

Wokingham Borough Council

VAT Manual

Please note that the legislation regarding VAT for local authorities differs to that relating to businesses and guidance given here may only apply to local authorities. Her Majesty's Revenue and Customs (HMRC) operates a 'National Advice Service' to assist businesses, but because the guidance may not apply to local authorities, this should not be used by the Council. **Please refer any queries initially to the VAT Queries mailbox as given below.**

The manual is divided into seven principal areas:

1. General Principles of VAT
2. Input Tax (Expenditure)
3. Output Tax (Income)
4. Partial Exemption
5. At-a-glance VAT Treatment of Income and Expenditure
6. Useful Links
7. Frequently Asked Questions

If you have any comments or questions, please contact the following:

VAT Queries Mailbox: VATQueries@wokingham.gov.uk

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General Principles

1.1 Overview

VAT is a tax chargeable on most business transactions in the UK. Businesses and organisations add VAT to the price that they charge for the provision of goods and services, whether their customers are business customers (for example suppliers) or non-business customers (for example members of the public).

In most cases, VAT registered businesses or organisations charge VAT on the goods and services they provide and reclaim the VAT they pay on the goods and services they buy. Non-VAT registered businesses cannot charge or reclaim the VAT paid on the purchase of goods and services.

The VAT paid on business related purchases is called 'Input Tax.' See the Inputs section for more information.

The VAT added to the sale price of your goods and services is called 'Output Tax.' See the Outputs section for more information.

VAT registered businesses and organisations must submit a VAT return at regular intervals (monthly in the case of the Council). The return shows your Input Tax (VAT paid on your purchases) and Output Tax (VAT charged on your sales).

In the case of most businesses, the amount of Output Tax is more than the Input Tax. The difference between the two is paid over to HMRC with the return. In the Council's case, however, the amount of Input Tax is more than the Output Tax. The Council therefore claims the difference back from HMRC.

It is important to maintain the distinction between Input Tax and Output Tax - irrespective of which direction money changes hands. For example, a refund cheque sent by a supplier in respect of an invoice already paid by the Council is negative Input Tax (rather than Output Tax) even though the Council is receiving the payment. Similarly, if the Council refunds a part year of a season ticket VAT must be declared as negative Output Tax (rather than Input Tax) even though the Council is making a payment.

Under section 33 of the VAT Act 1994, local authorities and certain similar organisations are entitled to recover VAT on purchases for use during non-business activities (generally those conducted under statutory obligation). Technically this is not 'Input Tax' as it is not incurred in connection with the making of a business supply, however for convenience within this manual the term is used to cover both true Input Tax and VAT recoveries under section 33.

Not all bodies that you may consider as being 'similar' to local authorities are covered by section 33. Examples of organisations excluded from section 33 are health authorities, central government departments and governor / parent teacher associations within schools.

1.2 How VAT Works

Taking a manufacturing operation as an example: -

- Company A supplies company B with timber and other materials for £60.00 (incl. 20% VAT). Company B then manufactures an item of furniture that it sells to a member of the public (C) for £180.00 (incl. 20% VAT).
- B receives an invoice from A. It pays A £60.00 - but reclaims from HMRC £10.00 input tax. The actual cost to B of this purchase is therefore £50.00. B sells the furniture to C, and C pays B £180.00 - but B must pay £30.00 output tax to HMRC. The actual income retained by B is therefore £150.00.
- The manufacturing process carried out by B has clearly 'added value' to the goods sold to it by A. The value they have added can be calculated as the income they retain from the sale, less the cost of the goods supplied - i.e. £150.00 - £50.00 = £100.00. The tax difference - i.e. the difference between the output tax paid to HMRC on the selling price and the input tax recovered on the purchase of the goods is £30.00 - £10.00 = £20.00 - which is 20% of the 'value added'.

Generally, VAT is only a cost to the end consumer, who is unable to recover VAT. In practice, this is not always the case, as the ability to recover VAT on inputs to a business is in some instances restricted. This can cause VAT costs to 'stick' with a business.

1.3 VAT Registration

Not all organisations are registered for VAT. Smaller bodies that are not registered cannot reclaim VAT when incurring it on their expenditure, and neither do they include VAT in their charges. However, if an organisation's annual taxable turnover exceeds the VAT registration threshold (currently £90,000) they must register for VAT. They are permitted to de-register should their taxable turnover fall below the de-registration threshold (currently £88,000) Local authorities are required to register for VAT regardless of their taxable turnover.

Schools (particularly larger secondary schools) should be aware of the registration limits as these may apply to their Private Funds. If there are any concerns that a Private Fund will exceed the registration limits, or for a 'health-check,' please contact the VAT Queries mailbox (VATQueries@Wokingham.gov.uk).

Wokingham Borough Council's VAT registration number is **GB 200 3514 35**.

An organisation's taxable turnover is deemed as being the total net of VAT value of business supplies, they make that would be liable to VAT at the standard, reduced or zero rate if that organisation were VAT registered. Taxable turnover does not include any supplies that are either exempt from VAT or are not made in the course of business.

1.4 The VAT Return

Input Tax and Output Tax are accounted for by Wokingham Borough Council on a monthly VAT return. The Council's VAT return will normally result in a refund by HMRC to the Council because the Input Tax paid on the Council's expenditure is greater than the Output Tax received on its income.

All income and expenditure recorded against budgets in BWO General Ledger is shown NET of VAT. Input Tax and Output Tax are recorded separately from normal cost centre codes. Invoices for payment must be coded net of VAT to the appropriate cost centre code(s) with the VAT element allocated to a special VAT code. Similarly, any VAT on Accounts Receivable (AR) invoices raised for sums due to the Council must also be identified. The total amounts on the VAT codes are then included in the VAT Return and sent to HMRC.

NB. Extreme care must be taken in the recording of VAT. HMRC devote much effort to auditing the VAT figures reported to them by registered bodies and has an impressive armoury of penalties which can be applied, even when innocent errors are made.

1.5 VAT Rates

As already mentioned, VAT falls into two categories: Input Tax (on expenditure) and Output Tax (on income). The applicable VAT Rate is summarised below. However, for a more comprehensive guide on the applicable rate for a particular supply, please consult the A-Z guide.

- **Reduced Rate (5%)** - certain supplies of fuel (excluding road fuels) and energy, mainly supplies for domestic or charitable use, and other 'low quantity' supplies. Small electricity bills at Council premises (often at residential premises) may well be subject to VAT at 5%. Also, some materials used in energy efficiency projects are taxable at the Reduced Rate. The current UK legislation for the reduced rate is Schedule 7A to the Value Added Tax Act 1994 (VATA94).
- **Zero Rate (0%)** - certain basic food items, books, children's clothing, and certain supplies to charitable organisations and the disabled. The current UK legislation for the zero rate is Schedule 8 VATA94.
- **Exempt (0%)** - certain land and property transactions, certain health-related supplies, certain supplies to or by charitable organisations, cremations (but not burials by a local authority), certain financial services and insurance premiums. Insurance premiums are, however, subject to Insurance Premium Tax (IPT) - this should not be confused with VAT and must not be reclaimed as VAT. The current UK legislation for the exemption is Schedule 9 VATA94.
- **Outside the Scope of VAT (Non-Business) (0%)** - supplies made by an organisation that is not registered for VAT, grants, statutory fees and charges, internal transactions (but see following section), charges made that do not relate to any supply of goods or services, or any other supplies not made in the course of business. This is also referred to as **non-business**. For local authorities, services which are provided as part of its statutory monopoly (e.g. licences, library fees, school meals to pupils, planning fees) are classified as non-Business.
- **Standard Rate (20%)** - not specifically detailed or listed in legislation, but effectively are any transactions not falling into one of the above categories. The standard rate of VAT is therefore the default rate.

Generally, everything (goods or services) supplied by an organisation that is registered for VAT is subject to VAT at the Standard Rate, unless it falls into one of the categories described above.

The historical UK Standard Rates of VAT are as follows:

From (incl)	To (incl)	Rate
1 st April 1973	28 th July 1974	10%
29 th July 1974	17 th June 1979	8%
18 th June 1979	31 st March 1991	15%
1 st April 1991	30 th November 2008	17.5%
1 st December 2008	31 st December 2009	15%
1 st January 2010	3 rd January 2011	17.5%
4th January 2011	Current	20%

1.6 Internal Transactions

VAT should not be charged on internal transactions, irrespective of what the VAT liability would have been the supply been made to an external customer. Internal transactions should be treated as 'outside the scope' of VAT.

1.7 Retention of Documents

VAT regulations require that all source documentation (e.g., orders, invoices, delivery notes, credit notes, paying-in slips, till rolls, bank statements and any relevant documentation) is kept for a **minimum of six years**. They must be kept in such a form as to allow them to be easily retrieved on demand by an officer of HMRC and easily verifiable as being either the source document or a true and unaltered copy of the information contained in it.

1.8 Requirements of a VAT Invoice

The **minimum** information required on a tax invoice for VAT recovery is as follows: -

- a) An identifying number (e.g. invoice number).
- b) The time of the supply (i.e. tax point – see the Outputs section).
- c) The suppliers name, address, and VAT registration number.
- d) The date of issue of the document.
- e) The Council's name and address, or that of a council establishment or school (not that of an individual person and certainly not that of a third party)
- f) A description of the goods or services supplied and, for each description, the quantity or extent of supply, unit prices, the charge made excluding VAT, and the rate of VAT.
- g) The total charge excluding VAT.
- h) The rate or amount of any discount offered
- i) The total VAT payable.

Where there is a mixture of VAT liabilities (rates used) on an invoice, it should be clear where no VAT is payable, and each liability should be separately totalled.

If the total cost is less than £250 (including VAT), then a less detailed tax invoice will suffice. This should contain (as a minimum) the following information: -

- The suppliers name, address, and VAT registration number.
- The time of the supply (i.e. tax point).
- A description sufficient to identify the goods or services supplied.
- The charge made, including VAT.
- The rate of VAT.
- The total VAT payable.

If there is no VAT registration number, then it is possible the supplier is a small organisation that is not registered for VAT. In this case, the supplier will charge no VAT. If a supplier charges VAT, they must record their VAT registration number on the invoice.

A supermarket till roll is acceptable if it shows the supermarket's VAT registration number and clearly identifies the individual items that are subject to VAT. If the till roll is not acceptable then a VAT receipt must be obtained from the supermarket (ask the cashier or the store's Customer Services Department for a VAT receipt. The store is legally obliged to provide one on request).

There is a concession regarding coin operated machines (e.g. car park machines). Where the total amount of the payment is £25 or less, then VAT can be recovered using the ticket as evidence, even if the ticket does not comply with the requirements of a VAT invoice.

A price sticker is not acceptable evidence for reclaiming VAT.

Photocopies are not acceptable as VAT invoices. A duplicate must be obtained from the supplier.

Section 12.1.21.10 of the Constitution states that:

Payments shall only be made where an original VAT invoice is provided as a supporting voucher, OR the invoice is produced electronically by a system approved by the Director of Resources and Assets (Chief Finance Officer), other than where payment is supported by a contract certificate or internal payment voucher. Any alteration to a sum due shall be supported by a debit or credit note.

1.9 Proforma Invoices

A 'proforma' invoice may be issued by a supplier when they require payment in advance. It will have all the elements of a VAT invoice but will say 'This is not a VAT invoice' on it. Therefore, a proforma invoice is not a valid VAT invoice. Once the supplier has received payment they will issue a valid VAT invoice.

As a proforma invoice is not a valid VAT invoice, VAT must not be reclaimed. The whole cost including VAT must be charged to the cost centre to pay a proforma invoice. When the VAT invoice arrives contact the Purchase to Pay Team who will arrange to credit the cost centre with the amount of VAT.

1.10 The VAT Fraction

When a less detailed tax invoice is received, the VAT amount needs to be separated for coding. Where **all** the items on the invoice are standard rated (at 20%), the VAT element is 1/6th of the total including VAT, i.e., divide by 6. If **all** the items are at the reduced rate (at 5%), the VAT element is 1/21st of the VAT inclusive amount, i.e., divide by 21.

The VAT fraction is calculated as follows:

$$\frac{\text{Rate of Tax}}{100 + \text{Rate of Tax}}$$

It varies according to the rate of tax chargeable as follows:

Rate of Tax	5%	8%	10%	15%	17.5%	20%
VAT fraction	1/21	2/27	1/11	3/23	7/47	1/6

1.11 Prompt Payment Discounts

If a discount is offered for paying an invoice promptly, VAT is calculated based upon the discounted amount, even if the discount is not taken. The remaining charge is treated as Exempt. Remember to check invoices paid for prompt payment discounts and take them up wherever possible. **Section 12.1.21.8 of the Constitution** instructs that prompt payment discounts are taken up, where available.

1.12 Errors on Invoices

Only the exact amount of VAT as shown on the invoice must be charged to the VAT code. Should there be a dispute with any aspect of the invoice, arrangements should be made for a replacement invoice to be issued. Under no circumstances should an invoice be altered.

1.13 Penalties & Reasonable Care

Where errors have been made, HMRC can apply a range of penalties, and interest charges. These penalties will apply whether the error was a genuine mistake, a fundamental misunderstanding of the VAT Regulations, or attempted evasion of VAT. Please notify the Corporate Finance Team (VATQueries@Wokingham.gov.uk) as soon as you are aware that an error has occurred (including a coding error). They will be able to advise on how to correct the error and where necessary will notify HMRC accordingly.

Any interest or penalties incurred by the Council which relates to your cost centre, and occurs because of your actions, will be charged against your budget.

With effect from April 2009, the penalty regime has changed putting an emphasis on the taxpayer taking 'reasonable care' to ensure that the right amount of tax has been paid. Steps that WBC takes to demonstrate 'reasonable care' are:

- System checks ensure that VAT charged/claimed is at the Standard Rate, where applicable.
- Budget Managers approve invoices, with specific responsibility to ensure the VAT is correct.
- 'VAT only' invoices must be approved by the Corporate Finance Manager.
- High value invoices with VAT are double checked to ensure the VAT evidence is sufficient.

- High value invoices raised on Accounts Receivable with no VAT are checked to ensure VAT should not be charged.
- The VAT Return is completed monthly along with the reconciliation of all VAT codes.
- VAT Training is offered to budget managers, finance officers and school bursars.

1.14 When to contact the Corporate Finance Team

The following is a guide as to when to contact the Corporate Finance Team (VATQueries@Wokingham.gov.uk):

- Whenever there is any query as to the VAT liability of a supply
- To discuss VAT training requirements
- If an error has been made
- Any Land and Property transaction
- Any leasing agreement
- When any Partnership arrangement is being entered into
- Any importing / exporting within the European Union
- To check a Private Fund should not be registered for VAT
- To check if a capital project will affect partial exemption
- If there is anything missing from the VAT Manual

Remember: Most VAT problems can be resolved if they are dealt with **before** they occur. This could potentially save the Council thousands of pounds.

2 Input Tax (Expenditure)

2.1 Recovery of Input Tax

VAT can be recovered on any valid tax invoice, except in the circumstances listed under [When Input Tax Cannot be Reclaimed](#)

If a valid tax invoice is not held for a particular payment, but it is for a supply that is taxable, Input Tax recovery can instead be supported by a tax receipt issued by the supplier. An example of this type of payment is certificate payments to contractors. It is important to ensure that a tax receipt is obtained and retained for the same period as a normal invoice would - without the receipt we have no evidence of our right to claim the Input Tax.

If HMRC asks the Council to produce either a valid tax invoice or tax receipt for a particular transaction and the Council is unable to do so, the Council will be charged for the Input Tax previously claimed (plus interest).

Input Tax can be recovered from the tax point date (as shown on the invoice) but no earlier. It cannot be recovered later than three years after the tax point date.

2.2 Coding Purchase Orders

For payments made through Accounts Payable, the category of VAT needs to be identified along with the cost code to which the expenditure is being charged. These transaction categories are identified by the following VAT codes, which should be selected when raising the purchase order.

Standard Rate	P1
Exempt	P2
Zero Rate	P3
Fuel Rate (Reduced Rate) 5%	P4
Non – Business (NON-BUS)	P5

VAT is shown separately by most suppliers on their tax invoices. The precise amount of VAT as shown on the invoice must be charged to the Council's VAT code. If you dispute the value of the invoice and/or the VAT element, you **must** return the whole invoice to the supplier for replacement, and not simply amend the invoice amounts.

For information about how to pay an invoice on BWO, please contact the Purchase to Pay Team.

2.3 Coding Expense Claims

There are three templates for claiming expenses and each type of expense has a default VAT code (which can be overwritten). Where VAT is identified (e.g. by selecting P1 Standard Rated) there must be a VAT invoice/receipt. If there is no VAT invoice/receipt, P5 non-business must be selected.

Business Expenses (excluding Mileage) - you can claim for the following type of expense:

Accommodation	STD	Taxi Fares	NON BUS
Business calls	STD	Bus Fares	NON BUS
Home Care Business calls	NON BUS	Car parking	NON-BUS
Rail Fares	NON-BUS	Meals	NON-BUS
Air Fares	NON BUS	Eye Tests	NON BUS

Career Development & Training Expenses – You can claim for the following related expenses:

Exam Fees	NON BUS	Registration Fees	NON BUS
Meals	NON BUS	Textbooks (50%)	NON BUS
Public Transport	NON BUS	Tuition Fees	NON BUS

Business Mileage Expenses – Car, Cycle or Motorbike – all STD for VAT purposes.

2.4 When Input Tax Cannot be Reclaimed

There are circumstances when the Council will not be able to reclaim some, or all, the Input Tax shown on an invoice that it pays. These include: -

- where the Council has not received a supply, for example:
 - if our vehicle causes damage to another person's property and we compensate them for the cost of repairs.
 - if we are spending monies belonging to someone else, e.g. disabled facilities grants, disabled student allowances
- VAT incurred on business entertainment.
- purchase or lease of cars (Input VAT recovery will be restricted / blocked if the vehicle may be put to non-charged for private use - includes employee home to work journeys). Leased cars are subject to a 50% block.
- should the Council become partially exempt, any input tax incurred on any expenditure attributable to 'exempt activities. This is currently not an issue for WBC.

2.5 Schools Imprest Claims

Guidance on completing School Imprest Claims is available from Schools Finance Team.

2.6 Composite Tax Rates / Multiple Supply

Sometimes you might get an invoice which appears to have an unusual rate of VAT applied to it i.e. none of the rates that appear in section 1.5 VAT Rates. This may be because the supply you are receiving has two integral elements which are attracting two different VAT treatments.

For example, if you purchase a learning aid 'package' that comprises a book and a CD, this is known as a multiple supply. The book is generally zero-rated, and the CD is standard rated. The VAT rate you see on the invoice is therefore a composite of the two. This will need to be split out into its two elements for input on an imprest or in BWO. The method of doing this is shown below in an example.

An invoice shows the net before VAT as £100 with the VAT rate of 8% at £8. The total invoice comes to £108.00.

To split this into its components you need to do the following:

- Work out the VAT on the £100 at the standard rate - $£100 \times 20\% = £20$
- Divide the amount of VAT on the invoice by the amount above - $£8 / £20 = 0.4$
- Apply that to the £100 - $£100 \times 0.4 = £40$
- This gives you the amount at the standard rate - $£40 \times 20\% = £8$ VAT as on the invoice
- To find the amount at the zero rate take the amount at the standard rate away from the original net - $£100 - £40 = £60$
- Therefore, you would input:
 - £40 at standard rate 20%
 - £60 at zero rate

3 Output Tax (Income)

3.1 Declaration of Output Tax

VAT must be declared on any taxable supplies. Whenever a taxable supply is made, the Council should either provide the customer with a tax invoice or be able to provide them with a tax receipt should it be requested.

Invoices issued using BWO Accounts Receivable system comply with the [Requirements of a VAT Invoice](#) (which are listed in the General Information section). Receipts should also comply with these requirements.

3.2 Timing of Output Tax – the Tax Point

Output Tax must be declared at the tax point date. Failure to do so will lead to interest penalties being imposed by HMRC.

The basic tax point is usually the date that the supply is made. However, if an invoice is issued, or payment received, before the date of supply, then this earlier date becomes the tax point. The invoice or receipt of payment date can also be treated as the tax point providing that they are no later than two weeks after the date of supply.

Technically, this means that if we do not issue an invoice for a supply within two weeks of making the supply, HMRC could impose interest penalties for the period between the date of supply and the invoice date.

Likewise, cash and cheque income must be banked as soon as possible after receipt to comply with the tax point rules. (**Section 12.1.19.6 of the Constitution** also stipulates that all money shall be paid without delay and intact, directly into the Council's income collection account). Once the income is banked and recorded in BWO, the VAT automatically gets included in the VAT Return.

3.3 Single or Multiple Supplies

This issue arises when a supply consists of several separately identifiable goods or services and is particularly relevant where the liability of these if supplied alone would differ. A case taken to the European Court of Justice (Card Protection Plan - CPP) has laid down tests that should be followed.

Firstly, decide upon whether the supplies form one single supply. Examine what the customer is receiving. A single supply must be distinct and independent; it must amount to more than merely a component of a supply. Supplies should not artificially be split. Take the service of a vehicle as an example. The service will consist of several separately identifiable elements, but they are clearly not independent in the context of the customer requiring the vehicle to be serviced, and any split would be artificial.

If this first stage does identify several independent supplies, it should then be considered whether each supply can be regarded as a principal supply, or whether it is merely ancillary to a principal supply.

A supply should be regarded as ancillary if it does not amount to an aim, but simply enhances, or allows the customer to better enjoy, a principal supply. Whether or not the supplies are separately charged for is not in itself a determination of whether they are principal or ancillary.

Where a supply is deemed ancillary to a principal supply, its VAT liability should follow that of the principal supply.

3.4 Raising Invoices on BWO

Income that is collected by invoicing the user should be invoiced within one month of the date when the service is supplied. If this is done, then the date on which VAT is due is the date of the invoice (i.e. the tax point).

If the invoice is issued later than this date, the date when VAT is due reverts to the earlier date of supply (i.e. the basic tax point). An interest charge is due to HMRC for each month or part month between the supply date and the invoice date. This delay should be voluntarily declared to Customs to avoid any penalties being levied.

It is therefore essential that invoices are raised promptly, and requests to the Business Services Team to raise invoices on the Accounts Receivable system must always indicate where VAT is due on the income.

Below are the VAT codes for invoiced income:

S1	Subject to VAT at Standard Rate (currently 20%)
S2	Exempt
S3	Zero Rate
S4	VAT on Fuel (Reduced Rate) (currently 5%)
S5	Non-Business (Outside the Scope of VAT)

Further guidance on raising invoices through the BWO Accounts Receivable system is available from the Business Services Team.

3.5 Cash Office Income

All income must be paid into Cashiers' Section inclusive of VAT, where applicable. In addition to the BWO income code, there is a letter code that indicates the status of the income for VAT purposes. If paid in to Cashiers, both the BWO code and the VAT code should be shown on the back of the bank paying-in slip. The codes currently in use are:

- I1 Subject to VAT at Standard Rate (currently 20%)
- I2 Exempt
- I3 Zero Rated
- I4 Non-Business

Items coded to STD on a paying-in slip will have the VAT automatically deducted before the income appears as a credit to a BWO code.

4 Partial Exemption

4.1 What is Partial Exemption?

In theory, Input Tax cannot be recovered on expenditure incurred in the making of exempt supplies. Organisations such as insurance companies and universities cannot generally recover input tax, as most of their income is exempt.

Any organisation that makes a combination of exempt and non-exempt supplies may still recover input tax incurred in the making of exempt supplies, providing it falls below a de minimis limit. For local authorities, this limit is 5% of total input tax incurred (this is significantly higher than the limit for other organisations). If an authority is above the limit, it cannot recover any input tax attributable to the making of exempt supplies. To determine where the authority is relative to the 5% limit, a partial exemption calculation is undertaken.

Simply, the calculation is to determine the amount of input VAT (i.e. on expenditure) incurred on making exempt supplies (see Briefly - Income by Service Unit for those activities which are exempt). If this does not amount to more than 5% of the total input VAT incurred by the authority, then no further action need be taken. WBC is currently well under the 5% limit, however it need only take one capital project on an area where exempt supplies are made, to exceed this.

4.2 What is the cost of becoming partly exempt?

The Council currently recovers over £26million input tax per year from HMRC. Therefore, even if the authority only slightly exceeded the 5% de minimis limit it would be required to repay HMRC over £1.3million for every year that the limit was exceeded. This would fall as an extra cost to all services making exempt supplies.

It is therefore extremely important that we do not exceed the limit! See the section [When to contact the Corporate Finance Team](#) to avoid the Partial Exemption pitfalls.

4.3 VAT Planning

Where the Council is looking to engage in a large or capital project, thoughtful consideration should be given to the effect this may have on the partial exemption calculation.

Not taking the VAT implications into account could impose serious financial restrictions on the Council. Any concerns or queries should be addressed to the Corporate Finance Team (VATQueries@Wokingham.gov.uk) so that external advice can be sought if necessary.

5 Briefly - Income by Service Unit

The table below lists the main items of income, along with their associated VAT Treatment. Please note that when paying in income via the Cash Office the VAT Indicator is still required for their system. Some items have more information elsewhere in the manual – please refer to the indicated section to ensure that any conditions are met. Please look at our A-Z listing for more detailed reasoning for VAT Treatments.

Income Type	VAT Treatment	VAT Indicator
Adult Social Care		
Accommodation supplied to staff at Social Services establishments	Non-Business	I4
Adults Day Care Meals – to clients	Non-Business	I4
Adults Day Care Meals – to non- clients	Standard	I1
Adults Day Care to other Local Authorities	Non-Business	I4
Adults Respite Care	Non-Business	I4
Day Care charges to other Local Authorities	Non-Business	I4
Domiciliary Laundry Service	Non-Business	I4
Home Care Service and Community Support Service	Non-Business	I4
Meals at Home Service (if part of care package)	Non-Business	I4
Mental Health Meals – to clients	Non-Business	I4
Mental Health Meals – to non-clients	Standard	I1
Older People Residential Care Charge (WBC Homes)	Non-Business	I4
Older People Residential Care Charge (Independent Sector Homes)	Non-Business	I4
Training Course Fees to other Local Authorities	Exempt	I2
Training Course Fees to Voluntary Bodies	Exempt	I2
Training Course Cancellation Fees	Exempt	I2

Income Type	VAT Treatment	VAT Indicator
Children's Services		
Court Assessments Charge to other Local Authorities	Non-Business	I4
Disabled Children's Saturday Clubs	Non-Business	I4
Educational School trips	Non-Business	I4
Non-Educational School trips	Contact Schools Finance	
Home Care Services and Community Support Services	Non-Business	I4
Home to School / College Transport	Zero	I3
Meals to Adults other than those on Lunchtime Duty	Standard	I1
Meals to Lunchtime Controllers	Non-Business	I4
Meals to Pupils	Non-Business	I4
Respite Care – Charges to Parents	Non-Business	I4
Sale of Books, Booklets, Brochures, Pamphlets, Newspapers, Journals, Periodicals	Zero	I3
Sale of Clothing to Pupils – size underage 14	Zero	I3
Sale of Clothing to Pupils – size over age 14	Standard	I1
Sale of Equipment to Pupils	Non-Business	I4
Sale of Equipment to Pupils if conditions not met	Standard	I1
Sale of Equipment to Staff and non-pupils	Standard	I1
Sale of Musical Instruments	Non-Business	I4
Sale of Musical Instruments if conditions not met	Standard	I1
Sale of Musical Instruments to Staff or non-pupils	Standard	I1
Sales from Vending Machines / Tuck Shops if run by the school for a profit	Standard	I1
Sales from Vending Machines / Tuck Shops if run by the school and sold at or below cost	Non-Business	I4
Sale of Work Produced in Class (if sold at no more than cost of materials)	Non-Business	I4
Sale of Work Produced in Class (if sold for a profit)	Standard	I1
School Photographs	See VAT A-Z listing for further details	
School Uniform items with Prominent Badge or Logo (Primary schools only)	Zero	I3
Summer Respite Care Scheme - charge to other Local Authorities	Non-Business	I4
Youth and Community Room Lettings	See VAT A-Z listing for further details	

Income Type	VAT Treatment	VAT Indicator
Chief Executive		
Audio Visual Loan Charges	Non-Business	I4
Library Overdue Charges	Non-Business	I4
Lost and Damaged Items Fee	Non-Business	I4
Lost Ticket Charge	Non-Business	I4
Photocopying	Standard	I1
Printing from Electronic Info Sources	Standard	I1
Reservations Fee	Non-Business	I4
Withdrawn Stock: Audio/Visual	Standard	I1
Withdrawn Stock: Books	Zero	I3
Withdrawn Stock: Reference Books	Zero	I3
Approved Marriage Premises Fee	Non-Business	I4
Attendance at Marriage Fees	Non-Business	I4
Certificate Fees (Births, Deaths, and Marriages)	Non-Business	I4
Citizenship Fees	Non-Business	I4
Civil Partnerships	Non-Business	I4
Commitment Ceremony	Standard	I1
Celebratory Services	Standard	I1
Formal Giving of Notice	Non-Business	I4
Hire of Council Chamber for a Wedding - generally	Exempt	I2
Hire of Council Chamber for a Wedding – if part for catering charge	Standard	I1
Marriage Fees	Non-Business	I4
Naming Ceremony	Standard	I1
Other Ceremonies Fees	Standard	I1
Registration Fees for Births, Deaths, and Marriages	Non-Business	I4
Wedding in the Register Office	Non-Business	I4

Income Type	VAT Treatment	VAT Indicator
Place & Growth		
Highways		
Abandoned Cars	Non-Business	I4
Construction of Vehicle Crossings, if not part of construction of new house	Standard	I1
Footway Crossings – Application Fee	Non-Business	I4
Footway Crossings – Site Supervision Fee	Non-Business	I4
Garden Refuse collected upon request with household refuse	Non-Business	I4
High Hedges Legislation	Non-Business	I4
Highways Information and Traffic Scheme Information – Survey Extracts	Zero	I3
Other Street works	Standard	I1
Private Street Works on new constructions when houses are built	Zero	I3
Provision of Data/information to Developers – if only source of info	Non-Business	I4
Provision of Data/information to Developers – otherwise	Standard	I1
Rent of Land – Other / Wayleave	Exempt	I2
Request for Change of Name of Property	Non-Business	I4
Sewer Records Advice – copies of sewer records – if only source of info	Non-Business	I4
Sewer Records Advice – copies of sewer records – otherwise	Standard	I1
Street Light Column Relocation	Non-Business	I4
Tree Preservation Order	Non-Business	I4
Traffic Management Fees (WBC is Highway authority)	Non-Business	I4
Boat Mooring	Standard	I1
Car Boot Sales – Letting of Land to Operator	Exempt	I2

Income Type	VAT Treatment	VAT Indicator
Pitch Bookings and Countryside Services		
Cricket – Pitch & Pavilion Hire	Non-Business	14
Cricket – Pitch & Pavilion Hire – Other	Non-Business	14
Countryside Service – WBC School Charges	Non-Business	14
Countryside Service – Outside WBC School Charges	Non-Business	14
Countryside Service – Schools Cancellation Charges	Non-Business	14
Countryside Service – Schools Equipment Hire – WBC schools	Standard	11
Countryside Service – Schools Equipment Hire – non-WBC schools	Standard	11
Countryside Service – Refreshment Concession	Exempt	12
Fishing Permits	Non-Business	11
Guided walks/ Outside talks within District	Exempt	12
Loddon Room Hire	Exempt	12
Loddon Room – Locking up Charge	Standard	11
Loddon Room – Hire of Equipment	Standard	11
Pavilion Hire	Exempt	12
Pitch Hire	Non-Business	14
Pitch & Putt	Non-Business	14
Rounders/Softball	Non-Business	14
Tennis Court Per Hour	Non-Business	14
Tennis Court Season Tickets - generally	Non-Business	14
Tennis Court Season Tickets	Non-Business	14
Licences		
Animal Premises Licences	Non-Business	14
Charges for Advice and Research	Standard	11
Dangerous Wild Animals Licence	Non-Business	14
Dermal Treatments Licence	Non-Business	14
Environmental Protection Act Authorisations	Non-Business	14
Fees under Licensing Act 2003	Non-Business	14
Fireworks and Explosives Licence	Non-Business	14
Game Dealers Licence	Non-Business	14
Late Night Refreshments Licence	Non-Business	14
Licence to Plant in the Highway	Non-Business	14
Lottery Registration	Non-Business	14

Income Type	VAT Treatment	VAT Indicator
Motor Salvage Operators Fee	Non-Business	I4
NRSWA – Street Works Licence	Non-Business	I4
Performing Animals Registration	Non-Business	I4
Petroleum Licence	Non-Business	I4
Poisons Act	Non-Business	I4
Skip Licence	Non-Business	I4
Statutory Licences (e.g. lotteries, taxis, street traders)	Non-Business	I4
Street Trading Consent	Non-Business	I4
Weights and Measures Fees	Non-Business	I4
Planning		
Building Control Fees	Standard	I1
Developers' s106 Contributions	Non-Business	I4
Planning Application Fees	Non-Business	I4
Sales of Planning Application plans	Zero	I3
Sales of Publications	Zero	I3
Refuse		
Bulky / White Goods Collection (from private dwelling)	Standard	I1
Commercial Waste Disposal Fee	Standard	I1
Green Waste Sacks	Non-Business	I4
Parish Containers for additional emptying - i.e. Skips	Standard	I1
Housing		
Bed and Breakfast Charges	Non-Business	I4
Garage Rents – If provided to tenant with LA house / flat	Non-Business	I4
Garage Rents – Right to Buy Leaseholder	Non-Business	I4
Garage Rents - Otherwise	Standard	I1
Gypsy Caravan Sites Licence Fee	Non-Business	I4
House and Flat Rents	Non-Business	I4
Mobile Homes Licence Fee	Exempt	I2

Income Type	VAT Treatment	VAT Indicator
Car Parking		
Car Parking Charges – Off Street Parking	Standard	I1
Car Parking Charges – On Street Parking	Non-Business	I4
Excess Parking Charges – Off Street	Standard	I1
Parking – Penalty Charges	Non-Business	I4
Rent of Land for a Car Park	Exempt	I1
Cemeteries		
Cemeteries – Interment Fees	Non-Business	I4
Cemeteries – Exclusive Rights of Burial Fees	Non-Business	I4
Cemeteries – Memorial Fees – Right to Place Memorial	Non-Business	I4
Civil Funerals	Exempt	I2
Stray Dogs - Kennel Fees	Standard	I1
Stray Dogs – Animal Warden Fee	Non-Business	I4
Private Water and Pool Sampling	Standard	I1
Place & Growth - Taxis		
Taxis – Vehicle Licences	Non-Business	I4
Taxis – Driver Licences	Non-Business	I4
Taxis – Knowledge Tests – if part of licencing	Non-Business	I4
Taxis – Medical – if part of licencing	Non-Business	I4
Taxis – Replacement Badge and Plates	Standard	I1
Taxis – Operators Licence	Non-Business	I4
Taxis – School Accreditation Scheme	Non-Business	I4
Other		
Concessionary Travel	Zero	I3
Local Land Charges	Non-Business	I4
Park and Ride Income	Standard	I1
Sale of Electoral Registers	Non-Business	I4
Sale of Statement of Accounts	Zero	I3

6 Useful Links

Click on the links below for more information:

WBC Constitution Finance and Procurement and Contract Regulations

[Wokingham Borough Council Constitution](#)

HMRC Website

[HM Revenue & Customs: VAT](#)

HMRC Publications:

VAT and Government Bodies [HMRC Government and Public Bodies](#)

Notice 700 The VAT Guide [The VAT Guide December 2014 \(updated September 2023\)](#)

Notice 701/7 VAT Relief's for disabled people and older people [HM Revenue & Customs](#)

Notice 701/16 Water and Sewerage Services [HM Revenue & Customs](#)

Notice 701/19 Fuel and Power [HM Revenue & Customs](#)

Notice 701/20 Caravans and Houseboats [HM Revenue & Customs](#)

Notice 701/30 Education & Vocational Training [HM Revenue & Customs](#)

Notice 701/31 Health & Care Institutions [HM Revenue & Customs](#)

Notice 701/32 Burial, cremation, and the commemoration of the dead [HM Revenue & Customs](#)

Notice 701/35 Youth Clubs [HM Revenue & Customs](#)

Notice 701/36 Insurance [HM Revenue & Customs](#)

Notice 701/41 Sponsorship [HM Revenue & Customs](#)

Notice 701/49 Finance [HM Revenues & Customs](#)

Notice 709/1 Catering and take-away food [HM Revenue & Customs](#)

Notice 714 Young children's clothing and footwear [HM Revenue & Customs](#)

Notice 742 Land and Property [HM Revenue & Customs](#)

Notice 749 Local Authorities & similar bodies [HM Revenue & Customs](#)

7 Frequently Asked Questions

Q: Should VAT be added to the transaction?

A: Refer to the At a Glance section of the VAT Manual or the A-Z listing. If the answer is not there, contact VAT Queries.

Q: Can we buy some goods on behalf of a charity to claim the VAT back?

A: No – this is VAT evasion! However, a charity can donate funds to us for us to make the purchase. The important thing here is to ensure that we do not promise to do anything in return for the charity.

Q: Should a school's Private Fund be VAT registered?

A: If the income levels on Business activities exceed the registration threshold (see the VAT Manual for current limits). If you would like a review of your Private Fund to identify Business activities, please contact VAT Queries

Q: The invoice I have received does not have all the usual VAT information on – can I pay it?

A: If the invoice is for under £250 it may be a less detailed VAT invoice. Refer to the VAT Manual for the requirements of both full and less detailed VAT invoices – if the invoice does not comply, contact the supplier, and request a new invoice. The invoice must comply with the VAT requirements before payment.

Q: I have looked at the VAT Manual and the A-Z listing and still do not know what to do!

A: Please contact VAT Queries – we will find an answer to your query. It also helps us as it shows us what areas of the VAT Manual need updating.