**VAT and Purchasing For help/advice on VAT**

**please email Corporate Accounting**

**on** **VAT@exeter.ac.uk**

Room 253, Northcote House

**General Overview**

VAT is a tax on consumer expenditure and is governed by the VAT Act 1994. It is collected on business transactions, imports and acquisitions. Most business transactions involve supplies of goods or services. VAT 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 guidance on* [*VAT - Purchases outside the UK*](http://www.exeter.ac.uk/finance/operations/vat/)*.*

Supplies which are made in the UK and which are not exempt are called **taxable supplies.**

**VAT Rates**

There are three rates of VAT in the UK:

20% (standard rate)

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.

Some supplies are exempt from VAT, which means that no tax is payable – but equally, the person making the supply cannot normally recover any of the VAT on their own expenses.

**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 (20%) - non-recoverable
* SP – Standard rate VAT (20%) - partially recoverable
* SR – Standard rate VAT (20%) - fully recoverable
* RT – Reduced rate VAT (5%)

Each individual account code is set up with either SN, SP or SR on them. This will have been originally determined when the account code was created by looking at the activity 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 College/Service 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.

**Examples of which VAT code to use**

**ZE - Zero-rated 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 VAT@exeter.ac.uk)
* Charity funded equipment and related services used for medical and veterinary research, training and diagnosis, provided various conditions are met (please refer to separate guidance on [Zero rate VAT relief](http://www.exeter.ac.uk/finance/operations/vat/) for more information).
* 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)
* 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

**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)

**RT – Reduced rate VAT**

* Domestic Fuel and Power

**Further information can be obtained from:**

HM Customs & Excise website: <http://www.hmrc.gov.uk/vat/index.htm>

Notice 700 - The VAT Guide, All sections