

Local Bank Account Schools VAT Guide

Author: Finance Department

Contact: Finance Department

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Introduction

VAT is a complex area, and subject to constant legislative and case law changes. This guide will hopefully help you to understand VAT and give you guidance on the treatment of common activities within schools.

What is vat?

VAT is administered by H M Revenue and Customs and is a tax on the supply of goods and services. VAT can only be charged by organisations that are registered with Revenue and Customs. Every organisation that is registered for VAT has a distinctive registration number, the registration number for all Luton Borough Council schools is 198 2107 47.

VAT is paid on purchases (goods/services in – input tax) and received on sales/services supplied (goods/services out – output tax). At the end of each month a return is completed showing the totals of the input tax paid and the output tax received. The balance of these totals is then either paid over to Revenue and Customs or a refund is received.

Monthly Return

Each school must fill in a return and attach to it any supporting documents. This then needs to be signed by the Bursar/Administrative Officer and one of the schools authorised officers. Once the return is completed it should be submitted to Hasmita Siyodia, Accountancy Section, Corporate Finance, Town Hall, as soon as possible but not later than 5 days after the end of each monthly accounting period.

To help complete the return, most school management information systems should have the facility to prepare a VAT analysis report. The income and expenditure on this report should reconcile with the entries appearing within the general ledger and on the monthly return.

On receipt, all of the school returns are collated by the Accountancy section within Corporate Finance. A combined VAT return for the authority is then completed which shows the total VAT collected and paid. Any refunds of VAT due to the school are then paid via BACS transfer after the income has been received from Revenue and Customs.

Rates of VAT

There are different rates/types of VAT and these are reported separately on the return. Each rate/type of VAT also has an income/expenditure code for use on the Council's financial systems. The different rates, types and VAT codes are as follows:

Standard Rated Business Supplies

The standard rate of VAT is currently charged at 17.5%. The Council is required to apply VAT at standard rate to all the supplies and services unless they clearly fall within one of the other categories. This includes all goods and services to other local authorities and charities unless specifically exempt from VAT. On the financial system the code for expenditure is **3** and for income **L**.

Lower Rated Business Supplies

The lower rate is currently charged at 5% and applies to charges for fuel and power. On the financial system the code for expenditure is **4** and for income **A**.

Zero Rated

Where goods are supplied that are zero-rated no tax is charged. Likewise if you buy goods that are zero-rated you will not pay any tax. On the financial system the code for expenditure is **1** and for income **B**.

Some examples of zero-rated supply of goods or services are:

- Some types of foods
- Sewerage services and water
- Books and magazines
- Some children's clothing

Transport: Any form that carries more than 10 people (Incl. Airfares, Train, Buses, etc)

Exempt

Supplies or services not subject to VAT. On the financial system the code for expenditure is **2** and for income **E**.

Some examples of exempt income are:

- Lettings
- Adult Education
- Rents

Outside the Scope

On the financial system the code for expenditure is **6** and for income **D**. Generally the following are outside the scope of VAT:

- Supplies of goods or services outside the UK
- Supplies by a non-taxable person
- Supplies not in the course or furtherance of any business
- Supplies from other establishments within Luton Borough Council

Some examples of activities that are outside the scope of VAT are:

- Grants and donations
- Wages and salaries
- Insurance claims

Non-business

These are supplies or services that the Council makes under statutes such as the Local Authorities (Goods and Services) Act 1970 and not in competition with commercial concerns. On the financial system the code for income is **K**.

Examples of non-business activities are:

- Primary and secondary education.
- Examination fees for LEA pupils

Most of the sales and services supplied by schools are non-business activities as they are provided under statute and for no charge.

Private / PTA funds

Private and PTA funds are not part of LBC's VAT registration so any transactions must be kept separate from the Councils VAT return and financial accounts. Private/PTA funds must register for VAT if the value of their taxable supplies (i.e. standard, lower and zero rated) exceeds £64,000 during a twelve-month period. If there is any likelihood that this figure will be exceeded, then the school fund administrator should contact Corporate Finance Accountancy as soon as possible.

Vat Sponsorship Scheme

Private Funds can make purchases net of VAT providing the item is purchased under the following conditions:

- a) The purchase is planned and authorised prior to actual purchase
- b) The school places the order from the delegated budget, receives the supply and holds a tax invoice in the name of the school or LBC
- c) The LEA public fund pays the invoice direct. The private fund then reimburses the LEA public fund with the net amount
- d) Ownership of the asset remains with LBC, which uses it for its own non-business purposes, although the LEA will not remove the asset from the school
- e) The school keeps adequate records to identify the purchase and the purpose for which the supply was bought

The type of purchase is not restricted, providing it relates to non-business activities (i.e. the general education curriculum). The method of payment and funding must be clearly shown.

It is the responsibility of the school to ensure that its records clearly show how the purchase was made. It is also worth noting that if a private fund purchases items direct using this scheme, Revenue and Customs would make an assessment to recover reclaimed input tax, and make an interest charge.

Voluntary Aided Schools – Capital Expenditure

Voluntary Aided Schools are generally treated in the same way as LEA Schools with regard to the treatment of VAT. The main difference in these types of schools is in the treatment of capital expenditure.

In a VA School the governors are **responsible** for:

- Maintaining the external fabric of the building
- Providing certain fixed items of furniture and equipment

Governors are **not responsible** for expenditure on:

- playing fields
- areas to be used for non-school purposes
- creation of new sites
- work that costs under £2000

Recovery of VAT

- VAT **can** be recovered on works that are the LEA's responsibility
- VAT **can't** be recovered on works that are the responsibility of the school governors. Usually the DFES will issue higher funding to cover the unrecoverable VAT. When constructing new buildings it may also be possible for the VA School to pay zero rated VAT on the costs
- VAT **can** be recovered on governor responsibility works if the LEA instigates and undertakes the project, using its own funds and then gives the works to the governors free of charge
- If a VA contracts for work and this has been partly funded by the LEA. The LEA **can** recover VAT on its proportion by using a copy of the suppliers invoice
- Contributions towards LEA responsibility works **can** be treated as donations (therefore outside scope of VAT) as long as the donor receives nothing in return and the payment is not made via governors funds.

Purchases

Revenue & Customs will only accept input tax as being reclaimable if a VAT invoice supports it. Therefore it is essential to ensure that the payment voucher is a proper VAT invoice.

Invoices

A proper vat invoice must include the following:

- Identifying number
- Invoice issue date
- Date of the supply
- Name, address and registration number (see page 8) of the supplier
- Name and address of the person to whom the goods or services are supplied
- Type of supply (e.g. sale, service, rental, hire purchase etc.)
- Description which identifies the goods or services being supplied
- For each description, the quantity of goods or services, the rate of tax and the net amount
- Unit price
- The total tax chargeable
- The total value of the supply, excluding tax and the rate of any discount

Other things to look out for on an invoice:

- No VAT should be charged on an invoice if a supplier is not registered for VAT
- The invoice should be addressed to Luton Borough Council or the name of the school. VAT cannot be reclaimed if the invoice is addressed to school governors or other separate legal entities.

Checking to see that a UK VAT number is valid

If you receive an invoice and you are not sure that the VAT registration number is correct a simple test can be carried out to check that the number is in a valid format.

All UK VAT numbers are nine digits long with the last two of these being check digits. Listed below is a calculation which can be use to check whether the number is valid.

1. Take the first digit and multiply it by 8, then take the next 6 and multiply them by 7,6,5,4,3 and 2
2. Total the sum of the multiplications in step 1
3. From the total sum keep subtracting 97 until the total becomes a negative figure

4. If the figure is the same as the last two digits of the original registration number, this is a valid registration number

Example

LBC Registration Number 198210747

Step 1

$$1 \times 8 = 8$$

$$9 \times 7 = 63$$

$$8 \times 6 = 48$$

$$2 \times 5 = 10$$

$$1 \times 4 = 4$$

$$0 \times 3 = 0$$

$$7 \times 2 = 14$$

Step 2

$$8+63+48+10+4+0+14 = 147$$

Step 3

$$147-97= 50$$

$$50-97=-47$$

Till receipts/petty cash/credit card purchases under £250 – less detailed invoices

Where purchases are made from petty cash or via credit card and are under £250 sometimes a less detailed invoice can be used to reclaim the VAT. This should only be accepted if a proper invoice is unavailable. A less detailed invoice should include the following information:

- Date of issue
- Name, address and registration number of the supplier
- Date of supply
- Description of the goods or services
- Total amount payable including tax
- Rate of tax

Some less detailed invoices only show the total amount with VAT and not the amount excluding VAT. To calculate the standard rated VAT elements of an invoice multiply each item that VAT is on by 7 and divide by 47.

Claiming vat without a VAT invoice

The following types of supply do not require a tax invoice if the total expenditure for each taxable supply is £25 or less. The supplier must be registered for VAT:

- Telephone call from public or private telephones
- Purchases through coin-operated machines
- Car Park charges (excluding parking meters)

Photocopy Invoices

A photocopied invoice can only be used if the supplier has signed it to confirm that the invoice is a true and authentic copy of the original.

Faxed Invoices

Faxed copies of invoices are acceptable as long as they meet the usual criteria.

Pro-Forma Invoices

You can recognise a pro-forma invoice because it will say on it; "This is not a VAT invoice". Suppliers issue pro-forma invoices to help their cash flow. They then send the proper invoice sometime after receiving payment.

A pro-forma invoice is not a valid VAT invoice so you should not reclaim VAT on one. You have the right to refuse payment on a pro-forma invoice and you should insist on a proper VAT invoice prior to arranging payment.

If you absolutely have to pay on a pro-forma invoice, charge the whole cost including VAT to your cost centre. Then when the VAT invoice arrives make a journal adjustment for the VAT and add to your monthly return.

Errors on invoices

You must charge to the Council's VAT code the precise amount of VAT as shown on the invoice. If you dispute the value of the invoice and/or the VAT element, you must ask your supplier to give you a credit note and a revised invoice.

If there is any reason to doubt the validity of the tax invoice, please contact corporate finance accountancy.

Mixed supplies

Occasionally a supplier will send through an invoice and the amount of VAT will not equal 17.5% of the supply. This is usually because the supply is made up of standard and zero-rated VAT.

A typical example of this could be an education pack that comprises of a video that is standard rated and a book that is zero-rated. The supplier's invoice would only show the cost of the pack and not the individual items. The supplier would only calculate the VAT on the standard rated item in the pack. To find out how much of the pack is standard rated just divide the amount of VAT by 17.5%. The remaining cost will be zero-rated. The two together plus the VAT should equal the total invoice cost.

Discounts

Where trade and prompt payment discounts are received, VAT should be calculated on the discounted sum. If a discount is offered on the condition that something happens at a later date (such as placing of future orders), then VAT is calculated on the full amount on the initial transaction. Any future discounts received would have to be made by the issue of a credit note.

Contract payments

A tax invoice is not required in order to reclaim VAT in respect of interim payments for building and civil engineering contract works, you can use contract certificates instead. This concession is permitted subject to the contractor submitting to the client an 'authenticated tax receipt' for each stage payment which clearly shows the tax element of the payment. After the final account has been agreed, the contractor is required to provide the client with a proper tax invoice.

Goods supplied from the European community

If you order goods or services from outside of the UK, you will need to note the following:

- If the goods or services are ordered through the Private Fund, the VAT will not be recoverable unless the fund is VAT registered.
- If they are ordered through the LEA fund the payments should be entered onto the system as Outside the Scope as the VAT can not be recovered on the English VAT return.
- Refunds of foreign VAT have to be applied for from the Country where the supplier is registered and the forms completed in the language of that country. Claims usually have to be made within six months of the end of the calendar year where the VAT was paid.
- The invoice should be checked to make sure that it is valid, please make sure that the registration number, the currency and the rate of VAT is in the right format for that country.
- Please keep original invoices, as they will have to be provided with the refund forms. A VAT 66 form will also be required, this can be obtained from Darren Richardson in Corporate Accountancy. The VAT 66 is required as it proves that the Council is registered for VAT in the UK.

Please contact Darren Richardson in Corporate Accountancy on telephone number 01582 546974 if you require any further information.

Income

Income should be collected at the time of selling the goods or providing the service or an invoice should be raised within two months.

When quoting prices to potential customers state whether VAT is inclusive or exclusive, otherwise the price will be assumed to be inclusive.

The section below gives guidance on the VAT treatment of activities in schools including income.

VAT treatment of common schools activities

The list below covers the most common types of activities within schools:

Admission Charges (plays, concerts, sporting events)

Standard Rated

Adult Education

- Trade professional and vocational courses are exempt from VAT
- Further higher and adult education are exempt from VAT

Advertising

- Where payment is received for advertising, VAT is charged at standard rate
- Where guides and leaflets are provided free of charge in return for the advertising rights, no VAT is charged, as the supply is Outside the Scope

Books and Booklets

Zero Rated

Breakfast / Homework clubs

Non-business if attended by own students or if no charge made otherwise exempt.

Brochures and Pamphlets

Zero Rated

Car Boot Sales

Income for allowing Car Boot stalls on school land is exempt from VAT.

Car Parking Charges

Standard Rated

Charges to other Schools within Luton BC

Outside the Scope

Charges to other Local Authorities

Charges for goods are taxed at standard rate while charges for services are outside the scope providing they are not in competition with the private sector. If they are, they will either be taxed at standard rate or they will be exempt from VAT depending on the type of service

Coach Hire

- Hire of coach and driver would be taxable at zero-rate
- Hire of coach without driver would be taxable at the standard rate
- If included in a package for a trip, the supplier must provide a breakdown of the invoice so the VAT can be reclaimed.
- Coach hire costs recharged to pupils would be treated as non-business

Damage to school property recoveries

Outside Scope

Darkroom Facilities

Standard Rated

Donations

- If the person, business or body making the donation does not receive any benefit in return the donation is outside the scope of VAT
- If the person, business or body making the donation receives benefit or recognition this would be treated as standard rated

Education fees

- School education fees for Primary/Secondary are non-business; other education fees would be exempt from VAT.
- School education fees for Primary/Secondary recharged from other Lea's are also treated as non-business.
- Pre-school education (no charge) is treated as non-business (exempt if charged)

Examination fees

- Provisions of services to non-lea schools are taxable at standard rate
- Examinations of admissions policy for non-lea schools are taxable at standard rate

- Exam and enrolment fees are classified as non-business transactions
- Release of teachers to examination boards are treated as outside the scope of VAT

Government Grants

Outside Scope

Hostels and boarding fees

Non-business if part of education otherwise the fees are treated as exempt from VAT.

Inspections

- Standard to OFFSTED otherwise exempt
- Income for provision of information on school to parents – non-business
- Preparation of special needs statements – non-business
- National curriculum complaints info – non-business

Leaflets

Zero-rated

Lockers

Charges made to pupils for the right to use a specific locker for periods of a term or more will be treated as exempt income

Lottery grants

Outside Scope

Meals/Catering

Sale of food and drink supplied other than in catering outlets:

- Non-business if provided at or below cost otherwise standard
- Sales of food and drink to pupils – as above
- Sale of school meals and takeaway food to visitors – Standard rate
- School catering (including milk)-Non business if at or below cost otherwise standard rate
- Food prepared on site – Zero-rated
- Confectionary and soft drinks – Standard rated

Minibus Hire

- Hire of minibus, seating 10 or more passengers with driver – Zero-rated
- Hire of self-drive minibus – Standard rated

Musical Instrument – Hire

If to be used as part of the curriculum, then outside the scope (for LEA pupils) or exempt (for people who pay for education).

Musical Instrument – Sale

Please contact the VAT Accountant 01582 546974

Optional Lessons – In Any Subject

Exempt

Other schools, Local Authorities and Public Bodies

- A payment received from another school or service of Luton Borough Council is treated as an internal transfer. Any of these transactions should be treated as outside the scope for VAT purposes

- Where your school supplies goods to another Local Authority the supplies are subject to the normal VAT rules
- Services supplied to another local authority under a statutory obligation and not in competition with the private sector are outside the scope of VAT
- Services in competition with the private sector are subject to the normal VAT rules

Photographs

School photographs can be sold to parents of pupils using the school as an agent or principal. The difference between the two methods is as follows:

- **Acting as Agent**
The photographer makes the supply of photographs to parents. The school merely collects the monies on behalf of the photographer, and no supply is made by or to the school. Therefore, the school does not have to account for VAT on the sale of the photographs.
- **Acting as Principal**
The supply of photographs is made, in the first instance, to the school. The school then makes a supply to the parents. The VAT treatment will depend on whether the supply is from the LEA public fund or the private fund.

Where the school pays the photographers' invoice direct from its delegated budget, VAT will be included with this invoice (providing the photographer is VAT registered), which can be recovered in the normal way. However, when the photographs are then sold to parents by the school, VAT must be added to the sale price, irrespective of whether the photographer is registered or not. The VAT on the income must be treated in the same way as other output tax received by the school.

If the transactions are carried out through the private fund, the process is the same except that VAT should not be charged to parents providing the private fund is not registered for VAT.

The difference between the two processes is that input tax (where charged) can be recovered using the LEA public fund, but cannot be recovered using an unregistered private fund.

- **Changes on the VAT Treatment on Commission Received**
As most, if not all, schools operate school photographs on an agency basis through the private fund, it is the policy of Revenue and Customs to treat any commission (in the form of a discount from the photographer) as private fund income. Where this occurs, no output tax is due providing the private fund is unregistered.

Photocopying Charges

- To LEA pupils for educational purposes providing not sold at a profit – Outside scope
- To students who pay for their education who use the photocopy for educational purposes providing not sold at a profit – Exempt
- All other cases to be charged as standard rate, if educational cases can't be distinguished then all cases need to be charged at Standard rate.

Playschemes / Summer Playschemes

Exempt, if no charge then non-business

Polling Station Charges

Outside scope

Postage

- If you recharge staff for the use of your franking machine with the value of the postage then the income will be classed as outside the scope.
- Standard rated VAT is charged if you make a separate charge for delivery costs when you supply goods.
- If you supply zero-rated goods on a 'delivered' basis you can treat the delivery charge as zero-rated even though the charge is itemised separately.
- Room Hire
- The hire of a room, hall or other large area is exempt
- If **refreshments** are also provided and charged separately these will be taxed at standard rate. If the cost of refreshments were not identified separately from the room hire cost these would be treated as exempt.
- If **equipment hire** (e.g. overhead projectors etc) is included and charged separately on the invoice this will be charged at standard rate. If the cost is included in the room hire cost it will need to be treated as exempt.

Sales of sports equipment

Zero-rated if children's clothing (see the section on uniforms for information on which sizes are classified as children's clothes) otherwise standard rated

Sale of equipment to pupils

Outside scope (lea pupils) or exempt (people who pay for their education) providing these conditions are met:

- for the direct use of the pupil/student
- necessary for delivering the education
- portable
- sold at or below cost
- not sports clothing or equipment

If these conditions are not met the supplies are treated as standard rated.

Sale of equipment to teachers and staff

Standard rated

Sales of Goods to Pupils

If educational materials are sold in class to the schools pupils (even if they are paid for by the parents) and the following conditions are met the supply is non-business and VAT does not have to be charged

- The sale must be made at or below the cost of the goods
- The sale must be made in the classroom
- The goods must be intended for regular classroom use
- The goods must not be sports equipment or clothing
- The sale must be made by the school directly to the pupil and not from a retailer, distributor or a school shop

Sales to Staff and Parents

Standard rated

Sales of surplus assets including scrap

Standard rated

Sales of Work from Classes

- Where sold to students (school) at cost – non business if produced from a statutory education class
- Exempt if sold from a fee-paying (adult education) class
- Income from business type activities performed by students is treated as standard rate
- Otherwise VAT able depending on the classification

Second Hand Sales

All second hand items that are sold are subject to the same rate of VAT as if they were new.

Sponsorship Income

Standard rated

Sports Courses

Exempt

Sports Equipment

Where items are sold at or below cost and are purchased by the pupil to enable them to complete their education the supply can be treated as non-business, otherwise treated as standard rate.

Sports facilities hired to the public

- Charges for sports halls let for **non-sporting activities** are exempt from VAT.
- Charges for use of sports halls, running tracks, football/cricket pitches, tennis courts, swimming pools, sauna, sun beds etc for **sporting activities** are standard rated.

Hire of the above to a club or an association is exempt providing all of the following criteria are met:

Step	Condition
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, although a different pitch, court or lane, or different number of pitches, courts or lanes is acceptable.
4.	The interval between each session is at least 24 hours but not more than 14 days. The duration of the sessions may be varied, however there is no exception for intervals greater than 14 days through the closure of the facility for any reason.
5.	The series is to be paid for as a whole and there is written evidence to the fact. This must include evidence that payment is to be made in full whether or not the right to use the facility for any specific session is actually exercised. Provision for a refund given by the provider in the event of the unforeseen non-availability of their facility would not affect this condition.

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.

Supply of Staff to Grant Maintained Schools

- Standard rate VAT is chargeable if the staff are being provided for general duties.
- If the staff are supplied for a specific teaching subject then the charge is exempt from VAT.

Supply Teachers

Contributions from universities towards the cost is outside the scope

Temporary Staff Provided by an Agency

Standard rated

Telephone calls (payphones / school phones)

Standard rated

Transport

- Non-business if part of primary secondary education
- Transport home to school zero-rated if vehicle carries 10 or more people otherwise standard).

Trips/visits organised by the school

- Part of the curriculum for lea students are treated as non-business
- Educational trips for those who pay for education are treated as exempt
- Not part of the curriculum – contact Darren Richardson on 546974

Uniforms

- Under 14's

Clothes that bear the school logo or a badge that identifies them as part of a school uniform (e.g. badged blazers and sweaters) are treated as zero-rated tax.

Clothes that do not bear the school logo (e.g. plain shirts, trousers, blouses and skirts) are zero-rated if they fit the size criteria in the table below.

- Over 14's

All clothes are treated as zero-rated if they meet the criteria in the table below, otherwise they are charged as standard rate as they are seen as adult sizes by customs.

	Boys				Girls			
	Chest		Waist		Chest		Waist	
Shirts	104cms	41"			105cms	41.5"		
Knitwear	104cms	41"			105cms	41.5"		

Jackets, waistcoats	109cms	43"			110cms	43.5"		
Top coats, outerwear	114cms	44.5"			115cms	45"		
Dresses					98cms	39.5"		
Skirts							71cms	28"
Trousers, shorts			72cms	28.5"			71cms	28"
Underwear, swimwear	88cms	34.5"	72cms	28.5"	89cms	35"	71cms	28"
Nightwear	105cms	41.5"	73cms	29"	106cms	42"	72cms	28.5"

Vending machines – Sales

- Non-business if sold at or below cost to primary or secondary pupils.
- Standard rate if sold above cost to pupils, staff, visitors and teachers.
- Standard rate if sold to staff or non-primary or secondary pupils.

Vending Machines Site Rentals

Standard rated

Videos, sale and hire

Standard rated

Detail code list – VAT types

If you are still not sure how to treat the income and expenditure, please see appendix 1. Appendix 1 shows all of the detail codes on Powersolve along with the VAT code that is usually used.

VAT inspections

It is important that VAT is accounted for correctly as Luton Borough Council is regularly inspected by H M Revenue & Customs. If Customs do find errors they usually charge interest and penalties. It is therefore worth noting that if a school is found to have not complied with the requirements of Customs the cost will usually be met from the schools delegated budget.

All correspondence with Revenue & Customs must go through Corporate Finance Accountancy. Even if a school is charged for any VAT errors it makes, Corporate Finance Accountancy must be involved in the process with Revenue & Customs.

Retention of records

It is important that back up information is kept to show how the entries have been made up on the return. The original source documents are needed although Customs will now accept documents that have been copied on to CD-ROM or microfiche. Find below details of how long each type of record should be kept, please note that the period of years relate to a complete period following the end of the financial year to which the record relates.

To be Retained Indefinitely

Inventories	Contracts and agreements
Register of periodical payments and receipts	Copies of minutes (e.g. the Display Copy of Minutes of the Governing Body)

To be Retained for 6 Years

Collection & Deposit books Payments vouchers	Prime computer tabulations, data cards and records relating to expenditure and income)
Income vouchers/receipt books	Invoice books and copy invoices
Sales books/lettings books	Bank statements
Petty cash and postage books	Income banking tabulation
Paid cheques and cheque book counterfoils	Case papers and routine correspondence (as relates to financial matters)
Order books	Telephone books
Bank paying-in books	Drivers' log sheets and log books
Till rolls	Requisition books and sheets

Partial exemption / capital projects

LBC can reclaim any VAT incurred in providing services that generate exempt income. This is as long as the VAT incurred in providing these services, amounts to less than 5% of the total VAT during the year. If this limit is breached, LBC are liable to pay Customs all of the VAT incurred on exempt activities.

Usually the main cause of the 5% limit being breached is when major projects are undertaken to build and renovate facilities that are to be used to generate exempt income (i.e. room hire, adult education and sports and leisure block bookings).

If you are planning on starting any major capital projects that will generate exempt income, please contact Darren Richardson 01582 546974 so that guidance can be given to avoid breaking the 5% limit.

VAT queries

VAT is a complex area and the implications for schools and the LEA of getting it wrong are potentially substantial. If you need any guidance on a VAT matter, please contact Darren Richardson (VAT Accountant) on 01582 546974.