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VAT for Academies

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Managing and administering VAT is a key consideration for academies, ensuring they meet the required compliance and obtain VAT reclaims wherever possible.

The responsibility to reclaim VAT sits within the finance team of the academy trust. It is important to be aware of the considerations surrounding VAT for academies and ensuring all allowable VAT is reclaimed on a timely basis. Trusts must consider the requirement to register for VAT by monitoring their income streams ensuring they comply with the HMRC rules.



How can academies claim a refund for VAT incurred?

There are two possible options.
First, academies who conduct taxable business activities and become VAT registered with HMRC will reclaim VAT through their VAT returns. These returns are usually submitted quarterly, although you can choose to file monthly if preferred, which may benefit cashflow. Alternatively, academies that do not need to register for VAT or those who are not eligible for VAT registration when no taxable supplies are made reclaim input VAT using a VAT 126 form. This allows them to recover VAT on costs related to their educational and other non-business activities. Claims can be submitted monthly, quarterly or annually.

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VAT for Academies

When must an academy register for VAT?

VAT registration is required when Vatable turnover reaches a set threshold - currently £90,000 either in a rolling 12-month period or if they expect the threshold to be exceeded within the next 30 days. The Vatable turnover includes the value of any goods or services supplied for business purposes within the UK, unless they are exempt from, or outside the scope of, VAT. This includes all supplies that are standard rated as well as those that are Zero rated.

When can an academy register for VAT?

If any academy has any Vatable turnover it can choose to register for VAT.

What VAT costs can academies reclaim?

Academies who are not registered for VAT

- Academies must only reclaim VAT on expenses related to non-business activities and taxable supplies, such as delivering free education or receiving grants or donations where no benefit or supply is given back to the funder. An academy should restrict the reclaim where the supply partially covers exempt income, such as electricity for lettings.

Academies registered for VAT

- As noted above, VAT on costs linked to educating an academy's pupils (non-business activities) is recoverable. VAT incurred on expenses relating to taxable business supplies, whether charged at the standard or zero rate, can also be reclaimed. However, VAT associated with exempt supplies is generally not recoverable unless it falls within the applicable de-minimis limits. This means that academies which have a mixture of taxable and exempt supplies must apply a partial exemption method to calculate the proportion of VAT on their costs which are irrecoverable.

What steps should an academy be taking?

The first step is to review the academy's supplies and establish their categorisation for VAT purposes: standard rated, zero rated; exempt or outside the scope of VAT.

Next, academies must calculate VAT taxable turnover on a 12 month rolling basis to assess whether the £90,000 threshold has been exceeded giving rise to a compulsory requirement for the academy to register for VAT. If the taxable turnover is below the £90,000 threshold, academies should consider whether it would be beneficial to register for VAT on a voluntary basis.

Where VAT registration is not required or not beneficial, or not possible because the academy does not make any taxable business supplies, VAT should be reclaimed using form VAT 126.

Whichever method applies, academies must ensure they have strong systems in place to retain all relevant accounting records to support their VAT claims and returns. These records must be available for HMRC to review, if requested.

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What types of supply are made by an academy?

The following table details the VAT treatment of activities commonly undertaken by academies. This is a broad overview of the main categories and specific tax advice should be sort to be certain the appropriate considerations are made.

Income stream	Business/non-business	VAT treatment
GAG funding	Non-business	Outside the scope
Donations (where freely given)	Non-business	Outside the scope
Educational school trips provided at or below cost	Non-business	Outside the scope
Items for use in the classroom provided at or below cost e.g. calculators, stationery, laptop, musical instrument	Non-business	Outside the scope
Transport from home to school	Non-business	Outside the scope
After school and breakfast clubs (8:00am to 6:00pm) at or below cost	Non-business	Outside the scope
Car parking for the general public	Business	Standard rated
Catering for pupils (including tuck shops) at or below cost	Non-business	Outside the scope
Catering for non-pupils (including teachers)	Business	Standard rated
Vending machines	Business	Standard rated
Commissions from photographers	Business	Standard rated

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VAT for Academies

Income stream	Business/non-business	VAT treatment
Fundraising events e.g. proms, admission to musical, theatrical performance	Business	Exempt (providing certain conditions are met)
Sale of school uniforms	Business	Zero rated for sizes up to 14 years old otherwise standard rated
Sale of photographs to students	Business	Standard rated
Sale of printed matter	Business	Zero rated
School merchandise	Business	Standard rated
Nurseries/holiday clubs when a fee is payable	Business	Exempt
Student accommodation at or below cost	Non-business	Outside the scope
Student accommodation run for a profit (during school holidays)	Business	Exempt
Room hire	Business	Exempt unless opted to tax
Letting of sports facilities to other schools, clubs, associations etc.	Business	Exempt
Supply of staff to other academies/charities (and staff member engaged only in non-business activities at both the provider and recipient)	Non-business	Outside the scope
Secondment of general staff	Business	Exempt
Consultancy services	Business	Standard rated
Sale of sports equipment	Business	Standard rated

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Meet the team

Other VAT issues

VAT can be a challenging area and additional rules apply to certain types of expenditure, especially those linked to buildings, capital works and refurbishment projects. Because of this complexity, it is always advisable to seek specialist guidance.

How Affinia can help

We support academies in understanding how VAT rules apply to them, including the correct VAT treatment for different types of supply and advise whether VAT registration is required or beneficial.

For academies that must register, we help with the registration process and ensure they can provide the information needed for VAT returns.

We also offer guidance on wider VAT matters, such as partial exemption calculations and the VAT impact of property or refurbishment projects.



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