

VAT POLICY



WHERE LEARNING IS UNSTOPPABLE AND ASPIRATIONS HAVE NO LIMITS

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Registered in England and Wales, Company Number: 10650092

VAT Policy

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1 Background

- 1.1 The purpose of this policy and associated procedures is to ensure that the Orwell Multi-Academy Trust ("the Trust") maintains and develops systems of financial control which conform to the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of the Trust's Funding Agreement with the Department for Education (DfE).
- 1.2 The policy covers all aspects of tax and VAT in relation to the Trust, including the ways these are impacted by its charitable status. This also includes the way costs are classified or apportioned as business / non-business use.
- 1.3 This policy relates to the Trust and all of its academies. Adherence to the principles and procedures contained in this policy is mandatory for all staff.
- 1.4 This policy is designed to be consistent with:
- ESFA Financial Handbook
 - Trust Articles of Association / Constitution
 - Master and Supplemental Funding Agreements
 - HM Treasury's "Regularity, Propriety and Value for Money".
- 1.5 This policy is an appendix to the main Trust Finance Policy.
- 1.6 The requirement for VAT registration is determined by reference to the nature of and total value of goods and services provided by the Trust's business and non-business activities.
- 1.7 The Trust acknowledges that VAT legislation is a complex area requiring careful consideration and that errors can potentially lead to charges of interest and penalties. Detailed information regarding the rules for charging and reclaiming VAT can be obtained from the HMRC website www.hmrc.gov.uk/vat/index.htm or via the HMRC VAT helpline 0845 010 9000.
- 1.8 The Trust's auditors and/or finance service providers may also be contacted for guidance and answers to general and specific queries.

Date Policy approved:		Chair of Trust Governing Body:	Chair of Trust Finance Committee:
Date of next review:		Signed:	Signed:
		Print name:	Print name:

2 VAT Registration

2.1 Registration for VAT purposes is required if the turnover of taxable supplies (i.e. business activities; standard, reduced and zero rated) exceeds a limit determined by HMRC within any twelve month rolling period (£85,000 at April 2017).

2.2 The Trust is not currently registered for VAT.

2.3 The Trust will carry out a monthly check of the total taxable supplies to ensure that turnover limits are not exceeded.

2.4 Where turnover limits are exceeded, the Trust will register for VAT and account for VAT from the date of the requirement to register, in accordance with VAT legislation, even if the Trust has not received a registration number and certificate from HMRC. In such circumstances, the Trust will then review its responsibilities upon receipt of its registration number.

2.5 The Trust has the option to register voluntarily for VAT if taxable supplies are below the set turnover limit. The Trust will then account for VAT from the date of application, in accordance with VAT legislation.

3 Charging VAT

3.1 The Trust is **not** VAT registered and, therefore, VAT must not be added to invoices raised relating to services provided by the Trust or any of the academies within it.

3.2 The Trust has following types of non-business and business income:

Non-Business Income: Outside of scope *(the following list is not exhaustive and should be amended to reflect each individual Academy's supplies)*

- free education
- donations
- grants
- supplies closely related to education at or below cost e.g. School trips considered to be for educational purposes, supplies of materials necessary for the provision of education
- catering / meals for pupils.

Business Income: Taxable *(the following list is not exhaustive and should be amended to reflect each individual Academy's supplies)*

- consultancy services provided to other schools
- school uniform sales
- discos
- school performances and productions not qualifying for cultural exemption
- sports centre / facilities income not directly related to or included in charges for the sports being undertaken
- hire of equipment
- staff and guest meals and other catering
- photocopying and private telephone calls
- school trips not considered to be for educational purposes
- minibus hire.

Business Income: Exempt *(the following list is not exhaustive and should be amended to reflect each individual Academy's supplies)*

- lettings
- charges for educational secondment
- charges for vocational training, e.g. teacher training
- sports centre income directly related to sports service
- school performances and productions qualifying for cultural exemption.

4 School Trips

4.1 The Trust will consider each proposed school trip to determine whether the trip is for educational purposes, designed to supplement the curriculum. Where the Trust determines that a school trip is not for educational purposes the trip will be deemed a taxable business supply falling under the Tour Operators Margin Scheme (TOMS).

5 Paying and reclaiming VAT

5.1 When charged VAT, it will be paid in full by the Trust.

5.2 The Trust is able to recover VAT in relation to costs (inputs) attributable to non-business activities, even though it is not VAT registered.

5.3 VAT cannot be recovered for business activities. Business activities are those activities designed to generate income that are not part of, or closely related to, the free provision of education by the school. Supplies associated with business activities will either be taxable or exempt.

5.4 The Trust will record within its Financial Management System the types of income and costs being incurred and whether these are non-business, taxable business or exempt business supplies.

5.5 Non-Business related VAT will be reclaimed monthly from HMRC using form V126 backed up by a detailed breakdown of the claim, in one single claim for all schools and other entities within the Trust.

A VAT126 / S33B claim will be submitted to HMRC on a *monthly* basis in accordance with the following:

- claims will not include invoices dated earlier than the date of conversion
- VAT returns will not include invoices dated after the period covered by the return
- the Trust has determined that both non-business and business activities are being undertaken. The input tax (costs) relating to these activities will not be fully recoverable. As such, the Trust will need to calculate how much input tax can be reclaimed using a fair and reasonable apportionment method.

6 Apportionment

6.1 Where costs are incurred for both business and non-business activities, the VAT will be apportioned on a fair and reasonable basis.

6.2 The Trust is free to choose a suitable approach to apportionment, which is simple to understand and operate and is consistently applied.

6.3 HMRC will be advised of the apportionments used in each claim (detailed workings are not required).

6.4 Revenue and capital expenditure attributable to both business and non-business activities have been identified and the input VAT apportioned as follows: **EXAMPLE ONLY**

Expenditure	*Basis of apportionment	Proportion attributable to business supplies
<p>Lettings costs:</p> <ul style="list-style-type: none"> Repairs and maintenance Admin supplies Energy costs e.g. electricity 		
<p>Minibus costs:</p> <ul style="list-style-type: none"> Running expenses Admin supplies 		
<p>Catering costs:</p> <ul style="list-style-type: none"> Meal charges Admin supplies 		
Capital costs of construction/ refurbishment		
Audit, legal and professional fees		

*Basis of apportionment

The Trust can decide whether a single basis or combination is used to make a fair apportionment.

Some examples

- floor areas attributable to business and non-business use
- proportion of letting or hire income to total business income
- proportion of business income to total income (GAG and other grants plus total other income)
- number of days / hours attributable to business and non-business use
- staff time
- headcounts

Advice needed by auditors

7 Charitable status

7.1 As a charity, the Trust qualifies for certain zero rating reliefs as described in the VAT guidance for charities and not-for-profit organisations issued by HMRC. Where conditions are met, the Trust will provide suppliers with a certificate of eligibility in order to qualify for the relief.

Examples of the types of supply that **may** qualify for relief are:

- the construction of new buildings intended solely for use for a relevant charitable purpose
- aids and facilities for the disabled
- approved alteration to listed buildings used for charitable purposes.

7.2 Income from fundraising events may be classed as exempt supplies where certain conditions apply and the number of events does not exceed 15 in any year. The Trust will regularly monitor the number of events taking place within each year to ensure that exemption remains appropriate.

7.3 The Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

8 School Staff Acting as Agents when Making Purchases

8.1 If a purchase is made by a member of staff acting as an agent on behalf of the Trust, prior approval must be obtained before the purchase is made. Any purchases made by staff for which reimbursement is required must go through the appropriate authorisation channels before any reimbursement payment is made to staff. All supporting documentation will be filed with the relevant invoice.

9 Accounting for VAT

9.1 The following documentation should be held as evidence to support a VAT claim:

- VAT Submittal Form
- hard copy of original VAT 126 report before any adjustments are made
- valid VAT invoices
- petty cash claim forms and associated receipts and paperwork
- details of income received including sales invoices and listing of direct receipts for which sales invoices have not been raised (the date of receipt will be the tax point)
- details of any apportionment calculations
- copy of any adjustments made
- hard copy of signed submitted VAT126 report after adjustments have been made.