of an “educational” school trips are booked directly with individual businesses, schools will receive VAT invoices for the taxable elements of the trip such as accommodation, entry to parks and events. And the school can recover VAT on these invoices.

The Tour Operator’s Margin Scheme (TOMS) Explained

TOMS is a special VAT accounting scheme applying to certain designated travel supplies such as accommodation and transport that are bought in and sold on by a tour operator / hotel booking agent.

If the tour operator’s operations fall within the Tour Operator’s Margin Scheme they will not be able to issue VAT invoices, which means there will be no VAT for the school to recover. The tour operator will issue invoices which identify the services as TOMS services, and they may add on a surcharge. Schools must be careful not to process the invoices as VAT invoices, and not to recover the surcharge as if it were VAT.

The Youth Hostel Association (YHA) and PGL do not fall within TOMS and so will continue to issue VAT invoices so enabling schools to reclaim VAT on the cost of trips taken with them.

The ‘disclosed agent’ scheme Explained

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Under the 'disclosed agent' arrangement, tour operators / hotel booking agents book accommodation on the school's behalf, in the school's name, and so it is then the school that is responsible for recovering the VAT.

HMRC have agreed the following arrangements for tour operators / hotel booking agents acting as a 'disclosed agent':

- Invoices from hotels will be addressed c/o the hotel booking agent for payment. (This is to indicate that the invoice has been issued to the hotel booking agent in its capacity as an agent.)
- The booking field on the hotel invoice will identify the hotel guest, their employer and will ideally carry a unique reference number.
- The hotel booking agent will arrange for payment of the invoice(s) but will not recover the input tax thereon.
- The hotel booking agent will send the customer (school) a payment request/statement of the expenditure incurred by the hotel booking agent on its behalf, separately identifying the value of its supplies, VAT, etc.
- The payment request/statement should say something along the lines of 'The VAT shown is your input tax which can be reclaimed subject to the normal rules'.
- The customer (school) will use the payment request/statement as a basis for their input tax reclaim.
- The hotel booking agent will retain the original hotel invoices and these will be made available if evidence of entitlement is required by VAT staff.
- The hotel booking agent will send a VAT invoice for its own services, plus the VAT. This may be consolidated with the statement of hotel charges, or it can be a separate document.
- The hotel booking agent will charge its client (the school) the exact amount charged by the supplier, as a disbursement.

16.11.9 Capital Works and Refurbishments – Income Generating Facilities

Schools are advised to contact the VAT Officer via the Finance Enquiry Service (FES) as early as possible if they are thinking of building/refurbishing any facilities that could then be used to generate income, e.g. Sports halls, theatre/arts suites, early years/pre-school buildings - anything that could attract income from rents, hire, lettings, fees or joint use agreements.

It is vital that these schemes are properly managed for VAT purposes. If they are not, the potential VAT loss for the school and for the Local Authority can be huge.

If you are employing external consultants don't assume that they are VAT experts. Most do not understand the complex rules that govern Local Authority VAT.

16.12 Academy Schools and VAT

The charges for the supply of goods and services between North Yorkshire County Council schools can be treated as outside the scope of VAT because both parties are part of the same VAT registered body.

However, Academy schools are independent from the local authority. Therefore, if you make any supplies of goods/services to an Academy school you have to consider whether or not to charge VAT. Academies are permitted to recover the VAT incurred on purchases, imports and

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acquisitions which relate to their non-business activities. Therefore, the same VAT treatment applies to academies as it does to local authority maintained schools.

An academy does not have to be VAT registered unless its taxable turnover exceeds the registration threshold which, at present, is £85k per annum. However, it can register voluntarily which would make the recovery of non-business VAT easier administratively.

Further information can be found on the HMRC website.

16.13 Timescales for Accounting for VAT

The County Council has to account for VAT on income as soon as it is received. Schools should input VATable income into their system as soon as possible after it is received. It will then show as output tax on your VAT return.

It is similar for 'input tax' on invoices paid. Whilst it is important not to recover VAT before the tax point date, it is equally as important to recover VAT within prescribed timescales. You should normally reclaim input tax on the VAT return for the period during which the supplier's tax point occurred.

If you are unable to claim input tax in the proper period because you have not yet received the necessary evidence, you can claim it on a return for a later period, provided you make that return within 3 years of the date that the return for the proper period was due to be made.

16.14 'E' VAT Returns

VAT returns should be produced as soon as possible after the date shown in the schedule provided by Finance at the start of the financial year. This will ensure any VAT due to your school is refunded to the BAFS account promptly.

Nil VAT returns are also required.

For advice or support on producing the 'e' VAT returns please contact the FMS Helpline on 01609 798838.

16.15 HMRC Penalties

HMRC have new powers to impose penalties where, in their view, errors have occurred due to carelessness (or failure to take reasonable care). Although HMRC have not published a definition of "reasonable care", situations that HMRC may deem deserving of a penalty could be:

- Where it is discovered that VAT has been recovered inappropriately;
- Where it is discovered that VAT has not been declared when it was appropriate to do so;
- Where VAT is not accounted for in the correct period. (After set off of input and output tax schools are normally in a repayment situation. In this respect it would appear that HMRC would benefit if your school return is late as they are able to hold on to your refund for longer. Unfortunately, HMRC do not see it this way and their view is that there is still a requirement to pay over any output tax due, on time, even if the input tax refund far outweighs the output tax paid over. Penalties arising from claims made in the wrong period can be avoided by ensuring that all VAT claims are submitted on time

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each month.) All schools should ensure that any income received is banked as soon as possible after receipt.

Please note that as there is no central budget to meet the costs of penalties, any penalties incurred will be charged to the budget of the school responsible.

16.16 Retaining Documentation

Documentation must be retained for six financial years plus the current year for VAT purposes. This includes invoices and any supporting documentation.

16.17 Other Taxes Not to be Confused with VAT

16.17.1 Climate Change Levy

Climate Change Levy is a separate tax chargeable on the business use of energy and should not be coded as VAT.

Foundation, VA and VC schools can avoid paying Climate Change Levy on gas and electricity. These schools should send VAT exemption certificates to their suppliers so that VAT is charged at 5% and CCL is not charged at all. A new certificate has to be completed whenever you change your energy supplier. Blank certificates can be obtained on request from the Finance Enquiry Service (FES).

16.17.2 Insurance Premium Tax

Insurance is subject to Insurance Premium tax (IPT). This is a separate tax to VAT and should not be coded as VAT.

16.18 Voluntary Aided Schools and VAT Recovery

16.18.1 Introduction

16.18.1.1 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.

16.18.1.2 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.

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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.

16.18.1.3 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 cannot be recovered on such expenditure**.

16.18.2 **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.

16.18.2.1 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**. Section 16.18.10 gives some examples of how commonly incurred premises expenditure is generally treated.

16.18.2.2 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, iPads etc.

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

Premises (GB Responsibility)	Non-Premises (LA Responsibility)
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<p>Note: VA Schools are allowed to use capital grant funding to pay for ICT equipment, but VAT will not then be recoverable</p>	
<p>ICT</p> <ul style="list-style-type: none"> • Building of ICT Suite – including construction works and all equipment, furniture and 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 of an ICT Suite) • Laptops, iPads and other “hand held” equipment used in the classroom* • Laptop trolleys (storage / connection facilities) • Electronic tills and biometric identification scanning devices
<p><i>All of the above are not part of premises as they are removable and available for use elsewhere.</i></p> <p><i>* VAT recoverability on such items used by teachers is as non-VA schools.</i></p>	

16.18.2.3 De minimis limit

There are 3 de minimis limits, as follows:

SSFA states that a de minimis limit can be set by the Governing Body of a VA school in accordance with a generally recognised published code. Expenditure within these limits is **not** the responsibility of the Governing Body.

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.

The Capital Expenditure in respect of voluntary aided schools regulations (CEVA) states 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 s 16.18.10 for examples of how commonly-incurred premises expenditure is generally treated.

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.

16.18.3 **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)

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- 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 (as stated in the SSFA)
- (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

16.18.4 VAT Recovery on Expenditure for VA schools

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. In these arrangements, the GB is responsible for the entire expenditure and receives the whole supply (whether or not paid from the delegated budget). Thus, any VAT incurred on the supply is incurred by the GB, not the LA.

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. As described in s6.1 of CAT notice 749, 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.

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The tables of examples (in s 16.18.5 and 16.18.6), and the [flowchart](#) (in s 16.18.7) 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 are advised to contact the Finance Enquiry Service (FES).

16.18.5 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 organisations 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 VAT Notice 701/30 and/or para 6.3 VAT Notice 749 (LA contracts for, pays for, retains ownership etc) <p>(HMRC Internal Guidance VATGPB7550 and VATEDU65750) are met, LA may recover VAT under s33.</p> <p>This will not be possible where the donated funds are used by LA to pay for works that are the GB's responsibility* 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 VAT Notice 749 para 6.1 - 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 VAT rules.</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.

16.18.6 Examples when VAT would NOT be recoverable by LA under s33

	Example	Comments
1	Where expenditure is met from 90% DfE funding (e.g. Devolved Formula Capital).	This grant is awarded and belongs to the Governing Body for spending on GB

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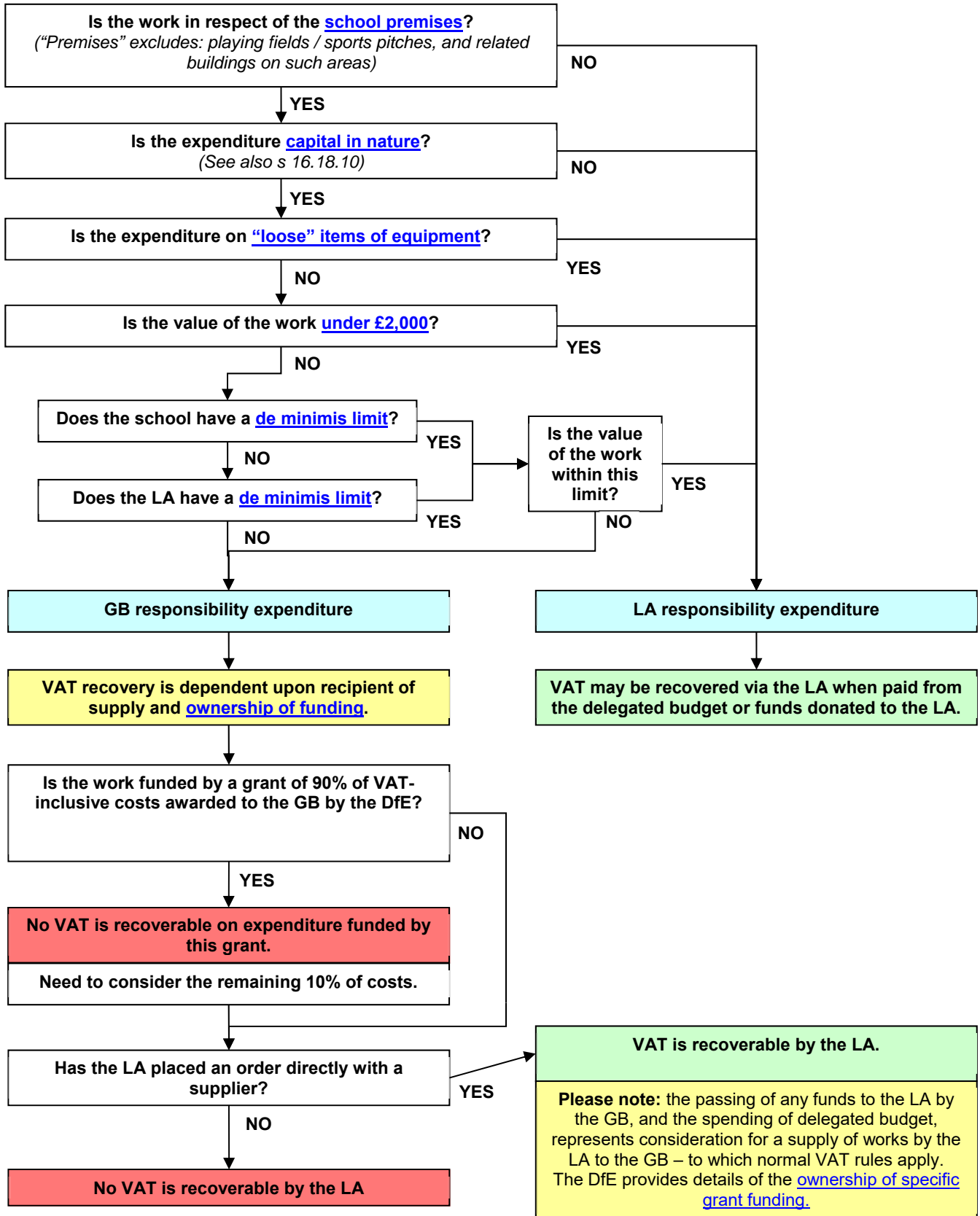
		responsibility works. It is calculated to include irrecoverable VAT costs.
2	Where remaining 10% is met directly from GBs' fund raising or delegated budget funding.	S49(6)(b) SSFA specifically excludes GBs from acting as LA's agent when they use delegated budget to pay for works that are their responsibility
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 6.1 of VAT Notice 749), then supply is not to LA.
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. • Government grant awarded to the GB rather than the LA. 	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.

16.18.7 Flowchart for determining VAT recovery in LA Schools

A flowchart detailing the determination of VAT recovery is shown on the next page.

This is taken from VATGPB7570.

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16.18.8 Insurance arrangements for VA schools in relation to VAT recovery

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 recover VAT on these works.

16.18.9 Ownership of grant funding recovery Schools Expenditure

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) (flows through LA until 31st March 2020, then going directly to the Dioceses to manage)	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.
School Condition	LA	To upgrade and build new buildings and facilities in line with priorities in the local asset management plan.
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.

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Special Provision Capital Fund	LA	To enable LAs to invest in improving the quality and range of provision for children and young people with SEN and disabilities aged 0 - 25. It is intended for children and young people with Education, Health and Care plans for whom the LA is responsible.
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16.18.10 Examples of Capital / Revenue Expenditure

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, roof-lights/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.	

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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/mat-wells. Maintenance e.g. re-varnishing wooden floors.

Capital	Revenue
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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.

Masonry Chimneys

Structure	
Jointing including expansion and mortar joints/pointing/DPC	Repair/repointing

Internal Walls

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Solid walls - complete including various internal finishes, linings and decorations	Repairs and redecoration to internal plaster/linings, pin boards, etc.
Partitions - complete structure including linings, framing, glazing, decoration, etc.	Repairs and redecoration
Refurbishment and alterations	Minor alterations
Glazing to meet statutory Health and Safety requirements	Replacement of broken glass

Capital	Revenue
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Sanitary Services

In new buildings provision of all toilet fittings, waste plumbing and internal drainage.	Repair/replacement of damaged sanitary ware, fittings, waste plumbing, etc.
Large scale toilet refurbishment	Small areas of refurbishment
Provision of disabled facilities and facilities related to pupils with statements	Repair/replacement of damaged fittings, waste plumbing etc.
Kitchens in new buildings, complete with fittings, waste plumbing and internal drainage. Internal finishes and decorations. General refurbishment. Large and costly items of equipment.	Maintenance of kitchen to requirements of local authority. Cleaning out drainage systems Redecoration Repairs/replacement parts.

Mechanical Services

Complete heating and hot water systems to new projects, including fuel, storage, controls, distribution, flues, etc.	General maintenance of all boiler house plant including replacement of defective parts. Regular cleaning. Energy saving projects.
Safe removal of old/damaged asbestos boiler and pipework insulation, where risk to Health and Safety.	Monitoring systems Health and safety issues
Planned replacement of old boiler/controls systems past the end of their useful life.	Replacement of defective parts
Emergency replacement of boiler plant/systems	
Provision of cold water services, storage tanks, distribution, boosters, hose reels etc. in major projects.	Maintenance and repair/replacement of defective parts such as servicing pipes. Annual servicing of cold water tanks.
Gas distribution on new and major refurbishments, terminal units	Repairs, maintenance and gas safety All servicing
Mechanical ventilation/air conditioning to major projects.	Provision of local ventilation. Repair / replacement of defective systems / units.
Swimming pool plant and its complete installation, including heat recovery systems	Repair/replacement of parts to plant, pumps and controls. Water treatment equipment and all distribution pipework. Simple heat recovery systems.

Electrical Services

Main switchgear and distribution in major projects	Testing/replacement of distribution boards. The repair and maintenance of all switchgear and interconnecting cables including that in temporary buildings.
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Control gear, distribution, fixed equipment, protection, etc.	All testing, repair and replacement of small items of equipment
Provision of luminaries and emergency lighting	Replacement of luminaries, all testing, adjustments and improvements to emergency lighting.
Lightning protection in new build.	Repair/replacement
Alarm systems, CCTV, lifts/hoists, etc	Repair and maintenance
New installation of communication systems, radio/TV, call, telephone, data transmission, IT etc. and provision in new build	Repair/replacement/maintenance, including all door access systems

Capital	Revenue
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External Works

Provision of new roads, car parks, paths, courts, terraces, play pitches, steps and handrails, as part of major project, including disabled access	Maintenance and repair Car park and playground markings
Provision of walls, fencing, gates and ancillary buildings as part of major project	Maintenance and repair of all perimeter/boundary/retaining walls, fencing and gates.
Drains, soakaways, inspection chambers and sewage plant as part of new projects	Maintenance and repair of drains, gullies, grease traps and manholes between buildings and main sewers. Cleaning of the above and unblocking as necessary.
Open air pools - structure, hygiene/safety in new build	Hygiene, cleaning, maintenance and repairs, including replacement parts. Simple energy saving systems
Services distribution - heating mains, gas mains, water mains, electricity mains, renewal of any of the above	Annual servicing.

16.19 Queries on VAT Matters

Any queries on VAT matters should be directed in the first instance to The Finance Enquiry Service (FES) on 01609 797601, or by using the form on the cyps.info site.

VAT CLASSIFICATIONS OF INCOME BY TYPE

	Type of Output	Category
B.	Boarding Charges (see “Fees and Charges”, course fees)	
C.	Catering	
	<p>Meals to pupils and students supplied by the Local Authority or its agents in its schools and colleges.</p> <p>Meals for staff and visitors.</p> <p>NOTE: Distinction between “supplies of catering” and “taxable food”:</p> <p>“Supplies of catering” for the purpose of these guidelines can be taken to include meals of a traditional nature, prepared snacks, sandwiches, pies, pastries, pizzas, salads, soup, tea, coffee, buns, cakes and similar items not included in the “taxable foods” listed below.</p> <p>“Taxable foods” - ice cream, ice lollies and similar frozen products; chocolates, sweets and similar confectionery; chocolate biscuits and similar products; soft drinks; potato crisps, popcorn and similar savoury products; salted and roasted nuts.</p> <p>Sales to pupils and students at cafeterias, snack bars, tuck shops and similar outlets run by a Local Authority:</p> <ul style="list-style-type: none"> - Supplies of catering (as described above). - Supplies of Taxable Foods may be treated as outside the scope provided that supplies of catering predominate at that outlet. - Supplies of food and drink made by VENDING MACHINES in cafeterias, snack bars etc should be treated as part of the overall supplies made by the outlet. Thus, any “supplies of catering” may be treated as outside the scope but supplies of “taxable foods” must be treated in accordance with the criterion set out above. <p>Food and Drink Sold from the Vending Machines:</p> <ul style="list-style-type: none"> - Vending Machines situated in snack bars, cafeterias, etc (see above). - Vending Machines otherwise sited: <ul style="list-style-type: none"> - supplies of catering to pupils and students - supplies of taxable foods - supplies to the general public. <p>Sales of food and drink to STAFF and VISITORS</p> <p>Sales of food and drink to the GENERAL PUBLIC</p> <p>Catering and other services supplied to staff in residential establishments and paid for on a “pay as you go” basis or by direct deductions from salary.</p>	<p>Outside Scope</p> <p>Standard Rated</p> <p>Outside Scope</p> <p>Outside Scope</p> <p>Standard Rated</p> <p>Standard Rated</p> <p>Standard Rated</p>
	Classroom sales (see “Sales”, sales of student’s work)	
	Clothing (see “Sales”) (This should be processed through the school’s private funds.)	
	Contributions from insurance companies	Outside Scope

VAT CLASSIFICATIONS OF INCOME BY TYPE

	Type of Output	Category
	Cookery Sales (see "Sales")	
	Copying Charges	Standard Rated
	Course Fees (see "Fees and Charges")	
D.	Damages from contractors	Outside Scope
	Day nurseries and playgroups	Outside Scope
	Donations which are not consideration for any supply of goods or services	Outside Scope
E.	Equipment Hire (may vary dependant on type of equipment)	Standard Rate
	Equipment Sales (see "Sales")	
F.	Fees and Charges	
	Car Parking	Standard Rated
	Caravanning or Camping	Standard Rated
	Course Fees:	
	- Adult Education Fees	<div style="display: flex; align-items: center;"> <div style="font-size: 3em; margin-right: 10px;">}</div> <div>Exempt</div> </div>
	- Outdoor Education Centre Fees	
	- Further Education Fees	
	- Higher Education Fees	
	- Trade, Professional and Vocational Courses	
	- Boarding charges in connection with the above courses	
	Enrolment Fees	Outside Scope
	Examination Fees	Outside Scope
	Fax facility charges	Standard Rated
	Hire charges for equipment	Standard Rated
	Lettings (see s 16.11.1)	
	Photocopying charges	Standard Rated
	Postage and packing	Standard Rated
	Private telephone calls (including coin-box income)	Standard Rated
	Refunds of examination fees	Outside Scope
	School Photographs commission. (This should be processed through the school fund account.) see s 16.11.7)	
	Services of Teachers	Outside Scope
	Supply of Teachers:	
	- Supply to compact initiatives	Outside Scope
	- Release of teachers to exam boards	Outside Scope
	- Supply of teachers under a mentorship scheme	Outside Scope
	- Preparation of statements for special needs pupils	Outside Scope

VAT CLASSIFICATIONS OF INCOME BY TYPE

	Type of Output	Category
	- Provision of information.	Outside Scope
	- Assessment and administration of complaints relating to the National Curriculum	Outside Scope
	- Supply of teachers to another education establishment	Exempt
	- Provision of examination services to non-LA maintained schools	Exempt
	- School inspections: - to a school or local authority	Exempt
	- to OFSTED	Standard Rated
	Telephone coin-box income	Standard Rated
	Telephones - private call charges	Standard Rated
	Vehicles (depends on size/type of vehicle)	
	Wayleaves	Exempt
	Field Trips (see School Trips s 16.11.8)	
	Flowers	Standard Rated
	Food and Drink (see "catering")	
G.	Grants - An official grant received from Government / quasi-official organisation / other organisations is normally outside the scope of VAT because in most cases NYCC will not have made a supply of goods or services to the grantor in order to receive it. BUT certain RESEARCH GRANTS may be taxable - see Research.	
H.	Hire charges for equipment	Standard Rated
	Horticultural produce	Standard Rated
	Holiday Clubs	Standard Rated
L.	Lettings (see s 16.11.1)	
M.	Materials (see "sales")	
	Meals (see "catering")	
	Milk sales to pupils (see "sales") - for EEC subsidy (see "grants")	
O.	Organised school visits (see s 16.11.8)	
	Outdoor Education Centre courses (see "Fees and Charges")	
P.	Parking facilities in garages, other buildings and open spaces (including off-street parking meters) other than those supplied with local authority domestic accommodation.	Standard Rated
	Photocopying charges	Standard Rated
	Plant sales	Standard Rated
R.	Rents usually exempt but staff accommodation outside the scope. (see s 16.11.1)	

VAT CLASSIFICATIONS OF INCOME BY TYPE

	Type of Output	Category
	Research:	
	Commissioned research provided otherwise than for profit and of a kind provided by a school or university.	Exempt
	Commissioned research of a kind provided by a school or university at above full cost including overheads.	Standard Rated
	Commissioned research not of a kind provided by a school or university.	Standard Rated
	Research funded by rates, grants or donations.	Outside Scope
	Restaurant income (see “catering”)	
S.	Sales of:	
	Beverages (see “catering”)	
	Booklets	Zero Rated
	Cars	Standard Rated
	Clothing and uniforms (except to young children, which are zero rated)	Standard Rated
	Confectionery (see “catering”)	
	Cookery (see “sale of student’s work”)	
	Drinks (see “catering”)	
	Equipment	Standard Rated
	Food (see “catering”)	
	Garden produce (edible)	Zero Rated
	Handicrafts (see “sale of student’s work”)	
	Horticultural produce (flowers, plants etc)	Standard Rated
	Kitchen waste for animal feeding (swill)	Zero Rated
	Laptops (see s 16.11.5)	
	Materials (see “sale of student’s work”)	
	Meals (see “catering”)	
	Milk to pupils	Outside Scope
	Musical Instruments (see s 16.11.5)	
	Pamphlets	Zero Rated
	Photocopies	Standard Rated
	Photographs (see s 16.11.7)	
	Publications	Zero Rated
	Sale of Student’s work from classes:	
	- If sold to students at cost of materials	Outside Scope
	- Taxable at the appropriate rate in other cases	Standard or Zero Rated
	Sanitary towels	Reduced Rate

VAT CLASSIFICATIONS OF INCOME BY TYPE

	Type of Output	Category
	School Photographs (see s 16.11.7)	
	School Trips (see s 16.11.8)	
	Scrap	Standard Rated
	Second hand goods	Standard Rated
	Uniforms and sports clothing (except to young children, which are Zero Rated)	Standard Rated
	Vehicles	Standard Rated
	Waste paper	Standard Rated
	Secondment of non-teaching staff including secondments to Government Departments	Standard Rated
	Staff accommodation rent	Outside Scope
T.	Teaching in prisons (Education of a kind provided by a school or university.)	Exempt
	Telephones – private call charges	Standard Rated
U.	Uniforms (see “sales”). (This should be processed through the school’s private funds.)	
V.	Vehicles	Standard Rated