

Corporate Accounting

Finance Services

Northcote House

For help or advice on VAT please contact:

Liz Shillingford

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or

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General Overview

Value Added Tax (VAT) is a tax charged on most business transactions made in the UK or the Isle of Man and is governed by the VAT Act 1994.

It is also charged on goods, and some services, imported from places outside the European Union and on goods and some services coming into the UK from the other EU countries. *See separate handout on Purchases from Outside the UK.*

There are three rates of VAT in the UK:

- 15% (standard rate) from 1/12/08 until 31/12/09, thereafter 17.5%
- 5% (reduced rate) and
- 0% (zero-rate)

No VAT is charged on taxable supplies made by a business which is not, and not required to be, registered for VAT. These are known as 'outside the scope' supplies.

VAT and the University

The University pays a large amount of VAT that is non-recoverable. Our aim is to help maximise recovery of VAT through accurate coding. It is important that the correct code is used wherever possible.

To ensure the maximum recovery of VAT, proper VAT receipts **must** be obtained. Without a receipt, no VAT can be recovered.

VAT Coding

When coding your purchase invoices, it is important to make sure you are using the correct VAT code. The following VAT codes (referred to as 'Tax specifications' within APTOS) should be used:

- EX - Exempt from VAT
- OS - Outside the scope of VAT
- ZE - Zero-rate VAT
- SN - Standard rate VAT (currently 15%) - non-recoverable
- SP - Standard rate VAT (currently 15%) - partially recoverable
- SR - Standard rate VAT (currently 15%) - fully recoverable

Each individual cost centre is set up with either SN, SP or SR on them. This will have been originally determined when the cost centre was created by looking at the use of the code. If you do not know which standard rate VAT code is set up with the cost centre you are using, please enter S in the VAT Code box and this will be completed on input either by your school finance person or by Finance Services.

If you have zero value for VAT on your invoice, you should try to select the correct tax specification to be used. Examples of what code to use are on the next page.

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Examples of which VAT code to use

ZE - Zero-rate VAT

- Books, brochures, leaflets, newspapers, journals and periodicals subscriptions, maps, printed music, etc.
- Food, but not confectionery, hot food, or food supplied by restaurants as these are standard rated.
- Travel – public transport of passengers
- Advertising – this covers all types of advertising. Zero-rating can be claimed using a zero-rate certificate (which can be obtained from Liz Shillingford)
- Charity funded equipment and related services used for medical and veterinary research, training and diagnosis; provided various conditions are met (please contact Liz Shillingford for more information).

EX - Exempt from VAT

- Education – Education or training provided by schools, Universities and other 'eligible bodies', and supplies of research by one eligible body to another.

The supply of any goods and services which are closely related to the supply of education, research or vocational training is exempt, provided they are for the direct use of the pupils, students or trainees. Closely related goods and services would include, but not be limited to, accommodation, catering, course materials and field trips.

- Conference/course fees (if run by an eligible body)

EX - Exempt from VAT cont'd

- Finance charges – bank charges, card fees, etc.
- Insurance
- Postal services – supplied by the Post Office only.
- Subscriptions to trade and professional bodies.

OS - Outside the scope of VAT

- Invoices from suppliers outside the UK (but VAT may be charged later!)
- Invoices from businesses or traders that are not VAT registered.
- Internal invoices (except wines, beers or liquor which are standard rated).
- Tips/Gratuities – provided they are given over freely.
- Entertaining – VAT cannot be recovered on this type of expenditure.

SN / SP / SR - Standard rate VAT

- Equipment
- Consumables
- Hotel accommodation within the UK
- Food supplied by restaurants (VAT can only be claimable if it is for subsistence purposes and not for entertaining).
- Wines, beers or liquor purchased internally or externally.
- Car hire, car parking and fuel

Further information can be obtained from:

- HM Customs & Excise website: <http://www.hmrc.gov.uk/>
Notice 700 - The VAT Guide, All sections