

# A to Z VAT Guide

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# A to Z VAT Guide

## 1 Introduction

### 1.1 Purpose of this guide

This guide is intended to give University staff an overview and guidance on the Value Added Tax (VAT) implications of the University's activities to ensure the University meets the requirement to produce accurate and timely value added tax returns to HM Revenue and Customs (HMRC). This section explains how VAT affects the University and the later sections explain the VAT treatment of specific transactions.

This guide is intended for reference purposes. If you need any further information or guidance, please do contact [vat@reading.ac.uk](mailto:vat@reading.ac.uk) or contact Karen Hullis, Nigel Gower, or Aimei Liu through Teams.

### 1.2 What is VAT

VAT is a European tax, introduced in the UK when the UK joined the Common Market in 1973. It is founded in European Community Directives, as implemented in UK national law. The current legislation governing VAT is the VAT Act 1994.

A transaction is within the scope of UK VAT if the following conditions are met:

- It is a supply of goods or services, and
- It takes place in the UK (see Place of Supply rules for more information,) and
- A taxable person makes it, and
- It is made during furtherance of any business carried on by that person.

All goods and services are liable to VAT at the standard rate unless they are specifically excluded from that charged elsewhere in the law, for example, by way of VAT exemption, or reduced-rating and zero-rating.

There are three main rates of VAT in the UK:

- Standard rate                      20%
- Reduced rate                        5%
- Zero rate                                0%

Certain supplies are exempt from VAT. This means that no VAT is chargeable.

There are differences between zero rated and exempt supplies even though both categories result in no VAT being applied to the supply. Zero rating applies a VAT rate of 0% and this constitutes a taxable supply. As a result, input VAT in relation to directly related expenditure can be reclaimed. Exempt supplies, however, are not taxable supplies and VAT incurred on related expenditure cannot be recovered. The VAT is therefore an irrecoverable cost.

Since its introduction, VAT has become more complex with each successive Finance Act. The University is subject to inspections and queries from HMRC VAT inspectors. There is a strict penalty scheme in place to penalise businesses which make mistakes, irrespective of whether the error was intentional. The cost of penalties and interest can be significant.

It is therefore vital that members of staff are mindful of the contents of these notes and of the need to discuss any VAT queries with the Tax Team as they arise.

### 1.3 Responsibilities & VAT

The Tax Team is responsible for advising on the University's VAT affairs and for all contact with HMRC. Under no circumstances should University staff contact HMRC themselves or engage the services of external tax advisors.

The University is required to submit quarterly VAT returns to HMRC. The completion of these returns is the responsibility of the Tax Team.

Members of staff across the University are responsible for ensuring that transactions are recorded using the correct tax codes to ensure VAT is correctly accounted for on income and expenditure.

### 1.4 General information

The University is registered for VAT and is required to account for VAT on the income it receives for supplies it makes.

Universities generate diverse sales including education, research, and commercial activities. The VAT rules vary according to what is being provided and where.

The primary purpose of the University is providing education. Education supplied by the University is an exempt supply, which means no VAT is charged to any recipients of education irrespective of whether they are students or companies.

The effect of this is that the University cannot recover the VAT incurred on most of its expenditure on goods and services. The full cost including VAT will therefore be charged to cost centres.

The University can recover a small percentage of the VAT incurred on its overheads through its VAT Partial Exemption Method, but this recovery is recorded against a central project and is subtracted from the University's central expenditure.

Certain supplies such as staff catering, consultancy, and vacation lettings (but see note below) are standard rated. The VAT that is incurred on the purchase of goods and services directly related to these activities can be recovered from HMRC.

VAT legislation is complicated and, in many cases, open to interpretation by HMRC. Please contact the VAT team at [vat@reading.ac.uk](mailto:vat@reading.ac.uk) who will either resolve the query or liaise directly with the University's advisors or HMRC as appropriate.

## 1.5 Vat registration number

The University is registered for VAT under VAT registration GB 200 0126 59.

## 1.6 The University's status & VAT

### *Eligible body status*

The University is an eligible body for VAT purposes under Note 1 (b) to Group 6 (Education) of the VAT Act 1994.

As a result of its eligible status, **supplies of education by the University are exempt from VAT.**

### *Charitable status*

By virtue of the fact that the University is an exempt charity, regulated by the Office for Students, it is an Eligible Body in respect of some VAT reliefs, and it has charitable status for VAT purposes. Whilst there is no general exemption for Charities from the VAT system it is entitled to receive certain supplies exclusive of, or at a lower rate of VAT, e.g., advertising services, certain construction services, supplies of medical and scientific goods, and fuel and power, subject to meeting certain conditions. The University's HMRC charity reference number is X8145.

Further guidance is given in this guidance:

[Exempt charities \(CC23\) - GOV.UK.](#)

The University of Reading is listed in this guidance as an exempt charity.

## 1.7 Terminology

Common VAT terms used in this guide, are as follows:

**Supplies** – goods, the exclusive ownership of which passes from one person to another, or services for which payment, in money or in kind, is made

**Taxable supplies** – supplies which are liable to VAT at the standard-rate of 20%, the zero rate of 0%, the reduced rate of 5%.

**Input tax** – VAT charged on the purchase of taxable supplies

**Output tax** – VAT charged on taxable supplies of goods and services

**Exempt supply** – a supply of goods/services on which VAT is not charged e.g., a supply of education

**Outside the scope of VAT** – VAT is not charged. (In cases where the sales are outside the scope of VAT it is usually the case that there has been no supply of goods or services).

**Net figure** – the VAT exclusive purchase or sales price

**Gross figure** – the VAT inclusive purchase or sales price

**HMRC** – HM Revenue and Customs administer VAT, import VAT and Customs duties

Other terms used in this guide are: -

**Business / Non-Business income** – For VAT purposes University income is divided into either business or non-business income. University income is classified as non-business if the University does not make a supply in return for the income. For example, grants are often non-business income.

**HE** - Higher Education

**University** - The University of Reading

## **1.8 Contracts – general**

Whenever the University undertakes to provide goods or services to someone else for a consideration i.e., whether payment is to be received in money or in kind, the applicability of VAT to the supply must be considered at the outset.

To help ascertain the VAT liability of any activity, contract documents should clearly state what will be supplied by whom, where it will be supplied, and to whom it will be supplied. This is particularly important where partnerships are involved.

It is essential that VAT is charged when HMRC regulations stipulate that it must be, and if in any doubt contact the Tax Team for advice.

## **1.9 Contract terms and wording of invoices**

It is good practice to have a VAT clause placed in all income generating contracts to reserve the right to charge VAT, where applicable, on top of agreed sums.

An appropriate statement is: -

“Although amounts quoted in this contract are exclusive of VAT, VAT will be added at the standard rate where applicable”

It is essential to discuss the VAT treatment of the contract with the customer when discussing the contract terms. If you are unsure whether VAT is applicable or not, please contact the Tax Team.

Invoice requisitions should be clear as to the type of service provided. The use of words such as “consultancy” and “sponsorship” are indicative of non-educational taxable services, whilst the words “grant” and “claim” indicate income that is outside the scope of VAT, and the word “course” indicates exempt educational activity.

# **2 Overview of VAT on University income**

## 2.1 University VAT codes for income

The relevant Agresso codes for VAT on income are:

ST	Standard rated (taxable income e.g., consultancy for a UK customer)	20%
SX	Exempt sales (e.g., student tuition fee income)	0%
SZ	Zero rated (e.g., certain foods, supplies of services to business customers that belong outside the UK)	0%
SF	Reduced rated (e.g., domestic fuel)	5%
SO	Outside the scope (e.g., grants and donations)	0%

## 2.2 Introduction to VAT on income

*Do I always have to use a VAT code for income?*

Yes - For income, a VAT code must be used in every case, either on sales requisitions or paying-in forms, and whether VAT is chargeable or not.

It is critical to use the correct VAT code particularly on sales invoices or cash and cheques, as this code is used to determine how much sales VAT the University must pay, and the proportion of VAT incurred on overheads we can reclaim.

Whether VAT is added depends on what the supply (sale) is for. If you want the Tax Team not to charge VAT on your supply, then you will need to provide sufficient evidence to support this.

## 2.3 Non-invoiced income

If a department receives payments where sales invoices have not been raised the appropriate tax code for the income received must be entered on the paying in slip.

The amount that will be credited to the Faculty's cost centre e.g., £1,000 received for sponsorship of a workshop, is VAT inclusive. The amount credited to the Faculty cost centre will be £1,000 - £166.67 i.e., £833.33 (the VAT is NOT 20% of £1,000). To calculate 20% VAT included within the £1,000, or any figure, you divide by 6.

**NB** You must always consider VAT prior to the provision of goods and services and wherever possible sales invoices should be raised.

## 2.4 Sales invoices

For supplies of goods and services to a business customer, invoices must be raised.

## 2.5 Time of raising a sales invoice

VAT on sales invoices must be accounted for to HMRC in the correct period. To ensure compliance, sales invoices must normally be raised within a maximum period of 14 days from the date of supply of the goods or services.

Where supplies of services are on-going, then sales invoices should normally be raised periodically in accordance with the agreement with the customer.

### **Beware of non-monetary consideration**

Deals are sometimes done under which a business provides goods or services to an institution at below market value in return for services. Whether these are nominal publicity and promotion or something of more obvious commercial benefit makes no difference. VAT on the full value (normally market value) must be charged by both parties.

## 2.6 Education fee rules for VAT exemption

The supply of education by the University is exempt from VAT by virtue of it being an eligible body.

Education is not defined in legislation. HMRC regard education as meaning a course, class or lesson of instruction or study in any subject, regardless of where and when it takes place. Education includes lectures, educational seminars, conferences, and symposia together with sporting and recreational courses. It also includes distance learning and associated materials. Any separate charge for registration is part of the supply of education.

It is however important that a form of instruction is provided, and this forms the predominant element of the supply otherwise HMRC could consider that the supply is one of attendance of an event which would ordinarily be subject to VAT at the standard rate. In this regard, it is important to distinguish between conferences provided by the University which have a significant educational content and thus should normally qualify for exemption as opposed to a more general discussion without instruction (which would not qualify for exemption under the education exemption).

Education does not include admission to events such as plays, concerts, sports meetings and exhibitions which would be subject to VAT at the standard rate.



## 2.7 Education and closely related goods/services

In addition to the supplies of education that the University makes, and which are exempt from VAT, closely related supplies can be similarly exempt from VAT.

In general terms closely related refers only to goods and services that are for the direct use of the student **and** necessary for delivering the education to that person.

However, an eligible body such as the University may treat as closely related any accommodation, catering, transport, and field trips that it provides to its students

Goods and services that are **not** closely related to supplies of education include the following:

- Supplies to staff (including tutors on summer schools) and to other non-students
- Sales of goods from University shops and bars
- Sales of goods not needed for regular use in class
- Separately charged laundry and other personal services
- Sale of sports clothing
- Administration and management services
- Commission for allowing sales by outside organisations at an educational establishment
- Admission charges for example, admission to plays, concerts, dances, sporting venues and exhibitions.

## 2.8 Closely related goods and services sold direct to the pupils of other eligible bodies or sold to other eligible bodies

If the eligible body is an educational institution such as a school, college, or university Then it should not charge VAT on the closely related goods and services it provides direct to the pupils, students and trainees of other schools, colleges or universities that are also eligible bodies

If the University provides closely related goods and services to an eligible body that supplies education in the course or furtherance of business, (rather than direct to its students) i.e., it charges a fee for its supplies of education, that supply is also exempt.

But if the eligible body does not charge a fee for its supplies of education (for example, a Local Authority maintained school), the University's supply of closely related goods and services to it is not exempt.

(See HMRC notice 701/30 –February 2014 section 8.6)

## 2.9 Place of supply rules for overseas income

If a supply of goods or services has taken place, for the transaction to fall within the scope of UK VAT the supply must take place within the UK. Place of supply VAT rules are different for goods and services.

### Supply of goods

The supply of goods is deemed to be supplied where the goods are located at the time when dispatch or transport of the goods to the customer begins. For goods supplied from the UK, the place of supply is the UK.

You can zero-rate the sale (i.e., use tax code SZ) subject to holding the appropriate export evidence; and the goods leaving the UK within the relevant time limits (normally 3 months).

- **Evidence required**

Detailed evidence required as proof of export are as follows:

- **Official evidence**

A copy of the export declaration submitted to HMRC

- **Commercial evidence**

For different modes of transport, the normal proofs are as follows:

- For posted goods – a certificate of posting
- For goods sent by airfreight – an air waybill
- For goods sent by sea freight – a bill of lading or certificate of shipment

- **Supplementary evidence**

This includes for example customers order, consignment note, sales contract, and packing list.

You must also make sure the goods are exported, and you must get the evidence, within three months from the time of sale.

The time of sale is the earlier of:

- the day on which either you send the goods to your customer, or your customer takes them away, and
- the day you received full payment for them (if earlier)

You must not zero-rate sales if your customer asks for them to be delivered to a UK address. If the customer arranges to collect them from you – an indirect export - you may be able to zero-rate the sale if certain conditions are met.

## 2.10 Supply of services

### The General Rule

Under the general rule, the VAT rate to charge depends on whether the services are supplied to another business – a Business to Business supply (B2B) – or to a private customer – a Business to Consumer supply (B2C)

➤ Business to Business supply (B2B)

The general rule for B2B supplies is that the place of supply is where the customer belongs. If the customer belongs outside the UK, the supply is outside the scope of UK VAT. The tax code to use in this circumstance is SZ.

It is necessary to check whether the customer is a business customer. For EU customers their VAT registration numbers is the best evidence that your EU customer is in business. For non-EU customers it is necessary to obtain other evidence that demonstrates that they have business activities.

➤ Business to Consumer supplies (B2C)

The general rule for B2C supplies is that the place of supply is where the supplier belongs. Supplies made by the University to consumers are subject to UK VAT at the appropriate UK rate.

- **Exceptions to the General Rule**

Certain services will not fall under the B2B and B2C rules. These include:

- Land-related services will be subject to VAT according to where the land is located.
- admission to events will be deemed to be supplied where the event takes place.

- **Recovery of VAT**

Where a service is supplied to an overseas business that is outside the scope of UK VAT but would have been subject to VAT if supplied to a UK business, any VAT incurred to provide the service is fully recoverable. The supply is deemed to be outside the scope of VAT (with credit).

If there is no supply of a service and you are merely receiving a grant from an overseas body to fund research, then the receipt of income is outside the scope of VAT and any VAT incurred is an expense to the grant.

## A-Z TOPICS

### A

#### A.1 Accommodation

Supplies of accommodation to the University's own students are exempt from VAT.

The supply of accommodation and catering to students is taxable in principle but can be exempted when it is closely related to a supply of education made by the University of Reading to its students. "Student" covers all individuals that the University charges a fee for receiving teaching for whatever period and therefore including students attending short courses, conferences, and seminars.

In addition, the University's supplies of accommodation to students of other eligible bodies, such as other UK Universities, overseas universities (provided that they meet certain conditions), and commercial providers of tuition in English as a Foreign Language (EFL) where the student is attending an educational course supplied by any eligible body will also be exempt.

If the University provides accommodation and catering to students, where the customer is an eligible body that does not charge the students for the supply of education, the charges would be subject to VAT. If the University's customer is instead a student or pupil of another eligible body the charges would be exempt from VAT.

At present, commercial providers of education (excluding EFL) are not treated as eligible bodies, and therefore supplies of accommodation to students of such entities will currently be treated as standard rated.

#### Taxable charges

Charges for accommodation on the night after a conference will be subject to VAT as will optional charges e.g., gala dinner or a meal on the night before the conference starts. All charges for alcohol or laundry will also be subject to VAT. All charges for services provided to tutors or staff administering the function, for example, are subject to VAT as they are **not eligible for VAT exemption** unless these staff are also receiving education or training.

Accommodation provided to students of commercial colleges are taxable at the standard rate, unless the students are attending an educational course run by the University or a commercial provider of tuition in English as a foreign language (EFL), in which case the accommodation is exempt from VAT.

## Charges for non-students

Charges for accommodation and meals etc. provided to non-students are generally subject to VAT. However, when services are provided free of charge, and no other consideration is received, no VAT is due. Therefore, if the charges for the students encompass all costs of the staff, so as to be a 'complete package,' it might be possible to treat all these charges as exempt from VAT.

## Accommodation for an educational conference

The University can treat income from the provision of accommodation and facilities as exempt when the customer is an "eligible body" (i.e., an educational institution, a charity, a local authority, a government department, or an EFL school). To support this, the University must obtain a certificate (available on the Finance website) signed by the client confirming that the exemption applies. To qualify, the goods and services must be used directly by persons receiving a supply of education from the eligible body and the client must charge the delegates for attendance at the conference. As explained above, VAT is due on any accommodation and other facilities supplied to staff, lecturers, or guest presenters of the external organisation.

When bedded accommodation is supplied to persons other than those described above, the University is acting in a similar capacity to a hotel and the supply is standard rated. VAT is therefore due when accommodation is provided to University staff, visiting lecturers and the public. The exception to this would be where the person lets the accommodation for a continuous period of more than 28 days in which case, VAT will only be due on the first 28 days and then the accommodation element will be treated as exempt from day 29 onwards and VAT will also remain due on any element of the charge related to other services e.g., meals or drinks.

For the letting of rooms, without bedded accommodation, please refer to L.2.

Letting of rooms (excluding conference facilities).

## A.2 Administration fees including deposits

In most circumstances administration fees charged by the University are subject to VAT (HMRC notice 701/30 paragraph 8.3) as they are deemed to be a service which is not closely related to supplies of education.

However, where a refundable deposit is taken and part of this is retained as an administration fee if the customer does not buy/use the associated goods or services VAT is generally not due as long as the clients have been advised in advance that an amount will be retained.

Specifically, when returnable deposits are taken, for example from students renting student accommodation, this can be treated as outside the scope of VAT where the

amount retained is set at a level to compensate for loss incurred. Where the amount retained is higher than this then VAT would be due at the time the deposit is taken.

The normal VAT rules around deposits can be found in HMRC guidance.

Where the customer is charged a cancellation fee for a 'guaranteed' room, i.e., where the University has undertaken to keep a specific room available and is not able to let it out to other customers, then the fee charged is subject to VAT.

Where a deposit is taken for accommodation and there was no 'guaranteed room' and there is an agreement for the customer to cancel the booking up to a certain time or date for a 'cancellation fee' then the fee is not subject to VAT, but represents compensation for breach of contract, and is outside the scope of VAT (tax code SO).

<http://www.hmrc.gov.uk/vat/managing/special-situations/instalments.htm>

<http://www.hmrc.gov.uk/manuals/vatscmanual/vatsc42200.htm>

### **A.3 Admission charges / ticket sales**

Admission charges to sporting events, exhibitions, concerts, and lectures that are not generally in connection with a supply of education are normally standard rated both to UoR students, staff, and visitors.

Charges to all students of the University who participate in a sporting event can be treated as exempt whether or not they are members of the Sports Centre. There is also an exemption for the provision to members of the Sports Centre, of the right to participate in a sporting event. However, VAT is payable on admission fees charged to non-members and students alike who are spectators.

However, if the income relates to a charge for admission to a theatrical production undertaken by the University's students, then the charge can be treated as exempt in line with the case *Brockenhurst College [2013] UKFTT 153 (TC)*, subject to certain conditions, listed below.

1. The education must be being provided by way of business.
2. The activity must be student-led and 'essential' to their education.
3. The activity must not have the purpose of generating additional income for the University in direct competition with commercial enterprises. This will be the case where services are not offered to the public through advertising, and the costs of providing the supplies exceeds any income generated from the activity.

<https://www.gov.uk/hmrc-internal-manuals/vat-education-manual/vatedu53400>

VAT exemption is available for charges for admission to charitable fund-raising events. See separate section on fundraising events for further information.

## A.4 Sale of alcohol

Sale of alcohol from University bars is always standard rated, no matter to whom the drink is sold.

## A.5 Advertising

### Zero rate relief

By virtue of having charitable status, the University, may receive supplies of adverts which communicate to the public with VAT charged at zero rate, **providing that they are on a third party's time and space and are aimed at the general public**. The relief covers all types of advertisements on any subject, including staff recruitment. Zero rating is available for advertising in all the conventional advertising media such as television, cinema, billboards, the sides of vehicles, newspapers, and printed publications. Zero rating is also available for adverts on third party websites and on the internet.

### Condition for relief – using third party's time and space aimed at public

To qualify for zero rating the principal factor is whether the advertisement is placed on someone else's time or space. If it is not there will be no scope for zero-rating. The supply must be of a right to advertise granted by a third party and the advert must be aimed at the public.

### Online advertising

Pay-per-click is used by organisations on search engines such as Google to encourage searchers to click on an organisation's link in priority to any other links on the results page following a search. The organisation pays the search engine provider an agreed amount each time their website is accessed through the sponsored link. Online pay-per-click advertising by charities on websites other than their own qualifies for a zero rate of VAT. This would apply to services such as Google Adwords. It follows that the supply of copyright and design services associated with such sponsored links fall within the zero-rating.

As stated above direct placements (of advertisements) on third party websites will also qualify for zero rate VAT. Supplies relating to advertisements placed on the University's own website will not qualify for zero rate VAT.

Other supplies relating to online marketing that will not qualify for relief are services supplied by copywriters and designers for the purpose of search engine optimisation (structuring a website so that it contains as many keywords as possible), the listing of the University in the results of a search engine ('natural hits'), and social media advertising.

## Design or production of advertising

Provided that it is intended that the advertisement will be placed in purchased or donated advertising time or space, the supply of **design or production of an advert** will qualify for relief. This includes the design of a poster or the filming or recording of an advertisement to be broadcast.

## Design or production of prospectus

The zero-rating for 'charity advertising' will not apply to the production of a prospectus as the services received by the University will not be placed on someone else's time or space.

The production (i.e., the printing) of the prospectus should qualify for zero-rating under the relief for certain types of printed matter. Furthermore, to the extent that the supplier of the prospectus also provides the design services, the whole of the supplier's charge should qualify for zero-rating.

However, the separate supply of design services by a company not responsible for the printing will not qualify for zero-rating as the supply is not one of qualifying printed matter.

A single contract with a supplier for both the design and printing of the prospectus would mean that the supply could be zero rated. However, there are clearly commercial implications to consider as well as VAT. For example, the University may wish to contract with a designer separately to have closer control over this aspect of the work.

## Tax codes

When raising a P2P requisition for advertising, or design and production of advertising, which qualifies for zero rating select the tax code **PA**. Selection of the PA tax code will trigger the inclusion of a zero rate **VAT certificate** on the purchase order.

## Exclusions from zero rate relief

The following are **not eligible** for zero rate relief:

- **Marketing and advertising addressed to selected individuals** e.g., direct mail and telesales
- Anything on University's own Internet website
- Advertisement on University's own greeting cards
- Commemorative items whether or not they bear the University's logo, for example, pens and adult clothing
- Exhibition stands and space
- Banners on the University premises
- Social media advertising



- Services relating to search engine optimisation
- Services related to listing the University in the results of a search engine ('natural hits')

### Direct marketing

Many charities use direct marketing to publicise their worthy causes and seek donations from supporters. All supplies of production and postage of printed materials are subject to VAT at the standard rate of 20%.

#### How to ensure your direct marketing remains VAT free

Certain printed materials, when supplied to charities, can be zero-rated if it is clear that the purpose is to raise money for the charity, and they are linked to a particular appeal. This includes the preparation, production, and delivery of advertising materials, **provided they have sufficient legend on them to indicate the fund-raising purposes.**

There are also VAT reliefs available for individual elements of postal packages which can be zero-rated under the concession for appeal letters and envelopes, or because they are, for example, **brochures or leaflets.**

### Supply of advertising by the University

If the University charges a customer for the placing of an advertisement in a document published by the University, or in any broadcast made by the University, the fee will ordinarily be standard-rated. However, if the customer is a charity the fee will be zero-rated. If the order placed by the customer includes a charity registration number, then no further evidence of eligibility will be required, but if any doubt exists that the customer is a charity, a signed statement to this effect should be obtained if zero-rating is to be applied. Note: the University of Reading Students Union is a registered charity and as such any income from advertisements provided by the University on behalf of the Students Union will be subject to zero rate VAT (tax code SZ).

*Source:*

*VAT Act 1994 Schedule 8 Zero-Rating: Group 15– Charities etc. as amended by SI 2000/805*

## B

### B.1.Barter transactions or trade-ins

If you supply services or goods (new or second-hand) and receive other goods or services in exchange you must account for VAT on the cash value that would have been received if you had sold them entirely for cash.

### B.2.Bench fees

<b>SX</b>	The visitor is a student attending a University or college either in the UK or overseas and he/she is <b>using the University’s facilities as part of their studies</b> , then the bench fee is ‘closely related’ to the supply of education and <b>VAT EXEMPT</b> .
<b>SX</b>	An academic is receiving <b>academic supervision</b> in addition to access to the University facilities, including supporting the academic in their research. As the main reason for this charge is the education provided, then the bench fees will be treated as the <b>VAT EXEMPT</b> supply of education.
<b>ST</b>	Bench fees for a <b>visiting Research Fellow</b> would be subject to VAT unless the Research Fellow is receiving education either from the University of Reading or from another University.  If, on the other hand, the University of Reading is <b>contributing to the Fellow’s own research</b> (i.e., akin to being a sub-contractor), and not providing ‘Education,’ then the University’s supply will be taxable.
<b>ST</b>	The visitor merely receives the right to access the University’s facilities and <b>does <u>not</u> receive any educational support</b> or input from the University. As this represents the provision of access to facilities, the fees will be subject to VAT.
<b>ST</b>	The academic performs a research project alongside academics at UoR and any <b><u>IP rights arising accrue to another University</u></b> (e.g.. the academic’s home institution). Where the other University both pays for and receives the benefit of a collaborative research project between the

	academic and the University, the supply is likely to be taxable following the withdrawal of the research exemption.
<b>SO</b>	If the bench fee is funded by a grant – i.e., the funder does not receive any benefit in return for the funding.

### **B.3. Books and publications**

Books, brochures, pamphlets, and leaflets, including e-publications, are subject to zero rate VAT.

Database services continue to be subject to standard rate VAT.

Further details are given in [Annex 7 VAT & zero-rating books etc.](#)

### **B.4. Buildings**

The construction of buildings and certain works to buildings intended to be used by a charity solely for non-business purposes or as a village hall or similar, can be zero-rated subject to certain criteria being met.

In this respect education is regarded for VAT purposes as a business activity and hence this potential relief is limited to buildings which are primarily to be utilised for publicly funded research (to qualify 95% would need to be used for publicly funded research).

If it is not possible to obtain relief on an entire building it is possible to seek relief on a part of a building that is to be used over 95% of the time for publicly funded research purposes. To qualify the part must be an enclosed room or an entire floor of a building. An apportionment can then be made for the calculation of the relief.

Fees of architects, quantity surveyors etc. will be subject to VAT irrespective of the fact that they are in relation to a building that qualifies for relief unless they are incorporated in a charge by a construction company as part of a design and build contract.

Buildings constructed for relevant residential purposes, which include student accommodation, will also qualify for zero rate relief. HMRC accept that 95% use for relevant residential purposes will qualify.

Zero-rating may also be possible for parts of buildings specifically adapted for use/access by people with disabilities.

This is a complex area. Please contact the Tax team for further details and guidance.

## **B.5. Buying in services from overseas**

If you are paying an academic or consultant to undertake work on your behalf and they are resident overseas, reverse charge VAT will be due on the value of the payment unless that person has been paid as an employee.

Before engaging individuals to undertake such work it is important to consider whether or not it is possible to treat this person as a self-employed contractor rather than as an employee. In order to determine the correct treatment, it will be necessary to complete an employment status questionnaire, which is available on the Procurement website at

<http://esq.private.reading.ac.uk/closed/procurement/esq/>

## C

### C.1. Car hire

If a car is hired for more than 10 days and the costs are charged to a project which is set up as fully recoverable for VAT purposes only 50% of the VAT can be reclaimed.

### C.2. Car parking

The supply of car parking is subject to standard rate VAT. Charges for car parking to students are treated as exempt from VAT following the issue of a letter from HMRC to Higher Education Institutions advising them that parking for students should be exempt on the basis that it is closely related to education.

### C.3. Catering and hospitality

The basic rule is that all supplies of catering and hospitality are taxable at the standard rate if they are not closely related to the supply of education.

Meals supplied, either optional or not optional, as part of a package of services connected with educational events, such as a workshop or conference extending over a brief period (one or two days), are regarded as being closely related to a supply of education.

### C.4. Closely related supplies

Supplies by the University and other eligible bodies which are deemed to be closely related to the supply of education can be treated as exempt from VAT.

In general terms, closely related refers only to goods and services that are:

- for the direct use of the pupil, student, or trainee; and
- necessary for delivering the education to that person

However, an eligible body should treat the following charges to students as closely related to the provision of education and therefore exempt from VAT (tax code SX).

- Accommodation
- Catering
- Transport
- School trips
- Field trips (please see F.1. Field and student trips for more information)

However, where charges for catering or other supplies are made to students or student societies for events which are not connected with their course then standard rate VAT is likely to apply.

Please contact the Tax team for advice if in any doubt.

Henley Business School Limited is not an eligible body and therefore must charge VAT on the supply of education and of any closely related supplies.

## **C.5. Conferences**

### **C.5.1. Educational conferences organised solely by the University**

Where the University charges for a conference, lecture, talk or symposium it runs and delivers these charges are treated VAT exempt as it represents a supply of education.

Supplies of accommodation, catering, and other facilities to those attending the conference are classed as closely related to the supply of education and therefore also exempt from VAT.

This exemption does not extend to alcoholic drink and social events that are not part of the educational content of the conference. Similarly, the relief does not extend to supplies of accommodation and catering to spouses or guests of the delegates or others who are not attending the conference as a student e.g., course organisers or staff looking after young students.

VAT on expenditure associated with the conference will not be recoverable.

### **C.5.2. Educational conferences organised solely by outside bodies**

#### ***a. Outside body is not an Eligible body***

VAT will be due on charges for educational conferences held at the University where the University is simply charging for supplies of accommodation, catering, and administrative support etc. to an external organisation which is not an eligible body.

Generally, room hire would be exempt from VAT, provided that no additional facilities, such as audio visual or projection equipment, are supplied. However, if a room and additional facilities are supplied the entire charge would be subject to VAT. Charges for room hire will also be subject to VAT where the room is used for the supply of catering (e.g., at a wedding reception or for a dinner). Charges for room hire at buildings which the University has opted to tax (see section O1), such as the Enterprise Centre, Agriculture building, Students Union, and Science and Technology Centre will also be subject to VAT. These options to tax do not

affect the VAT exemption for room hire when made to an eligible body for use by its delegates.

***b. Outside body is an eligible body***

When the University acts as the venue for a conference organised solely by an outside body, the provision of room hire is in principle exempt from VAT and the provision of accommodation and catering is standard rated. However, if the client is an 'eligible body' (e.g., educational institutions/non-profit making organisations) and it makes a supply of exempt education, then all supplies made by the University can be exempted that are for the direct use of the delegates. This exemption will extend to delegate accommodation and catering, but not to alcoholic drinks (unless included in a meal that is exempt from VAT), and not to accommodation or facilities that are provided to the staff or guests of the outside body, or guests of the delegates.

In order to provide evidence that the outside body is an eligible body, the client should be asked to sign an exemption certificate (available on the Finance website) and exemption should not be applied to accommodation and catering unless a certificate has been provided.

### **C.5.3 Educational conferences organised jointly between the University and other bodies**

***a. UoR as principal***

If the University of Reading is the principal that provides delegates with a right to attend the jointly organised conference and supplies the education, then the income will be exempt from VAT in the same way as if the conference were organised by the University alone (see above).

***b. UoR is acting as agent for an external organisation***

If the University of Reading is acting as an agent for the external conference organiser, then the VAT treatment will follow that of an externally organised conference. Any agency fees or other charges for administration that are charged by the University of Reading are subject to VAT. If the University collects the delegate fees on behalf of the external organisation and that external organisation is not an eligible body, the external organisation will be liable to account for VAT on these fees. Any monies collected by the University on behalf of the external organisation will fall outside the scope of VAT, but it will be important to ensure that the VAT liability is clearly understood and documented in an agreement with the client. Any charges for accommodation and catering will be subject to VAT unless a VAT exemption certificate is held.

## C.6. Consultancy

Fees for the provision of advisory services for the sole benefit of a customer that do not amount to “research” (being an original investigation to gain new knowledge or understanding) is taxable.

VAT is due on recharges for travel incurred in relation to consultancy work, i.e., invoice for train fare for academic to Carlisle £100 (+£20 VAT, tax code ST) in relation to consultancy visit where charge for consultancy is £900 (+£180 VAT, tax code ST). The VAT due will be £200 and will apply to both elements of the charge.

If the consultancy work is carried out for a client based outside the UK, use tax code SZ – 0%.

## C.7. Customs duty reliefs & VAT on imported goods

### Customs duty

Customs duty is chargeable on imports, where the goods are not eligible for relief from it.

Reliefs from import duty are available for all scientific instruments and apparatus together with spare parts and special tools and approved biological and chemical substances, for use in all non-commercial research and educational activities. Relief is also available for animals imported for use in scientific research.

These reliefs are different from that for VAT zero-rating on relevant goods used for medical research or training, which is more restricted. Therefore, some imports might be duty-free but subject to VAT, whilst some relevant goods used in medical research may be both duty-free and VAT free.

Claims for Duty relief must be made BEFORE the goods arrive. To claim the relief, you need to instruct the freight company, or the supplier of the goods, that the goods qualify for relief when you initially order the goods or, instruct them to deliver the package.

Detailed information is available in HMRC Notices 340 and 366.

Contact [vat@reading.ac.uk](mailto:vat@reading.ac.uk) for further details.

### VAT & Imported Goods

Goods imported into the UK are subject to the same VAT rules that would be applied to any goods sold in the UK. For example, zero-rated goods such as books are also eligible for the VAT at importation to be zero rated.



It is important that a certificate of eligibility is issued for equipment and other supplies imported from overseas which would qualify for zero rate VAT relief because it will be used in medical or veterinary research or training.

When buying goods, you should advise the import agent that the goods qualify for relief from customs duty and or VAT.

## D

### D.1. Deposits

#### Advance payments and deposits

An advance payment, or deposit, is a proportion of the total selling price that a customer pays before the goods or services are supplied. VAT must be accounted for when the advance payment is received or when the invoice is issued for the advance payment, whichever is earlier.

#### Example

A customer makes an advance payment of £12,000 for consultancy work costing a total of £120,000 (including VAT). When coding the initial payment of £12,000 use tax code ST. This will mean that £2,000 VAT will be recognised as due to HMRC at that point. The remaining £18,000 VAT will be accounted for when the final invoices are issued.

#### Returnable deposits

You may ask your customers to pay a deposit when they hire goods from you to make sure they bring the item back safely. No tax point is created, and you do not have to account for VAT if the deposit is either:

- refunded in full to the customer when they return the goods safely
- kept by you to compensate you for loss or damage

#### Forfeit deposits

If you ask your customer for a deposit against goods or services but they do not buy the goods or use the services, you may decide to keep the deposit. Usually, you have told your customer about this in advance, and it is part of the conditions for the sale. This is called a 'forfeit' deposit. For example, hotels often ask for a deposit against a room, and may keep part or all of the deposit if the customer does not turn up.

You should declare VAT on the deposit when you receive the payment or when you issue the VAT invoice, whichever happens first.

If you keep the deposit because your customer changes their mind about the goods or service and does not want them anymore, there is no VAT due. If you have already coded the income with tax code ST, then you need to contact the VAT team to arrange for a refund of the VAT declared.

However, a cancellation fee for a guaranteed room or specific facility which has been kept vacant in return for a deposit will be subject to VAT, as the hotel has undertaken to keep a room available.

## **D.2. Disability and VAT relief**

By virtue of its status as a charity, the University can benefit from VAT reliefs on purchases of certain goods and services for disabled people and certain building works when they include specific features that can be used by disabled people. This relief would not be available to a University subsidiary. The relief would also not be available in respect of a building or part of a building to be leased exclusively to a third party.

Details of the reliefs available are given below. Please contact the Tax team for further details and to obtain a declaration to certify eligibility for zero rating to send to the supplier.

### **Construction of a ramp, widening a doorway / passage**

The services of constructing a ramp, altering the level of a floor, or widening a doorway or passage is zero-rated provided the work is done to help a disabled person gain access or to move about within a building. (But the construction of new doorways or passages cannot be zero rated - HMRC notice 701/7 6:2)

Walkways do not incorporate any specific features that render them 'designed solely for use by a disabled person and so are not eligible for zero-rating' – Tolley 28.21 P750.

### **Non-residential washrooms and lavatories**

The services of providing, extending, or adapting a washroom or lavatory for use by disabled persons in a building, or any part of a building used principally by the University for educational purposes, is zero-rated.

### **Residential bathrooms, washrooms and lavatories**

The supply of providing, extending, or adapting a bathroom, washroom or lavatory to the University is zero-rated, where the building is used for residential accommodation.

### **Installation of chair/stair lifts**

The installation of a chair or stair lift that is designed to be used in connection with invalid wheelchairs will be zero-rated. To qualify for zero rating the chair lift must be exclusively for the use of disabled persons, and not available for general use – HMRC notice 701/7 3:4 & 4:3

### **Installation of vertical lifts**

The installation or repair and maintenance of an ordinary vertical lift can only be zero-rated provided that it is installed in a residential building in which the University provides either temporary or permanent residence for disabled people and is installed for the purpose of facilitating their movement between the floors of that building.

### **Preparatory, restoration work and making good**

Where building work described above is eligible for VAT relief, any preparation and necessary restoration work will also be zero-rated.

This would include the preparation of footings (including ground levelling); work linked to providing water, gas, electricity, and drainage as necessary and the restoration of the immediate décor.

### **Additional construction works**

Where economy and feasibility dictate that a bathroom, washroom or lavatory qualifying for zero rating has to be constructed in or extended into a space occupied by an existing room, the restoration of that room to its original size can be regarded as part of the work essential to the provision of the bathroom and can be zero rated.

### **Building materials**

Building materials supplied in connection with the above can be zero rated if supplied by the building contractor in connection with the above qualifying works. Such materials will not be zero rated if bought separately by the University.

### **Professional fees**

Services of an architect, surveyor or any person acting as a consultant or in a supervisory capacity even when supplied in connection with a supply of qualifying building services are standard rated unless supplied as part of a single 'design and build' type arrangement.

Subsequent work of repair or maintenance in areas where eligible building work was previously carried out is not eligible for relief unless the work involves goods which are eligible for relief in their own right. For example, the retiling of a bathroom which was originally provided at zero rate is not eligible for relief but the subsequent repair or replacement of an eligible sanitary device, e.g., commode stools, commode chairs or devices with a warm air drier and bidet jet incorporated, frames or other devices to help sitting on or rising from a sanitary appliance, is eligible for relief.

Further information is available in the **VAT Notice 701/7**.

### **D.3. Discounts**

If an unconditional discount is offered and the discounted amount is paid, the VAT is calculated based on the discounted amount. See the P.8. Prompt payment discounts section for guidance on the VAT position for guidance on settlement discounts.

### **D.4. DNA**

See the section on [M.1. Medical Research & Training-Zero rate relief for certain expenditure.](#)

It is the supplier's responsibility to determine whether or not specific types of service or good qualify for zero rate relief. The University's role is to certify how the services or goods are being used.

#### **Purchase of specified sequencing services direct**

This should be standard rated.

#### **Purchase of sequencing vouchers for Medical Research projects**

This is a way of prepaying for DNA sequencing and as such would be subject to standard rate VAT irrespective of whether the DNA is to be used for medical research or teaching.

#### **Purchase of specified primers /oligos direct**

The purchase of primers or oligos direct represents the purchase of DNA materials. Such purchases would be eligible for zero-rating as they would qualify as "substances" if the University intends to use these goods for qualifying medical research or teaching.

#### **Purchase of oligos / primers vouchers for Medical Research projects**

Where the DNA to be bought using these vouchers is to be used for qualifying medical research purposes a zero rate VAT certificate can be issued.

## D.5 Donations

A donation is outside the scope of VAT (tax code SO) provided that it is freely given, with nothing supplied in return. These donations are given for philanthropic reasons and do not place the University under any obligation.

Where the University provides an insignificant benefit to the donor, such as a minor acknowledgement of the source of the support, a taxable supply will not be created. Examples of this can include naming the donor in a list of supporters in a programme report or other publication or naming a building or university chair after the donor.

Were the University to display the donor's logo on the University's website, marketing material or programmes in recognition of the contribution this would render the income subject to VAT. Similarly, were the University to allow the sponsor to use the University's name or logo or restrict activities in return for the donation then this should be treated as sponsorship and would be subject to VAT (ST) – see section headed "Sponsorship" later in this document. If the donor receives any special rights e.g., reserved places at an event then money received is consideration for a supply of services and VAT would be due.

The following contributions can be treated as donations which fall outside the scope of VAT:

- Income from donors contributing to or funding a post where they are part of the recruitment panel but do not have the final say in who is appointed can be treated as outside the scope of VAT.
- Where a donor has made contributions towards a studentship or towards a particular project or post, the donor may meet the recipients of the funding for stewardship purposes and to understand how the monies had been used, without this contribution falling to be treated as taxable.

## E

### E.1. Education and ‘closely related’ goods/services

The supply of education by the University is exempt from VAT. Education in this context means a course, class or lesson of instruction or study, in any subject, whether or not that subject is normally taught in schools, colleges or universities and regardless of where and when it takes place.

Education includes lectures, educational seminars, and conferences, together with sporting and recreational courses. It also includes the provision of distance teaching and associated material if the student is subject to assessment by the University.

Separate charges for registration, examination fees and examination services are part of the provision of education and are also VAT exempt.

In addition to the supplies of education that the University makes, and which are exempt from VAT, ‘closely related’ supplies can be similarly exempt from VAT. Services qualifying to be treated as ‘closely related’ include the provision of accommodation, transport, course materials, catering, and field trips to students when they are receiving education also.

‘Closely related’ supplies made by the University are only exempt if: they are for the **direct** use of a student; **and** they are **necessary** for delivering education to that person. The charge would remain exempt if the student is registered with another UK University or eligible body.

However, if the University contracts to provide closely related goods or services to another eligible body, rather than direct to its own students, these supplies are exempt **only** if the body receiving them supplies education in the course or furtherance of business, i.e., it charges a fee.

Education delivered by the University to all customers is exempt from VAT irrespective of whether the customer is a registered student of the University. The exception to this would be where the University is providing educational input to its client who is then delivering courses or training to their client. Unless the University is subcontracted to carry out the entire service, the University will have to charge VAT on its services because in these circumstances the University would not be making a supply of education as it is defined above.

The VAT position of training or courses delivered by means of distance learning would need more careful consideration. Where the University or HBS Ltd is supplying distance learning falling within the definition of electronically supplied services the VAT position is more complex. Please contact [vat@reading.ac.uk](mailto:vat@reading.ac.uk) if you need any further information.

## E.2. Electronic & distance learning materials

Income from the sale of CDs, memory sticks and similar materials is subject to standard rate VAT (ST) unless these items are sold to students and are necessary for the delivery of education to that student. If they are necessary for the delivery of education to that student, income from sales of these items would be exempt from VAT because the supply would be closely related to a supply of education. Sales of e-books and e journals (and other publications which in a hard copy form would be zero-rated) are zero-rated for VAT purposes as from 1 May 2020.

Income from the sale of distance learning material supplied by the University will be exempt from VAT unless there is no tutor involvement, and no marking of work submitted by the student or qualification achieved on the successful completion of the course. VAT would be due if this were not the case. Where these services were supplied to customers from another country in the EU then there may be a Mini One Stop Shop registration obligation. Please contact the Tax team if this applies to your department.

## E.3. Electronically Supplied Services ('E-Services')

### E.3.1 What constitutes an 'e-service'?

An e-service is one that is fully automated and involves no or minimal human intervention. Minimal human intervention is interpreted fairly broadly.

### E.3.2 What is meant by "no human intervention"?

This is where the sale of the digital content is entirely automatic – for example, a customer clicks the "Buy Now" button on website and

- the content downloads on to the customer's device, or
- the customer receives an automated e-mail containing content.

In both cases these would constitute an e-service.

### E3.3 What is "minimal human intervention"?

This is where the sale of the digital content is mostly automatic, but the small amount of manual process involved does not change the nature of the supply from an e-service - for example, a customer clicks "Buy Now" button on website and

- the vendor receives notification and clicks a button, which produces an email pre-populated with the customer's details and containing content which is sent to the customer; or



- the vendor receives notification and clicks a button which produces an email pre-populated with the customer's details. The vendor attaches content and sends the customer email by clicking "Send"

In both cases these would constitute an e-service.

### **E.3.4 When does the "human intervention" exceed "minimal"**

This is where the amount of manual process involved in the sale means that the service ceases to be an e-service. In these cases, the website functions as a "shop window" for the sale rather than also providing the mechanism by which the sale is made – for example

- a customer clicks a "Buy Now" button on website and is added to a list. At the end of the day the vendor takes the list, manually completes an email with each customer's details, attaches the relevant content and hits "Send;" or
- a customer emails the vendor with details of the products they wish to purchase. The vendor manually replies to the email and attaches the content.

If staff in the library or other department has to intervene in the service provision of sending images or text, then this does not constitute an Electronically Supplied Service.

### **E.3.5 Distance learning & E-Services**

Distance learning such as CPD or online courses would only fall to be treated as E-Services where there is no actual human interaction by way of bespoke feedback on work or marking of work other than a computerised assessment.

### **E.3.6 E-Services and Mini One Stop Shop**

Were the University to supply E-Services it may have an obligation to register under the Mini-One-Stop-Shop (MOSS) arrangements. Please contact the Tax team if you need any further information.

## **E.4. Eligible body**

Broadly speaking, an 'eligible body' within the meaning of Schedule 9 of VAT Act 1994 is any organisation which is precluded from distributing any profits it makes. The definition of an eligible body includes UK schools, universities, colleges, local authorities, government departments, health authorities, charities, and certain unincorporated associations.

The bodies that are eligible to exempt supplies of education are listed in Note 1 to Group 6 as follows.

UK state and independent schools

- UK Universities and Colleges
- UK Further and Higher Education institutions
- a Government department, a local authority, a body which acts under any enactment or instrument for public purposes and not for its own profit and which performs functions similar to those of a Government department or local authority.
- Bodies including charities, which are precluded from distributing and do not distribute any profits they make and apply any such profits to the continuance or improvement of supplies of exempt education.
- Bodies (that are not one of those above) that provide teaching of English as a foreign language.

Source: VATA 1994 Schedule 9 Group 6

## **E.5. Energy saving materials**

The supply and installation of “energy-saving materials” (including items such as draught strips, solar panels, central heating system controls, ground source heat pumps and wind turbines) in residential accommodation is subject to the 5 per cent VAT rate.

The reduced rate of VAT is not available for purchases of such goods bought for installation by the University, it is only available where a contractor installs the goods.

## **E.5. EORI (Economic Operator Registration and Identification) Number**

The University’s EORI (Economic Operator Registration and Identification) Number is our VAT number followed by three zeros. i.e., GB 200 0126 59000.

## **E.6. Errors on purchase and sales invoices**

If a supplier sends an invoice on which the VAT is incorrectly calculated, the VAT should not be altered, as the University cannot prove to Customs that the supplier has also corrected it. The supplier should cancel the wrong invoice and issue a replacement.

Where the University has cause to reduce or cancel a sales invoice, which was subject to VAT, then a credit note shall be produced and sent to the customer, along with any replacement sales invoice.

## E.7. European Commission approved bodies (S151)

Following the UK's exit from the EU, the VAT position with regard to these bodies is uncertain, but it is suggested that the guidance below is followed until further information is available.

Where the University incurs VAT on supplies to an organisation set up by the European Communities to which the Protocol of 8 April 1965 on the privileges and immunities of the European Communities applies or is otherwise an 'international body' established by a treaty between sovereign governments, the University should be able to recover any VAT it incurs which is directly attributable to its supplies to that client.

The most common example of an agency the University of Reading deals with falling into this category is the European Space Agency.

Article 151 of Principal VAT Directive 2006/112/EC (formerly Article 15.10 of 77/388/EEC) states "member states shall exempt" the supply of services to such bodies, and therefore where the University engages to supply these entities the supply will not be subject to VAT. Where Article 151 applies then Article 169 goes on to confirm that the supplies are exempt from VAT with credit (i.e., tax code SZ should be used).

VAT on expenditure related to such income can be reclaimed if a certificate is obtained. To recover VAT on such expenditure the University must obtain and retain a '**certificate of entitlement**' which uniquely identifies this particular project as eligible for relief and qualifies for entitlement under Article 15(10) of EC Council Directive 77/388/EEC. (This has now been superseded by Article 151 of the Council Directive 2006/112/EC). In addition, it is necessary for the person placing the order to be based in an office of the international organisation in an EC Member State other than the UK.

Assuming the conditions above are satisfied, the University will be able to recover the VAT on this spend and the project code will be set up as fully recoverable.

## E.8. European Union members

The following countries are members of the EU. For EU customers the best evidence that they are in business is their VAT registration number. This is relevant for determining the place of supply of services.

Country	Code	VAT # Example	VAT # Make up
Austria	AT	U12345678	9 characters. The first character is always 'U.'
Belgium	BE	1234567890	10 characters.
Bulgaria	BG	123456789/0	9 or 10 characters
Croatia	HR	12345678901	11 characters
Republic of Cyprus*	CY	12345678X	9 characters. The last character must always be a letter.
Czech Republic	CZ	12345678/9/0	8, 9 or 10 characters. If more than 10 characters are provided delete the first 3 as these are a tax code.
Denmark, except the Faroe Islands and Greenland	DK	12345678	8 characters.
Estonia	EE	123456789	9 characters.
Finland, but excluding the Åland Islands	FI	12345678	8 characters.

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France, including Monaco but excluding Guadeloupe, Martinique, Réunion, St Pierre and Miquelon, and French Guiana	FR	AB12345678901	11 characters. May include alphabetical characters (any except O or I) as first or second or first and second characters.
Germany, except Büsingen and the Isle of Heligoland	DE	123456789	9 characters.
Greece	EL	012345678	9 characters.
Hungary	HU	12345678	8 characters.
Ireland	IE	1234567X or 1X34567X or 1234567XX	8 or 9 characters. Includes one or two alphabetical characters (last, or second and last, or last 2).
Italy, except the communes of Livigno and Campione d'Italia and the Italian waters of Lake Lugano	IT	12345678901	11 characters.
Latvia	LV	12345678901	11 characters.
Lithuania	LT	123456789 or 123456789012	9 or 12 characters.
Luxembourg	LU	12345678	8 characters.
Malta	MT	12345678	8 characters.
Netherlands	NL	123456789B01	12 characters. The tenth character is always B.

Poland	PL	1234567890	10 characters.
Portugal, including the Azores and Madeira	PT	123456789	9 characters.
Romania	RO	0123456789	2 to 10 characters.
Slovak Republic	SK	1234567890	10 characters.
Slovenia	SI	12345678	8 characters.
Spain, including the Balearic Islands but excluding Ceuta, Melilla, and the Canary Islands	ES	X12345678 or X1234567X or 12345678X,	9 characters. Includes one or two alphabetical characters (first or last or first and last).
Sweden	SE	12346789012	12 characters.

The following areas are not part of the EU for VAT purposes:

Canary Islands, Jersey, Guernsey, Northern Cyprus

If you have any doubt or query about a VAT number provided by a customer, please contact [vat@reading.ac.uk](mailto:vat@reading.ac.uk).

### E.9. Examination services

Supplies of examination services by a University and other eligible bodies are VAT exempt (SX). Supplies of examination services covers: the setting and marking of exams; setting educational or training standards; making assessments; and other services provided with a view to ensuring educational and training standards are maintained. The following are also examination services: course accreditation services, validation, certification (including issuing duplicates), registering candidates.

Under HMRC's VATEDU45500 rule examination services supplied by a non-eligible body are also exempt if either:

- the recipient of the examination service is an eligible body; or
- the recipient of the examination service is an individual receiving education or vocational training that itself is either exempt or non-business.

As the University is an eligible body, examination services supplied to it should be exempt from VAT.

## E.10. Exhibition stands

Until November 2012 HMRC regarded the supply of specific stand space at an exhibition or conference as a supply of land and therefore exempt from VAT. This will continue only in very restricted circumstances where the service is restricted to the mere supply of space without any accompanying services. Accompanying services provided as part of a package includes such things as the design and erection of a temporary stand, security, power, telecommunications, hire of machinery or publicity material.

Exhibition stand space is normally provided with accompanying services as a package. This is no longer seen as a supply of land with land related services and therefore exempt from VAT but is subject to VAT under the general place of supply rule. This will mean that reverse charge VAT will be applied on such stands when outside the UK. VAT will also be charged on such services in the UK.

## F

### F.1. Field and student trips

If the University charges students for a field trip or a visit to an off-campus location as part of the educational content of the course, then any fees for the trip are exempt from VAT as they qualify as closely related to the supply of education.

However, VAT would be due on charges for trips for recreational purposes which are optional and outside the educational programme of the course. Please contact the Tax team if you are accounting for any such trips.

### F.2. “Free” services

If the University provides consultancy or other services in return for the use of equipment or similar, there will be VAT due. The University will have to pay HMRC VAT on the value of the consultancy provided. Similarly, the supplier providing the equipment will have to account for VAT on the value of the equipment supplied. If you have any transactions like this, please contact the Tax team. See also “Barter transactions” in section B.

### F.3. Fuel and power

The University uses fuel and power for relevant residential purposes (i.e., for student accommodation) and also for relevant charitable purposes (i.e., carrying out grant-funded research other than in the course of business). If the proportion of use of a gas or electricity for relevant residential and relevant charitable use is over 60% of the total use, the supplier can apply the reduced rate (5%) to the whole charge.

If less than 60 per cent of the fuel or power is for non-business use VAT will be charged pro rata – that is, at the reduced rate on that portion which is for non-business use and at the standard rate on that portion which is for business use.

### F.4. Fundraising

Income from fundraising events run by either the University or by RREF Ltd will normally fall under an exemption for charities which allows the holding of up to 15 events of the same kind in the same location each year without them becoming liable for VAT. However, if this threshold is exceeded, VAT will be payable on every event.

As they are not charities, HBS Limited and Thames Valley Science Park Limited are not eligible for the same relief.



To qualify, the event must be for the primary purpose of fundraising. PR or awareness-raising events will not fall under the exemption. To ensure the fundraising exemption applies tickets, leaflets, posters, and other promotional material must make it clear that the event is being staged to raise funds for charity.

Events, such as a social occasion which may, or may not make a profit do not qualify for the relief. However, an event which is clearly a fundraising event but makes a loss merely through lack of success would still qualify. If an event qualifies for the VAT exemption, then the exemption is mandatory. You cannot charge VAT on supplies that are normally taxable at the standard rate, and you therefore will not be able to recover any VAT you pay out on purchases you make in connection with such events.

The relief enables all income generated from the supply of goods or services at or in connection with a fundraising event to be exempt from VAT. This will include ticket sales, admission charges, advertising space in programmes/brochures, merchandise, bar and catering supplies and sponsorship income directly connected with the event.

However, goods that are normally zero-rated, such as brochures, books and the supply of advertising time or space to a charity can still be zero-rated even when sold at a qualifying event. This means that the University will be able to recover the VAT paid on purchases relating to those zero-rated sales. To recover this VAT a separate Agresso project code would be required, please contact [vat@reading.ac.uk](mailto:vat@reading.ac.uk) if you have any questions.

Examples of types of fundraising events which promoted as such, qualify for exemption are as follows:

- a ball, dinner dance, disco, or barn dance
- a performance e.g., concert, stage production, film etc.
- an exhibition – such as art, history, or science
- a dinner, lunch, or barbecue

### **Evidence to show that the event qualifies for exemption**

There is no single document that you must hold to demonstrate that the event was organised primarily to raise funds. Minutes of meetings, costing and similar documents should show that the main purpose for holding the event is to raise funds for charitable purposes or a qualifying body's own benefit. Such documents may be requested by HMRC in the event of an inspection.

The event must be promoted in such a way that those attending the event are aware that its main purpose is to raise funds. Publicity material, tickets etc., should therefore clearly refer to fundraising.

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For example:

'fundraising for'

'in aid of'

'help us to build'

'help us to raise money for'

Examples of publicity material, tickets etc., should be retained as evidence of eligibility for exemption.

## G

### G.1. Garage lets

Income from the rent of garages in conjunction with a flat, room or house for residential accommodation is exempt from VAT. However, charges for letting a garage for storage or business use are standard rated. Income from garages or facilities specially designed for parking is standard rated.

### G.2. Grant income

Grant income is outside the scope of VAT (tax code SO). However, income will not qualify as outside the scope of VAT if the funding is conditional on a service being provided in return for the monies. Some benefits the grantor receives are accepted as being incidental to the supply of the grant, e.g., the provision of reports and accounts to the funder for stewardship purposes, demonstrating that the grant has been applied to its intended use. Additional benefits for the donor would indicate that there may be a taxable supply (ST). Please contact the Tax team if you need any clarification.

# H

## **H.1. Hire of equipment**

VAT is due where an external client is charged for the hire of equipment. Where a client is charged for the hire of a room which includes the use of equipment, this transaction is treated as a supply of facilities and is subject to VAT at the standard rate.

## **H.2. Honoraria received**

The VAT treatment of income from honoraria will depend on the nature of the work performed in return for the honoraria. If the person has provided advisory or consultancy support, then this income would be subject to VAT. If, however, the work has been to provide training or lecturing then this would generally be treated as the provision of education and exempt from VAT provided that it falls within the description provided under E.1. Education and 'closely related' goods/services above.

# I

## I.1. Internal recharges

There is no VAT due on internal recharges. When internal charges are made between Departments or Schools, the transactions should be entered with a tax code of 0. Typical examples would be recharges from central catering or the design and print unit.

However, when departments charge University subsidiaries or related entities e.g., Henley Business School Limited, Reading Real Estate Foundation Limited, Thames Valley Science Park Limited, the College of Estate Management Ltd, a VAT invoice must be raised. Charges to these entities should be treated in the same way as charges to any other external client.

## L

### L.1. Laundry charges

If a charge for laundry is included within the fee to a student for residential accommodation, then no VAT is due on this element of this charge. However, if a separate charge for laundry is made, this charge is taxable at the standard rate.

### L.2. Letting of rooms (excluding conference facilities)

The letting of rooms with no additional facilities for educational purposes, e.g., lectures and courses, is exempt unless there is an option to tax on the building. Options to tax are only in place on a limited number of buildings (see Option to Tax heading in this document.)

Where charges are made for the use of equipment, the entire charge, including that for the room, is subject to VAT.

The letting of rooms for the purpose of a supply of catering, e.g., halls for weddings, dinners, parties etc., is taxable. B&B accommodation is also subject to VAT unless provided to a student.

Lettings of sports facilities are not exempt from VAT. Such lettings are subject to standard rate VAT unless 'block booking' or '24 hour' conditions are met.

A list of the properties on which options to tax have been made is given below:

Properties let to tenants:

- Students' Union
- Science and Technology Centre
- Enterprise Centre

Properties sold and leased back by the University:

- Language Resource Centre
- Food BioSciences Building
- Russell building (formerly Soil Science building)
- ICMA Centre
- Agriculture Building
- Philip Lyle building
- Meteorology building
- Harry Pitt building

Other options to tax: -

- Thames Valley Science Park

- Eastern Relief Road and Shinfield West
- Site of Sibly Hall Aerial
- Manor site
- Cutbush Lane
- Willington Down Farm
- Park House

For letting of conference facilities, please refer to the section on **Conference facilities** above. Notice 742

### **L.3. Library services**

The supply of printed matter by Universities is taxable at either the standard (ST) or zero-rate (SZ), depending upon its nature. Materials sold only to the University's students, qualifying as 'closely related to the supply of education,' are exempt (SX), although when closely related goods and services qualify for zero-rating, they may be treated as either zero-rated or exempt. If the University lends or hires a zero-rated article including books any hire charge should also be zero rated. The income from lending CDs or other electronic media will be subject to VAT (tax code ST).

The sale of photocopied material is standard rated (ST), except where the supply is to the University's students for an educational purpose (SX).

If the University sells licences to third parties, allowing them access to print copies of our publications, then these are a standard-rated supply and VAT should be charged.

## M

### M.1. Medical Research & Training-Zero rate relief for certain expenditure

The University, as a research institution whose activities are not carried on for profit, is eligible for zero-rate relief on certain purchases and imports of goods and services related to medical or veterinary research, training, diagnosis, or treatment. All funds to pay for the qualifying relevant goods or services must be either charitable or from voluntary donations or contributions. Purchases from the University's own funds are made from charitable funds. Purchases from funds received from commercial activities are not made from charitable funds. The reliefs available are explained further below. A list of qualifying and non-qualifying items is given in the Medical or /Veterinary Research Annex 5 to this document.

#### M1.1 Equipment and services qualifying for zero rate relief

The University is able to claim zero rate relief from VAT on its purchase, import, lease or hire of the following types of equipment where it is to be **used mainly (i.e., >50% use) for medical or veterinary research, training, diagnosis, or treatment.**

- Medical equipment
- Scientific equipment.
- Computer equipment
- Video equipment
- Sterilising equipment
- Laboratory equipment
- Refrigeration equipment

In addition, the University may also claim relief from VAT on the following:

- Parts and accessories for use in or with any of the above equipment
- The repair, maintenance and installation of qualifying goods and any goods supplied in connection with this repair, maintenance, or installation.

#### M 1.2 What qualifies as “equipment”?

**Equipment** is articles designed or used for a specific purpose. It will usually be durable, although certain disposable items, such as syringes that are designed to be used once only, may still be equipment.

The following items are not equipment and do not qualify for zero-rating, even when supplied to, or for donation to, an eligible body:

- bulk materials such as liquids, powders, sheets, pellets, granules.



- clothing (other than specialist medical equipment such as surgical masks, gowns, and gloves); and
- consumables, such as chemical reagents, fuel, ink, medicines, oil, paper, and cleaning and sterilising fluids. However, medicines and chemical reagents may qualify for zero-rating under a separate relief for Medicinal Products.

### **M 1.3 Descriptions of qualifying equipment and services**

**Medical equipment** is equipment that has features or characteristics that identify it as having been designed for a medical (including dental) purpose or function, such as the diagnosis or treatment of patients. This covers a wide range of goods, from simple items like bandages and tongue depressors, to complex machinery such as x-ray machines and scanners. General use items used to equip a medical facility, such as a television purchased for use in a hospital ward, are not medical equipment.

**Scientific equipment** is equipment designed to perform a scientific function. This includes precision measuring equipment and analytical equipment such as thermometers, weighing machines and spectrometers.

Equipment that is not designed to perform a scientific function, but merely works on a scientific principle, is not scientific equipment.

**Computer equipment** means hardware, disks, VDUs, and keyboards.

Machinery or other equipment that is either operated by computer or has computerised components is not qualifying computer equipment.

**Video equipment** includes recorders, tapes, and video cameras. Ordinary and digital cameras are not included in this category. (Digital cameras do not qualify as a part or accessory to computer equipment either). Note: As technology advances video cameras will become obsolete.

**Sterilising equipment** is equipment for sterilising medical and laboratory instruments. This includes autoclaves and other specialised equipment using steam or other high temperature processes.

Microwave ovens and other cooking appliances are not qualifying sterilising equipment, even if they can be used to sterilise. Sterilising fluid is not equipment, and does not qualify for zero-rating, even when purchased by an eligible body.

**Laboratory equipment** is equipment that is designed for use in a laboratory, such as test tubes and other laboratory glassware; Bunsen burners; fume cupboards; microtomes; cryostats; laboratory benches; specialised sinks and catchpots.

Fume cupboards can be classified as qualifying equipment since they have an active role in the conduct of experiments, and the fact that they form part of the fabric of the building does not exclude them.

The following are **not qualifying laboratory** equipment unless they have specialised features that set them apart as goods which are not normally found other than in research laboratories:

- ordinary cupboards, lockers, seats, and other furniture, even when these are used to equip a laboratory.
- bulk materials such as liquids, powders, sheets, pellets, granules.
- general purpose items used to equip a laboratory; and
- consumables such as chemical reagents, medicines, and cleaning and sterilising fluids (though see separate section on relief available for medicinal products).

In this context, consumables are items that are capable of being used once, such as a cleaning cloth or chemical, because after use they change their state.

**Refrigeration equipment** includes all cooling and freezing equipment, whether designed for industrial, domestic or any other purpose. It includes ice making machines.

**Parts** are integral components without which the equipment is incomplete.

**Accessories** mean optional extras that are not necessary for the equipment to operate in its normal course but are used to improve the operation of the equipment; or enable the equipment to be used, or used to better affect, in particular circumstances.

This would cover, for example, a printer for use with a computer; a specially designed camera for use with a microscope; and a rack for holding test tubes.

Items that do not qualify as 'parts' or 'accessories' include items that have independent uses, such as television sets accessories to accessories.

The **repair or maintenance** of any equipment described above, and any goods supplied in connection with this repair and maintenance, are zero-rated.

Zero rating also applies to any goods supplied in connection with a zero-rated supply of repair and maintenance.

With regard to **installation**, if the normal selling price of relevant goods includes an amount for installation, fixing or connection to mains services or testing equipment on site, zero rating applies to the whole selling price – including that element which relates to installation or testing.

Where building works, such as removal of walls or reinforcing floors, are necessary in order to install sizeable items of equipment, these works are standard-rated, even when carried out by the supplier of the equipment.

Annex 5 contains a list of examples of qualifying goods and services.

### **M 1.4 Equipment costing >£50,000**

Where equipment has been bought under the medical zero-rating relief, unless it has been purchased exclusively for the purposes of medical research, the department which bought the equipment must keep a written log of actual usage. This log is required to demonstrate that the proportion of actual usage applied for a qualifying purpose is in excess of 50%. The log should record the actual hours of usage, the specific project (including the project code) and indicate whether the activity is medical research or other. The operator should sign each entry. The log should be reviewed and signed by a senior member of staff responsible for the research on a monthly basis to ensure that the log is being properly maintained. The log should be retained for at least 5 years and should be available for inspection at any time.

If at any time the equipment ceases to be used mainly for a qualifying purpose, the VAT team should be advised as a liability to VAT may then arise.

### **M 1.5 Computer software**

Computer software would also qualify when used **solely** for medical research, diagnosis, or treatment.

### **M 1.6 Mainly used for medical/veterinary research etc.**

Where the equipment is intended to be used partly for a qualifying use, and partly for any other use, it can be zero-rated only where its **main use** is one of medical or veterinary research, training, diagnosis, or treatment. In this context 'main' means real, substantial, and continuing - this is generally taken to mean that over 50% of the use is for qualifying purposes.

Medical, scientific, computer, video, sterilising, laboratory, or refrigeration equipment purchased for any other use is not eligible for zero-rating. This includes equipment purchased or hired for:

- general biological studies.
- environmental research.
- research into animal husbandry or food production.
- general administration; or
- domestic or leisure purposes.

Where it is not possible to give an eligibility declaration which states that all the goods are to be used for a qualifying purpose then the relief is not allowable. The circumstances in which this can arise include the following:

- common stores or stocks
- where a qualifying use is not planned at the time of purchase
- minimal qualifying use

### **M 1.7 Definition of Medical or Veterinary research**

Medical or veterinary research is defined as being original systematic investigations undertaken in order to gain knowledge and understanding of the treatment or palliation of a physical or mental abnormality in humans or animals. It also includes the use of existing knowledge and experimental development to produce new or substantially improved materials, services, products, and processes including design and construction.

It excludes routine testing and analysis of materials, components, and processes - for example for the maintenance of national standards - as distinct from the development of new analytical techniques. In general, HMRC would not accept that undergraduates engage in research in the technical meaning of the word.

Furthermore, HMRC would not accept that equipment purchased for general use within a university, but which may be used by post-graduates or staff involved in medical or veterinary research would qualify for zero-rating. In this context HMRC would expect to see evidence of a programme of investigation.

### **M 1.8 Definition of Medical or Veterinary training**

This is professional vocational training. It is the process of bringing a person to an agreed standard of proficiency by practise or instruction. It does not include general preparatory scientific studies that are required before professional training can commence, for example biology or chemistry.

The course or programme of study should be looked at in its entirety. If it is 100% theoretical, it will not qualify as medical training but if it is part theoretical and part practical or 100% practical, it will.

Medical training is limited to doctors, nurses, surgeons, and other health professionals who are or seek to be listed on an extant statutory register. Health professionals mean the following professionals when they are enrolled or registered on the appropriate statutory register:

medical practitioners

optometrists and dispensing opticians

professionals registered under the Health Professions Order 2001 - these professionals are, arts therapists, biomedical scientists, chiropractors or podiatrists, clinical scientists, dietitians, hearing aid dispensers, occupational therapists, operating department practitioners, orthoptists, paramedics, physiotherapists, practitioner psychologists, prosthetists and orthotists, radiographers, and speech and language therapists, but will also include any medical care professionals added to the Order at a future date

osteopaths

chiropractors

nurses, midwives, and health visitors

dentists, dental hygienists, dental therapists, dental nurses, clinical dental technicians, dental technicians, and orthodontic therapists

pharmacists

Veterinary training is limited to veterinary surgeons and veterinary nurses who are or seek to be listed on an extant statutory register.

### **M 1.9 Definition of Medical or Veterinary diagnosis**

This is the identification of diseases and examination of systems.

### **M 1.10 Definition of Medical or Veterinary treatment**

This includes the administration of medicines, physiotherapy, and surgery.

### **M 1.11 Medicinal products for medical/veterinary use etc. & zero rate relief**

As a charity the University is entitled to zero rate relief on the purchase or import of medicinal products solely used in medical or veterinary research, treatment, or care.

A 'medicinal product' is a substance presented as a medicine, or an ingredient for a medicine, capable of being administered to people or animals for a medicinal purpose. The zero rate covers medicinal products purchased by a charity for the purpose of testing the efficiency of those products.

'Medicinal purpose' means:

- treating or preventing disease.
- diagnosing disease or ascertaining the existence or degree of a physiological condition.
- contraception.
- inducing anaesthesia.
- otherwise preventing or interfering with the normal operation of a physiological function, whether permanently or temporarily, and whether by terminating, reducing, or postponing, or increasing or accelerating the operation of that function, or in any other way.

Administer means administer to a human being or an animal, whether orally, by injection or by introduction into the body in any other way, or by external application, whether by direct contact with the body or not.

This relief on medicinal products is restricted to care or medical or surgical treatment of human beings or animals, or medical or veterinary research, and, unlike equipment, does not extend to medical training.

### **M 1.12 Substances used for medical or veterinary research etc.**

Relief is also available to the University, as a charity, on **substances** purchased or imported for direct use in testing or mixing with other substances in the course of medical or veterinary research.

Unlike equipment this relief is **not** available where the substances are used for medical or veterinary training. Unlike medicinal products, this relief is also not available for medicinal care or diagnosis.

A 'substance' can be natural or artificial and can be in solid or liquid form or in the form of a gas or vapour. If the substance is purchased in the form of gas the zero-rating will also apply to the cylinder rental.

### **M1.13 Human blood and associated products**

Supplies of the following items are exempt from VAT:

#### ***Human blood***

#### ***Human organs and tissue for diagnostic or therapeutic purposes or medical research.***

Due to advances in medicine and technology, it is more common now for human organs and tissue to be supplied for the therapeutic substances which can be extracted from them. In these cases, both the supply of the organ and the supply of the extracted therapeutic substance will be exempt. Teaching exhibits, skeletons, and curiosities such as shrunken heads are not covered by the exemption and are standard rated.

#### ***Products for therapeutic purposes derived from human blood***

For a product to be exempt, it must be:

- derived from human blood; and
- intended "for therapeutic purposes" - i.e., to be administered to a patient.

All drugs and therapeutic substances contain one or more "active" ingredients and are administered to a patient because of the benefits that those ingredients will bring. They also contain non-active ingredients which do not bring direct medical benefit but serve only as a carrier or excipient - for example to make the product easier to inject. You will have to ascertain the nature of the active ingredients to determine the liability of the supply.

Products can be exempt only if they contain a single active ingredient which is wholly derived from human blood. The addition of simple dilutants or preservatives or any other product - blood or otherwise - as a non-active ingredient will not affect exemption but the product will be standard rated if it contains:

- two or more active ingredients, but only one of which is derived from human blood; or
- one active ingredient but that active ingredient is not derived from human blood. This is so even if the product contains a blood product as a non-active ingredient - for example, in recombinant products, the active ingredient is genetically engineered and the carrier is the blood product, human albumin.

Examples of blood products which are covered by the exemption when supplied as the active ingredient are:

Blood plasma (fresh or dried).

Plasma protein fraction.

Haemoglobin.

Globulin.

Albumin (fresh or dried).

Human Factor VIII fraction.

Human Factor IX fraction (partial and total prothrombin complexes).

Fibrinogen.

Thrombin.

Normal and specific immunoglobulins.

Plasmin; and

Plasminogen

Products which are wholly or partly of animal origin are not covered by the exemption.

Blood products such as blood-grouping and tissue typing reagents are often used in diagnostic tests carried out in laboratories, for example to test for diseases such as diabetes and jaundice. Products packed or held out for sale for these purposes (which are often in kit form) are not covered by the exemption but are taxable at the standard rate. Supplies in bulk which could eventually be used either for therapeutic or diagnostic purposes may be assumed to be mainly for therapeutic use and are thus exempt.

## M1.14 Summary

### *Computer software*

Medical only not veterinary	YES
Can be used in research	YES
Can be used in treatment	YES
Can be used in training	NO
Can be used in diagnosis	YES
Must be solely	YES

### *Medicinal product*

Medical only not veterinary	NO
Can be used in research	YES
Can be used in treatment	YES
Can be used in training	NO
Can be used in diagnosis	YES
Must be solely	YES

### *Relevant goods (equipment)*

Medical only not veterinary	NO
Can be used in research	YES
Can be used in treatment	YES
Can be used in training	YES
Can be used in diagnosis	YES
Must be solely	NO

### *Human organs*

Medical only not veterinary	YES
Can be used in research	YES
Can be used in treatment	YES
Can be used in training	NO
Can be used in diagnosis	YES



Must be solely NO

**Substances**

Medical only not veterinary NO

Can be used in research YES

Can be used in treatment NO

Can be used in training NO

Can be used in diagnosis NO

Must be solely NO

**M 1.15 How to claim zero rate relief**

When an order for qualifying goods or services is placed, the tax code PM must be selected. This will automatically generate a purchase order incorporating a zero-rate certificate for issue to the supplier.

If the incorrect tax code has been selected, and you have been incorrectly billed VAT, please contact the Tax Team.

**M.2. Museum**

VAT Refund Scheme for national museums and galleries

(S33A of the VAT Act 1994)

Museums and galleries offering free access are not regarded as being engaged in any business in relation to this activity. They may, of course, have other activities that in their own right are business activities, for example, catering, sales of books and gifts and exhibitions for which there is a charge.

Ordinarily, it is not possible to recover the VAT incurred on goods and services purchased to support non-business activities. Thus, normally VAT incurred on purchases that are attributable to the free admission of the public is not recoverable.

However, under S33A of the VAT Act 1994 the Government will reimburse this otherwise irrecoverable VAT. For this to be the case, the provisions of section 33A of the VAT Act 1994 must apply, and the museum or gallery must be named in an order made by HM Treasury.

The following museums operated by the University are covered by the above scheme:

- Cole Museum of Zoology
- Museum of English Rural Life

Where you admit the public free of charge to view the principal collections in your museum or gallery, you will be able to reclaim the VAT you have incurred on: -

- items and collections on display
- goods and services necessary for their upkeep
- upkeep of the part of the building (including common areas) in which they are housed, and
- provision of free information in relation to the items or collections on display, including advertising and other promotional material

## O

### O.1. Option to tax

An option to tax allows the University to recover VAT on the construction and maintenance costs associated with a property. VAT must be charged on any rental income derived from buildings on which an option to tax is in place.

<b>Building Reference</b>	<b>Land/Building covered by Option to Tax</b>	<b>Effective from</b>
W054	Science and Technology Centre	24/05/02
W201	Enterprise Centre	23/02/11
A214 (formerly A045)	Manor Site	02/04/14
A999	Cutbush Lane Site	01/09/14
E007	Sibly Hall Aerial	19/07/12
A999	Shinfield West, Eastern Relief Road	30/10/14
W029	Students' Union (part) and Park House	11/01/99
A999	Thames Valley Science Park  Note: TVSP Ltd also has an option to tax in place for the Science Park	30/1/15

Options in place on properties constructed by UoR and then leased to AFT Trust on full repairing leases. VAT on expenditure incurred as a tenant on the following properties cannot be recovered.

<b>Building Reference</b>	<b>Land/Building covered by Option to Tax-AFT</b>	<b>Date option granted</b>
W042	Language Resource Centre	
W047	Food Biosciences Building	
W058	Meteorology	

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W056	Harry Pitt building	
W070	Russell building (formerly Soil Science building)	
W071	ICMA Centre	
W032	Philip Lyle building	

An option can be revoked only either within 6 months of an option being made or 20 years after the option first took effect.

Copies of the Options to Tax are held by Finance. Recent confirmations are also sent to Estates and Facilities for information.

## **O.2. Organisational structure**

The University has several related companies and entities. Some of these are listed below.

### **University of Reading**

Location: UK

Status: University & Eligible Body

### **Henley Business School Limited**

Location: UK

Status: Subsidiary of the University

Relationship to the University: Trading subsidiary

### **Henley Business School GmbH**

Location: Germany

Status: Subsidiary of the University

Relationship to the University: Trading subsidiary

### **University of Reading Finland**

Location: Finland

Status: Branch of the University

Relationship to the University: Not a separate legal entity, part of the University

### **Thames Valley Science Park Limited**

Location: UK

Status: Subsidiary of the University

Relationship to the University: Trading subsidiary

### **Henley Management College (1945) Limited**

Location: UK

Status: Not trading

### **Henley Business Angels Limited**

Location: UK

Status: Subsidiary of the University

Relationship to the University: Trading subsidiary

**Reading Real Estate Foundation (RREF)**

Location: UK

Status: Registered charity

Related but no direct connection between the University and RREF

**RUMAL Reading Sdn. Bhd.**

Location: Malaysia

Status: Subsidiary of the University

Relationship to the University: Trading subsidiary

**Henley Business School (South Africa)**

Location: South Africa

Relationship to the University: Branch of Henley Business School Limited

**Reading University Students' Union**

Location: UK

Status: Registered charity number 1158523

Related but no direct connection.

### **O.3. Overseas agents**

A University will often engage an agent to recruit students on its behalf. This agent is often paid on a commission basis. The agent sometimes collects fees on behalf of the University and then deducts its commission and pays the net amount to the University and in other arrangements the agent will not be involved in collection of fees but will invoice the University for its work. Where that agent is based outside the UK and is recruiting students from outside the UK, the University will have to pay HMRC standard rate reverse charge VAT on the amounts charged by these agents.

The agents provide a range of services: -

- Assisting students with choosing courses
- Assisting students with enrolment
- Assisting students with visas etc.
- Assisting education provider with collecting fees
- Representing the University to market and promote its courses
- Assisting the education provider with collecting fees from students

These services are generally considered a single service rather than multiple supplies.

Following a court decision, we are required to treat VAT on overseas agents costs as irrecoverable.

## **O.4. Overseas government training – applies to HBS Ltd. only**

An extra-statutory concession allows the zero rating of training services that are supplied in the UK to overseas governments for the purpose of their sovereign activities. This relief is intended for the training in the UK of overseas government officials, public servants, the police, and other bodies answerable to the government concerned, where the fees would otherwise be subject to VAT. It does not extend to training that is provided by a university since this is exempt from VAT. However, subsidiary companies are not eligible to exempt supplies of training so this zero-rate relief is only available to the University's subsidiaries.

When applying the concession, a written statement should be obtained from the overseas government confirming that the trainees are employed in furtherance of its sovereign activities.

## **O.5. Overseas sales and purchases (see also Place of supply rules & Customs Duties)**

### **O.5.1 Export of GOODS**

A supply of goods outside the UK is zero-rated (tax code SZ). It is important that evidence of proof of export is kept. This proof of export must be held for 6 years.

## O.5.2 Import of GOODS

### *Imports of Goods*

Different rules apply according to whether the whole consignment has a value excluding VAT not exceeding £135, or more than that amount.

#### *Value of goods > £135*

The University should pay import VAT when the goods enter the UK (full clearance when goods arrive). If you are asked by the freight forwarder if you wish to authorise them to use PVA (postponed VAT accounting), please respond 'no'. Our decentralised process for buying goods does not support this method. Please use tax code PZ for the cost of the goods.

#### *Value of goods not exceeding £135*

In general import VAT will be not payable when goods in consignments with a value not exceeding £135 enter the UK. The University's VAT number should be quoted to the supplier. 'UK supply VAT' will be payable on the goods. This is recorded in the same way as Reverse Charge VAT referred to below. In this case, please use tax code PY for the cost of the goods.

If import VAT was paid when the goods entered the UK, please use tax code PZ for the cost of the goods.

#### *Reliefs from import VAT*

Certain imports are eligible for relief from import VAT. These imports include goods for testing, miscellaneous documents and related articles which are of an educational, scientific, or cultural nature, scientific instruments used for non-commercial or non-profit making education or research, and substances used for biological and chemical research. Please contact [vat@reading.ac.uk](mailto:vat@reading.ac.uk) for more information if you think that your purchase may be eligible for one of these reliefs.



### **O5.3 Purchases of SERVICES from overseas suppliers**

The University's VAT number GB 200 0126 59 must be quoted on orders for purchases of services from overseas suppliers.

This may enable the overseas supplier to avoid charging their country's VAT or its equivalent on the supply to the University.

UK VAT is due on the purchases of most services from overseas suppliers at 20% under the reverse charge mechanism. The effect is that reverse charge VAT is applied in the same way as if the services have been brought in the UK, and the same rates of VAT will apply. So, for example, supplies of many advertising services by overseas suppliers to the University will have reverse charge VAT of 0%, just as they would if a UK supplier supplied them.

If the overseas supplier charges VAT on their invoice, reverse charge VAT will still be payable in the UK, on the total invoice value, including the overseas VAT.

Please use tax code PY for the purchase if you are certain that reverse charge VAT will apply to it. If you are uncertain whether reverse charge VAT will apply to the purchase, please use tax code PZ for it. In the case of purchases of services from overseas suppliers coded with PZ, where it is applicable, the VAT team will record the reverse charge VAT subsequently.

### **O5.4 Sale of SERVICES to a customer outside the UK**

For supplies of services to a business customer outside the UK the VAT code is generally SZ, unless the place of supply is deemed to be the UK. For more information about the place of supply rules, please see P.2. Place of supply of services rules (POSS).

## P

### P.1. Photocopying income

Charges to students for photocopying are exempt if supplied for an educational purpose. Any other photocopying is standard rated unless the charge is for a duplicate of a brochure or book in which case this is zero rated.

### P.2. Place of supply of services rules (POSS)

The POSS rules aim to ensure that, as far as possible, VAT is due in the country in which the services or goods are consumed rather than where the supplier is established. As a result, the University is liable for reverse charge VAT on purchases of most services from overseas suppliers.

These rules distinguish between **B2B** (Business to Business) and **B2C** (Business to Customer) supplies. Organisations with business activities, such as those which are registered for VAT, fall within the **B2B** group, and individuals and organisations that do not have business activities fall to be treated as **B2C**.

#### General rule for the place of supply of services

The general rule for place of supply is given below and would apply unless the supply fits into one of the specific exceptions explained below.

***B2B Business to Business i.e., organisations with business activities, such as those which are registered for VAT***

Place of supply - where the customer belongs, i.e., if the customer is based in France, then VAT would be due in France to the French tax authorities.

Use tax code SZ

***B2C Business to Consumer i.e., individuals or organisations that have no business activities***

Place of supply - where the supplier belongs, i.e., if the supplier is based in the UK, then VAT would be due in the UK irrespective of where the client is located.

Apply tax codes in the same way as if the client were in the UK.

#### Exceptions to the general rule for the place of supply of services

***Land related services***

For both B2B and B2C supplies of, for example, building and surveying services or hotel accommodation the place of supply is where the land is located.

So, if the land is in the UK the place of supply is the UK. For example, charges for hotel accommodation in the UK to a French customer would be subject to UK VAT.

### ***Admission to events (and ancillary services)***

For both B2B and B2C supplies the place of supply is where the event takes place. So, if the event is in the UK, then UK VAT is due – use tax code ST.

### ***Other services related to educational or scientific activities, and ancillary services***

For B2B supplies the general rule applies – the place of supply is where the customer is located. So, if the customer is outside the UK, use tax code SZ. (If it is an exempt supply of education, use tax code SX).

For B2C supplies, the place of supply is where the activities take place. If the event is in the UK, then UK VAT is due – use tax code ST. (If it is an exempt supply of education, use tax code SX).

### ***Other services related to cultural, artistic, sporting, entertainment, or similar activities***

For B2B supplies the general rule applies – the place of supply is where the customer is located. So, if the customer is outside the UK, use tax code SZ.

For B2C supplies, the place of supply is where the activities take place. If the event is in the UK, then UK VAT is due – use tax code ST.

### ***Consultancy, advisory & advertising***

For both B2B and B2C supplies the place of supply is where the customer is located.

### ***Other exceptions to the general rule***

Other exceptions to the general rule are not explained here but include electronically supplied services, telecoms and broadcasting services, passenger transport, transport of goods and related services, restaurant and catering services, hiring of goods.

All income the University receives from the supply of education or closely related services is exempt from VAT (tax code SX) regardless of where the customer is from or whether they are a business or consumer. All income from grants or donations is outside the scope of VAT (Tax code SO) regardless of where the sponsor or donor is or whether they are a business or consumer.

Please contact the Tax team for further information on the place of supply rules.

## **P.3. Postage and delivery charges**

If the University sells goods and the delivery charge is part of the contract, then the VAT liability of the delivery charge follows that of the main supply. For example, if the University is selling a book and delivery is included then both the income from the sale of the book and the delivery charge would be subject to zero rate VAT (tax code SZ). However, if delivery is not part of the contract, then the delivery charge is deemed to be a separate supply and VAT would be chargeable on the delivery charge (tax code ST).

The sale of stamps by the University is exempt from VAT providing that the stamps are sold at face value or below.

### **P.4. Profit sharing arrangement**

The VAT status of income from a profit-sharing arrangement will be determined by the nature of any underlying supply. Please contact [vat@reading.ac.uk](mailto:vat@reading.ac.uk) if you are considering such an arrangement.

### **P.5. Pro-forma invoices/requests for payment**

Generally, VAT can be reclaimed only when it is recorded on a VAT invoice. VAT recorded on pro-forma invoices cannot be reclaimed. Where payment is made to a supplier based on a pro-forma invoice or cash with order, the department must ensure a VAT invoice is obtained and forwarded to the VAT team, clearly marked "For information only DO NOT pay." Pro-forma invoices are issued by suppliers who are set up to account for VAT on receipt of payment rather than at the point an invoice is issued. The final VAT invoice will then be used to recover VAT on costs incurred where that is possible.

### **P.6. Printing and publications**

See section B.3. Books and publications.

### **P.6. Project tax system codes**

Every project code is set up in Agresso with a Tax System which automatically governs how the VAT paid on purchases is treated. It is therefore important to set up separate project codes for different activities and to record transactions against the relevant project code. Recording expenditure incurred on a commercially sponsored activity on a departmental administration project code would result in unnecessary VAT costs.

The tax system is assigned by the Tax team based on information supplied in relation to the purpose of the project. This tax system can be seen in Agresso and appears

under the heading TS. There are four Tax System codes and only one of them can be attached to any one project. The tax systems are explained below:

### **Fully Recoverable (FR)**

This tax system can be used where the project involves only taxable activities or Framework 5/6 (FP) contracts or activities qualifying under S151 (see section E.5.

European Union members). VAT paid on expenditure coded to these projects is automatically reclaimed and treated as fully recoverable.

### **Partially recoverable (PR)**

This tax system is used either for projects which have a mix of exempt and taxable activities OR for projects used to record administrative costs within a school or department which carries out taxable research or for projects used to record general overheads. For these project VAT paid on purchases is partially recoverable.

### **Irrecoverable (IR)**

This tax system is used for projects which have only exempt activities and/or income from grants or donations. For these projects VAT paid on purchases is irrecoverable.

### **EU Framework 7 projects (ER) – see below for explanation.**

When a project is set up with a tax system Fully Recoverable (FR), only the Net Cost excluding any VAT will be charged to the project. When a project is Partially Recoverable (PR) or Irrecoverable (IR) the Gross Cost including VAT will be charged to the project.

**VAT on EU Framework 7** (referred to as **FP 7**) contracts with the EU is not recoverable and will be charged to nominated departmental administration projects. VAT on expenditure charged to these projects must be excluded from grant claims. Where VAT is separately identified using tax code PP, this VAT will automatically be extracted from these projects.

**The European Commission's EU Horizon 2020** Framework Programme for Research and Innovation programme allows the University to reclaim any VAT that the University cannot otherwise recover. The VAT inclusive amount will be charged to Horizon 2020 projects and this VAT will be reclaimed from the EU.

## **P.8. Prompt payment discounts**

Suppliers must account for the VAT on the full charge and are able to apply the prompt payment discount to the VAT amount payable only if the customer then actually takes advantage of the prompt payment discount.

Suppliers should either

- a. invoice for the £100+£20 VAT and then issue a credit note for the £5+1 VAT  
or
- b. invoice for £100+£20 but also show that the invoice will be reduced to £95+£19 if paid within the prescribed time.

## **P.8. Publication income**

Income from articles published in academic journals would be taxable (ST).

Notice 701/10/10 paragraph 7.2

## **P.9. Purchase cards**

The University operates a purchase card scheme for the procurement of lower value items. Departments must ensure that for purchases from suppliers who are not 'VAT enabled,' a VAT receipt or tax invoice is obtained for the University's records. For further information on this please refer to Purchase Card Procedures.

## R

### R.1. Recharge/Reimbursement of Expenses

#### General principles

The tax treatment of expenses recharged to a client will generally follow that of the service itself. As a result, if billing a UK client £1,000 for consultancy and the air fare of £100 (a taxable supply, tax code ST) VAT should be added to both the consultancy charge and the recharge for associated travel expenses including any train and air fares. The total VAT due on this invoice would be £220.

If, instead, the expenses charged to the client relate to an academic who has given a series of lectures for a client then the invoice for both the lecturing and associated travel would both be exempt from VAT (tax code SX).

#### Car parking

Charges to visitors who are not students will be subject to standard rate VAT.

#### Consumables

If the University incurred spend for an academic and the academic leaves and takes up employment with another University. The receiving University agrees to reimburse Reading for these costs then this income would be outside the scope of VAT.

If instead, the recharge for consumables incurred had been in respect of a fully recoverable consultancy project then VAT would have to be added to the invoice and be treated as taxable.

If the University raises an invoice for consumables used by a visiting PhD student and the invoice is to the PhD student's home University, then this would be an exempt supply for VAT purposes (SX) as it would be deemed to be a service that is 'closely related to the provision of education.' The exception to this would be if the home institution has an interest in the arising IP, in which case VAT would be due.

#### Goods bought and sold to a client

If goods supplied to the client were to have been specifically bought on behalf of the client and separately ordered for that purpose, i.e., not included on an order alongside those that the University needed, the charge to the client should be subject

to VAT (ST) depending on the nature of the goods sold, and the University will be entitled to recover any associated VAT on the purchase in full.

If instead, goods were ordered for the department's stores for use in a mix of teaching, grant, and commercially funded research, then VAT on the expenditure would be only partially recovered. Were some of these goods to be sold to an external client, VAT could not be recovered on the original purchase and VAT would need to be added to the gross cost.

### **Disbursements**

Where no VAT is incurred on the original expenditure, it may be beneficial to consider if recharges to the client can be treated as a disbursement and therefore outside the scope of VAT. The rules for a recharge to qualify as a disbursement are onerous and the circumstances should be discussed with the Tax team. All the following conditions must be met in order to qualify:

- you paid the supplier on your customer's behalf and acted as the agent of your customer
- your customer received, used, or had the benefit of the goods or services you paid for on their behalf
- it was your customer's responsibility to pay for the goods or services, not yours you had permission from your customer to make the payment
- your customer knew that the goods or services were from another supplier, not from you
- you show the costs separately on your invoice
- you pass on the exact amount of each cost to your customer when you invoice them
- the goods and services you paid for are additional to whatever you are billing your customer for doing yourself

It is usually only an advantage to treat a payment as a disbursement for VAT purposes if the supplier did not charge VAT on it. If VAT was charged on the expense, there is no benefit to disbursement treatment.

### **Postage**

See separate section P.3. Postage and delivery charges for guidance on the VAT position in respect of recharges for Postage



## R.2. VAT Registration numbers (& other reference numbers)

The University and its subsidiaries have separate VAT registrations. The registration numbers for each entity are listed below.

### VAT registration number

University of Reading	GB 200 0126 59
Henley Business School Limited	GB 996 8987 06
Reading Real Estate Foundation	GB 861 4155 33
University of Reading Finland Branch	FI 23062300
Henley Business School GmbH	DE 285 6706 89
Thames Valley Science Park Limited	GB 209 5970 84

### Status

#### *Subsidiary entities of the University*

Henley Business School Limited  
Reading Real Estate Foundation  
Henley Business School GmbH  
Thames Valley Science Park Limited

#### *Branch of the University*

University of Reading Finland Branch

### Company registration number

University of Reading	Royal Charter number RC000665
Henley Business School Limited	07019049
Reading Real Estate Foundation	04347140
Thames Valley Science Park Limited	9435011

### Registered Charity number

Reading Real Estate Foundation	1092627
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**Limited company status**

Reading Real Estate Foundation                      Limited by guarantee

**HMRC Unique Tax Reference (UTR)**

University of Reading                                      46100 15969

Henley Business School Limited                      43538 14680

Reading Real Estate Foundation                      46938 01154

Thames Valley Science Park Limited                      43659 00063

**EORI (Economic Operator Registration and Identification)**

University of Reading                                      GB 200 0126 59000

Henley Business School Limited                      GB 996 8987 06000

Reading Real Estate Foundation                      GB 861 4155 33000

**DUNS number**

University of Reading                                      21-450-6664

**HMRC charity tax reference number**

University of Reading                                      X8145

**R.3. Replacement degree certificates**

Charges for replacement degree certificates are subject to standard rate VAT.

## R.4. Research

Universities receive income to undertake specific research, Research can be divided into commissioned research and university-led research.

- **Commissioned research** would be undertaken at the request of a client for an agreed consideration. While the client usually initiates it, the university may approach potential clients who may have an interest in the research and ask them to fund it. Commissioned research is a taxable activity liable to VAT.
- **University-led research** is initiated by the university and is generally funded in whole or in part by grant funding, typically from the Research Councils, government, and charities. This is normally undertaken to advance human knowledge rather than for any business reason. It will generally be treated as a non-business activity.

Research can be either

- non-business.
- taxable; or
- outside the scope with the right to deduct

Depending on

- to whom it is provided.
- where it is provided; and
- how it is funded.

See HMRC's PE5140 Guidance for specific trade sectors: Educational establishments.

### HMRC Definition

Although there is no legal definition of "research" in VAT law, HMRC considers that research means original investigation undertaken to enhance knowledge and understanding. Research does not include supplies such as merely confirming existing knowledge or understanding, consultancy, business efficiency advice, market research or opinion polling.

### VAT on research between other eligible bodies

An exemption from VAT for business research supplied between eligible bodies was withdrawn on 31 July 2013. All contracts for such research entered after 1 August 2013 would normally fall to be treated as subject to VAT.

Further information on the changes is given on VAT Info Sheet 11/13 and the Revenue and Customs Brief 10 (2013): withdrawal of the VAT exemption for supplies of research.

**Research that is within the scope of VAT**

For a supply to come within the scope of VAT there must be at least two parties and a written agreement between them under which something is done for a consideration and by way of business. This means that there must be a **direct link** between the service supplied (in this case research) and the consideration received such that the relationship can be established between the level of benefits the customer gets and the amount they pay.

Consequently, where research is supplied by way of business and under a contract (or other agreement) in return for consideration, this will be within the scope of VAT. Such research by an eligible body for organisations which did not qualify as eligible bodies remains subject to VAT.

**Outside the Scope of VAT v Taxable supply**

Generally, research is outside the scope of VAT when it is funded, either by the public sector or by the charitable sector, for the wider public benefit. However, this is only a general rule of thumb, and each case must be considered on its own merits.

For there to be a supply of services for VAT purposes, there must be a direct and immediate link between consideration paid and a service provided. HMRC do not generally consider this to happen in the case of research, which is funded for the wider public benefit, either by the public sector or by the charitable sector. This was mentioned in the opinion of the Advocate General in Keeping Newcastle Warm (C353/00).

The main question to ascertain whether the research is outside the scope of VAT is whether the funding is part of the consideration for any specific supply: does the funder receive anything in return for their funding?

As explained in Revenue and Customs Brief 10 (2013): withdrawal of the VAT exemption for supplies of research situations where the funding will be outside the scope of VAT include:

-research which is funded for the 'general public good' and there is no direct benefit for the funding body

-research which is funded for the public good and **is either not expected to generate any intellectual property (IP), or if it does then any reports or findings will be freely available to others**

-where there is a 'collaborative' agreement between different research institutions where all parties to the grant are named on the application

-where the funding flows through one named party - and they act purely as a conduit passing on the funds to others involved in the research project - the funding remains outside the scope of VAT

Where funding is provided to a named party for research that will either generate IP to be exploited by the funder and/or is not for the public good and they subsequently decide to sub-contract some of the research to an eligible body (for example a university), the initial funding to the named party (assuming an eligible body) will be taxable consideration for a supply of service.

### **Collaborative research**

A significant amount of research is collaborative - indeed, this seems common in the case of Research Council funding. Collaborative research is where several bodies (typically universities or other eligible bodies) get together to apply for grant funding to undertake a research project. It is common for one of the applicants to be shown as the head or lead body which deals primarily with the funding body including receiving funding which is passed to other applicant bodies for their contribution to the project. For ease, contracts are often concluded only in the name of the funding body and the lead research body even though this is a collaborative project.

In such cases of collaborative research, all research services provided by each of the bodies involved in the project are outside the scope of VAT, even if the funding may be passed on by the lead research body to others and that only the lead research body is party to the contract with the funding body.

It is necessary to obtain evidence that research bodies are participating in collaborative research; the best evidence of that will be the original application for funding which would, in many cases, show who all the collaborative partners are. However, alternative evidence that clearly demonstrates that the bodies concerned were participating in collaborative research is acceptable. It is the University's policy

that the collaborators are named as such in the application for funding or are subsequently recognised by the funders as such.

### **Changes in collaborative parties**

Research bodies that are added to or are substituted in a collaborative research project once it has commenced (and so are not mentioned in the funding contract) would still be seen as parties to the collaborative project so that their supplies remain outside the scope of VAT.

Revenue and Customs Brief 10 (2013)

Revenue and Customs Brief 21 (2013)

VAT information sheet 11/13: supplies of research between eligible bodies

## **R.5. Reverse charge VAT & Import VAT**

### **Purchases of Services**

Where the University receives services from suppliers outside the UK the University has to pay Reverse Charge VAT on these services to HMRC. The reverse charge is intended to make purchasing decisions “VAT neutral.” When the reverse charge applies, there is no VAT advantage in purchasing from an in-country supplier as opposed to an out of country supplier.

Reverse charge VAT would be due on most services where a supplier is overseas. Common examples include the following:

- overseas recruitment agents
- consultancy/advisory services
- software

There will, however, be some circumstances where this does not apply e.g.

- **admission** to an event or exhibition overseas (rather than exhibiting at)
- **marking** or other examination services.

Reverse charge VAT will also not apply for hotel accommodation, subsistence or car hire outside the UK unless billed for as part of a charge for other services such as consultancy.

Reverse charge VAT will also not be due on services that would qualify for zero rating if bought from suppliers in the UK e.g., qualifying [advertising](#) or publications

There are special rules in relation to space at a conference often used in student recruitment. Further details are given at E.10. Exhibition stands. Reverse charge VAT will generally apply to such payments but see further details below.

Where this expenditure relates to the delivery of education this reverse charge VAT will be a cost to your project. Where these services relate to commercial activities and your project is fully recoverable this VAT will not be a cost to you as you will be able to recover it.

### **Purchases of Goods**

VAT is also due on goods imported from overseas. Please see O.5.2 Import of GOODS for more information.

### **Tax codes for Purchases of Services subject to reverse charge VAT**

Where you know that a purchase of services from a supplier based outside the UK should be subject to reverse charge VAT, please use tax codes PY.

## **R.6. Room Hire – see L.2. Letting of rooms (excluding conference facilities)**

### **R.7. Royalties**

Income to the University from royalties is liable to VAT at the standard rate unless the customer belongs outside the UK.

## S

### S.1. Sale of used equipment

Normal VAT rules apply to the sale of second-hand goods by the University. For example, the sale of equipment is taxable (tax code ST). When you are buying a new piece of equipment and trading in the equipment it is replacing against this supplier you must account for VAT on the value of the trade-in. Please contact the Tax team if you have such a transaction and we will provide guidance.

The sale of medical/veterinary equipment to an eligible body for use in medical/veterinary research would be zero rated if the customer provided a Zero Rate certificate for VAT purposes (tax code SZ).

### S.2. Secondments/supply of service

#### Supply of service

Where the University has agreed to undertake work on behalf of a client and allocates certain members of staff to that work but has the right to substitute another member of staff to that work then this would represent a supply of services. The VAT treatment would depend on the nature of service supplied.

Where staff are supplied but remain under the University's control this is regarded as a supply of services rather than a supply of staff, and the VAT liability would be determined by the liability of the service. For example, if members of staff were working for another educational institution under a contract that requires the University to supply a lecture or tutorial course, this would represent the supply of education which would be exempt from VAT. If instead the University were providing administrative support to an external organisation and a member of staff was assigned to that work the fees charged for the service are subject to VAT.

Supplies of medical staff are currently standard rated for VAT. The 'end purpose' of health provision is not sufficient to exempt such supplies.

#### Secondment of staff

If the University agrees to second specified members of staff to work under the direction and control of another party, then there is a secondment/supply of staff that is generally taxable, although there are exceptions, which are described below. The supply is essentially the granting of rights to the other party for the member of staff to be managed by that party and is taxable at the standard rate. The supply is taxable even if the University is simply recharging the costs it has incurred such as gross pay, employer's national insurance and employer's pension contribution.



***Secondments which are outside the scope of VAT***

Where:

- the client is a charity or other not for profit organisation (not a public or local authority) and
- the employee is working and has worked only on non-business activities at both the University and the client, that is, grant-funded research or fundraising (lecturing would not qualify and
- payment for the supply of the employee's services does not exceed the employee's normal remuneration (total costs including National Insurance and pension scheme contributions)

the income for the secondment will be outside the scope of VAT.

***Secondments which are exempt from VAT***

Where:

- an employee responsible for teaching is seconded to an eligible body (expected to be an educational institution and
- the role for the secondee involves teaching only, with no responsibilities for administration or other tasks

the income for the secondment will be exempt from VAT.

Where:

- an employee is provided for the purposes of catering and/or accommodation to an eligible body that provides education for a charge

the supply of that employee will be closely related to the education supplied by the customer and the income for that supply will be exempt from VAT.

**Supply of staff and joint employment**

Where staff are jointly employed there is no supply for VAT purposes between the joint employers. Staff are jointly employed if their contracts of employment or letters of appointment make it clear that they have more than one employer. The contract must expressly specify who the employers are for example 'Company A, Company B and Company C', or 'Company A and its subsidiaries'.

Staff are not jointly employed if their contracts are with a single company or person, even if it requires them to work for others.

There is no joint employment where for example there is a contract with one employer which states:

- that the employee's duties include assisting others, or
- that the employee will work full-time for another, or
- where the job title shows that the employee works for a group of associated companies (such as a group accountant).

### **Secondment of staff between the NHS and the University**

Charges for staff seconded to/from the NHS will generally be liable to VAT. However, under **very restricted conditions** secondments can be treated as outside the scope of VAT. The terms on which this was accepted by HMRC are outlined in a Memorandum of Understanding. For more information, please contact the Tax Team

Such arrangements would only be possible where:

1. staff are engaged in both teaching and/or research as well as the delivery of patient care and
2. there is a joint integrated job plan encompassing both NHS and University commitments covering amongst other things relevant aspects of teaching, research, and patient care.
3. there is an honorary and substantive contract of employment between the individual and both the University and the NHS trust. Both the NHS Trust and the University would have responsibilities as employers of the individual concerned and the employee would be accountable to both employers.

Further details of the requirements are outlined in the Memorandum of Understanding.

In these specific circumstances one of the two employers would normally pay the total remuneration to an employee (i.e., on a paymaster basis) for the other employer's share of the employee's costs. The charge to the second employer for their element of the cost would be outside the scope of VAT. If these circumstances do not apply, staff secondments to or from the NHS would be subject to VAT.

### **S.3. Self-billing**

Self-billing is an area that often causes confusion. It may arise in the context of royalty payments or other commission style receipts, where the customer has the data, e.g., sales volume, to calculate amounts due to the University. The customer

issues a self-billed VAT invoice on behalf of the University. The customer is permitted to do this only if both University and the customer have signed a valid self-billing agreement before self-billing commences. For more information, please contact the Tax Team.

Departments must ensure they account for any VAT shown on the self-billed invoice in the same way they would for a sales invoice when paying in the sum received by selecting the ST code on the paying in form. A copy of the self-billing invoice should be attached to the paying in form.

### S.4. Sponsorship

Income from sponsorship which gives advertising or promotional benefits, or provides special rights to the sponsor, e.g., marketing opportunities or privileged use of facilities or expertise, is taxable at the standard rate (tax code ST).

A donation would not constitute a taxable supply and would be treated as outside the scope of VAT. The simple acknowledgement of a corporate donation does not give rise to a “supply” for VAT purposes. The naming of a chair supported by a corporate donor would similarly not represent “sponsorship” and would be outside the scope of VAT. However, use of a corporate logo on a charity website or stationery would create a supply of sponsorship on which VAT should be charged.

To determine the appropriate VAT treatment of the income the intention of the parties at the outset should be considered. It is important that any agreement with a sponsor takes VAT into consideration to avoid potentially embarrassing and unnecessary misunderstandings about amounts payable. Many sponsors will be VAT registered and they will be able to recover VAT charged by the University and they will require a sales invoice for their records.

### S.5. Sport

#### a. Supply of sporting services to individuals

The supply of sporting services to individuals by the University as an Eligible Body qualifying under Note 2A to Group 10, Schedule 9 of VATA 1994 is exempt from VAT. The definition of an Eligible Body under Group 10 is different from that under Group 6 for the Education Exemption. The conditions for an Eligible Body under the sporting exemption given in Group 10 are given in HMRC’s Internal Guidance Note VSPORT2010: -

- a) It is non-profit making
- b) Its constitution does not allow it to distribute profit or surpluses it makes, other than to another non-profit making club, or to its members on its winding up or dissolution

- c) It uses all profits or surpluses from its playing activities to maintain or improve the related facilities or for the purposes of a non-profit making body
- d) It is not subject to commercial influence.

The University, as an exempt charity regulated by the Office for Students meets the conditions given above and is an eligible body for the purposes of the sporting exemption.

For the purposes of this exemption, an “individual” is a person who takes part in the sporting or physical education activity, and this includes family groups, informal groups, and non-profit making entities, where one individual makes a booking on behalf of a group and the true beneficiaries are the persons taking part in the activity.

### **b. Group for sports activities**

A class which is led and directed rather than merely supervised by University staff is classified as education and is exempt from VAT. If the mere presence of staff is to, say, supervise on health and safety or insurance grounds, the service is a grant of facilities and the conditions above apply.

### **c. Supply of sporting facilities to Groups/Organisations**

The supply of sporting facilities to a group or commercial organisation is a standard-rate supply, unless the supply qualifies for exemption under one of the following concessions:

- the facilities are provided for a continuous period of use exceeding 24 hours. The person to whom the facilities are let must have exclusive control of them throughout the period of letting, or
- the grant of facilities is for a series of ten or more periods.

As explained above, informal groups and non-profit making bodies, where one individual makes a booking of the sporting facilities on behalf of a group of users, and the true beneficiaries are the persons taking part in the sport, qualify as individuals and are not subject to these group rules.

If an organization fails to meet any of the above criteria, then the supply of sporting facilities will be standard rated.

## **S.6. Staff (see S.2. Secondments/supply of service above)**

## **S.7. Letting space for storage of goods**

With effect from 1 October 2012 where the University or any other organisation supplies space for the storage of goods in structures ('relevant structures') such as containers, units, or buildings, that supply is standard-rated. However, there are certain exceptions set out below.

The use of the space will normally be clear from the nature of the facilities, the way they are advertised, and the agreements entered. However, in some instances, facilities may be suitable for a variety of uses and agreements may not specify a particular use by the licensee (i.e., the licensee is free to use the space for any purpose). In such cases it will be necessary for the University to obtain confirmation in writing from their customer of the use to be made of the space and retain the confirmation as evidence for VAT purposes.

Where space is used by the customer for both the self-storage of goods and another purpose, the VAT liability will follow that of the principal element of the supply in accordance with normal rules. So, for example, if a customer uses a warehouse for the storage of goods but also uses a small amount of the space as an office, the whole supply will be taxable, as the provision of office space is ancillary to the provision of self-storage and VAT would be due on the full amount of the charge as the main supply is of storage space.

Where, during the period of an agreement or contract, the self-storage facilities are not actually being used for the self-storage of goods and are left empty, the supply will be standard-rated if there is an intention that they will be used for self-storage in the future or have previously been used for self-storage during the period of the agreement or contract.

In some cases, businesses that have hired out facilities for self-storage of goods may become aware that their facilities are being used permanently for something other than self-storage. Where such use is permissible under agreements and would result in a different tax treatment (eg, exempt instead of taxable, where the provider has not 'opted to tax') the correct VAT treatment should be applied from the time that the supplier becomes aware of the change in use.

However, use on an occasional basis for something other than storage, during specific agreement or contract periods, will not affect the VAT treatment as the main overall use remains self-storage of goods.

The University should ensure that customers are aware that they should notify it of any permanent changes of use in the future, and that this may result in a different VAT treatment. Provided this is done there is no requirement for the University to actively monitor, on a regular basis the use being made of the space. In such cases where changes of use occur resulting in a different VAT treatment, HM Revenue & Customs (HMRC) will normally accept this being applied from the date the University becomes aware of the change. However, HMRC will not do so if the University and customer are connected, or the University has received indications of a change of use but not acted upon them.

VAT is due on the use of space for the self-storage of goods regardless of who uses the property (subject to exceptions below). These rules provide that VAT is due where the facilities are used by a third party when the lessee allows the third party to use the space for storage.

The lease of a storage facility, such as a lock-up, to be used for the storage of goods by the customer, will be subject to VAT unless used for a purpose which is not storage. However, the supply of a warehouse or similar building for any other purpose only is subject to VAT if used for storage purposes.

Storage of livestock remains exempt. Facilities let for storage to a charity where the charity uses the self-storage facility for a non-business purpose will be exempt from VAT.

Where the storage is ancillary to a building then the VAT treatment of the let of the storage would be exempt from VAT.

### **S.8. Student placements**

Any charge to a business, made by the University for a student industrial/work placement, is taxable at the standard rate.

### **S.9. Studentships and stipends**

Income which is not a grant received from research councils or charities to cover the cost of a studentship is subject to VAT from 1 August 2013. Income from charities to cover the cost of studentships is generally outside the scope of VAT but the Tax Team should review the contracts to ensure that the income is not taxable.

Charges to a commercial or industrial sponsor for the cost of a studentship including the student stipend and bench fees are both subject to VAT at standard rate. The only exception to this would be where a commercial or industrial sponsor is not granted any preferential rights or licence in Intellectual Property Rights arising from the studentship and where there are no restrictions on publication which may be imposed by the commercial sponsor.

### **S.10. Students' Union**

The Students' Union is a separate body and has an independent VAT registration with HMRC. In principle, VAT is chargeable on supplies made to the Students Union and its affiliated clubs, but a special concession is applied where the final consumer is a student of the University.

VAT is not chargeable

## VAT A to Z Guide – Finance-Specialist Accounting-Tax

- a. if the supply would have been exempt from VAT had it been made to a University of Reading student and the supply is to the Students Union
- b. provided that the goods and services concerned are for the direct use of students.

In essence, the Students Union is treated as another eligible body for the purposes of the exemption of supplies that are closely related to education. Examples that can be exempted include the supply of accommodation, catering, and educational materials.

For all other charges, the Students Union is treated as an external customer and VAT applies according to the relevant treatment of the supply concerned.

# T

## T.1. Tax point for VAT purposes

### When will I need to use a tax point?

- When raising a sales requisition using the Sales Order Processing (SOP) module of Agresso you will be asked for an invoice date and a tax point.
- A Batch Interface File (BIF) also asks for a tax point. Agresso will assume the tax point for that BIF is the same as the date on which you process the transaction unless you complete the tax point with another date. In most cases this will be correct. It is important, however, to record any relevant date if the date of the transaction is not in fact the tax point.

### Tax points in specific situations

The tax point (or 'time of supply') is the date at which VAT needs to be recognised as due to HMRC. Penalties are due for late payment of VAT and therefore the tax point is important.

***Sales invoice issued within 14 days of the date of supply of the goods or services. (The date of supply of goods is the date on which they are sent out for delivery or collected. The date of supply of services is the date the work is completed).***

Earlier of invoice date or date payment received

***Sales invoice issued 15 days or more after the date of supply of goods or services.***

Date of the supply

***A sales invoice has not been issued.***

NB. The University is obliged to issue sales invoices where VAT has been charged to all business customers.

Earlier of date of supply of goods or services or date payment received

***Payment or invoice issued in advance of supply.***

Date of payment or invoice (whichever is earlier)

***A payment received in advance of goods having been supplied or service having been completed and no sales invoice has yet been issued.***

Date payment received.



### Example one

The School of Pharmacy carries out some analysis work carried out for a private individual and completes this on 31/1/2021. A sales invoice was not issued until 28/2/2021. The tax point is 31/1/2021, the date on which the analysis was completed as the invoice has not been issued until more than 14 days of the services having been completed. The sales invoice needs to give this tax point of 31 January 2021 in addition to the invoice date as the VAT on this transaction will need to be reported on the VAT return for the quarter ended 31 January 2021.

### Example two

An industrial sponsor pays £12,000 on 25 January 2021 to cover the first year of a studentship. A sales invoice is not issued until 1 February 2021. The tax point is the 25<sup>th</sup> of January.

A sales invoice is issued to the sponsor on 31 January 2021 for the second year of the studentship. The tax point is 31 January 2021.

### Example three

A couple book and pay a deposit of £2,000 on 15 January 2021 for a wedding to be held on campus on 31 July 2021. They pay a further interim payment on 15 May 2021 of £2,000 and an invoice is issued on 31 August 2021 for £1,000. The first and second tax points are the dates of the deposits, 15 January 2021, and 15 May 2021 and £400 ( $£2000 \times 20\%$ ) is due on each of these days. Assuming that the service was completed on the date of the wedding, 31 July 2021, the sales invoice should show a tax point of 31 July 2021 rather than the invoice date.

## T.2. Telephone income

If the University recharges the cost of telephone calls, line rental costs or telecommunication services to an external body, which uses the University's telephone system, then the recharge is taxable.

Any contributions from staff to cover the cost of private calls should be treated as taxable (ST).

## T.3. Ticket sales for theatre productions/sporting events etc. (see A.3 Admission charges / ticket sales above)

## V

### V.1. VAT invoices

A VAT invoice must show:

- an invoice number which is unique and follows on from the number of the previous invoice - if you spoil or cancel a serially numbered invoice, you must keep it to show to a VAT officer at your next VAT inspection
- the seller's name or trading name, and address
- the seller's VAT registration number
- the invoice date
- the time of supply (also known as tax point) if this is different from the invoice date - see below
- the customer's name or trading name, and address
- a description sufficient to identify the goods or services supplied to the customer

For each different type of item listed on the invoice, you must show:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies to what is being sold
- the total amount payable, excluding VAT
- the rate of any cash discount
- the total amount of VAT charged

A simplified VAT invoice will generally be issued by retailers who are selling goods or services for £250 or less. A valid VAT invoice for such transactions will include the following: -

- the seller's name and address
- the seller's VAT registration number
- the time of supply (tax point)
- a description of the goods or services

The following are not acceptable to HM Revenue and Customs as invoices and VAT recovery can be disallowed by Inspectors. These include: -

- Photocopies or Fax copies of invoices
- Suppliers' Statements

## **V.1. Vending income**

Income from vending machines is subject to VAT.

## Z

### Z.1. Zero rate supplies

Income from the sale of certain goods and service is subject to zero rate VAT. We can reclaim VAT on any expenditure related to that income. This contrasts with the fact that we cannot recover VAT on any exempt activities e.g., delivery of education by the University, or rental of properties.

If you supply zero-rated goods or services, we charge VAT at zero per cent, so there is no VAT charge. We must use tax code SZ and state on sales invoices that the VAT rate is 0%.

Zero rate VAT applies to the following supplies that the University may make or receive (this is not a complete list of all supplies that are subject to zero rate VAT):

Certain basic food and drink for human consumption (however, there are many items which are subject to standard rate VAT e.g., bottled water, crisps, alcohol, hot food).

Certain animals, animal feeding products, plants and seeds also qualify for zero-rate VAT, subject to conditions.

Air fares, rail fares, bus fares and other passenger transport (in a vehicle that carries not less than ten passengers).

Construction and sale of new buildings for a relevant charitable purpose, or relevant residential purpose.

Leaflets, pamphlets, brochures, and newspapers (in paper and electronic format) (VAT Notice 701/10). Note, stationery is standard rated, including exercise books.

Books, maps, charts, magazines, publications in paper and electronic format.

Certain protective clothing including cycle helmets (CE Marked). (CE-marking indicates that a helmet fulfils the requirements in the EEC Directive, 89/686/EEC).

Water for domestic use

Sewerage services for domestic or industrial users

Certain building services or alterations and goods designed for disabled people (VAT Notice 701/7).

Construction and first sale of a new dwelling or property converted into a dwelling

First freehold or long leasehold sale of a commercial building converted into a dwelling or dwellings

Exports of Goods subject to conditions.

Supplies of services to customers outside the UK

Supply of advertising to a charity

Supplies relating to medical or veterinary research, training, diagnosis, or treatment (please refer to M1 above for more details):

Supply of medical, scientific, computer, video, sterilising, laboratory, or refrigeration equipment to a charity for use in medical or veterinary research, training, diagnosis or treatment, or parts or accessories for use in or with these goods, or repair and maintenance of these goods.

The supply to a charity, providing care or medical or surgical treatment for human beings or animals, or engaging in medical or veterinary research, of a medicinal product or veterinary medicinal product where the supply is solely for use by the charity in such care, treatment, or research.

The supply to a charity of a substance directly used for synthesis or testing during medical or veterinary research.

## **Annex 1 INVESTMENT PROPERTY**

### **Letting of parking facilities in conjunction with the letting of dwellings**

The letting of garages or parking spaces in conjunction with the letting of dwellings for permanent residential use (under shorthold tenancy agreements or similar) is exempt from VAT providing that:

- the garage or parking space is reasonably near to the dwelling, and
- the tenant takes up both the lease of the dwelling and the lease of the garage or parking space from the same property owner.

### **Grants of parking facilities with commercial premises**

If you grant a lease in commercial premises under an agreement that includes the provision of parking facilities, this is treated as a single supply (the parking has the same VAT liability as the commercial premises) provided that

- the parking is within or on the premises, reasonably close, or within a complex (for example, an industrial park made up of separate units with a 'communal' car park for the use of tenants of the units and their visitors), and
  - it is intended to be used in conjunction with the commercial premises

The same treatment applies where the agreement for the lease of the premises includes an obligation on the tenant to accept a later grant of parking facilities if or when they become available.

This means that if the rents from the commercial premises are exempt from VAT, the parking facilities will also be exempt.

In other circumstances the provision of parking facilities in conjunction with the letting of commercial property will normally be a separate standard rated supply.

## Annex 2 CONFERENCES

For VAT purposes the questions are who is running the conference and whether it is an educational conference:

### University of Reading conference

Where the **University of Reading** is running an **educational** conference (i.e., it is delivering the course to the students) then:

- a. charges to the delegates for their attendance at the course will be exempt.
- b. charges for the accommodation, telephone calls, internet access, meals, refreshments, audio visual equipment, room hire, and car parks will all be exempt for delegates, although any accommodation prior to the event, or on nights after the event, will be subject to VAT. (Accommodation the night before and during the event can be exempt, but not the night after it ends).
- c. separate charges for alcohol will be subject to VAT (though where the supply of alcohol is charged for alongside the meal, e.g., £20 per head including a glass of wine, then the entire charge will be exempt).
- d. where we charge any external facilitators for accommodation, meals, and car parking this will be subject to VAT in the same way as for any normal non-student guest.
- e. where a delegate can choose to be a non-resident participant on the course then the charge for the course will remain exempt.

### Conference run by an external eligible body

Where another **University** or **Educational Charity, College,** or **other Eligible Body** (defined below) is running an **educational** conference at the University (i.e., it is delivering the course to the students) then:

The supply of facilities in respect of such an event will be exempt from VAT provided the eligible body is using the facilities in connection with an exempt supply of education, i.e., the client is actually charging delegates to attend, and the supplies being made are for the direct use of the delegates attending (i.e., exemption would not extend to charges made to speakers, presenters, exhibitors etc.).

The charges to the client for the use of facilities where the charge is inclusive of meals, refreshments, use of audio-visual equipment, car parking etc. will be exempt from VAT e.g., a single delegate rate. Separate charges for meals, refreshments, use of audio-visual equipment and car parking etc. will be subject to VAT where applicable in accordance with normal rules.

However, to the extent that charges are for speakers, presenters, and exhibitors then VAT will be due on charges for accommodation, meals, and car parking etc.- as it would be for any supply to a 'non-student.'

The University must obtain a certificate to confirm that the client is an eligible body prior to billing on an exempt basis.

## **Conferences organised by a commercial provider of English as a Foreign Language Course**

As for conferences run by an external eligible body above.

### **Any other conference**

- Hire of a room only is exempt from VAT (unless the room is in a building where there is an option to tax in place).
- Separate charges for audio visual equipment – vatable
- Refreshments separately charged – vatable
- Meals - vatable
- Overnight Accommodation – vatable
- Use of internet-vatable
- Telephone calls-vatable

Note: Eligible bodies include the following:

- School, University, sixth form college, tertiary college, or further education college or other centrally funded higher or further education institution (defined as such under the Education Acts) or the governing body of one of these institutions
- Local authority
- Government department or executive agency
- Non-profit making body that carries out duties of an essentially public nature similar to those carried out by a local authority or government department
- Health authority
- Non-profit making organisation that meets certain conditions
- commercial provider of tuition in English as a Foreign Language (although special rules apply to these providers).



## **Annex 3 LIBRARY**

### **Fines**

Fines are outside the scope of VAT (SO).

### **Income from interlibrary loans**

Interlibrary loan charges paid by students are exempt from VAT on the grounds that they qualify as closely connected with education. Charges to staff or visitors are standard rated supplies and should be coded ST.

## **Annex 4 POSTAL SERVICES**

The Central Post Room at the University is used by students, staff, and the public to send post via Royal Mail. When billing external clients or students for this postage, the recharge of the postage costs incurred by the University from Royal Mail, is treated as a disbursement, and outside the scope of VAT. Any additional administration or handling charges are separately billed and treated as subject to VAT. This treatment applies to most postal services including air mail, parcels, and those where a franking machine is used.

The University also recharges clients for the use of the University's account with Parcelforce or its equivalent to place a booking online for delivery or collection of parcels. This is treated as above whereby the postage costs are treated as a disbursement with any additional charges being treated as a standard rated supply of administration services.

## Annex 5 MEDICAL/VETERINARY RESEARCH, TRAINING, DIAGNOSIS AND TREATMENT ZERO RATE RELIEF FOR EQUIPMENT

See M.1. Medical Research & Training-Zero rate relief for certain expenditure for the guidance in relation to zero rating of these goods.

### Checklist

A brief checklist of allowable and unallowable items is included below. If the item is not included below, please do not hesitate to contact the Tax team for advice.

In VAT Notice 701/6 HMRC preface this table with the following comments. This list is not exhaustive. With the pace of technological change, new types of equipment will often be developed. If an item does not appear on this list, the underlying principles set out in this Notice should be followed to determine if the item is a qualifying one. In areas of doubt, specialist advice should be sought.

Air conditioners Not eligible for relief

Air control systems, specialist (capable of precisely controlling pressure, temperature, and humidity) Eligible for relief as Laboratory equipment

Air filters, general Not eligible for relief

Air filtration systems, specialist (built to meet specific circumstances)  
Eligible for relief as Laboratory equipment

Air showers Not eligible for relief

Alarms, security of smoke Not eligible for relief

Alarm bracelets Not eligible for relief

Alcohol spray Not eligible for relief

Anaesthetic apparatus Eligible for relief as Medical equipment

Animal cages, specialist (for example, free from chemicals and not available for consumer use) Eligible for relief as Laboratory equipment

Aprons, lead lined for x-ray protection Eligible for relief as Medical equipment

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Aprons, other	Not eligible for relief
Artificial limbs	Eligible for relief as Goods for use of disabled person
Autoclaves	Eligible for relief as Sterilising equipment
Bactericides	Not eligible for relief
Bandages	Eligible for relief as Medical equipment
Barometers	Eligible for relief as Scientific equipment
Bedding, specialist (for example, free from chemicals) for animal cages	Eligible for relief as Laboratory equipment
Bedpans	Eligible for relief as Medical equipment
Bedpan washers, with sterilising steam cycle	Eligible for relief as Sterilising equipment
Bedpan washers, other	Not eligible for relief
Beds, highly specialised (for example, net suspension or medical water beds)	Eligible for relief as Medical equipment
Beds, hospital – with tilting action or variable height features	Eligible for relief as Goods for use of disabled person
Biocidal sprays	Not eligible for relief
Blankets	Not eligible for relief
Bunsen burners	Eligible for relief as Laboratory equipment
Bottle washers, animal cage specific	Eligible for relief as Laboratory equipment
Cages, animal, specialist (for example, free from chemicals and not available for consumer use)	Eligible for relief as Laboratory equipment
Cameras, still	Not eligible for relief
Cameras, video	Not eligible for relief
Cameras, digital (with video capability)	Not eligible for relief
Cameras, thermal imaging	Eligible for relief as Scientific equipment
Cartridges, printer	Not eligible for relief

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Catering equipment	Not eligible for relief
Catheters	Eligible for relief as Medical equipment
CD players or recorders	Not eligible for relief
Centrifuges	Eligible for relief as Scientific or laboratory equipment
Clamps, medical	Eligible for relief as Medical equipment
Cleaning equipment	Not eligible for relief
Closed circuit television systems	Not eligible for relief
Commode chairs	Eligible for relief as Goods for use of disabled person
Computer disks and tapes equipment	Eligible for relief as Accessory to computer equipment
Computer keyboards	Eligible for relief as Computer equipment
Computer mouse	Eligible for relief as Accessory to computer equipment
Computer printers, including networking and multi-function printers, provided there is evidence the item is to be used mainly for medical or veterinary research, and so on.	Eligible for relief as Accessory to computer equipment
Computer screens	Eligible for relief as Accessory to computer equipment
Computer screen filters equipment	Eligible for relief as Accessory to computer equipment
Computer server	Eligible for relief as Computer equipment
Computer stationery	Not eligible for relief
Computer tablet, including iPads provided there is evidence the item is to be used mainly for medical or veterinary research, and so on.	Eligible for relief as Computer equipment,
Cotton wool	Not eligible for relief
Curtains	Not eligible for relief
Data	Not eligible for relief
Deep freezers	Eligible for relief as Refrigeration equipment
Dental chairs	Eligible for relief as Medical equipment

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Dental drills	Eligible for relief as Medical equipment
Dental mirrors	Eligible for relief as Medical equipment
Dental spittoons	Eligible for relief as Medical equipment
Disinfectants	Not eligible for relief
Drip poles	Eligible for relief as Medical equipment
Drugs trolleys	Not eligible for relief
DVD players, recorders or blank DVDs	Eligible for relief as Video equipment
Endoscopes	Eligible for relief as Medical equipment
Electro-cardiographs	Eligible for relief as Medical equipment
Ethernet	Not eligible for relief
Eye test charts	Eligible for relief as Medical equipment
Examination couches, adjustable	Eligible for relief as Medical equipment
First aid kits, supplied as prepackaged units	Eligible for relief as Medical equipment
Forceps	Eligible for relief as Medical equipment
Fuel	Not eligible for relief
Fume cupboards	Eligible for relief as Laboratory equipment
Gloves, nitrile	Not eligible for relief
Gloves, surgical	Eligible for relief as Medical equipment
Gloves, other	Not eligible for relief
Gymnasium equipment	Not eligible for relief
Hearing aids	Not eligible for relief
Heart pacemakers	Eligible for relief as Medical equipment or goods for use of disabled person
Hoists and patient lifting devices	Eligible for relief as Goods for use of disabled person
Howie-style lab coats (reusable)	Eligible for relief as Laboratory equipment
Howie-style lab coats (disposable)	Not eligible for relief

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Hypodermic needles	Eligible for relief as Medical equipment
Ice-making machines	Eligible for relief as Refrigeration equipment
Identification bracelets for patients	Eligible for relief as Medical equipment
iPads	Eligible for relief as Computer equipment
iPhones	Not eligible for relief
Kidney bowls	Eligible for relief as Medical equipment
Lab coats, including Howie-style reusable	Eligible for relief as Laboratory equipment
lab coats	Not eligible for relief
Laboratory animals	Not eligible for relief
Laboratory benches	Eligible for relief as Laboratory equipment
Laboratory glassware	Eligible for relief as Laboratory equipment
Lockers	Not eligible for relief
Mattresses, specially designed for the relief	Eligible for relief as Medical equipment
or prevention of pressure sores	Not eligible for relief
Medicine measures, graduated	Eligible for relief as Medical equipment
Microscopes	Eligible for relief as Scientific or laboratory equipment
Mobile phones	Not eligible for relief
Nurse call systems	Not eligible for relief
Occupational therapy materials	Not eligible for relief
Operating lights	Eligible for relief as Medical equipment
Overbed tables	Not eligible for relief
Overhead projection units	Not eligible for relief
Pacemakers	Eligible for relief as Medical equipment or goods for use of disabled person
Pagers	Not eligible for relief

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Patient trolleys and stretchers	Eligible for relief as Medical equipment
Physiotherapy equipment, specialised – other than gymnasium equipment	Eligible for relief as Medical equipment
Pillows, orthopaedic, specially designed and used for neck or spinal injuries	Eligible for relief as Medical equipment
Pillows, other	Not eligible for relief
Pipettes	Eligible for relief as Laboratory equipment
Power supplies, including UPS	Not eligible for relief
Printer cartridges	Not eligible for relief
Projectors (including ceiling mounted options)	Not eligible for relief
Rack washers, animal cage specific	Eligible for relief as Medical equipment
Radiography equipment	Eligible for relief as Medical equipment
Renal dialysis units	Eligible for relief as Medical equipment or goods for use of disabled person
Resuscitation equipment	Eligible for relief as Medical equipment
Resuscitation dummies	Eligible for relief as Resuscitation training model
Routers	Not eligible for relief
Scalpels	Eligible for relief as Medical equipment
Screens	Not eligible for relief
Sharps bins	Eligible for relief as Medical equipment
Smartphones	Not eligible for relief
Sound systems	Not eligible for relief
Specialist animal cages (for example, free from chemicals and not available for consumer use)	Eligible for relief as Laboratory equipment
Specialist bedding (for example, free from chemicals) for animal cages	Eligible for relief as Laboratory equipment
Sphygmomanometers	Eligible for relief as Medical equipment



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Splints	Eligible for relief as Medical equipment
Stationery	Not eligible for relief
Sterilising solutions	Not eligible for relief
Sterilising wipes	Not eligible for relief
Stethoscopes	Eligible for relief as Medical equipment
Surgical gloves	Eligible for relief as Medical equipment
Surgical gowns	Eligible for relief as Medical equipment
Surgical masks	Eligible for relief as Medical equipment
Suture needles	Eligible for relief as Medical equipment
Swabs	Eligible for relief as Medical equipment
Syringes	Eligible for relief as Medical equipment
Tablet, computer (including iPads)	Eligible for relief as Computer equipment, provided there is evidence the item is to be used mainly for medical or veterinary research, and so on
Tape recorders	Not eligible for relief
Telephones	Not eligible for relief
Television sets	Not eligible for relief
Test tubes	Eligible for relief as Laboratory equipment
Thermal imaging cameras	Eligible for relief as Scientific equipment
Thermometers, clinical	Eligible for relief as Medical equipment
Thermometers, other	Eligible for relief as Scientific equipment
Tongue depressors	Eligible for relief as Medical equipment
Towels	Not eligible for relief
Uniforms	Not eligible for relief
USB memory sticks	Eligible for relief as Computer equipment
Video cameras	Eligible for relief as Video equipment
Video tapes	Eligible for relief as Video equipment

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Video players	Eligible for relief as Video equipment
Video monitors	Eligible for relief as Video equipment
Wall screens or monitors	Not eligible for relief
Waste disposal bags, boxes, jars, and sacks	Not eligible for relief
Waste disposal machinery	Not eligible for relief
Weighing machines	Eligible for relief as Scientific equipment
Wheelchairs	Eligible for relief as Goods for use of disabled person
WiFi systems	Not eligible for relief
Wipes, clean room	Not eligible for relief
Wipes, sterilising	Not eligible for relief
Wound dressings	Eligible for relief as Medical equipment
X-ray films or plates	Eligible for relief as Medical equipment
X-ray machines – medical	Eligible for relief as Medical equipment
X-ray machines – other	Eligible for relief as Scientific equipment
X-ray viewers	Eligible for relief as Medical equipment

### HMRC notices:

Notice 701/6 Charity funded equipment for medical and veterinary uses (1<sup>st</sup> May 2019)

Notice 701/1 Charities, (1<sup>st</sup> May 2019)

## Annex 6 HENLEY BUSINESS SCHOOL

### HBS 1 Henley Business School

#### HBS 1.1 Organisational structure

HBS 1.1.1 Henley Business School operates through several entities.

##### *University faculty Henley Business School*

Location: UK

Status: University & Eligible Body

VAT Registration number: GB 200 0126 59

##### *HBS Limited UK*

Location: UK

Status: Subsidiary of the University

VAT Registration number: GB 996 8987 06

##### *Henley Business School GmbH*

Location: Germany

Status: Subsidiary of the University

VAT Registration number: DE 285670689

##### *University of Reading Finland*

Location: Finland

Status: Branch of the University

VAT Registration number: FI 23062300

##### *Henley Business School (South Africa)*

Location: South Africa

Status: Branch of HBS Limited UK

VAT Registration number: 4170281697

#### HBS 1.2 Eligible body status & VAT exemption for provision of education

HBS 1.2.1 Training or education provided by the **University faculty**, Henley Business School, is **exempt** from UK VAT as the University is an eligible body.

- HBS 1.2.2 In contrast, because **HBS Limited** is not an eligible body, training or education provided by HBS Ltd is taxable and subject to VAT.
- HBS 1.2.3 HBS Limited only supplies **non-accredited** courses while the University provides any courses leading to accredited qualifications. Accredited courses are defined as all university level courses leading to a qualification awarded by a University or a nationally recognised body.
- HBS 1.2.3 The University may also provide some non-accredited courses. Any taxable profit made on these non-accredited courses run by the University may be subject to corporation tax if they do not qualify to be treated as primary purpose activities and for the benefit of the public. Short courses often fall into this category. There is exposure to corporation tax for such courses run by the University. When they are run through HBS Limited the profits are sheltered from corporation tax as profits can be “gift aided” to the University.
- HBS 1.2.5 HBS Limited must not bill for or be seen to be the establishment “**most closely connected to the delivery**” of any **qualifying** courses because there is a risk that this could render the company an eligible body. As an eligible body, HBS Ltd would no longer be able to recover VAT on its expenditure.

### **HBS 1.3 Zero-rating of training for foreign governments**

- HBS 1.3.1 Any training HBS Limited supplies to a foreign government in furtherance of its sovereign activities (and not its business activities), is taxable at zero rate (SZ) provided the supplier retains a statement in writing from that government (or its accredited representative), that the trainees are employed in furtherance of its sovereign activities.

### **HBS 1.4 Which entity to raise invoice & account for VAT?**

- HBS 1.4.1 The PLACE OF SUPPLY rules define which entity is regarded as being accountable for VAT as the one which is “most directly connected with the supply”. The factors to consider are:
- from where the services are provided
  - which entity is named on contracts, correspondence, and invoices
  - where the directors or others entering the contracts are permanently based and
  - at which establishment decisions are taken and controls are exercised over the performance of the service.
- HBS 1.4.2 Normally, it is entity which provides the service which is deemed to be the “most directly connected” with the supply, even if the contractual position is different.

HBS 1.4.3 For Henley, the decision over which entity should bill for a course is not straightforward as there may be several parties contributing to the delivery of a course.

***Illustration***

HBS Limited contracts with a German customer to run a series of courses in Germany for their staff. The University's German subsidiary is not involved with the German customer. HBS Limited provides the trainers, organises the event for the customer, and asks the German subsidiary to book a venue for the event. HBS Ltd should bill the client for the training.

HBS Limited contracts with a German client to deliver a course in Germany. The services are provided and invoiced by the University of Reading's German subsidiary. The services are provided and invoiced by the University's German subsidiary. Customers' day to day contact is with the German subsidiary and they pay the German subsidiary. The German subsidiary is due to account for any VAT due although HBS Limited contacts with the German client.

**HBS 1.5 Where is VAT due - “place of supply”?**

***HBS 1.5.1 Place of supply of services rules***

Once a decision has been made about which entity should account for the VAT due you then must determine where VAT is due. Reference needs to be made to the place of supply of services rules.

***HBS 1.5.2 General rule***

The **general rule** for place of supply for a customer that belongs outside the UK is given below and would apply unless the supply fits into one of the categories of exception.

B2B – Customer has business activities – the place of supply is where the customer belongs – use tax code SZ.

B2C - Customer is an individual or has no business activities – the place of supply is where the supplier belongs - treat for VAT purposes as if the customer were a UK business or individual.

***H1.5.3 Exceptions to the general rule for the place of supply of services***

***Admission to educational events (and ancillary services)***

B2B and B2C - Where the event is held

**Other services related to educational or scientific activities and ancillary services**

B2B - General rule- where the customer is located.

B2C - Where the activities take place.

**HBS 1.6 Which category does the income fall into?**

HBS 1.6.1 HMRC’s position around what would fall to be treated as a fee for “admission” to an educational event rather than a fee for the provision of education is not clear. This distinction is important when the customer is not UK based or the event does not take place in the UK.

HBS 1.6.2 It is often important to differentiate between an event and an activity itself. For example, seminars or conferences may have an educational nature and this may be the purpose behind those attending. Where these are of a singular nature or short duration, this does not preclude them from falling into the definition of an “event” rather than a “supply of education.” However, individual tuition or extended courses would clearly be supplies of education rather than events. It is therefore important to consider all relevant factors surrounding a supply when deciding whether a service is one of supplying admission to an event or a supply of education.

HBS 1.6.3 If the event itself is only a small or minor part of the supply then it may be incidental or ancillary to main element. For example, an education course may consist of extensive reading materials, marked assignments and examinations, along with several classroom sessions. In this case the classroom session, which could potentially otherwise be seen as an event, would represent a non-dominant part of the overall supply of education.

HBS 1.6.4 The following summarises the place of supply anticipated for the distinct types of courses and the relevant VAT treatment of the course fees. Note a full VAT table is available on request. This table only covers the treatment of course fees and not accommodation or any other charges. Each course should be assessed on its own merits considering the above guidance to ensure that the table below applies to that course.

**Course type: Open - Length of course: Any**

HMRC category: Admission to an event

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UK client or overseas individual or overseas organisation with no business activities:

Tax code ST

Overseas Organisation with business activities: Tax code ST

Course type: Closed - Length of course: 1 day

HMRC category: Admission to an event

UK client or overseas individual or overseas organisation with no business activities:

Tax code ST

Overseas Organisation with business activities: Tax code ST

Course type: Closed - Length of course: More than 1 day

HMRC category: Supply of education

UK client or overseas individual or overseas organisation with no business activities:

Tax code ST

Overseas Organisation with business activities: Tax code SZ

HBS 1.6.5 The summary above has been prepared on the assumption that closed courses running for more than 1 day are expected to fall to be treated as 'supply of education', but this needs careful consideration as this may not always be appropriate. On that basis, UK VAT would not be due if the client is from outside the UK (tax code SZ).

HBS 1.6.6 To justify this to HMRC, the course needs to be specifically designed and developed for that client. The charge to the delegates would then be for more than simply attendance at the event, the charge is for preparatory work and the design of material for those delegates. The course would also involve an element of interaction between the delegates and markers/assessors or mentors or peers either or both before and after the event such that the attendance at the event is not the dominant element of the service supplied.

HBS 1.6.7 This extract of the full table only covers the charge for the course and no other associated charges e.g., accommodation, meals etc.

## **HBS 1.7 Admission to an educational event**

- HBS 1.7.1 Where HBS Limited organises an educational event in the UK and charges delegates for attending, VAT on income from that event **would be due where the event takes place**. This means that where HBS Limited organises a course at Greenlands and bills a French company for the course then UK standard rate VAT is due (ST). If the event had been a longer training course falling within the definition of provision of an educational service, then the French company would not have paid UK VAT.
- HBS 1.7.2 If the University organises that same event, then all income from that event would be exempt (SX) as it would have been delivered by the University, an eligible body.
- HBS 1.7.3 If HBS Limited organises an educational event in Spain then there would be a liability in Spain (assuming such events are subject to VAT under Spanish VAT rules). HBS Limited is not registered for VAT in Spain and there would be a risk that HBS Limited would then be obliged to register for VAT in Spain unless the sum of all HBS's taxable income in Spain fell below the threshold for registration in Spain.

## **HBS 1.8 Provision of an educational service**

Where, rather than hosting an event, HBS Ltd delivers a week long open training course at Greenlands this would generally fall to be treated as the provision of an educational service rather than admission to an event. However, this will not always be the case. If the event were a conference where several sponsors were demonstrating products and a lot of the course did not actually involve delivery of training by Henley faculty including external visiting faculty then this would be treated as an event rather than delivery of education.

When billing a business customer based outside the UK for a supply of education no UK VAT would be charged (tax code SZ). An individual delegate would be charged UK VAT as the supplier is in the UK.

If the University's faculty organises, delivers, and bills for a short course for several corporate clients the income from that event would be exempt (SX) as it would have been delivered by the University, an eligible body.

## **HBS 1.9 Charging for accommodation alongside a course**

- HBS 1.9.1 If the University's Henley faculty were to run a week long course in the UK and provide accommodation to the delegates and the charges for



the course were inclusive of accommodation the full amount charged would be exempt from VAT.

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HBS 1.9.2 Where HBS Limited charges delegates for meals, accommodation, and alcohol these are subject to UK VAT irrespective of where the customer is located. Therefore, the tax treatment on the invoice raised by HBS Limited to a VAT registered French business for staff attending a week-long closed course in the UK would be as follows.

### ***University Bill to French company for training***

Service: Course fee (including accommodation)

Tax code SX

Fee: £2,000 + 0%

Place of supply of service rule: Provision of education by eligible body

Place of supply of service: UK

Service: Separate charges for alcohol/drinks (place of supply UK)

Tax code ST

Fee: £ 150 + 20%

Place of supply of service rule: Where performed

Place of supply of service: UK

Service: Internet access

Tax code ST

Fee: £ 25 + 20%

Place of supply of service rule: Where performed

Place of supply of service: UK

### ***HBS Ltd bill to French company for training***

Service: Course fee

Tax code SZ

Service: Course fee

Fee: £2,000 + 0%

Place of supply of service rule: Provision of education

Place of supply of service: Where the customer is located

Service: Accommodation (where separately charged and not included in course fee)

Tax code ST

Fee: £500 + 20%

Place of supply of service rule: Land related

Place of supply of service: UK

Service: Separate charges for alcohol/drinks (place of supply UK)

Tax code ST

Fee: £ 150 + 20%

Place of supply of service rule: Where performed

Place of supply of service: UK

Service: Internet access

Tax code ST

Fee: £ 25 + 20%

Place of supply of service rule: Where performed

Place of supply of service: UK

## **HBS 2 HBS University**

(rather than HBS Ltd/HBS Finland Branch)

### **HBS 2.1 Accommodation & conferences**

HBS 2.1.1 Where an attendee of a conference run by HBS University is billed for the course fee, accommodation, food, and travel then this will be treated as the supply of exempt education and no VAT will be due. Tax code SX would apply to these charges (any charge for alcohol would be subject to standard rate VAT). Charges for alcohol are always subject to VAT. Accommodation provided the night after the end of a conference would be subject to VAT on the basis that this is not a part of the course and is optional.

HBS 2.1.2 In contrast, all charges for conferences and accommodation provided in the UK by HBS Limited would be subject to VAT irrespective of the event.

### **HBS 2.2 Recharging other costs**

HBS 2.2.1 Charges for accommodation, outings, events, tickets to venues, passenger transport, meals, and car hire must all be billed on at cost i.e., the cost charged by the third party for these services and include no other additional costs, overheads or mark up. The contract with the client for the delivery of the training and on which these recharges are made must clearly state that the University or HBS Limited is acting as

“disclosed agent” on behalf of the client i.e., that the client authorises the University or HBS Limited to incur these costs on their behalf and acknowledges their liability for these costs.

## HBS 2.3 HBS Faculty MBA/ Other courses

- HBS 2.2.1 When the HBS University organises and charges for education or training in the UK either by way of a qualifying course, whether it is either open or closed, the supply will always be exempt (SX) from VAT regardless of who the customer is. Fundamentally, as an eligible body, any education (open or closed courses) the University provides (where the UK is the establishment most closely linked to that supply) will be exempt from UK VAT.
- HBS 2.2.2 However, consultancy provided by the University would be subject to VAT.
- HBS 2.2.3 Where the University faculty delivers training in an overseas location, overseas VAT or its equivalent may be due depending on the rules in that country.

## HBS 3 General Henley Issues

### ***HBS 3.1 Membership subscriptions***

- HBS 3.1.1 The provision of membership benefits to members of a club or association is a business activity. The VAT liability of a membership subscription will depend on the benefits being supplied.
- HBS 3.1.2 In most cases a package of benefits is supplied, and the provider must decide if there is one principal benefit, to which all of the other benefits are incidental, the whole subscription is treated as a single supply and the VAT liability will follow that of the principal benefit. However, as a concession, charities and non-profit making organisations can treat their single supplies of membership benefits as multiple supplies.
- HBS 3.1.3 HBS Limited bills clients for membership of the Henley Partnership. This fee provides access to several “master classes,” access to a dedicated website, invitations to lectures and membership of a resource centre at HBS Ltd. The principal supply here is the provision of education and, where this is undertaken by HBS Limited this is subject to VAT.

### ***HBS 3.2 Income from social events for alumni and others***

- HBS 3.2.1 Income from the HBS members day (A3190733) and the Henley golf day (A3190738) is taxable with VAT on associated spend being

recoverable. These events are purely social occasions and as such are taxable.

HBS 3.2.2 If instead, these events were to qualify as fundraising events run by the University of Reading the income would be exempt from tax and any VAT on spend would be irrecoverable. To qualify as fundraising events the attendees must be made aware that the event has been organised for the purpose of fundraising. This will include ticket sales, admission charges, advertising space in programmes / brochures, merchandise, bar and catering supplies and sponsorship income directly connected with the event. For more information see F.4. Fundraising.

## Annex 7 VAT and zero rating of books etc.

### 7.1 Background

The following list of items may be zero rated, under Schedule 8, Group 3 of the VAT Act 1994

1. Books, booklets, brochures, pamphlets, and leaflets.
2. Newspapers, journals, and periodicals.
3. Children's picture books and painting books.
4. Music (printed, duplicated or manuscript).
5. Maps, charts, and topographical plans.
6. Covers, cases and other articles supplied with items 1 to 5 and not separately accounted for.

*Note:* Items 1 to 6 -

(a) do not include plans or drawings for industrial, architectural, engineering, commercial or similar purposes; but

(b) Include the supply of the services described in paragraph 1(1) of Schedule 4 in respect of goods comprised in the items.

### 7.2 The format of the Group 3 items

The words in Group 3 are used in their ordinary, everyday sense. This means they are restricted to goods produced on paper and similar materials such as card. Most items qualifying for the zero-rating will be products of the printing industry (including items printed in Braille), but goods which are photocopied, typed or hand-written will, in some cases, also qualify.

Goods containing text in other formats such as audio or video cassettes or CD Rom are **standard-rated**. This includes the storage and distribution of text by fax, e-mail, microfiche, or any similar process. Transcripts or printouts made of such information are zero-rated if they are supplied in the form of books, booklets, brochures, pamphlets, or leaflets.

The supply of text by electronic transmission, via the internet, or similar means is also **standard-rated**. Such supplies are of services, not of goods, and different VAT rules will apply to them.



## 7.3 VAT Liability of some common items

In the list below are HMRC rules on the liability of items which are commonly the subject of queries about the zero-rating for books etc.

However, you should not assume that an article is zero-rated under group 3 just because it is not shown as standard-rated in the list or determine liability by referring only to this list. You must satisfy yourself by reference to the general body of advice in this notice that the product qualifies for zero-rating under one of the items of Group 3. If you require any further assistance, please do not hesitate to contact [vat@reading.ac.uk](mailto:vat@reading.ac.uk). Please note that as from 1 May 2020, e-publications such as books and journals are also zero rated for VAT.

Acceptance cards	Standard-rated
Account Books	Standard-rated
Accounts (fully printed)	Zero-rated
Address books	Standard-rated
Advertising leaflets	Zero-rated
Agendas (fully printed)	Zero-rated
Albums	Standard-rated
Almanacs	Zero-rated
Amendment slips	Standard-rated
Amendments (loose-leaf)	Zero-rated
Announcement cards	Standard-rated
Annuals	Zero-rated
Antique books	Zero-rated
Antique maps	Zero-rated
Appointment cards	Standard-rated
Articles of association (complete in booklet form)	Zero-rated
Astronomical charts	Zero-rated
Atlases	Zero-rated
Autograph albums (uncompleted)	Standard-rated
Autograph books (completed)	Zero-rated
Badges	Standard-rated
Bags, paper	Standard-rated

**VAT A to Z Guide** – Enter Unit Name or Author's name here

Ballot papers	Standard-rated
Bankers' drafts	Standard-rated
Banners	Standard-rated
Bibliographies	Zero-rated
Billheads	Standard-rated
Bills of lading	Standard-rated
Bills of quantity (blank)	Standard-rated
Bills of quantity (completed)	Zero-rated
Binders	Standard-rated (
Bingo cards	Standard-rated
Biorhythm charts	Standard-rated
Blotters	Standard-rated
Book covers	Standard-rated
Book marks	Standard-rated
Book tokens	
Standard-rated	
Booklets	
Zero-rated	
Bookmakers' tickets	Standard-rated
Books	
Zero-rated	
Brochures	
Zero-rated	
Bulletins	Zero-rated
Business cards	Standard-rated
Calendars	Standard-rated
Catalogues	Zero-rated
Certificates	Standard-rated
Charts (geographical or topographical)	
Zero-rated	
Cheques and cheque books	Standard-rated
Cigarette cards	Standard-rated
Circulars	Zero-rated

**VAT A to Z Guide** – Enter Unit Name or Author's name here

Cloakroom tickets Standard-rated

Colour cards Standard-rated

Colouring books (children's)

Zero-rated

Comics Zero-rated

Company accounts and reports Zero-rated

Compliment slips Standard-rated

Copy books Standard-rated

Correspondence cards Standard-rated

Coupon books Standard-rated

Coupons Standard-rated

Credit cards Standard-rated

Crossword books Zero-rated

Delivery notes Standard-rated

Diaries (completed)

Zero-rated

Diaries (unused) Standard-rated

Dictionaries Zero-rated

Directories (completed) Zero-rated

Dividend warrants Standard-rated

Dressmaking patterns Standard-rated

Election addresses Zero-rated

Encyclopaedias Zero-rated

Engineers' plans Standard-rated

Envelopes Standard-rated

Exam Papers

Zero-rated (see Item Description below)

Exercise books Standard-rated

Fashion drawings Standard-rated

Flash cards Standard-rated

Flyers

Normally Zero-rated (see Item Description below)

Folders Standard-rated

**VAT A to Z Guide** – Enter Unit Name or Author's name here

Football pool coupons	Standard-rated
Football programmes	Zero-rated
Form letters	Standard-rated
Forms	
Standard-rated	
Framed decorative maps	Standard-rated
Games	Standard-rated
Geological maps	Zero-rated
Globes	Standard-rated
Graph paper	Standard-rated
Greetings cards	Standard-rated
Handbills	Zero-rated
Holiday and tourist guides	Zero-rated
Hydrographical charts	Zero-rated
Hymn books	Zero-rated
Index cards	Standard-rated
Inlay cards for cassette, CD, or video	Standard-rated
Instruction manuals	Zero-rated
Insurance cover notes	Standard-rated
Invitation cards	Standard-rated
Invoices	Standard-rated
Journals	
Zero-rated	
Labels	Standard-rated
Leaflets	
Zero-rated	
Letter headings	Standard-rated
Letters (handwritten)	
Standard-rated	
Log books (blank)	Standard-rated
Loose leaf books	
Zero-rated	
Lottery tickets and cards	Standard-rated

**VAT A to Z Guide** – Enter Unit Name or Author's name here

Magazines Zero-rated

Mail order catalogues Zero-rated

Manuals Zero-rated

Manuscript paper Standard-rated

Manuscripts Standard-rated

Maps

Zero-rated

Medical records Standard-rated

Membership cards Standard-rated

Memo pads Standard-rated

Memoranda of association (completed in booklet form) Zero-rated

Memorial cards Standard-rated

Menu cards Standard-rated

Microfiche Standard-rated

Microfilm Standard-rated

Microform copies Standard-rated

Missals Zero-rated

Monographs Zero-rated

Music

Zero-rated

Music rolls

Standard-rated

Music scores

Zero-rated

Newspapers

Zero-rated

Note books, pads, and paper

Standard-rated

Order books and forms Standard-rated

Orders of Service Zero-rated

Painting books (children's)

Zero-rated

**VAT A to Z Guide** – Enter Unit Name or Author's name here

Pamphlets

Zero-rated

Paper, unprinted

Standard-rated

Parts of books (see paragraph 4.4)      Standard-rated

Pattern cards      Standard-rated

Periodicals

Zero-rated

Photograph albums Standard-rated

Photographs Standard-rated

Photocopies

Normally Standard Rated (see Item Description below)

Picture books

Zero-rated

Plans

Normally Standard Rated (see Item Description below)

Playing cards      Standard-rated

Poll cards      Standard-rated

Pools coupons      Standard-rated

Postcards (whether completed or not)      Standard-rated

Poster magazines

Zero-rated

Posters

Standard-rated

Post and Packaging Standard-rated

Prayer books      Zero-rated

Price cards and tags      Standard-rated

Price lists (fully printed leaflets or brochures)      Zero-rated

Printed pictures      Standard-rated

Programmes      Zero-rated

Questionnaires

Standard-rated

Rag books (children's)      Zero-rated

**VAT A to Z Guide** – Enter Unit Name or Author's name here

Receipt books and forms	Standard-rated
Recipe books	Zero-rated
Record books	Standard-rated
Record labels	Standard-rated
Record sleeves	Standard-rated
Registers	Standard-rated
Rent books	Standard-rated
Reply-paid coupons and envelopes	Standard-rated
Reproductions of paintings	Standard-rated
Road maps	Zero-rated
Score cards	Standard-rated
Scrap books (blank)	Standard-rated
Scrap books (completed)	Zero-rated
Scrolls (hand-written)	Standard-rated
Seals	Standard-rated
Shade cards (unless they contain substantial printed text)	Standard-rated
Share certificates	Standard-rated
Ships' logs (completed)	Zero-rated
Sports programmes	Zero-rated
Staff journals	Zero-rated
Stamp albums (whether completed or not)	
Standard-rated	
Stationery	
Standard-rated	
Stationery books	
Standard-rated	
Stickers	Standard-rated
Swatch books	Standard-rated
Swatch cards	Standard-rated
Sweepstake tickets	Standard-rated
Tags	Standard-rated
Temperature charts	Standard-rated

## VAT A to Z Guide – Enter Unit Name or Author's name here

Text books

Zero-rated

Theses        Zero-rated

Tickets       Standard-rated

Time cards and sheets    Standard-rated

Timetables (in book or leaflet form)    Zero-rated

Tokens       Standard-rated

Topographical plans

Zero-rated

Toys    Standard-rated

Tracts       Zero-rated

Trade catalogues    Zero-rated

Trade directories    Zero-rated

Transcripts    Standard-rated

Transfers    Standard-rated

Transparencies    Standard-rated

Travel brochures    Zero-rated

Visiting cards       Standard-rated

Vouchers    Standard-rated

Wall charts    Standard-rated

Waste paper    Standard-rated

Wills    Standard-rated

Winding cards       Standard-rated

Wrapping paper    Standard-rated

Wreath cards       Standard-rated

## 7.4 Item Descriptions

### 7.4.1 Books and booklets

These normally consist of text or illustrations, bound in a cover stiffer than their pages. They may be printed in any language or characters (including Braille or shorthand), photocopied, typed or hand-written, so long as they are found in book or booklet form. Supplies of any of the following are zero-rated: literary works; reference books; directories and catalogues; antique books; collections of letters or documents permanently bound in covers; loose-leaf books, manuals, or instructions, whether complete with their binder or not; and amendments to zero-rated loose-leaf books, even



if issued separately. School workbooks and other educational texts in question-and-answer format, are zero-rated because the spaces provided for the insertion of answers are incidental to the essential character of the book or booklet. The same applies to exam papers in question-and-answer format provided they qualify as books, booklets, brochures, pamphlets, or leaflets. But supplies of the following are standard-rated: books of plans or drawings for industrial, architectural, engineering, commercial or similar purposes; picture card and stamp albums, **unless** they contain a substantial amount of reading matter which is complete in itself, and no more than 25% of the album is set aside for the mounting of cards and stamps; completed stamp albums; and products that are essentially stationery items, for example, diaries and address books.

### **7.4.2 Brochures and pamphlets**

These are not defined in law and whether a particular product qualifies as a brochure or pamphlet is a matter of fact and impression. Brochures usually consist of several sheets of reading matter fastened or folded together, which are not necessarily bound in covers. They usually contain advertising material in the form of text or illustrations. Pamphlets are similar, but are usually comprised of material of a political, social, or intellectual nature. Single sheet brochures and "Wallet" type brochures designed with a flap may be zero-rated provided they: convey information; and contain a substantial amount of text, with some indication of contents or of the issuing organisation; and are not primarily designed to hold other items; and are supplied complete.

### **7.4.3 Flyers**

Most Flyers will be zero rated for VAT purposes but there are some exceptions:

- ✓ VAT is chargeable if your Flyer is used as admission to premises, using the words 'free admission with this flyer' or similar.
- ✓ VAT is chargeable if your Flyer is used to obtain a discount on goods or services, using the words '10% off' or similar.
- ✓ VAT is chargeable if your Flyer has an area designed to be written on.

### **7.4.4 Leaflets**

These are also not defined in law and again whether a particular product qualifies as a leaflet is a matter of fact and impression. Leaflets normally: consist of a single sheet of paper not greater than international standard A4 in size (larger publications up to A2 size can be zero-rated provided that they are printed on both sides, folded down to A4 size or smaller and meet the other conditions); are intended to be held in the hand for reading by individuals (rather than for hanging up for general display); convey information; are complete (and not a part work); are supplied in sufficient quantity (at least 50 copies) to permit general distribution; are printed on limp paper; and will either be of an ephemeral nature (designed to be read a few times and then thrown away) or be designed to accompany some other product or service, for example an instruction leaflet. Items printed on stiff paper and card are not automatically excluded from the definition of leaflets. However, we do regard the use of stiff paper and card as an indicator that the items have a function which **would** exclude them. For example, if the item's main function were designed to be kept or used for a specific purpose, rather as ancillary to another supply, it would **not** be a leaflet. Examples of items that would not be leaflets

would be those designed to be used for **any** of the following: as a calendar; to obtain admission to premises; to obtain a discount on goods or services; as reference material; or for completion or return. We consider that items printed on laminated paper are designed to be kept and therefore not leaflets. On the other hand, orders of service are not normally designed to be kept and may be zero-rated.

#### **7.4.5 Items with areas for completion**

Items which might otherwise be leaflets, brochures and pamphlets may not be zero-rated if they are primarily intended for completion or detachment. This distinguishes brochures, pamphlets, and leaflets from standard-rated forms. We accept that items are **not** primarily intended for completion or detachment if 25% or less of their total area consists of: areas which are blank and available for completion; or parts to be detached and returned. Where there is both an area for completion and a part to be detached and returned, then the two together must not exceed 25% of the total area of the publication. If you have items with areas for completion or detachment which does exceed 25%, but you consider they are nevertheless **not** primarily forms or other stationery, you should obtain a written ruling from our National Advice Service before zero-rating them. Whatever the area for completion, a publication which is designed to be returned whole after completion is always standard-rated.

#### **7.4.6 Newspapers**

Newspapers are issued at least once a week in a continuous series under the same title. Each issue is usually dated and/or serially numbered. They usually consist of several large sheets folded rather than bound together, and contain information about current events of local, national, or international interest. Publications which do not contain a substantial amount of news are not newspapers. Many newspapers also carry items such as readers' letters, sports news, the weather forecast, crosswords, and features (including feature supplements) on fashion, gardening, etc., or more specialised topics.

#### **7.4.7 Journals and periodicals**

These are magazines issued in a series at regular intervals, more frequently than once a year, either in newspaper format or as paper-bound publications. They may contain information of a specialised nature (for example legal, medical, financial, commercial, fashion or sporting) or be of more general interest. They are normally a mixture of articles and stories with the content changed for each edition. Although they consist essentially of reading matter, they may also consist mainly of illustrations or advertising matter.

#### **7.4.8 'Poster-magazines'**

which have some textual material on one side and a related picture capable of being used as a poster on the other side and which are folded into a magazine format are zero-rated as periodicals, provided they are issued at regular intervals. Publications whose main purpose is to promote your own products or services are not journals or periodicals, even if they are published regularly. If you supply such publications, you can still zero-rate them if they fall within one of the zero-rated categories, such as brochures.

### 7.4.9 Children's picture books

These are zero-rated, whether they are printed on paper, plastic, or textiles, such as children's rag books, unless the article is essentially a toy. Examples of articles which are standard-rated as toys include: books consisting wholly or mainly of pictures of models for cutting out - but books with printed text directly related to the material for cutting out covering at least 25% of the pages can be zero-rated. (Pages of assembly instructions should not be included as printed text for the purpose of determining eligibility for zero-rating); and items where the "pages" are boards for games.

### 7.4.10 Children's painting books

Supplies of the following are zero-rated: children's painting and drawing books with sample pictures for copying, or outlines of pictures for colouring, painting or drawing; similar books with 'invisible' outlines to colour which can be made visible by rubbing with a pencil or applying water with a paint brush; painting books in which the small amounts of water colour required for colouring are contained in the book (for example, in the form of a palette); and activity books which combine pages of colouring with pages of puzzles, quizzes and the like.

### 7.4.11 Music

Printed, duplicated or manuscript music of all kinds is zero-rated. It may be instrumental or vocal; printed or hand-written; bound or on loose sheets; illustrated or not; or in any system of notation, including numerical symbols or Braille. Music rolls and blank music manuscript are **standard-rated**. A piece of music commissioned from a composer is **standard-rated**.

### 7.4.12 Maps, charts, and topographical plans

Supplies of all printed maps and charts designed to represent the natural or artificial features of countries, towns, seas, the heavens, etc are zero-rated. They can be printed on paper or other material (such as cloth) and in the form of single or folded sheets or a collection of such sheets bound together in book form (for example, an atlas). But supplies of **any of these** are **standard-rated**: plans or drawings for industrial, architectural, engineering, commercial or similar purposes, in any format; framed maps whose primary purpose is decorative; posters; pictorial wall charts; aerial photographs; globes, three dimensional models and similar articles; or decorative maps printed or woven into textile articles such as scarves, handkerchiefs, tea-towels, tapestries, rugs.

### 7.4.13 Posters

Sheets intended for public display are standard-rated.

### 7.4.14 Stationery

Stationery items such as account books and exercise books are standard-rated. Some items which are standard-rated stationery when new and unused can be zero-rated if sold after they have been completed, if they then have the physical characteristics of a book or other zero-rated item. Examples are completed diaries or ships' logs, but not completed stamp albums.

### **7.4.15 Letters**

Individual manuscript or typed letters are standard-rated, as are collections of such letters if they are unbound or loosely bound. Permanently bound collections of letters are zero-rated.

If a 'stock' or basic letter is supplied with an individual name or address of the recipient added (by whatever means) that supply is standard-rated. Uncompleted 'stock' or basic letters may qualify as leaflets, if the portion for completion consists of no more than the recipient's name and address, a reference number, and a signature.

### **7.4.16 Incomplete publications**

Parts of books, unbound pages and separate illustrations are standard-rated.

By concession, the following are zero-rated:

- ✓ Part work publications designed to build up into a zero-rated book. Once a complete book has been supplied, amendments to it may also be zero-rated.
- ✓ Card based continuity series publications, even though not bound, but stored in their container will for, VAT purposes, be treated as a book.

### **7.4.17 Photocopies**

Photocopies of zero-rated items are always standard-rated unless the copies can be properly described as books, booklets, brochures, pamphlets, leaflets etc, and meet all the criteria for such items in the relevant preceding paragraphs. A bundle of photocopies would not constitute a book unless it included copies of all the pages of a book and was in a permanent binding. Photocopies of parts of books, extracts from periodicals etc cannot be zero-rated unless they are complete in themselves and have the characteristics of zero-rated items.

If you provide 'instant' photocopying or duplicating services and you cannot determine the VAT liability of the copies which you supply, you should charge and account for VAT at the standard rate.

### **7.4.18 Incidental articles supplied with zero-rated items**

Minor accessories for example dust covers, clasps, book marks, slip cases and presentation cases, supplied with any zero-rated items, are usually regarded as forming part of the zero-rated item.

### **7.4.19 Binders and folders**

Ring-binders and similar binders supplied on their own are zero-rated if they are designed to contain a loose-leaf book, provided the exact title of that book is printed on the outside. A company name alone is not enough for zero-rating. A binder supplied with loose-leaf pages to make a book is treated as part of the zero-rated supply whether titled or not. All other binders or files for general or office use are standard-rated. This includes binders for part works, journals, or periodicals (whether specifically titled or not).

Most folders and wallets are standard-rated but if they convey information themselves, they may qualify as brochures.

#### **7.4.20 Book tokens**

Printing book tokens for someone            your supply is standard-rated

Sale of a book token to the public for its face value or less    no VAT is due

Sale of a book token to the public for more than its face value    you must account for VAT on the difference between your selling price and its face value

make a separate charge for a greetings card    that charge is standard-rated

#### **7.4.21 Small order surcharges**

If you impose a surcharge for handling a small order, which increases the unit price of the goods, it is part of the price of the goods and is zero-rated if the goods are zero-rated.

#### **7.4.22 Subsidy or vanity publishing**

Subsidy **or vanity publishing** occurs when an author who is unable to have work published pays a publisher to do so. If the publisher produces books which are all delivered to the author, the payment by the author is a consideration for a supply of books and is zero-rated.

If the bulk of the books remain with the publisher, payment by the author is partly for the supply of books (zero-rated) and partly for publishing services (standard-rated).

#### **7.4.23 Special Rules for Charities**

Certain specific items printed for charities used in connection with collecting monetary donations are zero rated. It is only items such as collecting envelopes and letters requesting money that qualify. (Customs Extra Statutory Concession (ESC)).

Charities do not get a blanket ruling on all printed matter.

## Annex 8 Estates and Facilities

### Zero rate VAT relief on construction of buildings

This relief is available on the construction of

- a. a dwelling or
- b. a building intended to be used solely\* for a relevant residential purpose i.e., student halls (RRP (note a))
- c. a building intended to be used solely\* for a relevant charitable purpose (RCP).

Where the University is either:

- buying the freehold/long lease (i.e., >21 years) of a new building and
- buying the building from the person who has 'person constructing' status and
- it is the first sale or long lease of the building and
- where applicable it issues a certificate to the supplier

\*HMRC defines "solely" as meaning more than 95%. Until 31 March 2015, summer lets to non-students can be ignored in calculating "95% use", but from 1 August 2015 such lets cannot be ignored for buildings constructed after that date.

Note a: RRP relief is available only to a university not to private provider.

### Zero rate relief - RRP and RCP

To obtain zero rate VAT relief the University must issue VAT certificates to the builder, monitor compliance with the certificate, and repay HMRC if it changes its use of the building within 10 years. If the use no longer qualifies for zero rate VAT, the University will have to pay HMRC part of the VAT that would have been charged when the building was constructed.

### Zero rate relief– dwellings

To qualify for this relief the dwelling must:

- consist of self-contained living accommodation,
- there can be no provision for direct internal access from the dwelling to any other dwelling or part of a dwelling, and
- the separate use or disposal of the dwelling cannot be prohibited by the terms of any covenant, statutory planning consent or similar provision, and
- statutory planning consent has been granted in respect of that dwelling and its construction or conversion has been carried out in accordance with that consent.

The University need not issue a zero-rate certificate for construction of a dwelling. Instead, the builder must be satisfied that the building qualifies as a dwelling for zero rating purposes. Unlike RCP/RRP projects there is no requirement for ongoing

monitoring of the use of the building. Spend on extension of dwellings may also be zero rated if creates additional dwellings.

## Limitations on the scope of zero rate relief on construction

Although zero rating is available for services related to construction, it **does not** extend to the services of the architect/ surveyor/ consultant/ project supervisors. Zero rating, however, will apply to the entire project if all costs are part of a design and build project where construction and professional services are supplied as a single package.

The following **do not** qualify for zero rate relief as construction:

- conversion/reconstruction/alteration of an existing building.
- enlargement/extension of an existing building unless it creates an additional dwelling or dwellings.

## Reduced rate (5%) VAT relief for conversion/empty property renovation

The scope of this VAT relief is outlined below:

**“Conversion”** covers the following:

- converting a single household dwelling to increase the number of dwellings in a building.
- converting a multiple occupancy dwelling into an RRP-i.e., a student hall.
- converting a commercial building into a dwelling.

**“Renovation/alteration of empty properties”** covers:

- renovation / alteration of a single household dwelling, a RRP building or houses in multiple occupation not occupied for > 2 years.

## Annex 9 Relevant HMRC notices

HMRC website

<https://www.gov.uk/government/organisations/hm-revenue-customs>

<https://www.gov.uk/government/collections/vat-notices-alphabetical-order>

Notice 700 The VAT Guide, All sections

Notice 701/1 Charities

Notice 701/6 Charity funded equipment for medical and veterinary uses

Notice 701/7 Reliefs from VAT for disabled and older people

Notice 701/30 Education and Vocational Training

Notice 701/41 Sponsorship

Notice 701/45 Sports

Notice 701/58 VAT when you supply services or goods to charities

Notice 706 Partial Exemption

Notice 706/2 Capital goods scheme

Notice 708 Buildings and construction

Notice 709/3 Hotels and holiday accommodation

Notice 742 Land and Property