

## Corporate Accounting

## Finance Services

## Northcote House

### For help or advice on VAT please contact:

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Finance Services

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or

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## General Overview

VAT is a tax charged on most business transactions made in the UK and is governed by the VAT Act 1994.

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. VAT will be added as necessary by Finance for these purchases.

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 **very important that the correct code is used** as it has a direct impact on the amount of partially recoverable VAT that is recovered across the whole University.

## Education and Research

### Education

If you provide education, vocational training or research and you are an eligible body, which the University is, then the education you provide is exempt from VAT and any closely related goods or services that you provide are exempt from VAT.

### Research

If you provide research (as defined on page 2) for a charge and you are an eligible body and you supply the research to another eligible body, your research is exempt. A list of eligible bodies is provided on page 2 of this document.

If you provide research for a charge to an organisation that is not an eligible body, your research is standard rated.

If it is deemed that there is no supply taking place, ie you are given a grant where the funder doesn't get anything in return, then this is outside the scope of VAT.

Please refer to the flowchart in Appendix A for assistance in determining the VAT treatment of research.

If you provide a service that is not classed as research please refer to VAT and Sales at the following address:

[http://www.admin.ex.ac.uk/finance/accounting\\_services/vat.shtml](http://www.admin.ex.ac.uk/finance/accounting_services/vat.shtml)

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## What's "Research"?

The following information will help you decide whether you're supplying research. Remember that it's your *intention* at the start of a project that determines the nature of your supply.

### Research:

- Original investigation undertaken in order to gain, advance or expand knowledge and understanding
- Devising a specialised software programme as part of a research project before carrying out the main tasks

### Not Research:

- Merely confirming existing knowledge or understanding
- Consultancy
- Business efficiency advice
- Collecting and recording statistics without also collating, analysing, or interpreting them
- Market research
- Opinion polling
- Writing computer programmes
- Routine testing and analysis of material, components and processes

## Eligible body status

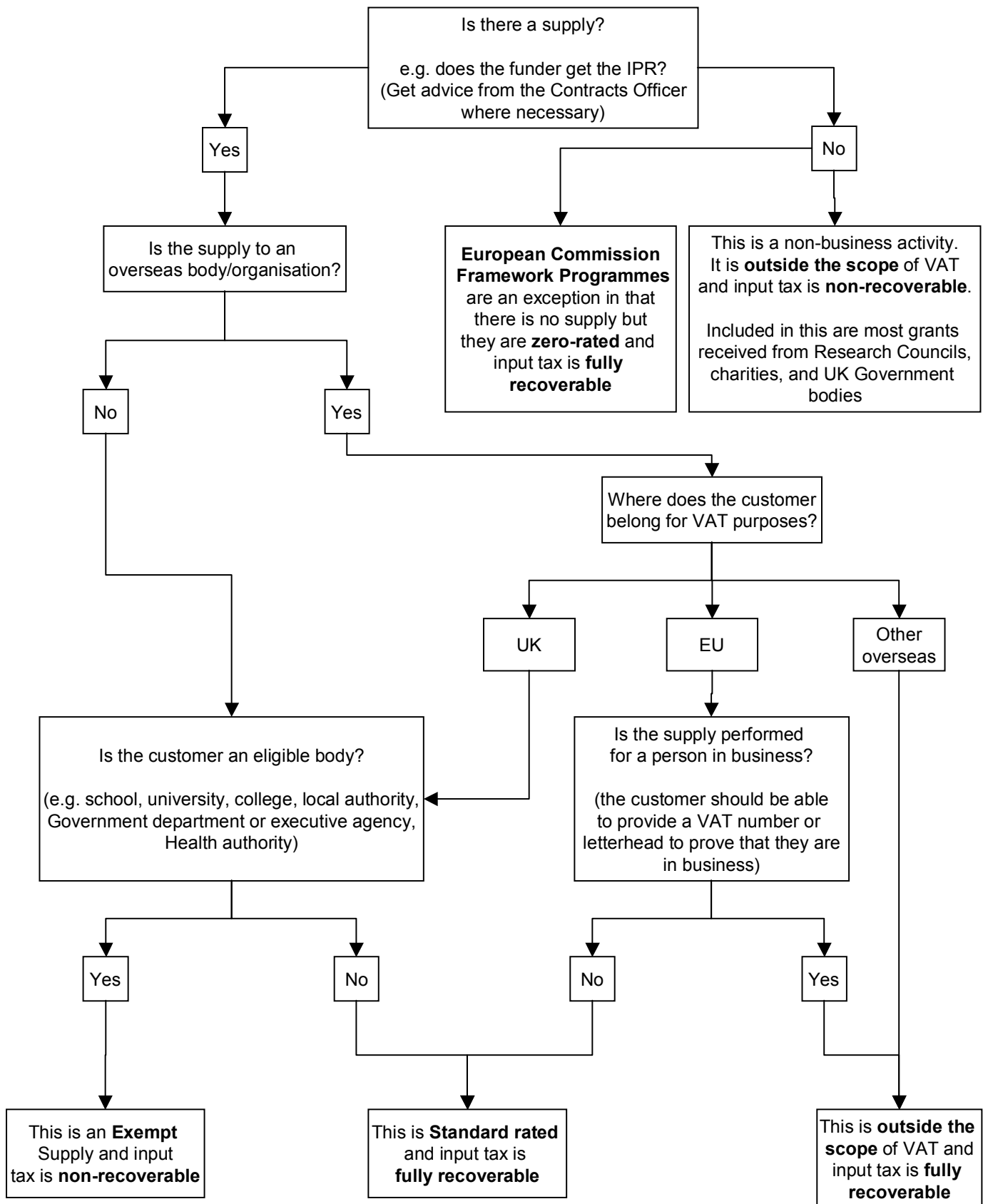
### How do I know if I'm an eligible body?

You are an eligible body if you're a:

- 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 meet certain conditions are met;
  - if you are a charity, professional body or company limited by guarantee and you
  - can't and don't distribute any profit you make;
  - apply any profit that might arise from your supplies of education, research or vocational training to the continuance or improvement of such supplies
- Commercial provider of tuition in English as a foreign language (EFL) – in which case special rules apply to you.

If there is any doubt about the status of a customer/sponsor, then they should be asked to confirm that they are "an eligible body for the purposes of VAT as defined by the Value Added Tax Act 1994, Group 6 of Schedule 9 (see Appendix B for form).

**Flowchart to assist with the VAT treatment of Research Projects**



If your scenario does not fit any of the above, please contact Liz Shillingford on extn 3098 for further information.

**DECLARATION TO THE UNIVERSITY OF EXETER IN RESPECT OF ELIGIBLE BODY  
STATUS FOR RESEARCH**

Name and address of Organisation:

I, \_\_\_\_\_, on behalf of the above named organisation hereby declare that it qualifies as an eligible body under Group 6 of Schedule 9 of the Value Added Tax Act 1994

The Organisation qualifies as an eligible body because (please tick as appropriate):

- it is registered or deemed to be registered as a school;
- it is a UK university, a college, institution, school or hall such as a university;
- It is an institution falling within the Further and Higher Education Act 1992;
- It is a public body as described in Note (5) of Group 7 of Schedule 7 VATA 1983;
- It is a body recognised under the British Council Recognition Scheme for teaching English as a foreign language;
- It is a body which is precluded from distributing and does not distribute any profit it makes and applied any profits from supplies of a description within this group to the continuance of improvement of such supplies;

Signed:

Name and status in Organisation:

Date:

I undertake to inform the University of Exeter if there is any change in status of the Organisation.

If a declaration is not received by the University it will be assumed that you are not an eligible body and subject to VAT at the standard rate.

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**For University of Exeter use only:**

Date received:

**This declaration must be retained on the project record file.**