



M+A Partners

VAT for academies

M+A Partners has been helping clients to grow their businesses and achieve their ambitions for over a century - and we're immensely proud of our history.

We're a forward-looking firm with an emphasis on innovation, new technology and finding pioneering ways to give our clients the best possible service.

Our Norfolk-based firm is led by ten partners who are some of the most high-profile and well-respected experts in their fields locally, supported by a talented team of over ninety staff.

We have a well-earned reputation for building excellent relationships with clients and the wider business community. That has always been, and continues to be, our number one priority.

VAT management and administration is an important issue for academies, as their change in status creates the need to use a new mechanism for recovering VAT costs.

Why is VAT an important issue for academies?

Since April 2011, academies have no longer been reimbursed by local authorities for the VAT costs they incur in educating their pupils. Instead, academies need to apply for refunds from HM Revenue & Customs (HMRC) themselves.

How do academies obtain a refund?

There are two possible mechanisms. Firstly, academies that become VAT registered with HMRC will reclaim VAT through their VAT returns. VAT returns are normally submitted quarterly but businesses do have the option to submit monthly.

Alternatively, academies that are not required to register for VAT and decide not to do so voluntarily, or that are not able to do so (because they make no taxable supplies), will need to submit claims on a form VAT 126 to reclaim VAT on costs related to their educational (and other non-business) activities. Claims can be submitted on a monthly, quarterly or annual basis.

When is an academy required to register for VAT?

VAT registration is required when VAT taxable turnover reaches the set threshold - currently £83,000. The VAT taxable turnover includes the value of any goods or services supplied within the UK, unless they are exempt from, or outside the scope of, VAT. Therefore, it includes any supplies that are standard and zero-rated.

What VAT costs can academies reclaim?

+ Academies not registered for VAT

Only VAT incurred on costs and expenses linked to non-business activities can be reclaimed - such as costs incurred in providing free education, or in receiving grant funding/voluntary donations where nothing is supplied to the funding body/donors in return.

+ Academies registered for VAT

As above, VAT on costs incurred in order to educate the academy's pupils (non-business activities) can be reclaimed. VAT costs incurred in relation to the provision of taxable business supplies - whether VAT is charged at the standard or zero rate - can also be reclaimed. However, VAT costs incurred in the provision of exempt supplies generally cannot be reclaimed, unless the amount is below certain de-minimis limits. This can mean that academies need to apply a partial exemption method in order to calculate the proportion of VAT on their costs that is allocated to exempt activities.

What key steps must academies take?

The first step is to identify the academy's supplies and establish which category they fall into: standard rated, exempt, zero rated or outside the scope.

It is then necessary to calculate the VAT taxable turnover to determine whether the £83,000 threshold has been exceeded, requiring the academy to register for VAT. If the taxable turnover is below the £83,000 threshold, academies should consider whether it would be beneficial to register for VAT on a voluntary basis.

If VAT registration is not required or beneficial, or not possible due to the lack of any taxable business supplies, academies should use form VAT 126.

Regardless of which mechanism is used, all academies should maintain systems and processes for retaining the relevant accounting records to support their VAT claims and returns. Academies need to be able to make these available to HMRC on request.

What types of supply does an academy make?

The following tables detail the VAT treatment of activities commonly undertaken by academies.

Income stream	Business / Non-business	VAT Treatment
GAG Funding	Non-business	Outside the scope
Donations (where freely given)	Non-business	Outside the scope
Educational school trips provided at or below cost	Non-business	Outside the scope
Fees for education	Business	Exempt
Items for use in the classroom provided at or below cost e.g. calculators, stationery, laptop, musical instrument	Non-business	Outside the scope
Transport from home to school	Non-business	Outside the scope
After school and breakfast clubs (8.00am to 6.00pm) at or below cost	Non-business	Outside the scope

Income stream	Business / Non-business	VAT Treatment
Car parking for the general public	Business	Standard rated
Catering for pupils (including tuck shops) at or below cost	Non-business	Outside the scope
Catering for pupils run for a profit	Business	Standard rated
Catering for non-pupils (including teachers)	Business	Standard rated
Vending Machines	Business	Standard rated
Commissions from photographers	Business	Standard rated
Events e.g. proms, admission to musical, theatrical performance	Business	Standard rated
Fundraising events	Business	Exempt (providing certain conditions are met)
Sale of school uniforms	Business	Zero rated for sizes up to 14 years old otherwise, standard rated
Sale of photographs to students	Business	Standard rated
Sale of printed matter	Business	Zero rated
School merchandise	Business	Standard rated
Nurseries / Holiday clubs when a fee is payable	Business	Exempt
Student accommodation at or below cost	Non-business	Outside the scope
Student accommodation run for a profit	Business	Exempt
Room hire	Business	Exempt unless opted to tax
Letting of sports facilities to other schools, clubs, associations etc.	Business	Exempt if the 24 hour/series of lets conditions are met otherwise, standard rated
Provision of sports facilities / services to individuals	Business	Exempt
Supply of staff to other charities (and staff member engaged only in non-business activities at both the provider and recipient)	Non-business	Outside the scope
Supply of teaching staff to another academy	Business	Exempt
Secondment of general staff	Business	Standard rated
Consultancy services	Business	Standard rated
Sale of sports equipment	Business	Standard rated

NB: The above summary is only for general information. Professional advice on the VAT treatment of activities should be sought.

Other VAT issues

VAT is a complex area. Specific rules apply to certain costs, such as those related to buildings and refurbishment projects. Professional advice should always be sought.

How M+A Partners can help

We can help academies understand how the VAT rules apply to them, including how different types of supply should be categorised. We can then advise on whether VAT registration is required or beneficial.

Where academies do need to register for VAT, we can assist not only with the VAT registration process, but also with making sure the academy is able to provide the information required on its VAT returns.

We can also address any other VAT-related issues, such as the calculation of appropriate partial exemption methods and how to deal with property and refurbishment costs.

If you would like further information for any issues facing academies, please contact our experts:

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