

# **GUIDE TO ... VAT at the University**

## **Introduction**

As an educational charity the University is entitled to certain exemptions and relief 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. It must also 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 guide. Many VAT rules are subject to exceptions.

## **VAT Registration**

The VAT registration number of the University is GB 200 0126 59. The University of Reading Science and Technology Company Limited is separately registered with VAT number GB 798 3933 58

## **VAT on Income**

**Fees for courses** provided by the University are exempt from VAT. HEFCE and other grants are “outside the scope” of VAT.

There is no VAT on **research grants**, e.g. from Research Councils, or on research contracts with Government departments or charities. However, research contracts with commercial sponsors are subject to VAT.

**Consultancy and other services** are normally subject to VAT, irrespective of who the customer. Where consultancy is undertaken for a commercial VAT registered client in the EU, the tax code SE should be used. The client will then be due to account for VAT in their country. Where commercial consultancy is undertaken for a client overseas and outwith the EU no VAT would apply and tax code SO should be used.

## **VAT on Expenditure**

Generally it is for suppliers to determine whether they should include VAT when invoicing the University.

For certain items the University may be entitled to relief not available to most other customers and needs to notify the supplier accordingly. These include:

- Advertising
- Certain equipment and supplies to be used for Medical/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 will be issued automatically,

## **Recovery of VAT Incurred on Expenditure**

Much of the VAT incurred by the University is irrecoverable and therefore represents expenditure counting against departmental budgets.

The University can recover VAT incurred on expenditure relating to *taxable* activities. This is normally achieved by accounting for the activity against a project code. The VAT Liaison Team will then ensure that any VAT on expenditure charged to that project code is recovered through the VAT return.

The University also recovers a small proportion of VAT incurred on its overhead expenditure or expenses related to the University's overall activities.

## **Responsibility for VAT**

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

- To advise Finance of activities for which income may be subject to VAT so that appropriate project codes can be set up to facilitate recovery of VAT incurred.
- To provide information as necessary to assist the VAT Liaison Team in determining the VAT status of proposed new activities, e.g. as an element in the costing and pricing of such activities.
- To ensure that transactions are correctly coded as miscoding can lead to incorrect treatment of VAT.
- To ensure that VAT costs are allowed for in planning the use of budgets, so as to avoid unforeseen overspends.

The main **responsibilities of the VAT Team** are:

- To maintain arrangements, e.g. through project codes, to ensure recovery where possible of VAT incurred.
- 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 optimise the University's VAT position.

## **Advice**

Queries on VAT matters should be raised with Karen Beddall (ext.5441) or Gill Glennon (ext.5457). Where queries relate to the VAT status of new activities it is important to describe the nature of the activity and also its scale (e.g. the amount of potential income).

The University also retains external VAT advisers and some more complex queries are referred to them by the VAT Liaison Team.

## **Summary of Contact Names:**

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