
VAT POLICY

(non VAT registered academies)



RAEDWALD
T · R · U · S · T

RATIFIED BY THE TRUST BOARD IN:
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VAT POLICY

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Policy author:	Debbie Spencer
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1. Background and Reasons for Requiring a VAT Policy

The requirement for VAT registration is determined by reference to the nature of and total amount of goods and services provided by Raedwald Trusts' Academies business and non-business activities.

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.

2. Registration

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).

At this time, the Trust *is not* registered for VAT.

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

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.

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 Output VAT on Income

The Trust cannot charge VAT on taxable business supplies.

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

4. Non Business Income: Outside of Scope

Free education

Donations

Grants

Supplies closely related to education at or below cost e.g. School trips, supplies of materials used in the course of, and necessary for, the provision of education
Catering / meals for pupils

5. Business Income: Taxable

School uniform sales
Staff and guest meals and other catering
Photocopying and private telephone calls

6. Business Income: Exempt

Lettings
Charges for educational secondment

7. Reclaiming Input VAT on Expenditure

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

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.

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

A VAT126 / S33B claim will be submitted to HMRC on a monthly basis.

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.

8. Basis of Apportionment of Input VAT Reclaimed on Non-Business and Business Activities

The Trust is free to choose a suitable approach to apportionment which is simple to understand and operate and is consistently applied. HMRC will be advised of the apportionments used in each claim (detailed workings are not required).

The business income of the trust for the year ending 2017/18 is small in percentage terms at approximately 0.29 % of total income. As the schools have to provide heat, water, light & power as part of its statutory obligations to provide education it has been agreed 0.29% is a fair and reasonable basis to apportion VAT for business activities for claims for Raedwald Trust.

Note – Westbridge Academy does generate a small amount of business income for the use of its premises as a polling station, but this has been considered & decided the amount is immaterial.

Going forward the apportionments for all sites will be reviewed annually in the summer term using the business income received/expected during the current financial year and applied from the following September at the start of the new financial/academic year.

9. Charitable Status

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.
- Approved alteration to listed buildings used for charitable purposes
- The placement of an advert on behalf of the charity, including the design or production of the advertisement,
- Aids for the handicapped
- Disabled access
- Disabled bathrooms, washrooms and lavatories
- Sale of donated goods.

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.

10. School Staff Acting as Agents when Making Purchases

If a purchase is made by a member of Trust 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.

11. Documentation to be held as Evidence to Support a Claim

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
- A valid VAT invoice (this can be held in invoices file)
- Staff reimbursement cash claim form 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.