

GUIDE TO VAT AT THE UNIVERSITY

Introduction

As an educational charity the University is entitled to certain exemptions and reliefs in respect of VAT, but this does not mean it can ignore VAT. Like any business it must charge VAT where applicable on its income and pay VAT on many of its purchases. Also, it must submit quarterly VAT returns. VAT is a significant cost to the University because it can recover only a small proportion of the VAT it incurs.

VAT law is complicated and the information below is only a very brief guide. Many VAT rules are subject to exceptions. More information is available in the VAT A to Z Guide.

VAT Registration

The VAT registration number of the University is GB 200 0126 59. Other University entities that are registered for VAT in the UK are: Henley Business School Limited GB 996 8987 06, Thames Valley Science Park Limited GB 209 5970 84, and Reading Real Estate Foundation GB 861 4155 33.

VAT on Income

Fees for courses provided by the University are exempt from VAT.

OFS and other grants are “outside the scope” of VAT.

There is no VAT on research grants, e.g., from Research Councils because they are outside the scope of VAT. Normally research contracts with Government departments or charities will be outside the scope of VAT, but the contracts will require review to ensure that the University is not supplying services. Normally research contracts with commercial sponsors are subject to VAT.

Normally consultancy services are subject to VAT, irrespective of who the customer is.

Where consultancy or research services are supplied to business customers outside the UK, please use sales tax code SZ for the income.

VAT on Expenditure

It is the supplier’s responsibility to determine whether they should charge VAT when invoicing the University.

The University may be entitled to relief from VAT on some supplies that is not available to most other customers, and it should notify the supplier accordingly by issuing certificates of its entitlement to the relief. These supplies include:

- Advertising services
- Certain equipment and other supplies to be used for Medical or Veterinary Research, Training, Diagnosis or Treatment (subject to HMRC Notice 701/6)

When raising purchase requisitions for such goods the tax codes PA (for advertising) and PM (for goods bought for medical/veterinary research) should be used. VAT Certificates of entitlement to relief from VAT will be recorded on the purchase order generated by Agresso.

Recovery of VAT Incurred on Expenditure

VAT incurred on expenditure is irrecoverable if:

- it relates to activities that are exempt from VAT or
- it relates to non-business activities (often funded by grant income or donations) or
- it is blocked. For example, VAT on business entertaining expenditure cannot be recovered.

Much of the VAT incurred by the University is irrecoverable. Irrecoverable VAT is recorded as expenditure against departmental budgets.

The University can recover in full VAT incurred on expenditure that relates only to taxable activities or to supplies outside the UK that would be taxable supplies if made in the UK. If the income for a taxable activity is recorded against a unique project code for that activity, VAT on expenditure recorded against that project code can be fully recovered.

VAT incurred on expenditure that relates both to taxable income and to either non-taxable income or non-business activities, can be partly recovered. The University recovers a small proportion of this VAT. Where VAT is only partly recovered, the full amount of the VAT is recorded as expenditure against departmental budgets. The small amount of VAT recovered is recorded against a central project.

Responsibility for VAT

The main responsibilities of budget holders in respect of VAT are:

- To advise the Finance Department of activities that will generate income that may be subject to VAT, so that appropriate project codes can be set up to ensure recovery of VAT incurred on expenditure in respect of those activities.
- To provide information as necessary to assist the Tax Team in determining the recoverability of VAT incurred on expenditure for proposed new activities, e.g., as an input in the costing and pricing of such activities.
- To ensure that transactions are correctly coded. Miscoding of transactions to incorrect projects or account codes can lead to incorrect recording and/or recovery of VAT.
- To ensure that VAT costs are allowed for in planning the use of budgets, to avoid unforeseen overspends.

The main responsibilities of the Tax Team regarding VAT are:

- To maintain arrangements, e.g., through the recording of the correct tax systems for project codes, to ensure the correct recovery of VAT incurred on expenditure.
- To prepare VAT returns.
- To ensure compliance with VAT law and avoid VAT penalties.
- To advise departments on VAT matters.
- To take appropriate steps, within the law, to optimize the University's VAT position.

Advice

Please email queries on VAT matters to vat@reading.ac.uk.

Alternatively, Karen Hullis (5441), Nigel Gower (6811), or Aimei Liu (4970), may be contacted.

Where queries relate to the VAT recording for new activities it is helpful if you can describe the nature of the activity and its scale.

The University also retains external professional advisers for VAT. The Tax Team refers some more complex queries to them.

Summary of contact names:

Tax Team VAT Mailbox

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