

VAT Guidance

The University VAT number is GB 342 7040 28

Most goods and services are subject to VAT at the default standard rate unless they are specifically excluded from that charge elsewhere in the law by way of reduced-rating, zero-rating, exemption or fall outside the scope of VAT altogether.

Eligible Body Status

- The University is an “eligible body” for VAT purposes under Note 1(b) to Group 6 (Education) of Schedule 9 of the VAT Act 1994.
- As a result of its eligible body status, supplies of education by the University are exempt from VAT.
- This also applies to sales ‘closely related’ to education, referring to goods and services that are:
 - For the use of students; and
 - Necessary for delivering the education to that person

Charitable Status

Whilst there is no general exemption for Charities from the VAT system, it is entitled to receive certain supplies exclusive of, or at a lower rate of VAT, e.g. advertising services including recruitment. Only advertising that is not targeted to a particular person or group of people is eligible for 0% VAT (e.g. Google).

Advertising on social media and subscription websites is 'targeted' at selected individuals or groups because providers use techniques such as tracking or the individual's subscription to reach a specific audience (e.g. Facebook as it requires a log in).

Claim Back

The university can only claim back VAT on purchases which relate directly to taxable sales. As the majority of costs relate to exempt sales (education) or funding, we are unable to claim back most of the VAT paid. Currently the only taxable sales relate to car parking income and therefore VAT paid on some costs relating to the car park can be reclaimed. Finance can advise on this so that the correct VAT codes are chosen when placing a Purchase Order.

Overseas Transactions

If you are purchasing a service from overseas, VAT is due in the country the service is consumed rather than where the supplier is established. This would normally be the UK and VAT is due to be paid here, not to the supplier. In this instance you are required to provide the University VAT number to the supplier at the time of purchase and we should be invoiced without VAT.

This is called the reverse charge mechanism (no VAT is paid to the overseas supplier but self-charged by the university and paid directly to HMRC). There is still a VAT cost to the university and to the department concerned. The VAT element of the transaction will be charged to your budget at month end once the adjustments are made on the VAT return. It is essential you also consider the VAT when considering your available budget and the required approvals.

Please note that this is not optional and if we receive an invoice with VAT incorrectly charged by an overseas supplier we would ask that you provide the VAT number to the supplier and request a new invoice be issued.

Credit Card Transactions & Payment Requisitions

It is essential to confirm the correct VAT code at the time of payment if using the university credit card or a Payment Requisition and ensure that a VAT receipt or invoice is attached. Order confirmations often do not include enough information for the Finance team to assign the correct VAT code and can therefore not be accepted as backing documentation. If you are unsure please liaise with the supplier before you submit the documentation to Finance.

Pro-forma Invoices

Pro-forma invoices are not tax documents and cannot be used for VAT purposes. If a pro-forma invoice is provided initially to arrange payment it is essential that you request a VAT invoice and forward to Finance as soon as goods have been delivered.

VAT Codes

It is essential that the correct VAT code is chosen when placing on-line Purchase orders. To assist with this, a summary of commonly used categories and applicable VAT codes are below. As there are many different VAT rules this will not cover every scenario and you should contact a member of the Finance team if you are in any doubt.

Vat Code	
VAT 20%	<ul style="list-style-type: none"> • Generally speaking the university pays VAT on purchases at the standard rate of 20%. This includes targeted advertising campaigns not covered by the charity exemption (Facebook)
VAT 5%	<ul style="list-style-type: none"> • Reduced rate of 5% is payable on utility bills at FE sites or others where consumption is below a certain threshold
VAT 0%	<ul style="list-style-type: none"> • Water & sewerage services • Books and other printed materials • Magazines, newspapers • E-books • Coach Travel • Rail Travel • Flights • Group Travel (where supplier part of TOMS system i.e. Study Link) • Cakes and some biscuits • Advertising where charity relief is available (non-targeted). Includes job advertisements • Courier Services to or from outside of the UK
Exempt	<ul style="list-style-type: none"> • Insurance (subject to IPT instead) • Education/Training courses if provided by eligible body. This is normally an exempt charity. If you are unsure if VAT is payable please clarify with the organisation before placing the PO • Rent of premises (where there is no other service included such as catering) • Subscriptions to trade unions, and some professional and other interest bodies (please clarify with the organisation) • Works of art • Bank charges • TV Licences • Occupational Health Services • DBS Checks • Foreign exchange fees • Exam fees • Some membership fees
Out of Scope	<ul style="list-style-type: none"> • Any supplies made by someone who is not a taxable person (not VAT registered) • Statutory charges, i.e. MOT, Council Tax, Jisc statutory subscription • Any transactions where there is no supply made i.e. Bursaries • Late payment charges