

DERBYSHIRE COUNTY COUNCIL

VAT Guide – Schools

VAT Guidance for school finance staff

VAT enquiries



Derbyshire County Council

Value Added Tax Guide for Schools

This guide is a supplement to the main Accounts Payable and Accounts Receivable VAT guidance. All school staff involved in financial transactions should have access to both the above documents and read them in conjunction with this supplement. All VAT transactions must be considered in the light of Derbyshire County Council's financial regulations.

Section 1 covers purchasing, including an annex on school trips and Voluntary Aided schools and section 2 deals with income related issues. Please ensure you take the time to familiarise yourself with the information contained and that new starters are also made aware of this guidance.

VAT is an important subject and the council is responsible to HM Revenue & Customs ('HMRC') for control of the VAT accounting system. We all have a role to play in ensuring we get it right and do not make careless errors that can lead to penalties.

Schools will migrate from DSAS to SAP over the coming months and this might in turn lead to changes in this guidance.

As always you can contact the Council VAT Officer at any time to discuss any issues regarding VAT.

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VAT Accounts Payable – Schools

- 1 Please refer to the main VAT Guide **Accounts Payable ('AP')** for issues surrounding purchases and VAT treatment. You will find an example of a proper VAT invoice at **Box 5 page 7** in the main guide and at **paragraph 15 page 9** further details regarding retail invoices. **In order to reclaim VAT a VAT invoice containing information similar to this must be obtained from your supplier.**
- 2 Schools should be aware of **pro-forma** invoices, (**see paragraph 9 page 6 AP main guide**) such documents are often issued by licencing bodies or organisations such as the National Trust. If you pay against a pro-forma invoice you should charge the gross total including VAT to your account code and when you receive an invoice, usually after receipt of payment, send it to the Council VAT Officer to credit your account with the VAT.
- 3 Please note if your governing body is looking to engage in a **joint venture** with a local community group or charity that involves shared funding, please speak with the Council VAT Officer before making any plans. You cannot reclaim VAT for something that will be used in the wider community but will not remain the property of the school. This doesn't stop you from receiving funds from fund-raising activities and paying them in to school budget in order for you to purchase goods/services for the educational purposes of the school.
- 4 **Please contact the Council VAT Officer before you order any goods from overseas.** Further details of the issues involved can be found at **paragraph 18 page 11** in the main VAT AP Guide.
- 5 **Construction contracts** can be problematic and if you engage a local builder for works please be aware of this. **Paragraph 20 page 12** in the main VAT AP Guide outlines the authenticated receipt procedure which

is often used in lieu of issuing VAT invoices. When you engage a builder you should find out when he expects payment and what documents will be issued to you. The Council VAT Officer will be pleased to discuss the VAT issues with you in advance of works.

- 6 There are a number of schools with their **own bank accounts** and who operate outside of **DSAS or SAP**. These schools retain their own records and if your school falls into this category you should particularly note **Box 3 page 4 on record keeping of the main VAT AP guide – although this requirement covers all schools.**
- 7 If your school is **Voluntary Aided** then you must familiarise yourself with **Annex 1 below. The basic rule is that the council can reclaim VAT incurred by a VA school where the governors spend funds delegated to them to purchase goods and services that the council is legally responsible for providing. However, where the expenditure is the responsibility of the Governors then VAT cannot be recovered.** The rules are complex and have recently been updated by HMRC allowing VAT recovery in many situations where previously blocked.
 - All VAT on revenue expenditure (VAT exclusive) can be recovered
 - VAT on capital expenditure is not recoverable except where the value is less than £10,000 (VAT excl)
 - Paragraph 5 annex 1 sets out what is in effect HMRC's interpretation of capital - please note the changes
 - If you have any doubt over VAT treatment in the light of this guidance please speak with the Council VAT Officer before placing any orders.

Annex 1

HMRC Guidance for Local Authorities (LA) and Voluntary Aided (VA) Schools in England

The following was issued by HMRC in February 2013 following longstanding discussions with members of the CIPFA VAT Committee and reflects changes agreed specifically in three areas,

1 Who is responsible for certain capital works

- 2 A wider definition of revenue expenditure
- 3 A change in the de minimis limit for certain expenditure

VAT Recovery on Expenditure

Section 33 of the Value Added Tax Act 1994

S33 is a special refund scheme allowing specified bodies, including LAs, to recover VAT incurred on their non-business activities. In order to be considered by HM Treasury for inclusion in s33, a body must:

- undertake a function ordinarily carried on by local government; and
- have the power to draw its funding directly from local taxation.

LAs have a statutory requirement relating to the provision of free education in their maintained schools, such that this is a non-business activity of the LA. This includes VA schools although their Governing Bodies are responsible for their premises.

Governing Bodies (GBs)

Under section 36(1) of School Standards and Framework Act 1998 (SSFA), GBs of maintained schools are separate legal entities. They are not covered by s33 VAT Act 1994, and so VAT incurred by them in respect of their non-business activities may not be recovered under s33.

The GBs of VA schools have responsibilities in relation to capital works to premises.

The DfE in England may make grants to GBs of VA schools in order to help them meet their responsibilities, funding 90% of qualifying expenditure. VAT will not be recoverable by the GB in respect of this funded expenditure and the grant includes irrecoverable VAT costs.

VA school GBs are expected to meet the remaining 10% of costs from their own resources, although the SSFA allows LAs to contribute to the GB's 10% contribution, if they so wish.

Delegated budget

All maintained schools, including VA schools, receive recurrent funding from their LA under arrangements set out in sections 45-53 of SSFA - which allows that every maintained school shall be financed by their LA by means of a "budget share" (the school's delegated budget).

S49(5) of SSFA allows that "any amount made available" by the LA to the GB of a maintained school shall remain the property of the LA until spent by the GB, and when spent by the GB shall be taken to be spent by them as the LA's agent. This generally allows the LA to recover VAT on expenditure made from the delegated budget.

However, in the case of VA schools, s49(6) of SSFA stipulates that the GB does not act as the LA's agent when spending amounts from the delegated budget to meet expenses payable by the GB in relation to the capital works for which the GB is responsible. Therefore, VAT may not be recovered on such expenditure.

Factors Determining the Responsibility for Expenditure

The GB of a VA school are responsible for meeting all capital expenditure in relation to the school premises (with certain exclusions), except where it falls within a relevant de-minimis limit.

These terms are explained in the following paragraphs.

School premises

The GB's responsibility extends only to premises expenditure, specifically excluding playing fields, sports pitches, and buildings thereon (related to that use). The responsibility includes "fixed" furniture (e.g. laboratory table), fixtures, fittings that form part of the infrastructure. It does not include "loose" items, for example freestanding desks and freestanding educational equipment e.g. laptops, kindles, iPads etc.

The following table provides guidance on what ICT expenditure is regarded as premises related:

Premises (GB Responsibility)	Non-Premises (LA Responsibility)
<p>Note: VA Schools are allowed to use capital grant funding to pay for ICT equipment, but VAT will not then be recoverable</p> <p>ICT</p> <ul style="list-style-type: none"> Building of ICT Suite - including construction works and all equipment, furniture & fittings installed. <p>These become part of the premises.</p> <ul style="list-style-type: none"> Installation of: <ul style="list-style-type: none"> ICT cabling; WiFi systems, incl. ethernet & routers; Security systems, incl. proximity cards 	<p>PCs, servers, interactive electronic whiteboards, projectors, printers and fax machines installed individually (not as part ICT suite)</p> <ul style="list-style-type: none"> Laptops, kindles, iPads and other 'hand held' equipment used in the classroom * Laptop trolleys (storage / connection facilities) Electronic tills and biometric identification scanning devices <p>All of the above are not part of premises as removable and available for use elsewhere.</p> <p>* VAT recoverability on such items used by teachers is as non-VA schools.</p>

<p><i>These are purpose built for premises, and not removable for use elsewhere.</i></p>	
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Capital expenditure

It is necessary to determine whether expenditure is of a capital nature in accordance with proper accounting practices, as expenditure of a revenue nature will always be the LA's responsibility. Appendix A gives some examples of how commonly incurred premises expenditure is generally treated.

De minimis limit

S35 of the EIA amended Part II, schedule 3 of the SSFA. This limits "capital expenditure" to being "...expenditure .. which falls to be capitalised in accordance with proper accounting practices..." (paragraph 9A) with reference to "...any generally recognised published code..." applicable to either individual VA schools or the LA (paragraph 9B).

For materiality reasons, many LAs set de-minimis limits on capitalisation of their expenditure in accordance with the "CIPFA Code of Practice on Local Authority Accounting in the United

Kingdom". In the absence of a recognised individual VA school de minimis limit the LA de minimis limit set in accordance with this Code may be applied. Expenditure within these limits is not the responsibility of the GB.

At the time of publication of this guidance, no published code specifically applicable to individual VA schools has been identified. In any event, Regulation 2 of the CEVA sets out that any expenditure by a GB below £2,000 shall not be treated as capital expenditure. CEVA does not determine whether expenditure above £2,000 is capital. See Appendix A for further information.

It is important to note that the de minimis limit should not be used to artificially disaggregate capital expenditure to recover VAT. For example, a single supply of ICT infrastructure should not be split into smaller contracts for individual ICT works. Similarly construction works should not be split so that if invoiced separately, this could be treated as revenue expenditure as individually below the de minimis limit.

Definition of the Responsibility for Expenditure

The current responsibility for expenditure within VA schools can therefore be defined as follows.

GB Responsibility

Expenditure which is capital in nature, and relates to:

- The existing buildings (internal and external)
- Perimeter walls and fences, even if around the playing fields
- Playgrounds
- Fixed furniture, fixtures and fittings – including ICT infrastructure

except where it is excluded from the definition of capital expenditure due to it falling below the de minimis limit applicable, being the higher of:

- a de minimis limit set by the Governing Body of a VA school in accordance with a generally recognised published code
- (only in the absence of a de minimis limit set by the Governing Body) a de minimis limit set by the LA in accordance with the “CIPFA Code of Practice on Local Accounting in the United Kingdom”
- £2,000

LA Responsibility

Expenditure which is capital in nature, and relates to:

- Expenditure excluded from GB responsibility (above) by virtue of it falling below the de minimis limit applicable
- Maintenance of playing fields (including sports pitches)
- Buildings on those fields related to their use
- Day to day running costs of the school e.g. costs of staff, training, consumables, teaching resources, utilities etc.

VAT Recovery on Expenditure

Generally the LA may recover VAT (under s33 of the VAT Act 1994) incurred by the LA in relation to expenditure for which it is responsible, i.e. where it receives the supply and uses its own funds (including donations as detailed below).

However, VAT incurred by a GB on expenditure for which the GB is responsible is not recoverable under s33, even when payment is made from the delegated budget. VAT is only ever recoverable on expenditure from the delegated budget to the extent that it relates to expenditure for which the LA is responsible.

Neither is VAT recoverable by the LA on any expenditure made from DfE grant funding awarded specifically to the GB. Again, this is designated for expenditure for which the GB, rather than the LA, is responsible.

Further, although LAs commonly contribute towards a GB's capital expenditure, for example, to assist GBs in meeting their own 10% contribution for capital works, or to subsidise certain projects, VAT is not recoverable by the LA on such contributions. HMRC recognise that there has been some confusion in the past regarding such recovery and until 2009 had accepted

that LAs could recover the VAT incurred on expenditure which was the responsibility of the GB but which the LA funded. However, when this policy was reviewed it was realised that it went beyond what s33 actually permits. In these arrangements, the GB is responsible for the entire expenditure and receives the whole supply. Thus, any VAT incurred on the supply is incurred by the GB, not the LA. This revised guidance now seeks to bring such treatment within the normal rules for VAT recovery for LAs as set out in Public Notice 749 "Local authorities and similar bodies." Therefore, with effect from 1 September 2009, for projects initiated after this date, VAT may no longer be recovered by LAs in these circumstances, as the supplies are not made to them (whether or not paid from the delegated budget). HMRC will consider, on their individual facts, cases where a project initiated after 1 September 2009 was funded on the basis of the previous policy.

Where however, an LA decides to spend its own funds (excluding the delegated budget), on work to a VA school for which the GB is statutorily responsible by placing an order directly with a supplier then, under certain circumstances, it may recover VAT under s33. This is described in para 7.1 of Public Notice 749 i.e. the LA must procure the goods or services, receive the supply and pay from its own funds. However, the LA must treat any contribution towards its costs from the GB as consideration in accordance with the normal VAT rules and declare VAT on that contribution where appropriate.

The tables of examples and flowchart are intended to give further guidance on circumstances when the LA may recover VAT and LA may not recover VAT. These examples are not intended to be exhaustive. In cases of doubt, GBs or LAs are advised to discuss the matter with HMRC.

Insurance arrangements for VA schools

Annex B of the DfE's Blue Book details these such that this section only considers the VAT recovery consequences under the above VA school VAT rules.

Where VAT is recoverable, insurance claim settlements exclude VAT on the cost of works. However, if remedial works are GB responsibility, VAT will not be recoverable by the LA. Therefore, when establishing the insurance policy and its value, the insurer should be made aware that any VAT incurred in respect of such works at VA schools is irrecoverable and the premium should therefore reflect that. (DfE confirm this view and that this results in increased premises insurance premiums for VA schools, for which LAs are responsible). Any DfE grant aid, available as 90% of replacement costs via capital grant where resources permit, towards this is awarded to the GB. The GB must fund the remaining 10% of costs to be met from its own resources.

VA schools should be treated in the same way as other maintained schools in relation to providing for any revenue premises losses including all losses below the de minimis level applicable to the LA for which the LA is responsible. The LA can reclaim VAT on these works.

Examples when VAT is recoverable by LA under s33

Example	Comments
Where GBs undertake revenue (LA responsibility) works and pay for them through the delegated budget	GB acts as LA's agent (S49(5) SSFA
Where donations are received from: <ul style="list-style-type: none"> • GBs • private school funds (e.g. operated by the GB or PTA) • charities • commercial organisations and used to meet expenditure for which LA is responsible	<p>Provided the conditions in:</p> <ul style="list-style-type: none"> • para 10.4 of Public Notice 701/30 and/or • para 7.3 Public Notice 749 (LA contracts for, pays for, retains ownership etc) <p>(HMRC Internal Guidance VATGPB7550 and VATEDU65750) are met, LA may recover VAT under s33.</p> <p>This will not be possible where the donated funds are used by LA to pay for works that are the GB's responsibility.*</p> <p>Donations must be paid into the delegated budget, and the goods / services bought must be for the benefit of the school rather than the donor.</p>
Where the LA decides to spend its own funds (excluding the delegated budget), by means of an order placed directly by the LA (i.e. not by the GB) with a supplier. This is so even if the expenditure is in respect of GB responsibility works.	When LA uses its own funds, VAT may be recovered under s33 as described in Public Notice 749 para 7.1 - i.e. LA must procure the goods or services and receive the supply. However, the LA must treat any contribution towards the costs from the GB as consideration in accordance with the normal VAT rules
Ongoing maintenance/lifecycle costs resulting from building works funded by PFI	Any unitary charge from the PFI provider is regarded as revenue expenditure and as such is the LA's responsibility

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* this is because:-

- it will be difficult in most cases for the LA/GBs to argue that the LA can retain ownership of capital works in VA schools. (Dioceses, or trustees, will

usually own school buildings and LA is responsible for ongoing costs of upkeep)

- where funding originates from DfE direct grant to GBs to fund 90% of capital projects, any such funding paid by GBs to LAs to fund capital works should be treated as consideration for a supply to GB. In other words, the money is not donated because it obtains benefits for the GB.

Examples when VAT would not be recoverable by LA under s33

Example	Comments
1	Where expenditure is met from 90% DfE funding (e.g. Devolved Formula Capital). This grant is awarded and belongs to the Governing Body for spending on GB responsibility works. It is calculated to include irrecoverable VAT costs.
2	Where remaining 10% is met directly from GBs' fund raising or delegated budget funding. S49(6)(b) SSFA specifically excludes GBs from acting as LA's agent when they use delegated budget to pay for works that are their responsibility
3	Where GB spends own funds on revenue expenditure, procuring goods/services itself. i.e. not paid for from delegated budget or funds donated to the LA
4	Where LA donates funds to GB for capital works for which GB is responsible Unless LA procures, receives and pays (para 7.1 of Public Notice 749), then supply is not to LA. (HMRC historically allowed recovery by LA, this was corrected from September 2009).
5	Where expenditure is paid for from funding obtained by the GB from sources such as: <ul style="list-style-type: none"> • charges for community services (adult education, sporting facilities etc.) • Lottery, Sport England etc. • Government grant awarded to the GB rather than the LA. Funding does not belong to LA. The GB owns the funds and is the body responsible for carrying out the works. If funds are passed by the GB to the LA, this may allow VAT recovery by the LA, but will also require output tax declaration on the funds passed.
6	Although paid via the LA, Building Schools for the Future (BSF) funding for Design & Build (D&B) or redevelopment of VA schools is awarded and belongs to the GB for these capital works for which the GB is responsible. (Exceptionally BSF grant is paid to meet 100% of GB's liability). For D&B or redevelopment works procured under BSF, the LA and GB will enter into a Development Agreement for the BSF works. Acting as principal, the LA will procure/project manage BSF work for all schools in its area. When complete, the LA will make a supply of the works to the GB, which will be subject to VAT unless the work can be zero rated. The LA will retain the school's BSF funding as consideration for the supply of the works to the GB.

Ownership of grant funding

The ability of an LA to recover VAT when spending grant funding on GB responsibility works generally depends upon whether the ownership of the grant lies with the LA or the GB, and who procures the work. Some grants administered by LAs may still belong to GBs. The DfE has provided guidance on the ownership of grants currently available:

GRANT NAME DESCRIPTION	OWNERSHIP i.e. LA or GB	PURPOSE /
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Locally Coordinated Voluntary Aided Programme (LCVAP)	GB	Pupil-weighted share of capital maintenance funding. Funding is awarded to the GB for those capital works for which the GB is responsible.
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Basic Need	LA	LAs have a duty to provide sufficient schools for their areas. Basic Need Funding for all taxpayer-funded schools has been allocated to LAs to support them in that duty.
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Devolved Formula Capital (DFC)	GB	To provide each school with some capital funding to address its own priorities. Funding is awarded to the GB for those capital works for which the GB is responsible.
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Modernisation	LA	To upgrade and build new buildings and facilities in line with priorities in the local asset management plan.
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School Access Initiative	LA	To improve the accessibility of mainstream schools to disabled pupils and those with special educational needs.
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Extended Schools	LA	To provide pump priming capital funding to develop extended schools across an area, delivering the core offer of extended services. It was expected that funding would be joined up with other devolved LA level funding, including in particular, the resources being made available through the Primary Capital Programme.
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Targeted Capital - Standards and Diversity	GB	To raise standards by supporting choice and diversity of provision. Funding was awarded to the GB for those capital works for which the GB is responsible.
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Targeted Capital - 14-19 and Special Educational Needs	LA	To provide those LA areas not currently in the BSF programme with additional funding to support the provision of facilities for the delivery of 14-19 diplomas and/or to improve facilities for pupils with special educational needs and disabilities.
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GRANT NAME DESCRIPTION	OWNERSHIP i.e. LA or GB	PURPOSE /
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Targeted Capital - Basic Need Safety Valve	LA	To enable LAs to provide additional school places to cope with exceptional growth in pupil numbers, where these cannot be met from other programmes.
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16-19 Capital Fund	GB	To provide capital funding for significant numbers of new 16-19 places in schools and colleges. Funding was awarded to the GB for those capital works for which the GB is responsible.
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Primary Capital Programme	LA	Funding to support rebuilding or redevelopment of primary schools, was subject to agreement of an LA's Primary Strategy for Change.
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Building Schools for the Future (BSF)	GB	Funding to support rebuilding or redevelopment of secondary schools. Although paid via the LA, BSF funding was awarded to the GB for those capital works for which the GB is
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responsible.

Flowchart for determining VAT recovery

Appendix A - Examples of Capital / Revenue Expenditure

The following indicative table is provided to assist in determining how some examples of commonly incurred premises expenditure might be treated. Where expenditure is shown as capital, the remainder of the guidance will still need to be considered in order to determine the responsibility.

Capital	Revenue
Roofs	
Structure. New (not replacement) structure.	Repair/replacement of small parts of an existing structure
Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure.	Replace small areas of rotten or defective timber, make good minor areas of spalling concrete where reinforcing bars are exposed.
Replace/repair small areas of rotten/defective joists, rafters, purlins, etc.	Not complete trusses.
Screed/insulation in a new building/extension	Repair/replacement of screed/insulation where defective.
Screed/insulation. Replacement/repair of substantially all. Improve effectiveness of insulation. Work to improve insulation standards, during work to repair/replace small areas of roof.	Repair/replacement/increasing thickness of insulation in an existing roof.
Finish on new build. Replacement of all/substantially all on existing roof.	Replacement of roof finish on existing building. Re-coating chippings to improve life expectancy.
Replace missing/damaged small parts.	Bargeboard/edge trim/fascia on new build
Repairs/replacement/repainting.	Bargeboard/edge trim/fascia, replacement of all/substantially all on existing roof. Repairs/replacement/repainting.
Drainage on new build/extension.	Replacement of all/substantially all on existing roof. Clearing out gutters and downpipes.
Replacement/repair of individual gutters/pipes.	Repainting gutters/pipes.
Other items e.g. flashings, rooflights/windows on new build/extension.	Replacement of all/substantially all items on existing roof.
Repair/replacement/cleaning of individual items	Provide new covered link etc. between existing buildings
Maintenance to existing covered link.	Minor repairs,

Rebuild or substantially repair structure of existing covered link. Add porch etc to existing building Minor repairs, maintenance to existing structure.
Rebuild or substantially repair structure of existing porch.

Capital Revenue

Floors

Structure and damp proof course (dpc) in new building

Repair/replacement of small parts of an existing structure

Structure and dpc – replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure

Screed and finish in new build, replacement of all/substantially all on existing floor – e.g. replacement of most carpet/tiles in a room. Replacement and repair of screed and finishes/replacement of mats/matwells. Maintenance e.g. revarnishing wooden floors.

Ceilings

Suspension Repair/replacement inc from water damage & necessary decoration

Membrane

Fixed Repair/replacement inc from water damage.

Access panels Repair replacement

Specialist removal/replacement of damaged/disturbed Asbestos based materials, planned or emergency Inspection/air testing. Applying sealant coats to asbestos surfaces for protection

External Walls – masonry/cladding

Structure. Underpinning/propping for new build. External finish on new build

Repairs/preventative measures e.g. tree removal. Repairs/replacement of small parts of an existing structure e.g. repointing/recladding a proportion of a wall where failure has occurred.

External finish on existing build where needed to prevent imminent (or correct actual) major failure of the structure e.g. repointing/recladding work affecting most of a building/replacement build.

Windows and Doors

Framing – new build Repair/replacement of individual frames.

Repainting frames.

Framing – structural replacement programme Repair/replacement of individual windows. Repainting frames.

Glazing – new build Replacing broken glass

Glazing – upgrading existing glazing

Ironmongery Repair/replacement

Improved security Upgrading locks etc.

Jointing including mastic joints

Internal and external decorations to new build Internal and external decoration to include cleaning down and preparation.

Capital Revenue

Masonry Chimneys

Structure

Jointing including expansion and mortar joints/pointing/dpc

Repair/repointing

Internal Walls

Solid walls - complete including various internal finishes, linings and decorations Repairs and redecoration to internal plaster/linings, pin boards, etc.

Partitions - complete structure including linings, framing, glazing, decoration, etc. Repairs and redecoration

Refurbishment and alterations Minor alterations

Glazing to meet statutory Health and Safety requirements Replacement of broken glass

Sanitary Services

In new buildings provision of all toilet fittings, waste plumbing and internal drainage. Repair/replacement of damaged sanitary ware, fittings, waste plumbing, etc.

Large scale toilet refurbishment Small areas of refurbishment

Provision of disabled facilities and facilities related to pupils with statements

Repair/replacement of damaged fittings, waste plumbing etc.

Kitchens in new buildings, complete with fittings, waste plumbing and internal drainage. Internal finishes and decorations.

General refurbishment.

Large and costly items of equipment. Maintenance of kitchen to requirements of local authority.

Cleaning out drainage systems

Redecoration

Repairs/replacement parts.

Mechanical Services

Complete heating and hot water systems to new projects, including fuel, storage, controls, distribution, flues, etc. General maintenance of all boiler house plant including replacement of defective parts. Regular cleaning.

Energy saving projects.

Safe removal of old/damaged asbestos boiler and pipework insulation, where risk to Health and Safety. Monitoring systems

Health and safety issues

Planned replacement of old boiler/controls systems past the end of their useful life. Replacement of defective parts

Emergency replacement of boiler plant/systems

Provision of cold water services, storage tanks, distribution, boosters, hose reels etc. in major projects. Maintenance and repair/replacement of defective parts such as servicing pipes. Annual servicing of cold water tanks.

Gas distribution on new and major refurbishments, terminal units Repairs, maintenance and gas safety

All servicing

Mechanical ventilation/air conditioning to major projects. Provision of local ventilation. Repair / replacement of defective systems / units.

Swimming pool plant and its complete installation, including heat recovery systems Repair/replacement of parts to plant, pumps and controls. Water treatment equipment and all distribution pipework.

Simple heat recovery systems.

Capital Revenue
Electrical Services

Main switchgear and distribution in major projects Testing/replacement of distribution boards. The repair and maintenance of all switchgear and interconnecting cables including that in temporary buildings.

Control gear, distribution, fixed equipment, protection, etc. All testing, repair and replacement of small items of equipment

Provision of luminaries and emergency lighting Replacement of luminaries, all testing, adjustments and improvements to emergency lighting.

Lightning protection in new build. Repair/replacement

Alarm systems, CCTV, lifts/hoists, etc Repair and maintenance

New installation of communication systems, radio/TV, call, telephone, data transmission, IT etc. and provision in new build

Repair/replacement/maintenance, including all door access systems

External Works

Provision of new roads, car parks, paths, courts, terraces, play pitches, steps and handrails, as part of major project, including disabled access

Maintenance and repair

Car park and playground markings

Provision of walls, fencing, gates and ancillary buildings as part of major project Maintenance and repair of all perimeter/boundary/retaining walls, fencing and gates.

Drains, soakaways, inspection chambers and sewage plant as part of new projects Maintenance and repair of drains, gullies, grease traps and manholes between buildings and main sewers. Cleaning of the above and unblocking as necessary.

Open air pools - structure, hygiene/safety in new build Hygiene, cleaning, maintenance and repairs, including replacement parts. Simple energy saving systems

Services distribution - heating mains, gas mains, water mains, electricity mains, renewal of any of the above Annual servicing.

Section 2

VAT Guide – Accounts Receivable - Schools income

- 1 Schools income or **Accounts Receivable ('AR')** should generally fall as non-business and therefore most schools should have minimal VAT to declare - e.g. items such as adult/visitor meals, photocopying and some sports lettings. Other types of income deemed 'business' such as room and hall hire and certain sports lettings are exempt. We cannot be prescriptive for every type of sale made but it does help if income is coded to specific headings rather than general sales.

Classroom sales

- 2 This refers to items sold in school to complement the education of pupils – the full term is '**closely related to the education supplied**'. Where sales are made that would normally be subject to VAT they can be sold without the addition of VAT as non-business. Previous guidance has emphasised the need for such items to be essential to the curriculum and the Headteacher must make the final decision as to what is allowed under this heading. **However, under instruction from HM Revenue & Customs the following examples must not be included.**

- Clothing, **including uniforms**
- Sweatshirts, T shirts, bobble hats, ties etc.
- Sports equipment, sports clothing and footwear.
- Fund raising items, raffle tickets, bingo cards, prizes, toys, Christmas cards, calendars, model cars, mugs, fireworks etc.
- School photographs

School catering

- 3 School meals are supplied as non-business to pupils and standard-rated to staff and visitors. Non-business treatment is dependent on the overall supply of meals being made at or below cost. Takeaway cold food such as sandwiches sold to staff and visitors are zero-rated but standard-rated where eaten in the café/canteen – there is currently a mechanism in place for apportioning the sale of cold takeaway food. Schools that have engaged external contract caterers should check with the county VAT Officer if in doubt about VAT treatment in relation to the contract. External contracts should ensure that the sale of meals to pupils is always by the school so as to avoid any VAT charges directly to pupils.
- 4 Vending machine and tuck shop sales are also treated as non-business, although where vending machines are located in mixed areas where both pupils and staff/visitors can use them then an apportionment of 3% standard-rated sales should be made unless the exact type of sales can be identified. Vending machine commission from external contractors is

standard-rated. Tuck shops operated through the school private fund fall outside of the Council VAT system and VAT need not be accounted for on sales or reclaimed as purchases.

HM Revenue & Customs – Dealing with mistakes

There are penalties for failing to account for VAT correctly. All Headteachers are responsible for ensuring finance staff read, understand and follow the principles and procedures set out in this guidance. If in doubt finance staff should seek the advice of the VAT Officer vat.enquiries@derbyshire.gov.uk in the first instance or by telephone **01629 538085**. We all get things wrong from time to time; if you discover a mistake or error please let the Vat Officer know as soon as possible. Provided errors are disclosed penalties can be avoided or mitigated if procedures have been followed.

Income Codes

- 5 Please ensure you post income to the most appropriate code when paying in to the bank. All standard-rated income is treated as 20% VAT. Classroom sales can be coded to AN and 230000 should therefore be used sparingly for standard-rated sales. Please note those specific areas where sales can be non-business or standard-rated depending on who the sale is made to or in the case of vending machines and tuck shops where an apportionment might have to be made. The following list does not cover all income received in schools but if you need advice on where to code income for VAT purposes please speak with the Council VAT Officer.

- AA = 20% standard-rate
- AN = Non-business
- A9 = Exempt
- A0 = Zero-rated

GL Account	Description	VAT Code	VAT Rate	Comments
230000	Gen Sales	AN/AA	Nil/20%	Classroom sales = non-business others SR

230050	Tuck shop sales	AN/AA	Nil/20%	See comments ref pupil sales non- bus others SR
230070	Mid-morning Break	AN	Nil	Pupil sales only
230080	Vending Machine	AN/AA	Nil/20%	See Tuck shop sales
230100	Breakfast sales	AN	Nil	Pupils only
230110	Pupil meals	AN	Nil	
230130	Meals/refreshments non-vatable	AN	Nil	
230140	Community meals/refreshments	AA	20%	
230150	Sales Vatable	AA	20%	Staff/visitors
231080	Extended school charges	AN	Nil	
231420	Minibus hire	AA/A0	20%/zero (nil)	20% without driver, zero with driver
231430	Photocopying	AA	20%	
231440	Telephone calls	AA	20%	
232020	Rents	A9/AN	Nil	e.g building hire see detailed note
232030	Lettings	A9/AN	Nil	e.g room/hall hire as rents
232040	Sports Hall/facility hire	AA/A9	20%/Nil	See detailed rules

Room and hall hire

- 6 Letting a room or hall** to an external organisation is **exempt** from VAT, including incidental refreshments provided you do not charge separately. Letting to community organisations under the '**Extended Schools**' initiative can be treated as **non-business**. Equipment included in the hire can follow the same VAT treatment provided you do not itemise it in any invoice issued. The hire of a sports facility is standard-rated but there are exceptions; the following should be read carefully by all schools with **sports facilities**.

Sports Hall Hire

Premises count as sports facilities if they are designed or adapted for playing any sport or taking part in physical recreation e.g. sports halls, running tracks, football pitches, tennis courts, swimming pools and similar facilities. The presence of fixed basketball nets in a hall means that these premises are sports facilities. **Dance studios** are considered a facility and fall within the sports hire rules.

Please note if you hire **a general purpose hall** for non-sporting events then the supply will be exempt. The key is whether the hirer is making use of the facility, for example a general purpose hall with pitch markings and 5-a-side goals if let out for football is a sports hire and follows the sports hire rules but if it is let out for a public meeting or for a non-sports event then it will be exempt. However, a gymnasium or sports hall will always be standard-rated unless the 10 or more lets rule can apply. (At the time of writing this appears to be HMRC's stance although it appears inconsistent to exempt the hire of a gymnasium for sports use when used for 10 or more lets but standard-rate a one-off hire of a gymnasium when it might be used for a non-sports meeting!)

The letting of sports facilities is exempt from VAT if they meet the following:-

A. It is a single continuous let of over 24 hours duration.

or

B. It is a series of lets for ten or more periods to a **club, association or an organisation representing affiliated clubs or constituent associations** where:-

- Each period is for the same activity carried on at the same place.
- The interval between each period is not less than 24 hours and not more than 14 days (every other Saturday afternoon would fulfil these criteria).
- Consideration is payable by reference to the whole series and is

evidenced
by written agreement.

- The user has exclusive use of facilities.

A different court, pitch or lane at the same sports facility would count as the same place. An invoice or exchange of letters is acceptable as evidence of a formal agreement.

The conditions would not be breached if a refund was made for cancellation of lets due to non-availability (e.g. cancellation due to bad weather). The cancellation would be determined by the school. Cancellation by the hirer would invalidate the series of lets rule unless the criteria were still met. For example a series of twelve weekly lets would not be invalidated if one was cancelled by the hirer – cancellation would still mean that the number of lets was greater than 10 with no more than fourteen days between each let.

Please note at the time of writing there is a debate over the definition of a club. In Derbyshire we accept local football teams playing in leagues that are affiliated to the Football Association meet the requirements of being a club. There is also evidence that HMRC will accept commercial organisations that purport to represent affiliated clubs as falling within the exemption for 10 or more lets. If you are asked for exemption by a commercial organisation then please speak with the Council VAT Officer for further advice. Unfortunately this continues to be a topic that is subject to much discussion and it is likely that it will continue as such for the foreseeable future.

Musical instruments

- 7 The same principle will apply as to classroom sales but of course musical instruments pose a particular problem in that their value can be significant. Care must be taken to ensure the instrument is required to be used in school as part of the curriculum. For many years now the Council, through the Derbyshire City & County Music Partnership, has provided a service to supply musical instruments; details are below. If a pupil receives paid lessons in school from an external tutor contracted by parents and not the school then the scheme cannot be used.

PURCHASE OF MUSICAL INSTRUMENTS FOR PUPILS

Pupils who attend an LEA school or Music Centre can avoid paying VAT on the purchase of musical instruments providing the following criteria apply:

- the instrument will be used in the school or Centre as part of the curriculum and

- the pupil will receive tuition from a teacher accredited by the Music Partnership

The pupil needs to use the instrument on a regular basis either in class or in a school/centre ensemble. If a pupil receives tuition (even in school time) but does not use the instrument as indicated, then this scheme is not applicable. The instrument needs to be brought into the school/centre on at least a weekly basis. Larger instruments are, by their nature, excluded (eg pianos).

Providing the above criteria are met, those wishing to purchase an instrument and avoid VAT should follow the procedure outlined below:

- Seek advice from your instrumental teacher about the sort of instrument which would best suit your needs.
- Agree with a supplier the instrument make, model and price details.
- Complete the form below and return it, together with a cheque payable to DCC, for the net amount (ie without VAT) to the City and County Music Partnership at Matlock
- The LEA will then issue an official order to the supplier who will provide an invoice to the Authority.
- When this has been paid by the LEA, the instrument may be collected by you from the supplier.
- If you have any queries regarding the use of this form, please contact the Music administrator.

TO: Music Partnership, John Hadfield House, Dale Road, Matlock DE4 3RD

Name of Pupil: _____

Address: _____

Telephone No. _____

School and/or Music Centre attended: _____

Details of Instrument:

Type: _____

Price before VAT: £ _____

Manufacturer _____

VAT amount: £ _____

Model _____

Total: £ _____

Details of Supplier:

Name: _____

Address: _____

Telephone Number: _____

Signed (Parent/Guardian) _____

Signed (Headteacher/Chair of Music Centre) _____

Staff secondments

- 8 Teaching staff seconded to other organisations
- Within Derbyshire County Council = Non-business AN
 - To other Local Authorities for teaching purposes = Non-business AN
 - To other educational establishments e.g. University = exempt A9 where teaching involved
 - To examination boards for marking and invigilating = non-business AN

Vocational Training

- 9 Secondary schools involved in vocational courses might receive income from other sources such as government grants, employers, local partnerships. Often these types of funding come through government training schemes and can involve complex arrangements so you should always seek advice from the Council VAT officer.

Recharges to other schools

- 10 Recharges to Derbyshire schools fall outside the scope of VAT. Recharges to **academies** are different as academies are not part of Derbyshire County Council, please refer to the main guide **Accounts Receivable annex 6**. This can be a complex area and it is prudent to seek advice from the Council VAT Officer to discuss any source of funding.

Private School Fund

The private school fund falls outside of the Council's control and is specific to the governing body. Where a school decides to put income into the school fund, for example tuck shop or vending machine, then this income counts towards the school fund's VAT registration limit - £77,000 at the time of writing. Although it would be exceptional for a school to exceed this limit the governing body should be aware that it has the responsibility to monitor this.