
Schools VAT Manual

This content of this manual is solely for the use and guidance of Kent County Council schools and not for external use.

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Introduction

The purpose of this manual is to provide a basic guide to Value Added Tax as it applies to Kent County Council (KCC) schools.

The rules applying to VAT are set by H M Revenue & Customs (HMRC).and their website provides a range of [useful guides](#).

If you require any further assistance please see the [Financial Support and Planning](#) page on Kelsi or contact:

Schools Financial Services – TEP
schoolsfinancialservices@theeducationpeople.org
03000 415415

Finance Chief Accountant's Team Enquiries - ST
CATenquiriesKCC@kent.gov.uk
03000 421447

Background

VAT is a tax, which is levied on

- the supply of goods and services within the UK
- the import and export of goods to and from other EU countries
- the import of goods into the UK from non-EU Countries

Local authorities provide several services which are also provided by the private sector. Local authorities must charge tax on these services in the same way as their private sector competitors in order to avoid unfair competition.

The importance of correctly accounting for VAT

VAT accounting errors can impact on individual school's budgets as well as KCC as a whole.

It is important that VAT is dealt with correctly in order to ensure that KCC:

- meets its legal requirements
- reclaims the maximum possible amount of VAT
- avoids the penalties arising from incorrect VAT returns.

Penalties incurred due to incorrect handling of VAT will normally be charged to the school responsible for the error.

Incorrectly coded VAT may be charged to school's budgets instead of being charged to the central VAT budget

Schools should contact Schools Financial Services for guidance as soon as they discover any errors or miscoding of VAT.

Registration

Any UK business with an annual taxable turnover of more than £85,000 must register for VAT. A business with a turnover less than £85,000 can register if they wish to.

Every VAT registered company is allocated a unique VAT registration number by HMRC.

Kent County Council's VAT registration number is:

GB 204 2691 91

This number should always be quoted in the above format of GB followed by three groups of characters, rather than as an unbroken set of characters. The "GB" prefix must be included.

This registration number covers all the departments and activities of the County Council, including KCC schools.

For the purposes of VAT registration, the term "business" includes organisations that at first sight would not normally be thought of as businesses. For example, School Voluntary Funds would need to be registered if their taxable turnover exceeded the threshold.

VAT Rates and Indicators

VAT Indicators

VAT indicators are letters that are used to identify the VAT category of each transaction within KCCs accounting systems.

KCC schools use different indicators for expenditure and income.

The current indicators and the VAT rates for which they should be used are as follows: -

Rate	Income	Expenditure
Standard Rate 20%	8	H
Reduced Rate 5%	2	G
Zero Rate	5	Z
Exempt	3	X
Outside the Scope or Non-Business	4	Y
No VAT Reclaim		R
International Business to Business sale and purchase of services	7	W

VAT Rates

Standard Rate

The standard rate of VAT is 20%. This applies to all business transactions where the VAT rules do not specify a different tax treatment.

Some examples of standard rated items are:

- furniture and equipment
- building maintenance
- mobile phones and DVD's
- stationery

Reduced Rate

Certain supplies are subject to a reduced rate of 5% VAT.

Some examples of reduced rate items are:

- Children's car seats
- Some catering provision during the Covid-19 pandemic
- Some fuel supplies (see below)

Voluntary aided, voluntary controlled, foundation and trust schools are deemed charitable so supplies of fuel will be at the reduced rate.

In other schools, where the usage is below set levels the reduced rate of 5% will also apply. These levels are:

- For gas below 150 therms per month or if measured in kilowatt hours less than 4,397 kilowatt hours per month
- A supply of not more than 2,300 litres of fuel oil gas oil and kerosene in any one day
- For electricity where the supply does not exceed 1,000 kilowatt hours per month.

Zero Rate

VAT legislation provides for certain supplies to be taxed at a rate of zero. (Although no tax is payable on such items they are still regarded as taxable supplies).

Some examples of zero rated items are:

- most food (but not catering and hot "takeaways")
- books and newspapers including e-publications
- young children's clothing and footwear
- passenger transport

Exempt

This category includes the following examples:

- insurance
- certain lettings of land and buildings
- vocational training

Outside the Scope or Non-Business

This category includes the following examples:

- sale of pupils work in class at no more than cost of materials
- statutory licence fees, e.g. TV Licence, MOT test
- donations
- All internal transactions within Kent County Council

A list of [VAT rates for common goods and services](#) is available on the HMRC Website. If you require further guidance please contact Schools Financial Services or the Chief Accountant's Team.

Commercial Services

Supplies made to KCC schools by the commercial services business units that remain part of KCC are 'outside the scope' (indicator Y)

Supplies made to KCC schools by the commercial services units that were converted to external companies are subject to normal business VAT rules.

When to Use the 'R' Indicator

The 'R' indicator should be used for the following types of transactions:

- Payments to non-VAT registered businesses where the supply would be taxable if the supplier were registered.
- Payments where the VAT is not reclaimed because the tax invoice/receipt is invalid and it is uneconomic to pursue the supplier for a valid invoice/receipt (e.g. Non valid till receipts).
- When processing Pro-forma invoices

Please note the 'R' indicator is only for use for expenditure.

'Special' Rates of VAT

Some suppliers may frequently sell a product which consists of standard rated and zero-rated items e.g. a training package consisting of a standard rated DVD, and zero-rated reading material.

In such cases the supplier may reach an agreement with HMRC to apply a "special rate" of VAT to the total price of the package which will give the same amount of VAT as if the standard rate were applied to the taxable element. This explains why you may sometimes encounter strange rates of VAT on invoices.

For coding purposes show a net amount on the coding document which gives the amount of VAT shown on the invoice when the standard rate of 20% is applied and a second line for the balance of the invoice total as zero rated.

Example: Value of goods £100.00, VAT Rate shown 12.6%, VAT amount £12.60

To calculate how much of the charge is subject to VAT:

$(100 / \text{Current VAT Rate}) \times \text{the VAT amount}$

$(100 / 20) \times £12.60 = \underline{£63.00}$

£63.00 will be coded to VAT indicator H, the remainder (£100 - £63 = £37) will be coded to VAT indicator Z

DVD and book pack	63.00	H
DVD and book pack	<u>37.00</u>	Z
Total Net value	100.00	

VAT Invoices

VAT registered suppliers are required by law to provide a valid VAT invoice or receipt to a VAT registered customer, but it is optional to non-VAT registered businesses or individuals.

KCC cannot reclaim VAT that has been charged on invoices that do not comply with HMRC requirements and cannot charge VAT without providing valid VAT invoices or receipts.

Requirements for Valid VAT Invoices

The requirements for valid VAT documents differ depending on whether the invoice total, including VAT, is more or less than £250.

The following table sets out the requirements for valid VAT invoices:

Invoice information	Required on invoice under £250?	Required on invoice of £250 or over?
Unique invoice number that follows on from the previous invoice	Yes	Yes
Supplier's business name and address	Yes	Yes
Supplier's VAT registration number	Yes	Yes
Invoice date	No	Yes
Tax Point date (or 'time of supply') if this is different to the invoice date	Yes	Yes
Customer's name or trading name, and address	No	Yes
Description of the goods or services	Yes (3)	Yes (3)
Total amount excluding VAT	No	Yes
Total amount of VAT	No	Yes
Price per item, excluding VAT	No	Yes (2)
Quantity of each type of item	No	Yes
Rate of any discount per item	No	Yes
Rate of VAT charged per item (if an item is exempt or zero rated it must be made clear)	Yes (1)	Yes
Total amount including VAT	Yes (1)	Yes

Notes to the table above:

(1) Rate of VAT

If the invoice includes items with different VAT rates this must be made clear.

(2) Unit Price

The requirement to include unit price on an invoice applies to countable goods or services. For services the countable element might be an hourly rate or a standard price for the service

If the supply cannot be broken down into countable elements, then the total tax exclusive price will be the unit price. Additionally, the 'unit price' may not need to be

shown at all if it is not normally provided in a particular business sector and is not required by the customer.

(3) Descriptions

The item description must be understandable. This means that product codes alone are not acceptable. Cash and Carry Wholesalers can use a product code system for describing goods, but they must provide their customers with an up to date code list.

Example of a valid VAT invoice over £250:

Office Supplies Ltd Colours House, Southside, London Tel No. 0181 123 4567 Fax No. 0181 123 4566 VAT Reg. No. GB 123 4567 99						
Kent County Council Sessions House, County Hall, Maidstone, Kent.				Invoice No: 60442700 Order No: MA11011603 Account: KCC6542 Tax Point 10 Jan 2014		
INVOICE Sales						
Product Code	Description	Quantity	Unit	Net Unit Price	Amount	VAT %
773905	Correction Fluid	1	Box 10	4.96	4.96	20
226637	Croxley Paper A4	10	Ream	6.01	60.10	20
50046	Colour Folders	1	Box 100	17.42	17.42	20
501522	Clear Pockets	3	Pack 25	3.89	11.67	20
473073	Jiff File	3	Box 50	24.05	72.15	20
745634	Fine Lead Pencil	12	Each	2.03	24.36	20
773778	Pritt Stick	10	Each	0.89	8.90	20
709095	Sketchpad	6	Each	4.20	25.20	20
VAT %				20%		
Amount Excl VAT					224.76	
VAT					44.95	
TOTAL					£269.71	

Valid VAT receipts

The requirements for valid VAT invoices also apply to VAT receipts.

If a till receipt does not meet the HMRC VAT requirements a valid VAT receipt must be requested.

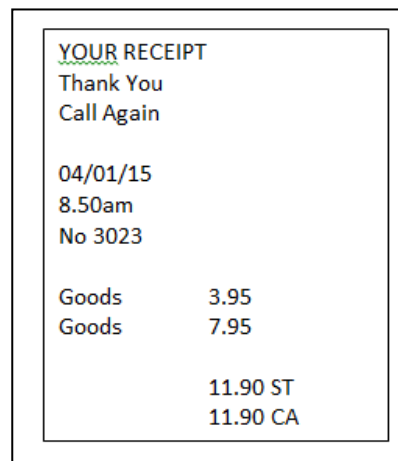
The most common deficiency is that the VAT rate is missing. This can be rectified by asking the person making the sale to write it on the receipt.

An example of a standard letter that could be used to request a valid tax invoice from suppliers is included at Appendix 1.

Example of a Non-valid receipt:

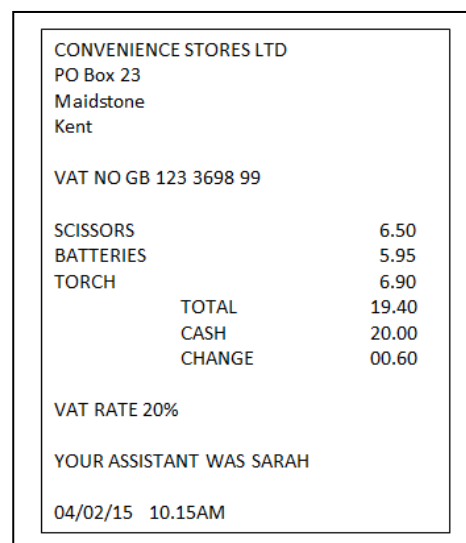
There is insufficient detail to reclaim VAT

VAT Indicator **R** should be used



Example of a valid VAT receipt:

There is sufficient detail to reclaim VAT



Exceptions

The only occasions when you can reclaim VAT without the need for a VAT invoice/receipt are when the value of the transaction including VAT is £25 or less and relates to: -

- telephone calls from public or private telephones
- purchases through coin operated machines (such as identity photographs)
- car parking charges (excluding on street parking)
- a single or return toll charge

However, you must be certain that the supplier is registered for VAT. For example, Dartford Crossing and some other UK tolls are outside the scope of VAT as they are operated on behalf of Highways England

Alterations

The amount of VAT shown on a tax invoice must not be altered.

If the VAT has been miscalculated by less than 20p the error can be ignored. If the error is more than 20p a replacement invoice must be requested from the supplier.

If an invoice has been issued to a customer and it subsequently becomes necessary to amend the amount charged, the original invoice must be cancelled and a replacement invoice raised.

Special schemes

If the transaction involves any of the following types of supply, it must be stated on the invoice:

- supplies subject to a second-hand margin scheme
- supplies subject to the Tour Operations Margin Scheme (TOMS)
- Intra-EU exempt supplies
- Intra-EU reverse charge supplies, and
- Intra-EU zero rated supplies

Copies

Invoices

In general, only original invoices can be used to support a reclaim of VAT. Photocopies are not acceptable to HMRC. However, copies or duplicates certified as such by the supplier can be accepted.

In exceptional cases only, where the supplier will not issue a certified copy or duplicate invoice, you should endorse the copy invoice to that effect and also confirm that the normal copy invoice checks have been carried out.

Receipts

Scanned, photocopied, or photographed receipts are acceptable provided that both sides of the receipt have been captured and the images are clear.

Pro-forma Invoices

VAT must not be recovered on a pro-forma invoice.

A pro-forma invoice should be clearly marked 'This is not a VAT invoice'.

When a pro-forma invoice is processed for payment VAT indicator R should be used.

The supplier on receipt of the payment must issue a proper VAT invoice which will substantiate an adjustment to recover VAT.

It is essential to have a procedure in place to ensure that a valid VAT invoice is received and VAT is recovered.

Discounts for prompt payment

VAT must be calculated on whichever amount is paid; the discounted net amount if the discount is taken or the full amount if the discount is not taken.
 The business that is issuing the invoice can either:

- show the VAT values for discount taken and discount not taken
 or
- invoice for the full amount of VAT and then issue a credit note if early payment is received.

If the supplier takes the second option, the invoice must contain the following information:

- The terms of the prompt payment discount (i.e. the time by which the discounted price must be paid)
 and
- A statement that the customer can only recover as input tax the VAT paid to the supplier.

Example: Value of goods £110.00, Discount for prompt payment £10.00

Coding if discount <u>not</u> taken	Expenditure Code	£110.00	H
	VAT	£22.00	
Coding if discount <u>is</u> taken:	Expenditure Code	£100.00	H
	VAT	£20.00	

VAT inclusive amounts calculation

To calculate the VAT in a VAT inclusive amount,

VAT Rate 20%

- Method 1) Divide the gross value by 120 and multiply by 20
 Method 2) Divide the gross value by 6.

VAT Rate 5%

- Method 1) Divide the gross value by 105 and multiply by 5
 Method 2) Divide the gross value by 21.

Do not calculate the VAT as 20% of the tax inclusive (gross) figure.

Electronic Invoicing

VAT invoices that are received by email can be printed on standard paper and treated in the same way as any other paper invoice.

Purchasing via the internet

Purchases should be made using a corporate card, staff must not use personal debit or credit cards.

The school must ensure that purchases are made in the school's name, as a business customer, and that invoices are addressed to the school; otherwise they may not receive a valid VAT invoice/receipt. *VAT registered suppliers are obliged to provide a valid VAT invoice to a VAT registered customer, but it is optional to non-VAT registered businesses or individuals.*

The receipt and VAT coding rules apply to internet purchases in the same way as any other purchase from UK or overseas suppliers.

Accounting for VAT on income

When dealing with income it is important to correctly identify the VAT status of the transaction.

Invoicing for Income

The requirements for a valid VAT invoice are shown earlier in this document.

If the VAT on an invoice is found to be incorrect after it has been issued, the original should be cancelled and a replacement issued. Alternatively, a VAT credit note can be issued; this must include a reference to the original invoice number and date.

Where invoices are being issued to customers in other countries special rules apply and the Chief Accountant's Team should be consulted.

Tax points

Tax points determine when any tax that KCC has charged its customers must be accounted for to HMRC. There are two types of tax point.

Basic Tax Point

The basic tax point for the supply of goods is the date when they are sent to, or collected by, the customer, or when they become generally available to the customer.

The basic tax point for services is the date on which the performance of the service is completed.

Actual Tax Point

The actual tax point is either the date when the invoice is issued or payment is received, if this is before the basic tax point; or the date when the invoice is issued if after the basic tax point.

The following table summarises which tax point date applies:

Situation	Tax Point
No invoice needed	Date of supply
VAT invoice issued	Date of invoice
VAT invoice issued 15 days or more after the date of supply	Date the supply took place
Payment or invoice issued in advance of supply	Date of payment or invoice (whichever is earlier)
Payment in advance of supply and no VAT invoice issued yet	Date payment received

Although the normal VAT rules require the invoice to be issued no later than 14 days after the basic tax point, local authorities have been granted a concession by HMRC which allows the invoice to be issued up to two months after the basic tax point.

Where there is an ongoing service for which payment is made at predetermined intervals, e.g. quarterly, the tax point is when each payment becomes due (if credit income) or when payment is made (if cash income).

Penalties

If KCC make a return that contains a mistake HMRC will levy a penalty if:

- The error is because we have failed to take reasonable care, or
- The error is deliberate, i.e. we knowingly and intentionally sent HMRC an incorrect document but did not take active steps to hide the error, or
- The error is deliberate and concealed, i.e. we knowingly and intentionally sent HMRC an incorrect document and have taken active steps to hide the error.

The maximum penalty in each of the three scenarios above is 30%, 70% and 100% respectively. Where a default penalty is charged on errors which have been made by schools, this will normally be recharged to the school responsible for the error.

No penalty will be levied if KCC can demonstrate that 'reasonable care' has been taken. Reasonable care is not defined in law but HMRC have indicated that a business should not be considered careless if:

- they hold a reasonably arguable view which is later not upheld; or
- they have made an arithmetical or transposition inaccuracy which is not so big as to produce an obviously odd result; or
- they have followed advice from HMRC or a competent advisor which turns out to be wrong; or

- Appropriate arrangements or systems exist which could reasonably be expected to produce an accurate calculation of tax but which fail, resulting in a mis-statement of tax which is not significant in relation to the overall tax liability.

Default Interest

HMRC are required to charge interest on any amounts of VAT which have been under declared or over claimed and for which they have raised an assessment.

Interest will not be charged where the assessment relates to the failure to charge VAT to a customer who would have been able to reclaim it from HMRC.

Where default interest is charged on errors which have been made by schools, this will normally be recharged to the school responsible for the error.

Inter authority transactions

Goods

The supply of goods by one Local Authority to another is regarded as a business activity and normal VAT liability rules apply. VAT must be charged on those goods that are taxable.

Services

Supplies of services by one Local Authority to another will normally fall into one of the following categories: -

Service supplied to another Local Authority*	VAT Treatment
Service supplied under a statutory obligation and not in competition with the private sector	Non-Business
Services not supplied under a statutory obligation but not in competition with the private sector	Non-Business
Services supplied in competition with the private sector whether under a statutory obligation or otherwise	Taxable at the appropriate rate
Services that include the supply of goods	Taxable at the appropriate rate

*For the purposes of these rules, local authorities are defined as County, District, London Borough, Parish, and Scottish Regional & District Councils. Other Public Bodies must be treated as taxable customers (see Appendix 2).

International transactions

The rules for dealing with VAT on international transactions vary depending on whether goods or services are supplied and if the supplies are within or outside the European Union (EU).

Goods coming into the UK from other EU countries are referred to as 'acquisitions' and goods leaving the UK are referred to as 'dispatches' or 'removals'. The terms 'Imports' and 'Exports' relate solely to transactions with countries outside the EU.

Transactions within the EU

Purchase of Goods

Where you are acquiring goods from a VAT registered supplier in another Member State you must:

- quote the County Council's VAT registration number on your order, including the country code prefix i.e. GB 204 2691 91. The supplier may then zero rate that supply.
- send a copy of the invoice to the Chief Accountant's Team

Where the supplier has charged a zero rate of VAT on the invoice use VAT indicator 'W'. Where the supplier has charged VAT at the rate appropriate in their own country, code the gross value to VAT indicator 'Y'. If the supplier has charged VAT contact them with the KCC VAT number and ask for a replacement invoice

Purchase of Services

In general business to business services will be treated as being supplied in the country where the business customer is based.

You must:

- quote the County Council's VAT registration number on your order, including the country code prefix i.e. GB 204 2691 91. The supplier may then zero rate that supply.
- send a copy of the invoice to the Chief Accountant's Team
- Process the invoice with VAT indicator 'W', regardless of whether VAT has been charged.

If the supplier has charged VAT contact them with the KCC VAT number and ask for a replacement invoice

Sale of Goods

Where goods are supplied to a VAT registered business in another EU Member State, the supply can be zero rated (but use VAT Indicator W) providing the following conditions are met: -

- The buyers VAT registration number must be quoted on the invoice, including the two-character country code prefix
- the goods must be sent to a destination outside the UK
- commercial documentary evidence that the goods have been removed from the UK must be retained

Copies of the sales invoices must be sent to the Chief Accountant's Team.

If the conditions for zero rating are not met, normal UK VAT liability rules and rates apply as if making the supply to a customer in this country.

Sale of Services

When invoicing for the supply of services within the EU to VAT registered customers use VAT Indicator W. Copies of the invoices must be sent to the Chief Accountant's Team.

Exceptions

For business customers, the place of supply in respect of the following services is where the events actually take place:

- services in respect of admission to cultural, artistic, sporting, scientific, educational, entertainment or similar events (including fairs and exhibitions), and ancillary services relating to admission to such events. For other services linked to these categories, the place of supply will be the location of the customer.
- Short term hire of means of transport, such as a car hire, will be supplied where the transport is put at the disposal of the customer.

If you are supplying services to a non-VAT registered business or consumer then you must apply the normal UK VAT liability rules and rates.

Transactions External to the EU

Import of Goods

Where goods are imported from outside the EU VAT will be payable at the point of entry into the UK at the appropriate UK rates and can be reclaimed as part of the normal accounting procedures.

Import of Services

Unless the services are exempt from VAT, you must:

- quote the County Council's VAT registration number on your order, including the country code prefix i.e. GB 204 2691 91. The supplier may then zero rate that supply.
- Process the invoice with VAT indicator 'W'

Copies of the invoices must be sent to the Chief Accountant's Team.

Export of Goods

Exports may be zero rated provided that the following conditions are met:

- they are exported from the UK within three months of the receipt of payment
- valid commercial evidence or official evidence of export is kept
- delivery must not be made to customers address within the EU

Export of Services

There are complex rules governing international services which may permit zero rating in certain circumstances. If invoices need to be raised to overseas customers, please consult the Chief Accountant's Team.

Appendix 1 VAT invoice letter

Dear Sir/Madam

VAT invoice

I attach a copy of your recent invoice for goods supplied to Kent County Council. Unfortunately, the invoice does not comply with HM Revenue & Customs requirements set out in section 16 of their Public Notice 700.

Kent County Council is VAT registered and can reclaim the VAT that you have charged, but to do so we need a valid VAT invoice. Please send me a proper tax invoice in substitution for the attached invoice as soon as possible.

Follow up

Dear Sir/Madam

VAT invoice

I refer to my letter dated requesting a valid VAT invoice and regret that to date I have received no response to that letter.

You have a statutory duty to supply Kent County Council a valid VAT invoice. I look forward to receiving this document by return.

If I do not receive a response within the next ten days, I will have no alternative but to refer the matter to HM Revenue & Customs.

Appendix 2
Common Queries:

VAT liabilities of school's expenses

VAT Liability	Description	FMS Indicator Expenditure	FMS Indicator Income	Percentage Rate
SR	Standard Rate	H	8	20%
LR	Lower Rate	G	2	5%
EX	Exempt	X	3	NIL
OS	Outside scope	Y	4	NIL
ZR	Zero Rate	Z	5	0%
	International Services	W	7	0%

CFR Code	Description	VAT Liability	FMS VAT Indicator	Notes
E08	Indirect employee expenses			
	Recruitment costs - advertising	SR	H	
	Recruitment costs - relocation expenses (With VAT receipts)	SR	H	
	Interviews, reports etc – fees	OS	Y	
E09	Staff development and training			
	Training courses provided by KCC	OS	Y	
	Purchase of equipment for training	SR	H	
E10	Supply teacher insurance premiums paid to insurers for supply teacher cover	EX	X	
E11	Staff related insurance			
	Cover for non-teaching staff absence.	EX	X	
	Employee related insurance for accident and liability, assault, fidelity guarantee, libel, and slander	EX	X	
E12	Building maintenance & improvement			
	Charges by contractors for internal and external repair, maintenance and improvement to buildings and fixed plant including costs of labour and materials	SR	H	
	Internal professional and technical services,	OS	Y	
	Costs of materials and equipment	SR	H	
E13	Grounds maintenance and			

	improvement			
	Charges by contractors for maintenance and improvement on gardens and grounds, including car parking, play areas, playground equipment, sports fields, and pitches on the school campus	SR	H	
	Above supplied by KCC	OS	Y	
E14	Cleaning and caretaking			
	Supplies used in cleaning and caretaking	SR	H	
	Cost of equipment e.g. floor polishers, vacuum cleaners & other hardware	SR	H	
	Charges by contractors for providing a cleaning service	SR	H	
	Charges by contractors for providing a caretaking service	SR	H	
	Above supplied by KCC	OS	Y	
E15	Water & sewerage			
	All costs related to water and sewerage	ZR	Z	
	Emptying of septic tanks etc	SR	H	
E16	Energy			
	All costs related to fuel and energy, i.e. fuel oil, solid fuel, electricity, and gas	LR or SR	G or H	See page 5 of the manual
	Above provided by LASER	OS	Y	
E17	Rates (Non-domestic)	OS	Y	
E18	Other occupation costs			
	Rents, lease or hire charge for premises	EX	X	May be SR
	Refuse collection	SR	H	
	Hygiene services e.g. paper towels, toilet rolls, hand driers, etc	SR	H	
	Security patrols and services	SR	H	
	CCTV/Burglar alarm maintenance contracts	SR	H	
	Electrical testing and pest control	SR	H	

E19	Learning resources			
	Achievement gifts and prizes awarded to pupils	OS or	Y	
	- vouchers	SR	H	
	Books (textbooks)	ZR	Z	
	Books (exercise books)	SR	H	
	Classroom and learning equipment (excluding ICT equipment)	SR	H	
	Curriculum transport, including minibus expenses such as maintenance, tax, fuel (excl insurance)	SR	H	
	Furniture used for teaching purposes	SR	H	
	Pupil travel for work experience placements - public transport	ZR	Z	
	-public transport	ZR	Z	
	- taxi	SR	H	
	-hire vehicle without driver	SR	Z	
	Reprographic resources and equipment used specifically for teaching purposes	SR	H	
	School trips and educational visits - valid VAT invoice	SR	H	
	Servicing and repairs to musical instruments and PE equipment used as part of the curriculum	SR	H	
Publications and periodicals	ZR	Z		
Television licence fees used for teaching purposes	OS	Y		
Primary school PIP exam costs	EX	X		
E20	ICT learning resources			
	Computer hardware	SR	H	
	Educational software, including site or other licences,	SR	H	
	Purchase, lease, hire or maintenance contracts of ICT used for teaching	SR	H	
	Costs of Broadband, ISDN, ASDL or other dedicated phone lines	SR	H	
E21	Examination fees			
	The costs of test and examination entry fees	EX	X	
	Administrative costs e.g. external marking			Depends on the type of expense
E22	Administrative supplies			
	Administrative stationery	SR	H	
	Administrative printing -mainly	ZR	Z	
	Photocopying	SR	H	

E22	Administrative supplies cont'd			
	Bank charges	EX	X	
	Postage normally	EX	X	
	Advertising (but not for recruitment)	SR	H	
	Telephone charges	SR	H	
	Mobile phone - purchase	SR	H	
	Mobile phone - business calls	SR	H	
	Mobile phone - calls including private calls which are recharged with VAT accounted for on income	SR	H	
	Medical supplies	SR	H	
	Purchase, hire or maintenance contracts of ICT or other equipment not to be used for teaching purposes	SR	H	
	Purchase, hire, lease and maintenance of furniture and equipment not used for teaching purposes	SR	H	
	Subscriptions to magazines	ZR	Z	
E23	Other insurance premiums			Insurance Premium Tax is not VAT and must not be reclaimed
	Premises related insurance	EX	X	See note above
	Vehicle insurance	EX	X	See note above
	Accident and public liability insurance for persons not employed directly by the school	EX	X	See note above
	School trip insurance	EX	X	See note above
E24	Special facilities			
	Swimming pools, school owned - running costs with valid VAT invoice	SR	H	
	Swimming pools, PTA owned - PTA cannot recover VAT			
	Rural studies and farm units			Depends on expense
	Payments by schools to another school for the benefit of pupils at the other school	OS	Y	
	Adult clothing & footwear	SR	H	
	Children clothing & footwear	ZR	Z	
E25	Catering Supplies			
	Catering equipment	SR	H	
	Provisions- mainly	ZR	Z	
	Purchase, rent, lease or hire of vending machines	SR	H	
	Full cost of service contract.	SR	H	
	Repairs and maintenance of kitchen	SR	H	

	equipment, including safety checks.			
	Cost of providing free school meals and milk	ZR / SR	Z/H	
E26	Agency supply teaching staff			
	Cost paid to an agency for teaching staff that have been brought in to cover teacher absence	SR/EX	H or X	See Appendix 15
E27	Bought in professional services - curriculum			
	Professional services, consultancy and advice purchased from KCC	OS	Y	
	Professional services, consultancy and advice purchased from a third party in support of the curriculum	SR	H	
	ICT consultancy services for the curriculum	SR	H	OS if provided by KCC
	Payments to any visiting lecturers/speakers (but not classroom teachers)	SR	H	But check employment status
	Courses purchased for students from external providers, e.g. colleges of Further Education or other schools	SR/EX	H/X	Depends on nature of supplier
E28	Bought in professional services – other			
	Professional services, consultancy and advice to staff and governors purchased from KCC includes management, finance, legal, personnel and premises	OS	Y	
	Professional services, consultancy and advice to staff and governors purchased from an external party	SR	H	
	Management fee on PFI contracts	SR	H	
E29	Interest paid on overdrafts and other liabilities			
	-paid to external bodies	EX	X	
	paid to KCC	OS	Y	

Appendix 3

VAT liabilities of school's income

CFR Code	Description	VAT Liability	FMS VAT Indicator	Notes
I01	Funds delegated by KCC	OS	4	Grant Income
I02	Funding for sixth form students	OS	4	Grant Income
I03	High needs top-up funding	OS	4	Grant Income
I04	Funding for ethnic minority pupils	OS	4	Grant Income
I05	Pupil premium	OS	4	Grant Income
I06	Other government grants	OS	4	Grant Income
I07	Other grants and payments received	OS	4	
	New Opportunities Fund (NOF) or Lottery Grants	OS	4	
	European Union funding	OS	4	
	Payments received from other schools	OS	4	
	Milk Subsidy	OS	4	
	Income from recycling refunds.	OS	4	
I08a	Income from letting out school premises on an ad-hoc, regular or long-term basis	OS	4	See Appendix 4 for sports lettings. See I08b for income from other facilities and services.
I08b	Income from other facilities and services			See I08a for income from letting school premises.
	Income from meals provided to other KCC schools	OS	4	
	Hire of equipment	SR	8	If disabled check liability
	Consultancy	SR	8	
	Training courses			
	– to other KCC schools	OS	4	
	- by KCC staff	EX	3	
	- by external trainer to external attendees			Same as charged by external trainer
	Light refreshments supplied			Liability the same as the training
Examination Fees	EX	3		
Any interest payments received from bank accounts held in the school's name or used to fund school activities	EX	3		
Income from sale of school uniforms	SR or ZR	8 or 5	See Appendix 8	

	-private phone calls	SR	8	
	-photocopying	SR	8	
	-books	ZR	8	
	Income from before and after school clubs	OS	5	
	Income from re-sale of items to pupils		4	
	-Assisted Instrument Purchase Scheme	OS		
	-Laptop Computers	OS	4	See Appendix 14
	sale of goods incidental to education	OS	4	See Appendix 13
	-commission on photographs if paid into the school voluntary fund.		4	See Appendix 8
	-commission on photographs in the absence of a voluntary fund	SR		
	Income from non-catering vending machines	SR	8	
	Income from a special facility		8	
	Rent deducted off the site manager's salary	EX		Check with tax team
	Income from universities for student/teacher placements		3	
	Income from energy/feed in tariffs			Check with tax team
	•income from SEN and alternative provision support services commissioned by the local authority or other school, for delivery by the school or pupil referral unit, under a service level agreement specifying the service required for pupils who may or may not be on the roll of the school, and who remain the responsibility of the commissioning local authority or school			Check with tax team
I09	Income from catering school milk provision and vending machines			Check with tax team
	Where the school runs its own catering service:			
	-pupils	OS		
	-adults	SR	4	
I10	Receipts from supply teacher insurance claims	OS	8	
I11	Receipts other insurance claims	OS	4	Treated as compensation for the loss incurred
I12	Income from contributions to visits etc.	OS	4	
	Income from parental contributions	OS		

	requested by the school e.g. educational visits, field trips, boarding fees, payments to the school for damage done by pupils etc.			
I13	Donations and/or voluntary funds		4	See Appendix 6
	All income from private sources under the control of the governing body available for the purposes of the school or for the purposes of the maintenance of any part of the school premises, including			
	Income provided to the schools account from foundation, diocese, or trust funds during the year to support educational needs at the school:	OS		
	-business sponsorship	SR	4	See Appendix 10
	-income from fund raising activities	OS	8	See Appendix 10
	-any voluntary contributions from parents that are used to provide educational benefits to students	OS	4	
I15	Pupil focused extended school funding and/or grants		4	
	LSC funding that is deemed to be for pupil focused extended school activities	OS		
	Extended school standards fund	OS	4	
I16	Community focused extended school funding and/or grants		4	
	SSG funding that is attributed to community focused activities should be deducted from I14 and recorded here	OS		
	Any LSC grants for community focused activities	OS	4	
	Surestart funding devolved by the LEA	OS	4	
	Any extended school funding for a community focused activity		4	
I17	Community focused school facilities income			
	Income received where the activity is primarily for the benefit of the wider community.	OS		
I18	Additional grant for schools		4	
	Includes funding from this additional grant for: <ul style="list-style-type: none"> release of a teacher to work 	OS		

with local schools • primary PE and sports grant universal infant FSM funding			
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Room Hire

Hire of room	VAT liability of charge
Including tables and chairs	Exempt
Including tables and chairs and teas and coffees	Exempt (except where a separately identifiable charge is made for refreshments)
Including tables and chairs and hire of a kitchen which the hirer can use to prepare food and drink	Exempt
Including tables and chairs with a kitchen attached and catering supplied by the local authority	Room hire: Exempt Catering: Standard Rated
Together with access to a bar where the bar is operated by the local authority who account for VAT on their takings	Exempt
Together with tables and chairs, flipchart, and overhead projector	Exempt (except where a separately identifiable charge is made)
Charges for the provision of staff to act as for example, projectionists, video camera operators, etc.	Total cost is standard rated

Appendix 4

Letting of Sports Facilities

What is a sports facility?

In practice school gymnasiums will qualify as a sports facility but other rooms or the school hall (unless fitted out as a gymnasium) will not.

The presence of floor markings alone in a room or hall is not sufficient to create a facility for playing sport or for participating in physical recreation. However, if specific equipment for playing a particular sport or undertaking a particular form of physical recreation is provided then this is more likely to be deemed a sports letting. The presence of wall bars and stored equipment (that is not for the hirers use) in a school general purpose hall does not constitute a sports facility.

Lettings of outside sports pitches, tennis courts etc. are lettings of sports facilities.

There are special rules that apply to lettings of sports facilities.

There is a two-part test to see if the letting of a space is standard rated as a sports facility:

- If the space is designed and adapted (including by equipping) for playing any sport or taking part in any physical recreation
- and**
- The space is let for playing any sport or taking part in any physical recreation

the letting of the space is standard rated **unless the exemptions set out below are met.**

Non-sports lettings of a sporting facility

If a school gymnasium is let for a non-sporting purpose e.g. a meeting of the local garden society then this is not a sports letting and will be **exempt**.

Exemptions

A sports letting can be treated as exempt from VAT if it is hired for:

- a continuous period of use exceeding 24 hours
- or**
- a series of sessions and all of the following conditions are met:
 - 1) The series consists of 10 or more sessions.
 - 2) Each session is for the same sport or activity.
 - 3) Each session is in the same place. A different pitch, court or lane, or a different number of pitches, courts or lanes is acceptable. It is not acceptable for the sessions to be split between two separate playing fields.
 - 4) The interval between each session is at least one day but not more than 14 days. A letting for every other Saturday afternoon, for example, would meet this condition.

- 5) The series must be treated as a whole. There must be written evidence of this fact in the form of an official agreement, letter, or invoice and this must make it clear that there will be no refund or credit for any of the sessions which do not take place because the hirer chooses not to use them. A refund can be made in the event of the "unforeseen non-availability" of the facility. This would cover those occasions when the session was cancelled by the school because of waterlogged pitches, heating breakdown, etc.

If the school cancels a letting for a not unavoidable reason the school has broken the contract and would therefore have to account for VAT within the monies received i.e. suffer the VAT loss.

If the hirer cancels all sessions must be paid for, otherwise VAT is chargeable. Where the hirer cancels the remaining lettings in a session the school may agree to forgo the income on those sessions but must collect VAT on the sessions that were taken up.

To avoid breaking the condition that the interval between sessions must not be more than 14 days it is recommended that lettings are on a termly basis and not across school holidays.

- 6) The facilities are let out to a school, club, association, or an organisation representing affiliated clubs or constituent associations (such as a local league)
- 7) The person to whom the facilities are let has exclusive use of them during the sessions.

NOTES

Where changing rooms, floodlights, or other minor goods and services are included these are regarded as part of the main letting and take the same VAT liability.

The exemption does not apply where the hirer is a commercial organisation (but the sports club of a commercial organisation can be exempt if all the conditions are met).

Examples of hirers who are eligible for the exemption include:

- Cubs
- Scouts
- Brownies
- Guides
- Youth Clubs
- Sports Clubs

Any additions to the original agreement will be taxable if charged for. This means that any charge for an additional session or extra hours on the pre-arranged sessions must be subject to VAT.

However additional one off dates notified after the date of the initial agreement and bookings may be treated as part of the series and therefore exempt where the additional date is added in advance, and the cost of the series amended accordingly.

Provided the sessions are specified and agreed in advance, payment can be made at any time (e.g. by instalments) so long as all the specified sessions are paid for.

Hire of sports fields to caravan clubs for rallies or for camping will always be standard rated.
Hire of the sports field for a boot fair will be exempt.

Appendix 5 Swimming Pools

School owns the pool	
Expenditure on running costs	Invoices will be addressed to the school, paid by the school; VAT can be recovered under normal rules.
Charges to individuals for use of the pool, and swimming lessons.	VAT treatment is exempt.
Charges to spectators.	All spectator's admission will be standard rated.
Charges for hire of the pool.	Hire of the pool for swimming parties must be treated as standard rated. Other one-off hire of the pool must also be treated as standard rated. Hire for a series of sessions should be dealt with under the normal rules for sports lettings and treated as exempt if all the conditions are met.
PTA owns the pool	
Expenditure on running Costs	The school has no management control over the pool nor are they responsible for maintenance costs. PTA will pay invoices gross with no recovery of VAT. If the invoice is addressed to the school, the school may recover any VAT BUT when recharging the costs onto the PTA VAT will need to be added, except where it is unmetered fuel/power as this may be treated as exempt "rent".
PTA income	Any income generated by the PTA from the pool activities (i.e. pool open in the summer holidays) will be paid into PTA accounts (no VAT to be accounted for).

Appendix 6

Educational Visits

Educational school visits provided by a local authority school are a non-business activity provided that the visit is made as part of the official curriculum. This means that visits that are primarily for recreational purposes are excluded.

Where the visit falls within the definition of educational any VAT incurred on the cost can be reclaimed and the charges to pupils are outside the scope of VAT. The only restriction is that the charge per head to any adult taking part in the visit must not exceed the overall cost per head. In order to enable a VAT reclaim to be made a valid tax invoice must be obtained from the provider of the facilities.

The cost of the visit, and any income collected for it, should be charged to the school's official budget. It is acceptable to accumulate the money received from pupils in the Voluntary Fund and then to pay over a lump sum into the official budget.

Where the visit is arranged through a travel company the Tour Operators Margin Scheme will apply.

Tour Operators Margin Scheme

The TOMS only applies when trips are organised through a tour operator.

This scheme applies to all businesses that buy and re-sell travel, hotel, holiday, and certain other travel related services. Travel and holiday companies are included in this category.

Under the scheme, the tour operator must account for VAT on the difference between the VAT inclusive purchase price and the selling price of its services, i.e. the "margin". The business cannot reclaim the VAT that it is charged on its purchases.

The tour operator will not be able to issue a tax invoice for supplies that fall under the scheme. This is because the actual standard-rated margin will not be known at the time of making the supply, it will only be known at the end of the tour operator's financial year.

Schools are unable to reclaim any VAT on school visits arranged through travel companies, whether such trips are to take place in this country or abroad.

Any VAT that cannot be reclaimed will need to be included in the cost of the visit when calculating the charge to pupils.

Where a trip is organised directly by the school, e.g. trip to a museum, or the supplier provides all of the supplies, e.g. a residential field education centre, such trips do not fall within the scope of the TOMS and the VAT charged is still recoverable.

APPENDIX 7

Performances by Puppet Theatres etc. in Schools

HMRC allow VAT on charges by Puppet Theatres and other organisations for performances in schools to be reclaimed provided that the performance is booked in the name of the school and the invoice is addressed to the school and paid out of official funds.

Contributions from parents to cover the cost of the performance can be banked directly into the official school bank account without having to account for VAT on the amount received. Alternatively, the contributions can be accumulated in the school Voluntary Fund and a single donation made from the Fund into the official school bank account.

APPENDIX 8

Sale of Goods Incidental to Education in Local Authority Schools

HMRC permit sales of goods to pupils for regular classroom use as part of the curriculum to be treated as non-business provided certain conditions are met. These conditions are: -

1. The school makes the sale in class to its local authority pupils.
2. The goods are sold at or below cost.
3. The goods are for the direct use of the pupil, and
4. The goods are necessary for delivering the education to that pupil.
5. This will include pens, pencils, exercise books, craft materials, and calculators.
6. The goods are not clothing or sports equipment.

The terms used are further defined as follows:

"In class" means via the school staff, and not supplied directly to the pupil by an outside trader. The school/local authority must own the goods and sell to the parent guardian or pupil purchasing them.

"Regular classroom use" means that although the item may be taken home, it needs to be brought to school **at least on a weekly basis**, and not, for example, just once a term.

"Cost" means the fully overhead-inclusive price

These rules apply to transactions through official funds and are designed to prevent unfair competition with the private sector. Where this type of transaction is taking place through school Voluntary Funds, the VAT on the purchases could not be reclaimed, and as an unregistered body the fund would not have to charge VAT on its sales.

School Photographs

Commission for school photographs is no longer regarded as consideration for a supply of facilities by the school to the photographer. All such commission can, therefore, be paid into school voluntary funds without the need to account for VAT.

School Uniforms

Whilst the normal VAT rules will apply to items of school uniform there is one important concession. Where the items have a prominent logo or badge which identifies them as part of the official uniform of a school catering exclusively for pupils less than 14 years of age, such as badged blazers or sweatshirts printed with the identity of the school, they can be zero rated irrespective of size.

For items which are not covered by the concession a convenient option, when selling to pupils, is to give the same VAT liability as the supplier did when charging the school.

If uniforms are bought and sold through the Voluntary Fund there are no VAT implications other than the income counting as taxable turnover for the purpose of the registration limit.

APPENDIX 9 Catering

Local authorities can treat as non-business, the meals they supply to pupils provided those supplies are made at or below cost. Non business treatment is also allowed for certain taxable foods if they are supplied as part of a meal. Meals supplied to pupils in the school's breakfast club may also be treated as non-business.

Meals supplied to staff and visitors will always be standard rated.

The meals for pupils are treated as non-business when supplied, as catering which is closely related to the provision of education, by a local authority school. In all other cases the provision of catering by the school is standard rated.

The above concession does not apply if meals are supplied direct to pupils by a catering contractor. To avoid pupils having to pay VAT on the meals they must either be provided by the school or the catering contractor **must** be acting as an agent of the local authority.

The County Catering Contracts

The County Council has catering contracts with external contractors where the catering company supplies the meals to the school and the school then supplies the meals to the pupil.

The contractor charges the school VAT on the pupil meals (both paid and free) and any paid adult meals, this VAT is reclaimed from HMRC.

Money collected from pupils/parents/adults in respect of these meals is handed to the school but in practice is collected and banked by the caterer and then offset against the charge to the school. The cash collected from pupils is outside the scope of VAT, but amounts collected from adults include VAT and must be accounted for in the school's VAT return.

In House Catering

Where a school directly manages the provision of meals, i.e. buys in the food and prepares and serves meals to pupils and adults the provision to pupils will be non-business and the supply to teachers and visitors standard rated.

Catering Contractors not within the County contract

Supplies of catering may be regarded as incidental to the provision of education only when they are made by the local authority school providing education to its own pupils or by someone acting as its agent.

If an independent contractor were to supply meals direct to pupils and not as agent of the local authority, all meals provided would be liable to VAT. It is **essential** therefore that where the contractor provides meals direct to pupils that they act as the agent of the school and any contract **must** be structured to meet this requirement.

Some schools have entered their own catering contracts and the VAT implications will depend on how the contract is structured.

Contractor acting as Principal

Where the contractor supplies meals to the school and the school then provides meals to the pupils and adults the contractor will charge VAT on the supply which can be reclaimed from HMRC. VAT charged on the adult meals must be paid over. This situation may arise where the contractor provides meals in containers which the school then supplies to pupils and adults.

If any profit or loss is shared with the school this is subject to VAT.

Contractor acting as Agent

If the contractor is acting as the school's agent, the contractor may submit a profit and loss account that identifies VAT incurred on purchases and VAT charged on adult meals. Both the input and output VAT identified by the contractor must be accounted for within the school's accounts.

Where any profit or loss is shared with the school these amounts are outside the scope of VAT

There are several different ways these contracts may be structured, and invoicing procedures may vary. If schools are uncertain of the VAT position in respect of a local contract the Statutory Team or Taxation Accountant should be consulted for further advice.

Vending Machines

Income from all vending machines in schools can be treated as non-business irrespective of the VAT liability of the actual items sold and the location of the machine provided that the whole of the catering operation at the school is run at, or below, cost.

For this purpose "cost" includes all overheads and not just direct costs. Non-business treatment only applies to pupil purchases. If there is any staff use of the machine HMRC require an apportionment between pupil and staff purchases with the latter being treated as taxable at standard rate.

Catering for Events and Functions

All charges for catering at special events and functions will be standard rated. For example, charges to the PTA, Old Pupils Association, hirers of the school premises for parties etc.

APPENDIX 10

Sponsorship, Donations and Grants

Sponsorship

Sponsorship is the term commonly used for financial or other support in the form of goods and services given by businesses or members of the public to sports, arts, education, charities etc, and the sponsor receives some kind of benefit in return. Benefits given in return for sponsorship are subject to the VAT rules.

Common examples include:

Examples of supplies commonly made are:

- naming of the event after the sponsor
- display of the sponsor's company logo or trading name on shirts worn by a team, or in programmes or at the venue
- free or reduced-price admission tickets, exclusive or priority booking rights or access to special events such as premieres or gala evenings

Donations

A donation is something which is freely given and which secures nothing in return. If you do not give or do anything in return for the donor's support, you are not making a taxable supply and the sponsorship (whether of money, goods or services) can be treated as outside the scope of VAT (Y)

A taxable supply will not be created by the simple acknowledgement of support such as, giving a flag or sticker, inclusion in a list of supporters in a programme or on a notice, naming a building after the donor or putting the donor's name on a piece of equipment.

If the contribution is made on the condition that the donor's trading logo is advertised or promoted or they receive some other type of benefit, it is considered sponsorship you must account for VAT accordingly

Grant funded projects

KCC receives grant funding from several sources, e.g. National Lottery, SEEDA, the European Union.

Please contact the External Funding Team at the proposal stage of the project for guidance.

Appendix 11 Partnerships

There are various types of partnership arrangements and the VAT implications will depend upon several factors.

- Where the partnership is a separate legal entity it will not fall under the County Council's VAT registration.
- Where several organisations are simply working together to co-ordinate their own individual activities and avoid duplication of effort the individual organisations will deal with VAT through their own financial accounts.
- Where organisations are working together, sometimes drawing down funds from a single source and sometimes involving an Accountable Body, the VAT treatment will depend on the types of supply

If you are considering entering into any form of partnership arrangement, please consult the Chief Accountant's Team for advice.

APPENDIX 12 Savings on gas and electricity bills

(Climate Change Levy)

VAT is chargeable on supplies of gas and electricity and is charged at the standard rate of 20% on most non domestic properties. There are some exceptions including Voluntary Aided, Voluntary Controlled and Foundation schools that are entitled to pay at the lower rate of 5%. Where the standard rate is chargeable, Climate Change Levy (CCL) is also payable but none where the lower rate is paid.

KCC Finance and Commercial Services have identified those LASER customers that were entitled to pay lower rate VAT. The most recent exercise was carried out in March 2006. If the school has switched to LASER after this date they should check if CCL is payable.

If you are not a LASER customer and are a Voluntary Aided, Voluntary Controlled or Foundation School and are being charged CCL on your gas and electricity bills please contact your provider and ask for a CCL exemption certificate.

This exemption does not apply to Community Schools.

LASER customers requiring further information should contact laser.enquiries@laserenergy.org.uk

Non LASER customers requiring further information should contact Chief Accountant's Team (Finance Chief Accountant's Team Enquiries – ST).

APPENDIX 13

The Purchase of laptops and tablets by schools on behalf of pupils

HM Revenue & Customs have recently clarified the rules regarding the sale of Lap Top Computers (including tablets) to Schools.

The purchase of computers by schools and their subsequent sale to pupil's falls under the normal rules for the supply of goods closely related to the supply of education. Under these rules schools may purchase the goods using official funds, and recover the VAT paid. Subsequent sale of the goods will be outside the scope of VAT (VAT Indicator Y).

There are several conditions that must be met for the VAT concession to apply. These are as follows:

- The specific goods or services purchased are for the direct use of the pupil in lessons during school supervised tuition
- In the delivery of education that is part of the school curriculum, and
- Are necessary for delivering that education to him or her.

It is not enough that a similar item is used in the school tuition, whilst the purchased item is used elsewhere, e.g. at home, for homework.

In addition to the principle conditions outlined, the following general conditions must also be satisfied:

- The goods and services required must be purchased from the school. By this we mean that the school must hold title to the goods, and transfer ownership to the parent, guardian or pupil purchasing them.
- Payment for the goods must be made into the school's official funds not the School Voluntary Fund. The concession does not apply to any transaction carried out through Voluntary Fund Accounts.
- Some evidence, e.g. order form, must be kept to show that the recipient of the goods and services has been receiving education from the school, and that what has been supplied was essential to that education. The order form must show the following details:
 - Name of School
 - Name of Pupil
 - Course/Subject for which the goods will be used
 - Description of the goods
 - Signature of Course Tutor
 - Signature of Parent
 - Date
- 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.

It is important schools note that the only way that laptops could possibly qualify for treatment as items closely related to education is if they are used by the student in lessons as a necessary part of receiving tuition from a teacher. Use of the item for homework alone, for example, does not meet these requirements. Failure to comply with the rules could result in the school having to meet the VAT liability from its budget.

Please note: Trading Standards have advised that the school is deemed to be ‘*the retailer*’ under the terms of the Sale of Goods Act. If a computer needs repairing, the school would be liable for returning the goods to the manufacturer for repair. If a computer is deemed to be faulty, through misuse, the manufacturer may not accept responsibility and the school may, therefore be liable for the goods.

APPENDIX 14

Purchase of musical instruments for pupils

Assisted instrument purchase scheme

This scheme allows instruments to be purchased on behalf of a pupil/parent through the school without the addition of VAT, provided the **pupil is receiving music tuition from the LEA which takes place in either an LEA maintained school or in connection with some other LEA run educational activity, such as an orchestra.** The school may use any VAT registered supplier to obtain new instruments under the scheme.

Recovery of VAT on second-hand instruments may not be possible and advice should be sought from Schools Financial Services.

The tuition must be given on school premises by someone approved by either the LEA or school. It is not restricted to tuition that is curriculum based and may also be applied in other areas such as grade examinations, therefore parents can take advantage of the scheme regardless of whether they are paying for the tuition directly or through the school. This covers pupils using Kent Music or other licensed music teachers.

The scheme may be operated where the Head Teacher is satisfied that the instrument is for the direct use of the student and necessary for the delivery of education to them.

Head Teachers are under no obligation to operate the scheme and the school may be responsible for repaying any VAT that has been relieved incorrectly.

Procedure

- The details of the instrument required, and the tuition arranged, should be provided to the school, by the parent. The instrument should only be of a necessary standard considering the attainment of the pupil.
- The parent should commit to the purchase of the musical instrument by placing a minimum 25% deposit with the school when the order is requested.
- Before taking any further action, the school should ensure the tuition has been arranged with a KCC or school approved provider.
- Once the school is satisfied, they may place an order with a supplier.
- The supplier must submit a valid tax invoice addressed to the school. Under no circumstances should the parent pay any money directly to the supplier.
- The supplier should arrange for the instrument to be delivered to the school address. The handover of the instrument to the pupil should take place on school premises. If the instrument is not portable, delivery may be made to the pupil's home address but the school will need to make alternative arrangements to verify receipt.
- The school should pay the supplier, ensuring the payment is correctly recorded in the school accounts to enable recovery of the VAT.
- The school is responsible for recovering the outstanding balance owed by the parent.

- Schools may be required to provide details of VAT recovered on these purchases to enable the Authority to calculate a VAT Partial Exemption figure.

Example Purchase Scheme Form

This example form can be used to record a request to purchase an instrument and the school's certification that the conditions of the scheme have been met.

ASSISTED INSTRUMENT PURCHASE SCHEME	
The supplier must be VAT registered. They must arrange delivery to the school and submit a valid tax invoice addressed to the school.	
Instrument Lesson Details:	
Teacher:	KMS/Licensed Teacher
Instrument:	
Instrument Purchase Details:	
Instrument/Make/Model (please remember to include a precise specification for the official ordering including model number, size, colour, and finish, as appropriate)	
Price excluding VAT	
Supplier	
Address	
Telephone no	
We, the parent(s) agree to pay a minimum of 25% deposit with this order and the balance in full on receipt of a final invoice, to be issued on delivery of the instrument to the school (<i>or other delivery arrangements for non-portable instruments</i>). Cheques should be made payable to: Collection to be arranged on full payment of invoice.	
We understand that the responsibility for returning a damaged or inappropriate delivery is ours.	
Signed	Dated
Please sign and return to the Music Co-ordinator / Head of Music at the School.	
To Finance Office	
Please order the above instrument as shown, deposit cheque to the value of £ attached. I confirm this student is taking an approved course using this instrument on school premises.	
Please invoice parent when the instrument is delivered to the School (<i>or other delivery arrangements for non-portable instruments</i>).	
Signed	Dated
Music Co-ordinator / Head of Music	

APPENDIX 15

Schools VAT liability of supplies of staff including secondments

Supply of staff

A supply of staff is made for VAT purposes if the use of an individual who is contractually employed by the school is provided to another person/organisation for money.

The determining factor is that the member of staff is not contractually employed by the recipient but comes under its direction.

Staff secondments are normally standard rated including those to other local authorities.

Staff secondments to another Kent County Council School are an internal transaction and are therefore non-business.

Supply of services

Where staff are supplied to another person but continue to operate under the direction of the school, this is not a supply of staff, but is a supply of those services.

The VAT liability of the supply will depend on the service being provided; most will be standard rated.

Supply of teaching staff to an eligible body

Where teaching staff, including classroom assistants, are supplied to another education provider (eligible body) and the staff are used in an educational capacity associated with the provision of education to students, this will be an exempt supply. Eligible bodies include universities, further education colleges, schools (as defined in law), health authorities, Government Departments, and non-profit making organisations that meet certain criteria.

'Agreement to release' rather than supply staff

Sometimes the school will not 'supply' the services of its staff but will merely agree to release them at their own request. E.g. where teachers undertake exam invigilating work. When a teacher volunteers to undertake these duties, he or she will make all the necessary arrangements with the examining board and will have two discrete contracts, one with the school and one with the examining board.

The school will continue to pay the salary of the teacher for administrative reasons and will gain no specific advantage from the arrangement. It plays no role other than agreeing to the release of the teacher concerned.

A similar situation may apply where staff are seconded to other government departments or commercial companies for career development purposes, although in these cases the school may have more involvement in making the arrangements.

Type of Secondment	VAT Treatment
Seconded staff who operate under direction from KCC	This is a supply of services. VAT liability depends on the type of service
Seconded staff DO NOT operate under direction from KCC	Usually Standard Rate VAT
Teaching staff seconded to an education provider and working in a capacity associated with provision of education	Exempt from VAT

Supplies to an Examining Board

If a teacher is seconded to an examining board to advise on methods of assessment this is a taxable supply of staff.