

# Intro to VAT presentation

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(March 2020 version)

# Purpose

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- To explain/discuss main VAT issues for the University of Worcester
- To identify risks and opportunities

# Content

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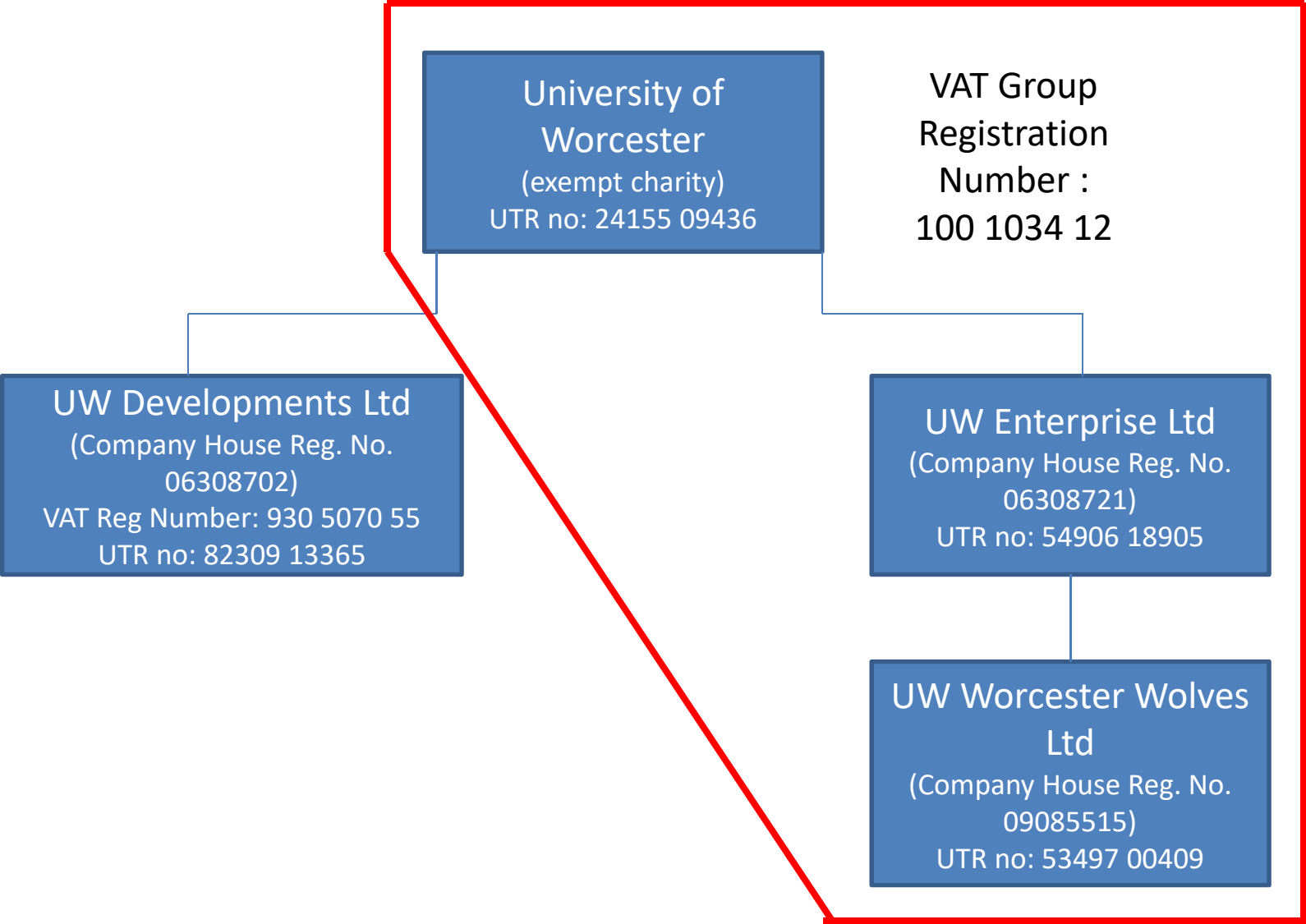
- Background
- VAT and Income
- Partial exemption
- VAT and expenditure
- What next?

# Background

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# Group Corporate Structure



# What is VAT?



Tree cutter sells wood to furniture factory

Net price	£50
VAT	£10

HMRC receive £10

Furniture factory makes chair and sells it to furniture shop

Net price	£100
VAT	£20
Pays	£20
Reclaims	(£10)

HMRC receive £10

Furniture factory sells chair

Net price	£200
VAT	£40
Pays	£40
Reclaims	(£20)

HMRC receive £20

# VAT and Income

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VAT is due on:

- A taxable supply of goods or services
- Made by a taxable person
- In the course or furtherance of business
- In the UK

# VAT and Income

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- Standard rate – 20% (e.g. stationery)
- Reduced rate – 5% (e.g. domestic fuel and power)
- Zero rate – 0% (e.g. books)
  
- Exempt (e.g. tuition fees)
- Non-business (e.g. grants)

To determine liability – look at WHAT is being supplied, WHO is it being supplied to, WHO is it supplied by



Is there a difference between zero rate, exempt and non business?

- Yes!
- Zero rate = taxable supply – VAT reclaimable on costs
- Exempt/non business = NOT a taxable supply – VAT not reclaimable on costs

# VAT and Income

Liability	Rate	VAT recoverable?
Standard rate	20%	Yes
Reduced rate	5%	Yes
Zero rate	0%	Yes
Exempt	-	No
Non-business	-	No

# VAT and Income

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Our main activity = Education = exempt from VAT when supplied by an eligible body

Exemption also applies to

- Supplies closely related to education
- Examination services

We are going to consider

- what is education?
- what is an eligible body?
- what are closely related supplies?

What is education?

- Undergraduates
- Postgraduates
- Short courses
- Adult education
- Courses to commercial entities
- Conferences
- Seminars
- Vocational training

Provided that the University of Worcester delivers the education  
(not the subsidies)

What is an eligible body?

- Private or state schools
- Colleges (e.g. sixth form or further education colleges)
- Universities
- Local authority
- Government departments
- Health Authority
- Charity where any surplus from education is reinvested in that education

Plus

- Institutions delivering English as a Foreign language courses (but only in relation to that activity – not other activities)

What are closely related supplies?

- Supplied by an eligible body either
  - to a student, or
  - to another eligible body for use by a student
- where student is receiving a *supply* of education
- Items necessary for delivering the education  
(e.g. accommodation, catering, transport, field trips, car parking)

# VAT and Income



Supply	VAT liability
Car parking staff/visitors	Standard rated
Catering staff/visitors	Standard rated
Conferencing	Mix of standard rate and exempt
Summer letting	Mix of standard rate and exempt
Sporting facilities	Predominantly exempt
The Arena	Mix of standard rate and exempt
Graduation (ticket sales and commission)	Standard rated
Consulting	Standard rated or exempt
Recharges	Have we made a supply? If yes, follows liability of main supply. If not, outside the scope
Nursing uniforms	Exempt
Grants/donations	Non business but beware: is there a supply hidden in the contract?

## Research

- BIG changes for VAT wef 1/8/13 for contracts signed after that date
- Determine VAT liability BEFORE we put application in
- Why? VAT recovery on costs (+/-20% cost baseline)
- If true grant = non business, no VAT recovery
- BUT consider intellectual property – any supply there? If so standard rated, VAT recovery on direct costs
- Indicator of supply = restriction of use of outcome of research



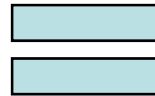
# Partial Exemption

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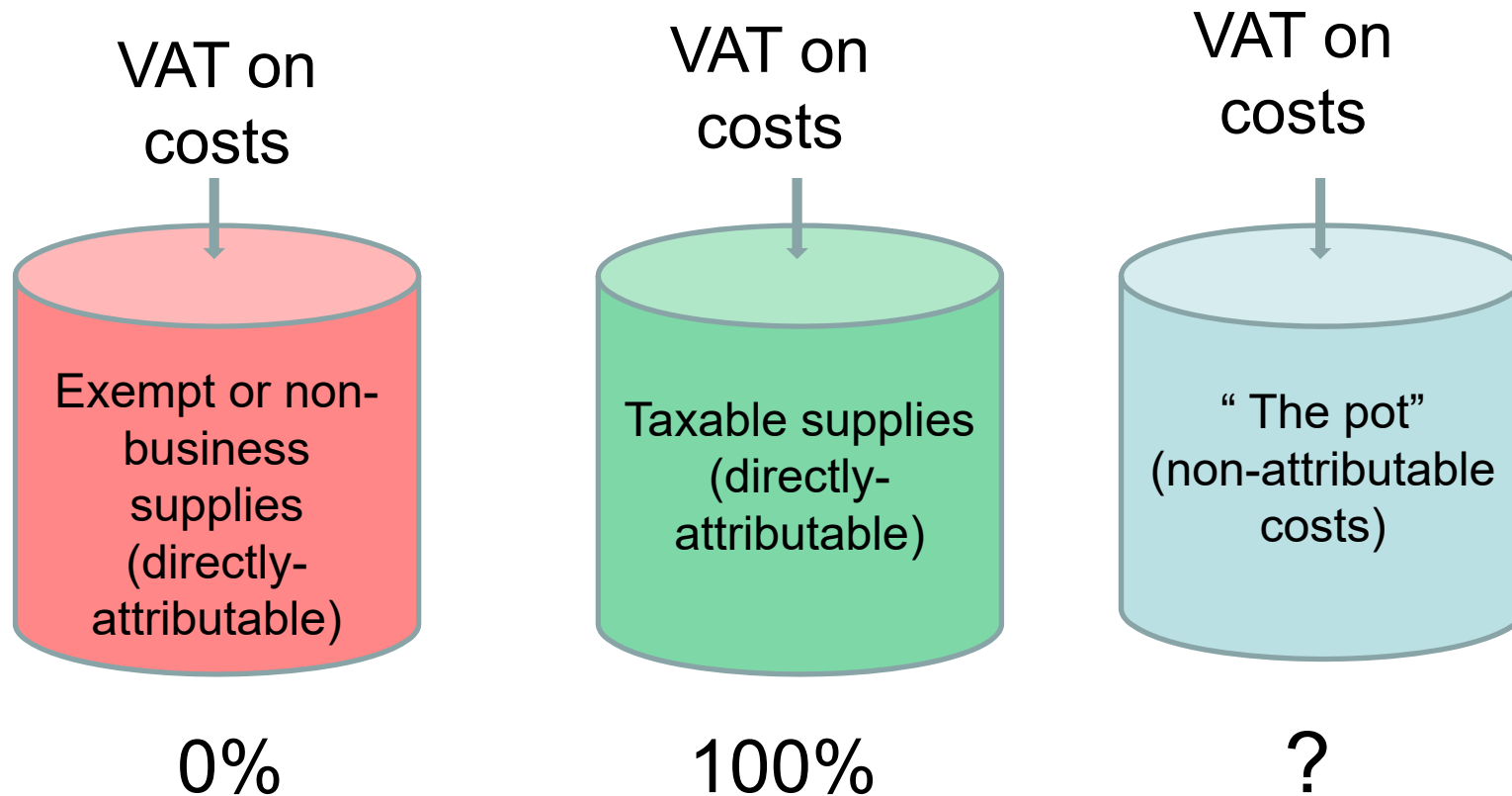
# Partial Exemption

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VAT only recoverable  
If incurred in “course or furtherance of business”  
For **taxable** purposes

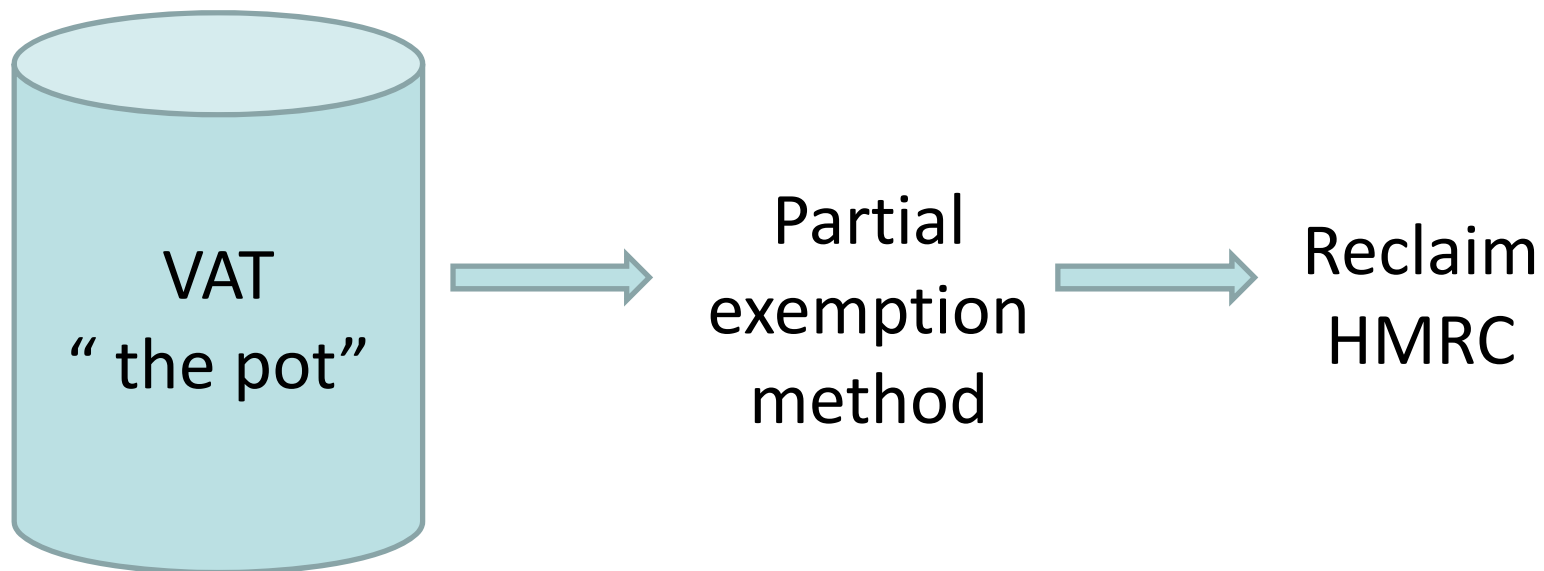
# Partial Exemption



# Partial Exemption

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What VAT can be recovered?



# Partial Exemption

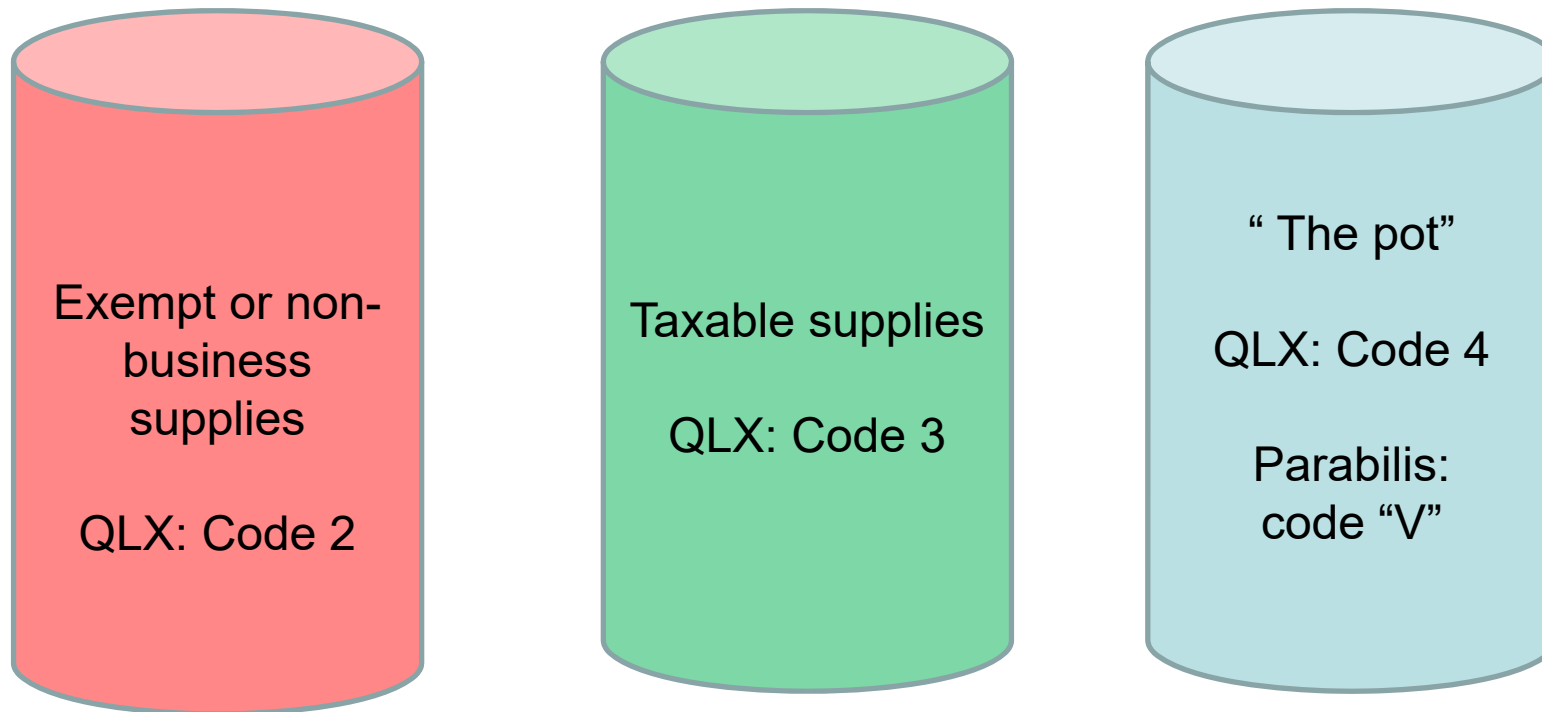
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## Step 1: Identify VAT liability of income streams

- Check: new sources of income
- Check: income categorised and valued properly

# Partial Exemption

## Step 2: Attribute VAT on costs



# Partial Exemption

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Step 3: Calculate recovery of “the pot”

$$\frac{\text{Taxable income}}{\text{Total Income}} = 1.5\%$$

Different calculations for:

- Catering
- NPARU
- Capital items, e.g. Arena, Motion Performance Centre

# VAT and Expenditure

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# VAT and Expenditure

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Evidence for VAT recovery = Tax Invoice OR Authenticated Receipt

- Date of Issue and tax point
- Identifying number
- VAT reg no. of supplier
- Name and address of customer
- Name and address of supplier
- What is being supplied (e.g. quantity of goods, extent of services)
- Net, VAT and gross values
- Rate of VAT

# VAT and Expenditure

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## Zero rated/reduced rate reliefs

### Available to ALL entities

- Books, newspapers etc. in printed format (NOT e-books) (0%)
- Construction of dwellings (0%)
- Some food items – not in the course of catering (0%)
- Public transport costs – bus/train/plane/boat (NOT taxis) (0%)
- Fuel and power in student accommodation (5%)
- Certain energy saving materials (e.g. solar panels) in student accommodation (5%)

# VAT and Expenditure

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## Zero rated/reduced rate reliefs (cont.)

ONLY available to University BECAUSE it is a charity. Certificate required

- Aids and adaptations (0%)
- Advertising on someone else's "time or space" (0%)
- Medical equipment for nursing/paramedic training (0%)
- Medical equipment for use in medical research (0%)

# VAT and expenditure

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- Acquisition tax
- Reverse charge