



VAT management and administration is an important issue for academy trusts. All academy trusts are responsible for their own VAT obligations and reclaiming any refunds from HM Revenue & Customs (HMRC) that they are entitled to.

VAT can be a complex area and the requirements for academy trusts differ, depending on their specific circumstances. There are several areas for consideration, including the requirement to register for VAT, which activities are exempt and the process for obtaining a refund.

The answers to many of the common VAT related queries are not always straightforward and it is important to understand the detailed regulations to avoid any costly errors.

At M+A Partners, we work with academy trusts to help them make the right VAT decisions, reclaim refunds and provide specialist advice on VAT and tax responsibilities.

When is an academy trust required to register for VAT?

VAT registration is required when VAT taxable turnover reaches the set threshold - this increased from £85,000 to £90,000 on 1 April 2024.

If taxable turnover is below the threshold, registration can be made on a voluntary basis, although it should be considered if this will be beneficial to the academy trust.

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 or zero-rated.

What VAT costs can academy trusts reclaim?

Although academy trusts generally follow the same regulations as a business, their charitable status means they are eligible for VAT relief on certain items and services. There are very specific rules around what items and services academy trusts can reclaim VAT on.

Academy trusts that are not registered for VAT:

- + Can only reclaim VAT incurred on costs and expenses linked to non-business activities – 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.

Academy trusts that are registered for VAT:

- + As above, VAT on costs incurred in providing free, grant-funded education and closely related non-business supplies 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; and
- + 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 academy trusts need to apply a partial exemption method in order to calculate the proportion of VAT on their costs that is allocated to exempt activities.

How do academy trusts obtain a refund?

There are two ways to obtain a VAT refund, depending on an academy trust's circumstances:

1. Academy trusts that become VAT registered with HMRC will reclaim VAT through their VAT returns. VAT returns are normally submitted quarterly, but there is the option to submit monthly.
2. Academy trusts that are not required to register for VAT, and decide not to do so voluntarily; or that are not able to register because they make no taxable supplies, will need to follow the guidance in the VAT126 form.

What key steps must academy trusts take?

The first step is to identify the academy trust's supplies and establish which category they fall into:

Non-Business

+ Outside the scope

Business

+ Standard-rated

+ Zero-rated; or

+ Exempt.

In June 2022, following some court cases, HMRC published updated guidance on their approach for identifying business vs. non-business activities for VAT purposes.

Stage 1: Is there a supply for consideration?

The first step is to consider whether the supply is made for a consideration. Consideration is a payment for the supply of goods or services. It is usually a payment in money, but can also be of a "non-monetary" nature, such as goods or services supplied in return.

If there is no consideration, the activity cannot be treated as a business activity for VAT purposes.

Stage 2: Is the activity economic in nature?

Where there is a direct or sufficient 'link' between the supplies made and the payments given, the activity is regarded as economic.

For an activity to be regarded as economic it must be carried out for the purpose of obtaining income (remuneration) even if the charge is below cost.

Academy trusts should ensure that appropriate analysis and documentation is maintained to support the VAT treatment of income received.

In particular, where contributions are requested from pupils or their guardians, trusts should retain evidence demonstrating that:

- + Charges are set at or below cost; and
- + There is a clear and direct link between the contribution and the educational provision, including how it supports delivery of the curriculum.

Taxable Turnover

It is then necessary to calculate the VAT taxable turnover to determine whether the £90,000 threshold has been exceeded, requiring the academy trusts to register for VAT.

If the taxable turnover is below the £90,000 threshold, academy trusts 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, academy trusts should use form VAT126.

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

What types of supply does an academy trust make?

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

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 - where evidence is kept on how it supports the curriculum delivery	Non-business	Outside the scope
Tuition charges for activities such as music or sports instruction	Business	Exempt
Items for use in the classroom e.g. calculators, stationery, laptop, musical instrument, where the item: - Is provided at or below cost, & - Will be used by the pupil in lessons, & - Is necessary for receiving the tuition.	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 (when provided to the academy's own pupils)	Non-business	Outside the scope
Car parking for the general public	Business	Standard rated
Catering for pupils (including tuck shops) at or below cost	Non-business	Outside the scope
Catering for 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
Admission to a live performance event (e.g. musical, theatrical performance)	Business	Exempt where specific conditions are met otherwise, standard rated
Admission to other events (e.g. proms, film show, fashion shows)	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, where 25% or less is designed for completion	Business	Zero rated
Sale of printed matter, over 25% is designed for completion (including exercise books and diaries)	Business	Standard rated
School merchandise	Business	Standard rated
Nurseries / Holiday clubs when a fee is payable (when primarily providing welfare services)	Business	Exempt
Student accommodation at or below cost	Non-business	Outside the scope
Student accommodation run for a profit	Business	Exempt
Room hire – bare room only (No option to tax made over the building)	Business	Exempt
Room hire – bare room only (Option to tax made over the building)	Business	Standard rated
Room hire – with additional services or specific equipment	Business	Likely to be standard rated, the additional supplies would need to be reviewed to confirm
Letting of sports facilities	Business	Exempt if the 24 hour/series of lets conditions are met otherwise, standard rated
Provision of sports activities to individuals in the community Includes fees for playing, competing, coaching, use of essential equipment, changing rooms and showers	Business	Exempt
Supply of staff to other charities, including academy trusts (that is directly or closely linked to the supply of education in both the provider and recipient, such as teaching staff)	Business	Exempt
Secondment of non-teaching 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

The issues around VAT can be difficult to navigate. Specific rules apply to certain costs, such as those related to buildings and refurbishment projects. Professional advice should always be sought.

The logo consists of the letters 'M+A' in a bold, white, sans-serif font, centered within a solid yellow square.

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How M+A Partners can help

Our team of experts help academy trusts understand how the VAT rules apply to them, including how different types of supply should be categorised and whether VAT registration is required or beneficial.

Where academy trusts do need to register for VAT, we assist not only with the VAT registration process, but also with making sure the academy trust is able to provide the information required on its VAT returns. We 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 any further information on how we can assist your academy trust in meeting your VAT obligations or are seeking advice on a specific VAT-related issue, please get in touch with us to find out how we can help.



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