

Wokingham Borough Council

A – Z Listing



VAT A-Z LISTING

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Version	Date	Description
1	7/3/2025	VAT A-Z Up to date for current VAT treatment
Author	Sarah Orme	

VAT A-Z LISTING

See below for an A-Z listing of the main areas that the authority is involved in, with the appropriate VAT treatment in BWO. If you can't find what you are looking for, please contact the Corporate Finance Team to ensure it will be included at the next revision!

VAT Treatment	Current Rate	WISE	Cash Office	BWO SALES	BWO PURCHASES
Standard Rate	20%	STD	I1	S1	P1
Exempt	0%	EXEM	I2	S2	P2
Zero Rate	0%	ZERO	I3	S3	P3
Fuel Rate (Reduced Rate)	5%	FUEL	-	S4	P4
Outside of the Scope (Non Business)	0%	NBUS	I4	S5	P5

HMRC's The VAT Guide – Notice 700 (August 2013) may also be of use.

Administration Fees

Administration fees should normally follow the liability of the main supply, whether or not that supply is charged for. If the only supply is one of administrative services, then charges are Standard Rated.

Admission Charges

Admission charges will usually be Standard Rated. However, where the Council is statutorily obliged to operate a facility, is permitted to make an admission charge and is not in competition, then the charge may be Outside the Scope of VAT (Non Business).

Adoption Services

Notice 701/2 Welfare

Services provided by a Local Authority in connection with adoption are Non Business activities and not subject to VAT when carried out as part of the Local Authority's statutory responsibility. The following is guidance on charges received from approved adoption agencies:

1. Inter-country adoption

With effect from 1 January 2002, any charge made by a charitable approved adoption agency for home study assessments for inter-country adoptions will be VAT Exempt. This is a change to the previous policy, which took the view that such supplies were taxable, and supports the Government's policies for the encouragement of safe adoption and should reduce the cost of home study assessments for prospective parents of children from abroad. In HMRC's view this is unlikely to affect Local Authorities as charges for these services are made directly to the prospective parent and are not funded by the Local Authority.

2. Domestic adoption

For domestic adoptions, any charges made by a charitable approved adoption agency in connection with the adoption of a child are VAT Exempt. This includes the service of the provision of pre-adoption training, advice and guidance, the assessment of prospective adopters together with the actual placement of a child. This provides for equal treatment for VAT on pre-adoption assessment services carried out in connection with domestic and overseas adoptions.

HMRC believe that all the approved agencies for inter-country and domestic adoption work are charities. However, if these supplies were to be made by non-charitable organisations, they would not be able to exempt these supplies, and they would have to charge VAT in the normal way.

Adult Education

Any supplies of adult education by the local authorities, colleges and universities are Exempt from VAT.

Advertising

Any supply of advertising is Standard Rated

Alarm Systems

Charges for the supply or installation of alarm systems are Standard Rated.

Allotments

Any provision of allotments under the Allotments Acts 1908-1950 is Outside the Scope of VAT (Non Business). Supplies not falling under these acts are the same as any other supply of land – see

Amusement and Gaming Machines

Notice 701/29 (February 2013)

Previously all takings from such machines were Standard Rated for VAT. From 1 February 2013, a distinction has been made between relevant gaming machines and dutiable gaming machines.

Relevant gaming machines are a game of skill or chance or both that is played on a machine for a prize and which is not subject to any duty. Examples are non-cash prize machines such as winning a teddy from a crane grab machine or where you win a ticket that can be exchanged for a non-cash prize. All takings from relevant gaming machines are Standard Rated for VAT.

A machine is considered dutiable if at least one prize is, or includes, cash to a value greater than the cost to play once. For such games a new excise duty, Machine Game Duty (MGD) was introduced. Where MGD is chargeable, no VAT is due on the machine game takings as the supplies are Exempt. The MGD rate applicable falls into 2 categories, type 1 at 20% and type 2 at 5%.

Machine Game Duty is totally separate from VAT and is reported on a separate return to HMRC.

If income is simply received from the operator of such a machine, then this is viewed as a site hire - see **Land and Property**. Charges for siting gaming machines are Standard Rated.

Animals

Notice 701/15 (December 2011)

The supply of an animal that is of a species/breed typically consumed as meat (whether or not the animal is being supplied with that intention) is Zero Rated. Supplies of other animals are Standard Rated. Grazing rights are supplies of land - see **Land and Property**. For supplies of animal feed - see **Food and Drink**.

Ashes

Notice 701/32 (January 2012)

Burial of ashes by a Local Authority is Outside the Scope of VAT (Non-Business).

Asylum Seekers

Supplies made to asylum seekers under a statutory obligation are Outside the Scope of VAT (Non Business). Supplies not made under a statutory obligation - see the section relevant to that supply.

Audio Books

Sales of audio books are usually Standard Rated. However they may be supplied to the blind which will be Zero Rated on production of a certificate of eligibility (See [Disabled Persons' Relief](#)). Charges for the loan of audio books by public libraries is Outside the Scope of VAT (Non Business) – see [Libraries](#).

Authenticated Receipts to Building Contractors

This method can be used to arrange payments by the customer to contractors in the construction industry on a periodic basis. It cannot be used for payments to suppliers outside the construction industry.

The method is often used where interim payments are made, following the receipt of a certificate from an architect or quantity surveyor. An agreement must be made between the contractor and customer to use this method of payment, and no conventional VAT invoices must be issued.

The method of operation is as follows:

1. The contractor requests a payment from the customer.
2. The customer processes a payment to the contractor, enclosing a pre-completed receipt (addressed to himself) with the payment.
3. The contractor authenticates the receipt and returns it to the customer.

For the customer, this authenticated receipt then serves as the VAT invoice once it is returned, supporting the recovery of input tax on the payment.

Although straightforward, there are dangers with this system, particularly where the VAT element of the payment is coded out in the accounts when the payment is made:

1. If the payment is made towards the end of a VAT period, the authenticated receipt will be stamped by the contractor (and returned) at the start of the next period. In this case, HMRC will issue an assessment (invoice) for a month's interest on the VAT concerned. (Reclaim of the VAT is only legitimate for the period in which the authenticated receipt is returned).
2. Some authenticated receipts are never returned by the contractor, and the VAT recovered is therefore unauthorised.
3. Payments for the contract are based on a mixture of VAT invoices and authenticated receipts.

Authenticated receipts are checked by HMRC on a regular basis during their control visits.

Bed and Breakfast

FIS VAT News 3/1987

A local authority as housing authority is required to see that accommodation is made available to a homeless person under the Housing (Homeless Persons) Act 1977. When a local authority places a homeless person in bed and breakfast accommodation in a hotel or boarding house the local authority is carrying out a non-business activity. Therefore, any charge made to the homeless person is also Non-Business.

Books

Notice 701/10 (December 2011)

Books and Booklets normally consist of text or illustrations, bound in a stiffer cover than their pages. They may be printed in any language or characters (including braille or shorthand), photocopied, typed or handwritten, so long as they are found in book or booklet form.

Supplies of any of these by or to a school, college or any other educational institution are Zero Rated:

- Literary works
- Reference books
- Directories
- Antique books
- Collections of letters or documents permanently bound in covers
- Loose-leaf books, manuals or instructions, whether complete with their binder or not
- Amendments to zero rated loose-leaf books, even if issued separately

Supplies of other publications etc are usually Standard Rated except where they are supplied by an eligible body in the course of business to its students or pupils and are closely related to the supply of education, in which case they will be Exempt from VAT.

Where such goods are supplied to students by an eligible body at or below cost they are not considered to be supplies in the course of business and are outside the scope of VAT (Non-Business).

Publications in this category will include the following:

- School workbooks and other educational texts in question and answer format with spaces for the insertion of answers, unless the provision of the space is purely incidental to the essential character of the publication.
- exam papers in question and answer format provided they qualify as books, booklets, brochures, pamphlets or leaflets.

It should be noted that the Tribunal case regarding West Herts College concluded that the giving away of the College's prospectus was a supply of goods and this supply of goods was subject to the Zero-Rate of VAT. This could change the general overall treatment of college prospectuses which have previously been considered to be exempt from VAT. This Tribunal case has since been upheld in the High Court.

The High Court case regarding the Church of England's Children's Society also supported this view. It ruled that the giving away of a newsletter constituted a Zero-Rated supply and therefore VAT incurred on the production and distribution costs of the newsletter can be recovered in full.

Children's picture books supplied to or by an eligible body are Zero Rated, whether they are printed on paper or textiles, e.g. children's rag books, unless the article is essentially a toy, which normally would be Standard Rated. However, if articles which would normally be standard rated are supplied by an eligible body to its pupils or students, their supply may be closely related to the provision of education and may be Exempted. Such articles will include:

- Books consisting wholly or mainly of pictures or models for cutting out, but books with printed text directly related to the material for cutting out covering at least 25% of the pages can be Zero Rated. (Pages of assembly instructions should not be included as printed text for the purpose of determining eligibility for zero rating).
- 'Pop Up' books where the 'pop up' images are not related to a printed narrative text.

Children's painting books are Zero Rated if

- they consist of bound pages with sample pictures for copying, or outlines of pictures for colouring, painting or drawing.
- similar books with 'invisible' outlines to colour which can be made visible by rubbing with a pencil or applying water with a paint brush,
- books in which the small amounts of water colour required for colouring are contained in the book
- activity books which combine pages of colouring with pages of puzzles, quizzes and the like.

However, colouring books, sketch books, painting books and all similar books which are intended for use primarily by adults are Standard Rated.

In general, a non-LA school, which charges its students or pupils for goods and services which are closely related to the supply of education, may Exempt such supplies. Such supplies may, occasionally be eligible for both exemption and zero rating, e.g. books. Where this is the case, either liability may be applied.

For a local authority school however these supplies will be Non-Business as long as they are supplied to the pupil at or below cost. Anything outside of these scenarios are subject to normal VAT rules dependent on the supply.

Breakfast and After School Clubs

VATGPB7845

Also known as wrap around care, when provided at or below cost, activities provided by a local authority school such as breakfast and after school clubs are to be regarded as Non-Business activities.

However, if the charges exceed the cost then an Exempt business supply is being made. The reason for exemption applying is that such supplies are treated as being closely related to education.

Burials and Cremations

Notice 701/32 (January 2012)

Most supplies are Exempt from VAT but there are some exceptions. Burials under the Public Health (Control of Disease) Act 1984 are Non-Business activities.

Burial charges by a local authority are Non-Business. The provision and maintenance of cemeteries by local authorities are also Non-Business.

Building Control Application Fees

Where the authority is acting in competition with Approved Inspectors, charges are Standard Rated. Where this is not the case, e.g. regularisation fees, charges are Outside the Scope of VAT (Non Business).

Business Supplies by Schools

Insofar as a School or College runs courses which are operated in what is essentially a commercial environment, for example an on-site restaurant, beauty salon, car maintenance shop etc, the supply of goods or services from these outlets are usually to be regarded as supplied in the course of business. In this respect, VAT will be applicable to the supplies made by the educational body in the normal way.

Camping

Provision of pitches for tents or caravans on a seasonal basis is Standard Rated.

Car Parking

VATGPB8640

- Charges for off-street parking (including season tickets and permits) are Standard Rated.
- Charges for on-street parking (including season tickets and permits) are Outside the Scope of VAT (Non Business).
- Penalty Charge Notices (PCNs) - whether issued for on- or off-street offences - are Outside the Scope of VAT (Non Business).
- Charges for the letting of land for the purpose of parking vehicles are Standard Rated.
- Parking in a designated countryside park is non-business.

The above liabilities also apply to supplies made to disabled drivers badge holders. However, any charge made for the issue of a Disabled Badge is Outside the Scope of VAT (Non Business).

Caravans

Seasonal sites for Caravans are Standard Rated (for example California Caravan Park) whereas the provision of pitches at permanent residential caravan parks and sites for travellers is Exempt (for example Robinson Crusoe Mobile Home Park).

Care

Wokingham clients' contributions to the cost of care provided under a statutory obligation are Outside the Scope of VAT (Non Business). Charges to other Local Authorities for care of their clients are Non-Business if not in competition (Exempt otherwise).

Cassettes (Audio or Video)

Charges for the sale of audio or video cassettes are usually Standard Rated. Charges by [Libraries](#) in respect of hire, or lost or damaged material are Outside the Scope of VAT (Non Business).

Catering – General

Notice 709/1 (October 2013)

Catering is defined by HMRC as including the supply of prepared food and drink. It is characterised by a supply involving a significant element of service. Where food is supplied that must be prepared by customers before consumption, this is not a supply of catering - see [Food and Drink](#). Supplies of catering are usually Standard Rated. However there are exceptions:-

- Take away supplies of cold food are Zero Rated (except items listed in the exceptions to zero rating on the Food and Drink page - which are Standard Rated)
 - Minor supplies of refreshments incidental to the hiring of premises - see [Land and Property](#).
 - Supplies by a school or a contractor acting as its agent to the school's pupils (otherwise than for profit), and supplies by a social services centre to its clients, are incidental to the supply of education/care and therefore Outside the Scope of VAT (Non Business). Any supplies by a school or a social services centre to its staff or visitors are Standard Rated.
-

Catering – Schools

The Council has contracted out its service for the provision of school meals. A local education authority can supply lunchtime meals to its' pupils as a service "incidental to its provision of education", and the income is then treated as Non-Business, so that no VAT is charged. The sales of food and drink must be at or below cost, i.e. there is no intention to make a profit. A private meals contractor, however, is not involved in the direct provision of education and must charge VAT on school meals. WBC has therefore agreed to purchase pupils' and teachers' duty meals from the contractor, and uses the contractor as its agent to collect school meal charges on the Council's behalf. WBC continues to sell these meals to pupils and need not charge VAT on them.

The following conditions must be complied with:

- “Cost” means the fully overhead-inclusive cost of bringing the food and drink to the pupils – which includes, for example, the labour costs associated with cooking hot meals, and that
- when determining whether a particular school meets the “at or below cost” criterion, it is acceptable to look at all sales of food and drink to pupils, from all outlets in the school, over a period of time such as a year. It is acceptable for an LEA to apply this exercise across all the schools within its control.

In any instance where it appears that a school might fail to meet the “at or below cost” criterion according to this global formula, a separate calculation for each outlet (canteen, refectory, tuck shop, kiosk, trolley, vending machine, etc) must be made to treat as business only those where cost is exceeded.

In general, unless there is compelling evidence to suggest otherwise, it can be accepted that all sales of food and drink by a local authority school to its pupils can be treated as Non-Business. This applies only to schools.

If staff and visitors are free to use any of the catering outlets provided by the school, an apportionment by any fair and reasonable method must be applied to determine the level of taxable business sales.

Adult meals in schools

Meals sold to adults other than those on lunchtime duty attract VAT, which the Council is obliged to charge. Controllers on lunchtime supervision duties are entitled to a free, standard meal, which is Outside the Scope of VAT (Non Business) and paid for by the school. Any additional food purchased by an adult on supervisory duty, is subject to VAT, which is charged on the extra cost. Meals for visitors to the school are also subject to VAT.

The caterers should provide a list of those people claiming a duty meal and the dates involved. A cheque can then be raised on the imprest or local bank account for the number of meals at the standard charge. There is no VAT on this invoice from the caterers - this is dealt with centrally.

If the lunchtime controller wants a more expensive meal, the extra cost above the standard charge should be charged as a separate item. This sale is subject to VAT, and so is any flat-rate cover charge levied.

School meals income rebate from the caterer

The rebate on income paid by the contractor to the school is non-business and no VAT is therefore due.

Catering – Social Services Establishments

Catering in Social Services establishments can either be provided in-house or by an external caterer. The charges made to users should not be affected by how the meals themselves are provided, and the charges are treated for VAT purposes as follows:

Charges to clients – Non-Business

Charges to staff and (non-client) visitors - Standard Rated

If provided in-house, most of the ingredients purchased are zero-rated and there is no VAT to reclaim. However, VAT will be charged by the suppliers on bought-in items of confectionery such as chocolate bars, chocolate biscuits and cream cakes. This can be reclaimed.

Where the meals are provided by an external caterer please contact the VAT Team for the correct VAT treatment.

Cemeteries and Crematoria

Change of ruling 23 March, 2006 and updated by Notice 701/32 (January 2012):

[HMRC Cemeteries](#)

The correct VAT treatment for charges is as follows:

Burial, including the digging, preparation and refilling of a grave	Non Business
Brick Lining of a grave when a requirement of cemetery management	Non Business
Brick Lining of a grave - otherwise	Standard Rated
Cremations, including the supply of an urn or casket in connection with the funeral	Non Business
Right to place memorials or similar items (deemed to be rights over land)	Non Business
Charges for the supply and maintenance of items other than the supply of an urn as part of a cremation	Standard Rated
Charges for entries in books of remembrance and inscriptions	Standard Rated
Removal and re-fixing of memorials to allow a further burial	Non Business
Exhumation for reburial elsewhere at behest of bereaved	Non Business
Exhumations not connected to reburial at another site	Standard Rated

Charity Advertising

Notice 701/58 (March 2002)

Zero Rating is granted on the supply of advertising to charities which is for fund-raising purposes, e.g. seeking donations, legacies etc or publicising fund-raising events like jumble sales, fetes etc, or making known the aims and objectives of the charity.

The relief covers all types of advertisements on any subject, including staff recruitment. The name or logo of the charity does not need to be included for relief to be allowed. However charities are expected to only place advertisements which comply with their charitable objects.

Examples of qualifying advertisements include those for: university courses, school open days (in order to attract new pupils), conferences concerned with the furtherance of the charity's objectives, church services, fund raising events, and requests for aid goods. Also included are advertisements for recruitment of volunteers (including recruitment of people to work overseas at local rates of pay plus travelling expenses).

The relief covers any medium which communicates with the public. This includes all the conventional advertising media such as television, cinema, billboards, the sides of vehicles, newspapers and printed publications. The important factor is whether the advertisement is placed on someone else's time or space. If it is not there will be no scope for zero-rating.

If space is sold to a charity for advertising on other items, such as beer mats, calendars, or the reverse of till rolls, this will also be covered by the zero rate. The sale of the items themselves will not be VAT free, unless they qualify for other reliefs for example as books or children's clothing.

Provided it is intended that the advertisement will be placed in purchased or donated advertising time or space, the supply of design or production of the advertisement will qualify for relief. This includes the design of a poster or the filming or recording of an advertisement to be broadcast.

Goods closely related to the design and production can also qualify for relief, for example:

- a finished article like a film or recorded cassette;
- an element to be incorporated in the advertisement such as a photograph, picture or a sound track; or
- all alternative versions of an advertisement produced, to see which works best, even if it is the intention that only one version will be used.

Some goods such as books and leaflets will be zero-rated to charities under the relief for printed matter as they are when supplied to all other customers.

The Zero Rate also applies to the separate supply of artwork, typesetting, etc when it is to be used for a qualifying printed media advertisement.

Chairman's Allowances

VATGPB8775

Although a chairman is an elected councillor they are, for VAT purposes, treated as an employee when carrying out their official duties. As a result any VAT incurred in the course of their official duties can be recovered subject to the following conditions:

- the local authority accepts responsibility for the actual expenses incurred and enters them in its normal accounts;
- the goods or services are ordered in the name of the local authority and invoices are addressed to the local authority; and
- adequate documentation is retained to support claims for refunds of VAT.

VAT cannot be recovered where it is incurred through expenditure of a flat rate allowance provided in the form of money placed freely at the disposal of the chairman.

Children's Clothing

Notice 714 (June 2011)

Children's clothing is Zero Rated provided that it meets **all** of the following criteria. If it does not, then it will be Standard Rated.

- The items must be clothing or footwear, and not accessories.
- The item must not be made either partly or wholly from fur, other than artificial fur or rabbit, lamb or sheep skin. Also allowable are fur headgear, belts, gloves and footwear, fur lined boots and articles only trimmed with fur (where the area of trim is no more than one-fifth of the of the total garment, and if new, the cost of the fur would not form the majority of the cost of the total materials).
- Either the item must not exceed the following size criteria; or (if larger) the item must be a part of the uniform of a school or other organisation catering only for the under 14's and the item must be clearly unique to that school or organisation by means of a prominent badge, logo or piping:-
- Boys: Shirts and Knitwear - chest 104cm/41"; Jackets - chest 109cm/43"; Coats - chest 114cm/44½"; Trousers - waist 72cm/28½"; Socks and Shoes- size 6½

- Girls: Blouses and Knitwear - chest 105cm/41½"; Jackets - chest 110cm/43½"; Coats - chest 115cm/45"; Dresses - chest 98cm/39½"; Skirts and Trousers - waist 71cm/28"; Socks - size 5½; All Shoes to size 3; and Shoes up to size 5½ where the heel height does not exceed the sole height by more than 4cm

Clothing

Most charges for clothing are Standard Rated. Exceptions to this are **Children's Clothing** and **Safety/Protective Clothing**, which are Zero Rated provided that the relevant criteria are met.

Compact Discs (Audio or CD ROM) and DVDs

Charges for the sale of CDs or DVDs are Standard Rated. Charges by **Libraries** in respect of hire, or lost or damaged materials are Outside the Scope of VAT (Non Business).

Compensation

When compensation is received, the payer receives nothing in return for their payment. The transaction is therefore Outside the Scope of VAT (Non Business). Examples of this would include the recovery of the cost of replacing a lamp post damaged in a road traffic accident, or money received from a pupil in respect of a broken school window.

Computer Software

Supplies of computer software are Standard Rated.

Concessionary Travel Tokens

Charges made for the issue of tokens to eligible individuals are Outside the Scope of VAT (Non Business).

Conference Facilities

Most conferences organised by eligible bodies (i.e. LEA's) in the course of their business, including lectures, talks etc, for which the attendees pay fees, are exempt from VAT as supplies of education. However, where there is no provision of education or its provision is minimal, for example exhibitions etc the exemption from VAT does not apply and the supply is deemed to be one of facilities, of which some may be Standard Rated and some, such as room hire, may be Exempt.

The status of the supply will depend on the circumstances, for example exemption may apply to the provision of a specified stand or space at an exhibition, but if the supply provides for the right to an unspecified stand or space, the location of which is at the discretion of the organisers, then exemption is unlikely to apply.

Providing the supply is made in the course of the provision of education, any supplies of accommodation or catering by the eligible body organising the conference to those attending the conference are also Exempt as supplies incidental to the supply of education.

Contributions

If contributor is not receiving anything in return for their contribution (e.g. contribution towards cost of repair following damage to council property), then the charge is Outside the Scope of VAT (Non Business). Otherwise, see the entry for the supply that the contributor is receiving.

Council Housing

The financial accounting for council housing are separated from the mainstream activities of WBC in a Housing Revenue Account (HRA), and this is a legal requirement. VAT, however, is dealt with in the same way as the rest of the Council's activities.

VAT incurred on any item of expenditure which is charged to the HRA, can normally be coded out to the VAT code and subsequently reclaimed through the VAT return in the same way as any other council expenditure.

VAT treatment of housing activities is as follows:

Housing Rental Income	Non Business
Garage Rents to Tenants (maximum of 2 garages)	Non Business
Rent of Additional Garages to Tenants	Standard Rated
Rent of Garages to Non-Tenants	Standard Rated
Rent of Garage to Right to Buy Leaseholder	Non Business
Service Charges to Tenants (and Former Tenants) and Leaseholders for Maintenance of Common Areas	Non Business
Optional Services to Tenants and Leaseholders	Standard Rated
Fuel Supplied to Tenants	Lower Rate
Charges for leaving premises in an unfit condition (former tenants)	Non Business
Where a local authority carries out repair and maintenance work which, under statute or the terms of the tenancy agreement, is the responsibility of the tenant, and makes a charge to the tenant.	Standard Rate
Repairs necessitated by a tenant's failure to act in a tenant-like manner. These repairs therefore become the responsibility of the tenant.	Standard Rate
Where an authority effects repairs and makes no charge to the tenant, it is regarded for VAT purposes as engaging in non-business activity	Non Business
Charges made to third parties to recover the costs of repairing damage which they have caused to council accommodation are regarded as compensation and no tax is due.	Non Business
Works to ex-council houses (where the freehold has been sold)	Standard Rated
Council Tax collected with the rent	Non Business
Right to Buy sales	Non Business

Decoration Allowances

Where a local authority accepts responsibility for assisting the decoration of council-owned domestic accommodation and agrees to meet actual costs incurred subject to a maximum amount, the supplies are treated as being made to the local authority. Payment arrangements may be as follows:

- the authority pays the amount due to the supplier of the materials in full and receives contributions from the tenant, or
- the authority pays its agreed proportion direct to the supplier leaving the tenant to pay his/her own proportion; or
- provides a voucher to the tenant which it reimburses when redeemed by the supplier.

The authority may thus reclaim the VAT element, subject to output tax being accounted for on any contribution paid by the tenant. In practice, the authority can simply recover the VAT to the extent that it bears the net cost.

Removal Allowances

In connection with housing improvement schemes a local authority may move a tenant temporarily to enable the works to be carried out. Where the authority accepts responsibility for the actual expenses incurred in the removal and relocation, enters them in its normal accounts and reimburses the tenant for the actual amount expended, the supply may be regarded as being made to the local authority and the VAT can be reclaimed.

Council Tax / NNDR Refunds

These refunds are Outside the Scope of VAT (Non Business).

Criminal Records Bureau (CRB)

VATGPB8670

Local authorities are often used as a source to request Criminal Records Bureau (CRB) checks in their capacity as 'Umbrella Bodies'. The CRB is used by employers and charitable bodies to establish whether their current or future employees or volunteers, or persons they wish to contract with, have a criminal record. The CRB provide this information, on application and for a fee, on a 'Certificate of Disclosure'.

An application for a Certificate of Disclosure has to be made through bodies that are registered with the CRB. Registered Bodies include 'Umbrella Bodies', which are those that have registered with the CRB to countersign applications on behalf of others that are not registered. Local authorities will often act as the Umbrella Body for community and charitable groups in their area.

Fees charged by the CRB for the issue of a Certificate of Disclosure are considered to be statutory in nature, so fall Outside the Scope of VAT (Non Business).

The VAT liability on the recharged amount by WBC is as follows:

- The recharge of the exact fee paid to the CRB is Outside the Scope of VAT (Non Business)
- Additional 'administration charge' where the check has been carried out in connection with a statutory obligation of the Authority (e.g. licensing) - Outside the Scope of VAT (Non Business)
- Additional 'administration charge' in any other circumstances - subject to VAT at the Standard Rate.

Damages

Compensation paid in respect of damage to council property is Outside the Scope of VAT (Non Business).

Deposits

Where a refundable deposit is charged, then both the receipt and the refund of the deposit are Outside the Scope of VAT (Non Business). Where a deposit is simply an initial instalment of the consideration for a supply, the liability is that of the relevant supply.

Disabled Adaptions

Notice 701/7 (August 2002)

Adaptations to houses for disabled or elderly people are often paid for in whole or in part by Social Services.

Eligible building work includes constructing ramps, widening doorways, adapting bathrooms, washrooms and lavatories, and any preparatory and restoration work connected with the adaptations. Architects' fees, however, are **not** covered.

When the building work listed above is carried out to a disabled person's residence but is done for and paid by a local authority, it does not qualify for zero-rating even though it's for the benefit of the disabled person. However, a local authority might pay a disabled person a grant towards the cost of adaptations to their private residence. The grant might be paid to the individual or the local authority might sometimes pay it directly to the building contractor on behalf of the individual. In such cases, ie where your supply is actually being made to the disabled individual, the work will qualify for zero-rating providing the usual conditions are met.

Building work which is carried out by the contractor at the same time, but which does not meet the eligibility criteria, will not qualify for zero-rating, and VAT will have to be charged.

Specimen declarations of eligibility are available from the Corporate Finance Team.

See Disabled Person's Relief below.

Disabled Driver's Badges

VATGPB8270

Charges for the issue of orange badges to disabled drivers are Outside the Scope of VAT (Non Business). Charges for **Car Parking** to blue badge holders has the same liability as if supplied to anyone else.

Disabled Persons' Relief

Notice 701/7 (August 2002)

Equipment supplied to disabled people can be zero-rated (so that no VAT is payable) when all the following conditions are met:

- the **customer** is eligible to purchase supplies at the zero rate – this means: handicapped people, charities and certain eligible bodies (WBC does not qualify as an eligible body) ;
- the goods are for the domestic or personal use of the customer. 'Domestic or personal' use means that the supply must be made available specifically for the use of an eligible individual (or series of eligible individuals).
- the goods and services are eligible to be supplied at the zero rate

A signed declaration will be required from the recipient (or his representative) to the effect that he is disabled, or (if a charity) that the goods are to be used by disabled people, and this should be worded in one of the various forms specified by HMRC. Without the declaration, VAT has to be charged on the items concerned.

If you believe an eligibility declaration to be inaccurate or untrue, you must not zero rate your supply. You should also take care that procedures, forms and literature do not encourage or lead customers to make such a declaration. There are penalties for making or accepting false declarations and for fraudulent evasion of VAT.

Specimen declarations of eligibility are available from the Corporate Finance Team.

Disabled Student's Allowances / Disabled Facilities Grants

VAT cannot be recovered on purchases made from such grants and allowances. The reason for this is that the money is deemed to be in the ownership of the individual rather than the council. However, it may be possible to obtain zero rating on some purchases or works (see [Disabled Persons' Relief](#)).

Distress Alarms

VATGPB8260

Supply to a disabled person in their own home (subject to signed declaration being completed)	Zero Rate
Supply to a private sector householder at their request	Standard Rate
Supply to a local authority tenant in ordinary council accommodation at their request	Standard Rate
Supply to a local authority tenant in sheltered accommodation where the distress alarm system is permanently installed and the tenant has no choice. The supply is considered to be part of the supply of accommodation.	Non Business

Donations

To the Council: Where the donor could not be deemed to derive a business benefit from their donation, the income is Outside the Scope of VAT (Non Business). Otherwise, the liability is the same as that of the benefit that they gain (typically advertising/promotional – Standard Rated).

From the Council: Where goods or services are supplied to a voluntary organisation in lieu of grant, then, to be outside the scope of VAT, the following conditions must be met:

- **The Council must place the order.** Orders should be made on approved Council order forms and these forms retained as evidence in the event of a VAT inspection querying the

item. Under no circumstances may the voluntary organisation themselves place the order and then expect the Council to foot the bill as a VAT avoidance measure.

- **The Council must receive the goods or services.** This condition has caused some disquiet where goods or services are delivered direct to the voluntary organisation. Legal opinion on this is that it does not matter. Providing the contract for the supply of the goods or services is between the Council and the supplier, as evidenced by the issuing of a Council order for the goods or services and the receipt of an invoice addressed to the Council, then the Council will be deemed to be in receipt of those goods or services regardless of where they are physically delivered. Where the Council retains ownership of goods which are then loaned to the voluntary organisation, then the issue is even more clear-cut. In this case the Council clearly receives the goods, as legal ownership passes to the Council and not to the voluntary organisation. The retention of formal records to support such ownership will support the Council's case in the event of any query arising in this area. Such items acquired and then loaned to a voluntary organisation, should be recorded on a Council inventory and marked as 'loaned to.....'. Also the agreement with the voluntary organisation should clearly spell out that the Council retains legal ownership of such assets provided for the use of the voluntary organisation.
 - **The Council must receive a valid VAT invoice.** The invoice for the goods or services should be clearly addressed to the Council and, in ordering the goods or services, the supplier should be so advised. Under no circumstances can the Council pay an invoice addressed directly to the voluntary organisation.
 - **The Council must make payment.** Payment for the goods or services must be made out of the Council's own funds. What is not allowed is for the voluntary organisation to provide funds to the Council which are then used to purchase goods or services on behalf of that organisation as a VAT avoidance measure. In particular this applies where a voluntary organisation has already been given its total cash grant for the year but then seeks to exchange a proportion for goods or services; once the cash has been paid over to the voluntary organisation it is legally that organisation's money. Any repayment by the voluntary organisation would then be seen as being in consideration, or payment, for the goods or services supplied and would be liable to the normal VAT rules.
 - **The VAT invoice must be retained.** When making onward supplies to voluntary organisations, under no circumstances should the invoice from the original supplier be passed on to that organisation. This is because the Council needs to retain the invoice to support its recovery of VAT and also because the supplier is not making a supply to the voluntary organisation.
 - **VAT Avoidance.** It is important that the Council does not allow voluntary organisations to 'buy' goods and/or services from the Council without the addition of VAT (where appropriate for the goods and/or services supplied) as this is VAT avoidance and this could lead to substantial assessments of VAT being levied on the Council."
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E Books

E books are Standard Rated unlike their physical printed counterparts which are Exempt. This treatment is currently being challenged so watch this space!

Education

Notice 701/30 (February 2014)

Education supplied under a statutory obligation, e.g. schools, is Outside the Scope of VAT (Non Business). Other supplies of education by the Council, e.g. adult education, or coached courses within leisure centres, are Exempt from VAT. Charges for closely related goods supplied in connection with the education at or below cost are Outside the Scope of VAT (Non Business). For the liability of other supplies by schools, please see the appropriate entry in the A-Z index.

Elections

Whilst the majority of VAT incurred by local authorities is generally recoverable, this is dependent on the local authority receiving the goods or services, obtaining a VAT invoice addressed to the authority and paying for the goods or services using its own money.

With election administration, ie carried out on behalf of another authority, the administering authority generally pays all the bills, but it is not always the true recipient of the supplies. Therefore in this case it would not have the right to recover VAT. Instead, these supplies are generally received by the Returning Officer, who is often elected from the senior staff of the administering authority, but is appointed to oversee the election process as agent of the body whose election it is, i.e. agent of the Crown for General and Local elections. The returning officer only acts directly for the administering authority when overseeing an election for the administering authority and only in these circumstances is the VAT incurred recoverable.

Electricity

Notice 701/19 (August 2012)

Supplies to residential / charitable premises, and any other supplies of no greater than 1,000kWh per month are Lower Rated. All other supplies of electricity are Standard Rated.

Emergency Repairs

Where it is the Council's statutory obligation to carry out such repairs, e.g. works carried out under s77-78 of the Building Act 1984, charges are Outside the Scope of VAT (Non Business). Otherwise, charges would be Standard Rated.

Equipment

Most supplies of equipment are Standard Rated. Supplies of certain equipment to disabled persons or charities may be Exempt or Zero Rated on production of an appropriate certificate – see [Disabled Persons' Relief](#).

Minor supplies of equipment incidental to another supply will follow the liability of that main supply. For example, the liability of the hire of sports equipment in connection with the hire of a sporting facility will follow the liability of the sports facility.

Examination Fees

Notice 701/30 (February 2014)

Fees charged by examination boards (and recharges of such fees) are Exempt.

VATHLT2130

Fees charged by a doctor for a medical are Exempt.

Extended Schools

Extended Schools run by the local authority are Non Business. Where the governors of a school operate an extended school activity (i.e. not on behalf of the LEA), but the LEA makes a charge for the use of the facility, in the shape of reimbursement for premises expenditure, this can be treated as Non Business if it is either childcare related or non-childcare related (e.g. leisure). The reason for this is in the context of the Childcare Act 2006, extended schools are seen as having an important role to play in the provision of childcare. Additionally, under the Education Act 2002 there is an expectation that LEAs will have an advisory role in the context of extended schools. Customs consider that the LEA's role in this matter is governed by an overarching special legal framework and that its charge to the governors for the use of the premises is not consideration for any supply to the governors.

This principle also applies where recharges of other costs (e.g. payroll costs or salaries) to the governors provided they relate to the extended school activity. This also applies if other groups are involved, for example voluntary management committees.

Fishing Permits

Fishing Permits are Non-Business.

Food and Drink

Notice 701/14 (February 2014) - Food

Notice 701/15 (December 2011) – Animals and Animal Food

Where food / drink is supplied in the course of catering, see Catering. Otherwise the following are Zero Rated:-

- Food of a kind used for human consumption
- Animal feed
- Seeds for plants included in the above two items

Except the following which are Standard Rated:-

- Ice cream / lollies / frozen yoghurts and similar products (except frozen yoghurts unsuitable for consumption whilst frozen).
- Confectionery including chocolate covered biscuits, but not cakes or other biscuits.
- Drinks including alcoholic drinks but excluding tea, coffee, milk and similar products.
- Syrups, concentrates, essences, powders or crystals for adding to any Standard Rated drink
- Crisps and similar savoury snack products including salted or roasted unshelled nuts.
- Items packaged or prepared for use for the domestic manufacture of alcoholic drinks.
- Pet foods and packaged or prepared foods for birds other than poultry or game

This is a very generalised summary of a complex area of VAT - if you are unsure of the VAT liability of a particular supply, please ask.

Freedom of Information

The Freedom of Information Act 2000 became fully enforceable with effect from 1st January 2005. In providing information, a local authority may issue a fees notice which advises that the information may only be provided for a fee. In terms of VAT treatment of any charges, the provision of information is normally Standard Rated. However, if the only source of the information is WBC, then any charges can be treated as Non Business. If the Council supplies information it is not obliged to under the Act (or obliged under other statutory requirements) then the supply is Standard Rated.

Fuel and Power

Notice 701/19 (August 2012)

VATGPB7855 (re Voluntary Aided Schools)

Where a local authority recharges for a separately identifiable supply of gas and electricity, it is treated as making an onward supply to the recipient.

Where gas and electricity is recharged by a landlord to a tenant, if it is in respect of accommodation which is used for domestic or charitable use:

- where it is supplied on an unmetered basis and not capable of being separately identified, the VAT liability follows the liability of the supply of the accommodation;
- otherwise, the charge attracts VAT at the lower rate, currently 5%.

Some small quantities of fuel and power are treated as being for 'domestic' use even when supplied for non-domestic purposes:

- a supply to a person at any premises of gas not exceeding a rate of 150 therms (or 4,397 kilowatt hours) a month; and
- a supply to a person at any premises of electricity not exceeding a rate of 1,000 kilowatt hours a month.

Gas and electricity supplied onward to another local authority are not non-business activities and such supplies are Standard Rated.

In the case of joint-user premises, where a local authority contributes to fuel or power costs paid by an unregistered voluntary body, the authority must treat the contributions as Outside the Scope of VAT (Non Business). This is because the body will not be able to render proper VAT invoices and the authority will not have suppliers' invoices made out in its own name to provide documentary evidence in support of VAT reclaims.

Supplies of fuel and power to voluntary aided and voluntary controlled schools should be liable to VAT at the reduced rate of VAT on issue of a relevant certificate to the supplier.

Furniture

Sales of furniture are Standard Rated.

Gas

The following supplies of gas are Lower Rated:-

- Supplies of gas to residential or charitable premises.
- Supplies of piped gas of less than 4397kWh per month.
- Supplies of no more than 20 gas cylinders each weighing less than 50kg and not intended for resale.

Any other supplies of gas are Standard Rated

Grants Received

Where a grant is received and the giver receives no supply in return, the grant is Outside the Scope of VAT (Non Business).

Grants to Voluntary Organisations

Grants are made to voluntary organisations and bodies for various purposes - some to undertake an obligation which would normally fall upon a local authority and others to assist the running costs of the organisation. Often service agreements or conditions are linked to the grant. In the case of organisations funded by local authority grant-aid not based specifically on unit rates of output or caseload:

- where free advice and assistance is provided by an organisation, the grant does not constitute consideration for a taxable supply by the organisation and the grant is thus Outside the Scope of VAT (Non Business)
- where the authority has requested or required the organisation to provide a service, then this represents a taxable supply by the organisation to the authority and the 'grant' or consideration is subject to VAT at the Standard Rate.

It is important that each funded application is examined carefully to identify clearly the recipient of the service as being either the local authority or the customer.

Guest Rooms

Income from the letting of guest rooms in housing properties (e.g. Sheltered Accommodation) is Standard Rated.

High Hedges

Charges relating to complaints on High Hedges are Outside the Scope of VAT (Non Business).

Importing / Exporting Outside the UK

Importing

If ordering goods from outside the UK, ensure that prices are quoted inclusive of any local taxes that will be added. It is generally not possible to recover any such taxes. In addition, Import VAT will usually be charged by HMRC when the goods arrive in the UK. This will often be paid by the carrier, and is likely to be charged on to us.

Exporting

If exporting goods, we can zero rate provided that we retain documentary evidence of the goods permanent export from the UK.

Any other supplies outside of the UK are subject to the normal VAT rules - VAT must be charged if appropriate. It is likely that this VAT will not be recoverable by our customers. Some customers have in the past tried to argue that they are exempt from being charged VAT, and present various tax exemption certificates. Usually these certificates exempt the customers from their own national taxes but have no effect on VAT.

Imprests/Local Bank Accounts

Some petty cash (imprest) transactions involve VAT although it may not be immediately obvious on the documentation (e.g. till receipts for shop purchases). Nevertheless, the Council can still reclaim the VAT element, provided that a valid VAT invoice is obtained. If this is done, this will reduce the charge to your cost centre accordingly. You should therefore take care to code out the VAT on local purchases. Where VAT has not been shown separately (e.g. on till receipts) it must be calculated. (see "The VAT Fraction" section in the VAT Manual).

The requirements of a VAT Invoice are detailed in "The Requirements of a VAT Invoice" section in the VAT Manual.

Inspection Fees

Where inspection can only be carried out by Local Authorities, fees are Outside the Scope of VAT (Non Business). Where inspections can be carried out by other approved organisations, fees are Standard Rated.

Insurance

Supplies of insurance are usually Exempt, although Insurance Premium Tax (IPT) is charged. IPT cannot be recovered in the way that VAT can. Where insurance forms a minor element of a single supply, the liability will follow that of the major supply.

Insurance Claims

Legal services, repairs and replacement goods in relation to a claim are normally supplied to the policy-holder, not to the insurer. In practical terms:

- where a tax invoice has been submitted for the repair of damage to an authority's vehicle, the company will request the authority to pay the claim and seek reimbursement of the VAT-exclusive amount; and
- where legal costs are incurred by the insurer in dealing with a claim, solicitors will render separate accounts one to the company for costs exclusive of VAT and the other to the authority for the tax element, which the authority can reclaim in the normal way.

Where an authority charges a third party for damage to street furniture or other items which benefit the public at large, there is no supply to the debtor and therefore the income received should be treated as Non Business.

Internal Transactions

Internal transactions should always be Outside the Scope of VAT (Non Business).

Land and Property

Notice 742 (June 2012)

Usually, land and property transactions are Exempt. The main exceptions to this are:-

- Supplies of land for the purpose of parking vehicles (Standard Rated).
- Supplies of any land or property which has an option to tax (Standard Rated). Please contact The Corporate Finance Team for a list of the current opted to tax properties.
- Supplies of sporting facilities, unless the supply is for a continuous period of 24 hours or more, or the supply is a block booking of at least ten sessions booked in advance with no more than 14 days between sessions (Standard Rated). See [Lettings](#).
- Supplies of mooring facilities for boats (Standard Rated).
- The first grant of a major interest (sale or long lease) in a new property by the person constructing the property when supplied for a residential or charitable purpose (Zero Rated).
- Lettings income received by VA and Foundation schools belongs to the unofficial/private fund, as those schools' premises do not belong to the LEA. However, they may be of a taxable nature (e.g. if they are sporting facilities meeting the above criteria) and would still need to be considered when determining whether the unofficial/private fund should be registered for VAT.

Land and Property is an extremely complex area of VAT - and can be costly if a mistake is made. Always consult the Corporate Finance Team when dealing with a Land and Property issue.

Land Registry Fees

Land registry fees are Outside the Scope of VAT (Non Business).

Legal Fees

The recovery of our own legal costs is Outside the Scope of VAT (Non Business). However if we provide a service to someone, our charge to them is Standard Rated.

Lettings

Notice 742 (June 2012)

Room Hire

Charges for hiring-out of rooms and basic furniture without equipment, some regular long-term bookings, and 'community lettings', are Exempt from VAT.

The hiring of equipment or extra facilities (such as catering, sound, musical instruments, disco lighting, etc) is subject to VAT. Where a lettings fee covers both room and facilities hire, HMRC will expect to see a reasonable apportionment of charge between the two categories. Avoid attempting to minimise the VAT element by making a nominal charge for the facilities.

It is advisable to set charges periodically and advertise them in any publicity material or other information sheet. If you cannot separate out the facility charge from the room hire, the whole letting is subject to VAT.

If the facilities are fixed in the room and the hirer doesn't want to use them, then the charge can just be for the room hire (i.e. Exempt).

Sports Facilities

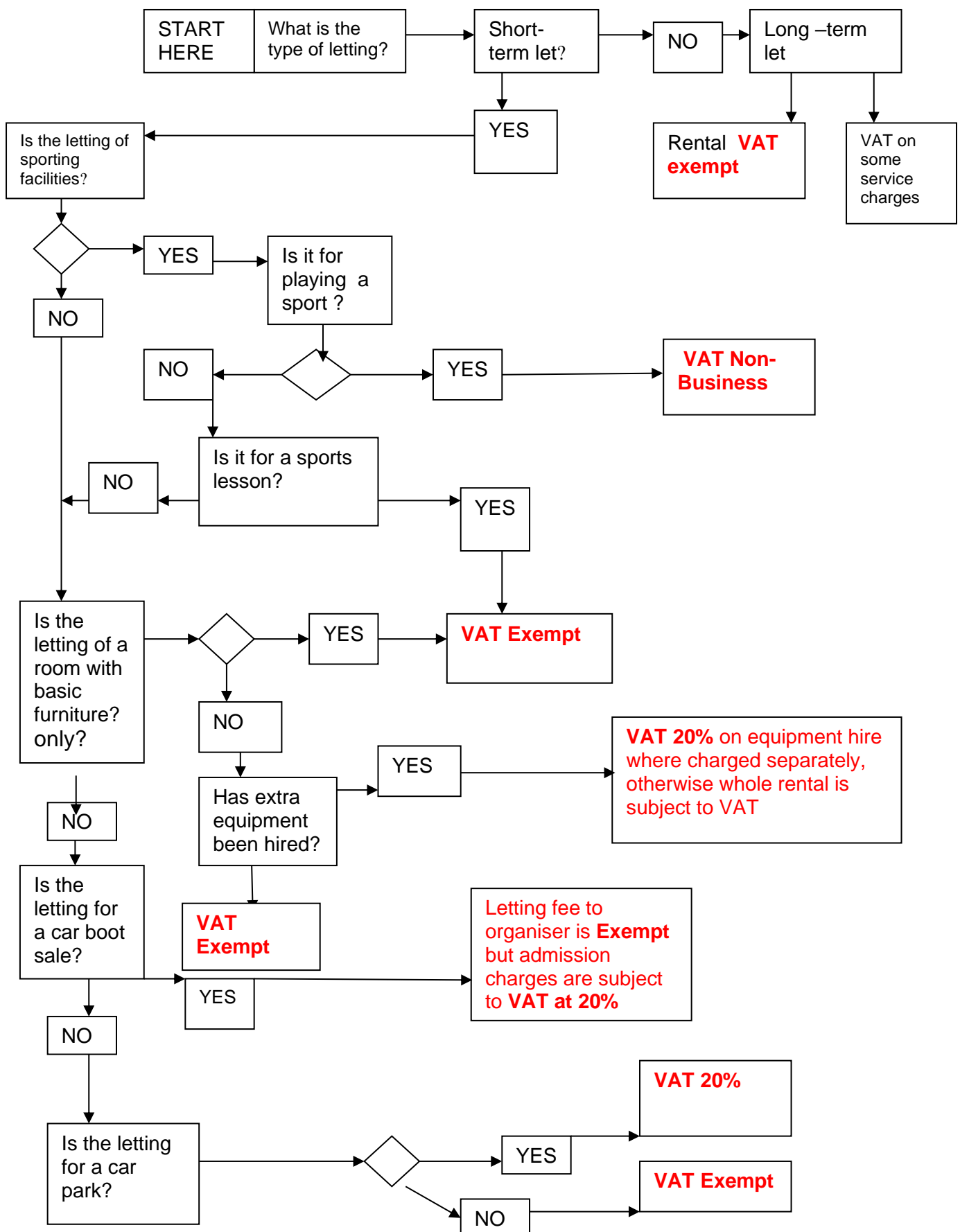
The hire of sports facilities, including sports halls, swimming pools, football pitches, and tennis courts, are Non-Business.

Letting of Land

An example of this would be the letting of a school field for a car boot sale. This is classified as a licence to occupy land and is therefore Exempt. (However, any admission fees are Standard Rated).

Overleaf is a lettings flowchart which may be of use when determining the VAT treatment of a letting. Generally speaking, a long-term let is a freehold or lease over 21 years in length anything else would be considered to be a short-term let. If you have any further queries please contact the Corporate Finance Team.

Lettings – decision chart



Long Term Lettings of Buildings

The VAT treatment of these is more complex than a straightforward room let, and because of the much longer period of the rental, any VAT errors here are likely to be substantial. You should consult the Corporate Finance Team for advice beforehand. Do make sure you have a proper tenancy agreement drawn up, and that specific provision is made for VAT to be charged in addition to the basic amounts quoted for rent, insurance, service charges etc. in case the VAT legislation is changed in future. If this is not done, or the rent is specified as exclusive of VAT, then your charges will be taken as inclusive of VAT, and you will lose the VAT element.

Where you make service charges to the tenant in addition to the basic rent, the VAT treatment is set out in the section below.

Rent	Exempt
Maintenance (of whole site)	Exempt
Fuel Oil*	Lower Rate / Standard Rate
Electricity*	Lower Rate / Standard Rate
Gas*	Lower Rate / Standard Rate
Energy phone*	Lower Rate / Standard Rate
Burglar Alarm System	Standard Rate
Water Supply	Zero Rate
Refuse Collection	Exempt
Telephone Lines	Standard Rate
Grounds Maintenance	Exempt
Insurance for Building/Contents	Exempt
Cleaning Costs	Standard Rate
Consumables e.g. light bulbs, toilet rolls	Standard Rate
Non-domestic (business) Rates	Non Business
Maintenance of Fire Equipment	Exempt
Administration Charge	Standard Rate

- * (a) if the tenant is a registered charity (e.g. independent school, FE College), then fuel is subject to VAT at the Lower Rate of 5%.
- * (b) Alternatively, if separate (or sub-) metering is installed, the fuel supplies may well be eligible for VAT at 5% as a "small supply". See

Fuel and Power and **Gas** for the limits.

Libraries

The VAT treatment of library charges are as follows:

- all loan charges in publicly run public libraries are Non-Business.
- penalty charges for the late return of items are similarly Non-Business - unless the item being loaned does not fall within the statutory provision and the penalty is not levied under a statutory power.
- charges for lost, damaged or destroyed items are compensatory, so Outside the Scope of VAT (Non Business)
- the sale of items by libraries are by way of business, with normal VAT liabilities applying; (i.e. Zero Rated for printed reading material, and Standard Rated for other items), because prices have been observed to be similar to those in equivalent shops (new or second-hand as appropriate).
- Charges for Internet Access are Standard Rated.

Licences

Licences issued under statutory obligations are Outside the Scope of VAT (Non Business). Licences to occupy land – see **Land and Property**.

Loans

The deposit or repayment of loan principal is Outside the Scope of VAT (Non Business). Interest earned or paid on loans is Exempt.

Meals On Wheels Income

VATWELF3050

Charges to clients are Outside the Scope of VAT (Non Business), provided that the client has been assessed as being in need of the service.

A Local Authority's meals on wheels activity could also consist of a broader range of services connected to the welfare of recipients. This might include looking-in on the recipient of the meal and reporting on any problems with their general welfare to the Local Authority Social Services department. The extent of this broader 'welfare' activity is sometimes not always immediately apparent and some of the elements of the service are not formally reflected in the contract with the Local Authority.

You should look at the reality of the situation, and ask the supplier to provide details of any activities carried out alongside the provision of a meal to enable you to determine whether the supply is one of catering or welfare services, of which a hot meal represents an integral part. If the supply is one of welfare services it will be exempt from VAT.

Minibuses

VAT can be reclaimed on minibus purchases where the vehicle has more than 10 seats. VAT is not normally reclaimable on vehicles with 10 seats or less. The minibus must become the property of the Council (or the school or individual Unit itself) and not the PTA or "Friends of XXX Unit". This also applies where donated funds are used to purchase a minibus.

(The licencing and insurance of the minibus will still be the responsibility of the school or Unit itself unless the Council has taken responsibility)

If a minibus is hired out to an external organisation (e.g. the school PTA, Scouts, NHS establishments), VAT must be charged on the hire fee, unless the vehicle is owned by a private organisation (e.g. PTA) which is not registered for VAT (i.e. the vehicle was not purchased through the Council's books).

The income should be paid into the Council's accounts direct or into the school imprest account.

Music

- The sale of records, CD's or cassettes is Standard Rated.
- Published sheet music is Zero Rated.
- Charges by public libraries for the hire, loss or damage of any of these are Outside the Scope of VAT (Non Business).
- Charges for the composition of specially commissioned music ~~are~~ **is** Standard Rated.

Nurseries, Creches and Playgroups for the under 5's

VATEDU36900

A number of schools provide early or pre-school education (before compulsory education). All children aged four should be able to access an early education place and some early education and childcare services offer free part-time early or pre-school education to three year olds. This is paid for at the discretion of local authorities. Places for children under three in voluntary or private pre-school settings are paid for largely by parents.

The Children Act 1989 as amended by the Care Standards Act 2000 provides the legal framework which sets national standards in most private and voluntary sector children's services.

The provision of pre-school education (without charge) is Non-Business; breakfast clubs and after-school child-minding/homework clubs are also Non-Business in the local authority sector even when a charge is made. This is on condition that the school offers the service strictly to its own pupils and that the fee charged is designed to no more than cover overhead costs.

The provision of a day-nursery is a business activity. If the provider is registered with OFSTED, which is most likely as there are few exemptions from registration, then the supplies are an Exempt supply of welfare services, as they are being provided in a state-regulated institution. Otherwise, the supplies will normally be Standard-Rated. However, if the supplier is an eligible body and there is clear evidence that the supplies follow an educational curriculum, exemption under Group 6 may be appropriate.

Exemption extends to the supply of meals and drinks for the children, as well as other sundry items provided as part of the children's care such as picture books, crayons and toys. It does not however, extend to supplies such as children's parties or day trips where the supply is advertised as a separate and identifiable package (this is a provision of entertainment rather than care), or to supplies of meals and drinks to staff and visitors.

Where a local authority provides nursery services to children in care under obligations imposed by the Children Act 1989, this is considered to be Non-Business.

Colleges and Universities are not usually exempt from registration under the Children's Act 1989 and, thus, must be registered in relation to any creche, playgroup or nursery they operate if exemption is to apply in relation to those activities. This supply is Exempt from VAT and therefore any input tax incurred will be restricted. (See section on 'partial exemption'.)

Parental Contributions

Compensation in respect of damage caused to school property is Outside the Scope of VAT (Non Business). Contributions towards the cost of activities which are a part of that pupil's curriculum education, including sales under the Assisted Purchase Scheme are Outside the Scope of VAT (Non Business).

Partnership Arrangements

HMRC recognise that partnership arrangements are increasingly being used to deliver services, and they have issued guidance on the treatment of VAT within what they see to be the three most common forms of partnership arrangement. A summary of this is below:-

Where a local authority is deemed to be a lead authority in delivering a project for the partnership: Provided that the local authority receives all funds available to the partnership, those funds belong to the local authority, and the local authority purchases all goods and services required to deliver the project, then expenditure VAT is recoverable by the local authority.

Where the partners form a separate single legal entity: Unless all of the partners are local authorities it is highly unlikely that the partnership will be entitled to use a local authority's ability to recover expenditure VAT. It will be subject to the normal business VAT rules, e.g. registration compulsory where taxable turnover exceeds the VAT registration limit, and, even if registered, expenditure VAT incurred other than in the making of a taxable supply irrecoverable. If the single legal entity is a charity, it may be entitled to claim zero rating on some of its expenditure.

Where a form of management board/committee is established, but not as a separate single legal entity: This is now one of the most common structures. The main purpose of the board/committee is to determine the policy and direction of the programme, and usually at the start of any programme it will decide which partner should deliver which aspect of the projects. The VAT rules applying to such partnerships is effectively that each "partner" should treat the transactions involved in delivering the part of the project or programme that they are responsible for according to the VAT rules applying to that organisation. Therefore a local authority partner will largely be able to recover the VAT on the supplies it receives in order to enable it to deliver the part of the project or programme that it is responsible for. A charity/voluntary organisation as a partner may not be able to recover VAT in the same way, but might be entitled to receive some supplies Zero-Rated. Any transactions between the partners that are simply movements of funds to reimburse a partner for the expenditure that they have incurred on the project are Outside the Scope of VAT (Non Business) of VAT (Non Business). It should be demonstrable to HMRC that the choice of which partner is responsible for delivering particular parts of the programme is not based on that partners ability to recover VAT.

Passenger Transport

Notice 744A (December 2009)

Where transport is in a vehicle capable of carrying 10 or more passengers including driver (e.g. bus, coach, train, etc.), charges for transport are Zero Rated. The transport of disabled persons in a vehicle which has been constructed or modified to carry less than 10 persons is also Zero Rated, provided that it would have the capacity to carry 10 or more persons had it been fitted with conventional seating. The provision of transport not meeting either of the above criteria, e.g. a taxi, or the transport of non-disabled passengers in an adapted vehicle, is Standard Rated. Where the provision of transport is incidental to another supply (e.g. a package consisting of transport to a theatre and admission to a show) the liability of the transport follows that of the main supply. N.B. Hire of a vehicle without driver is not a supply of transport and is Standard Rated.

Petrol and Oils

Notice 701/19 (August 2012)

- Petrol and diesel are both Standard Rated.
- Supplies of heating oil to residential or charitable premises, and supplies to any premises of no greater than 2,300 litres per delivery, are Lower Rated.
- Other supplies of heating oil are Standard Rated.
- Supplies of cooking oils are Zero Rated.
- Waste/used oil for recycling is Standard Rated.
- All other supplies of oils are Standard Rated.

Photocopying

Generally photocopying charges are Standard Rated. Exceptions are:-

- If you produce a document using a photocopier for a customer, and that document complies with the criteria for the zero rating for **Printed Matter**, then your supply will be Zero Rated.
- If you are under a statutory obligation to provide copies of documents, and are entitled to make a charge, your charge will be Outside the Scope of VAT (Non Business).

Planning

VATGPB8370

Charges for planning applications and reversions are Outside the Scope of VAT (Non Business) as they are part of our statutory duty.

Pre-planning application fees are a service provided by WBC and therefore are Standard Rated.

Planning performance agreements are Standard Rated – as they are optional not statutory.

Plants and Seeds

Notice 701/38 (November 2011)

Plants that produce Food for human consumption or for animal feed may be Zero Rated – see **Food and Drink**. Otherwise supplies of plants will be Standard Rated.

Playschemes

Fees charged for participation in playschemes are generally Standard Rated.

Postage and Delivery Charges

Notice 700/24 (April 2003)

If a postage or delivery charge is being made in addition to a charge for a supply of goods, then the liability of the delivery charge should generally follow that of the goods being supplied. Otherwise postage charges for delivery by the Post Office/Royal Mail are Exempt, all other delivery charges are Standard Rated. The sale of postage stamps is Exempt

Printed Matter

Supplies of the following printed items are Zero Rated:- Books, booklets, brochures, pamphlets, programmes, leaflets, newspapers, journals, periodicals, children's picture books and painting books, music (printed, duplicated or manuscript), unframed maps, charts, topographical plans, covers, cases and other closely related articles supplied with the above.

Exclusions:- Stationery items, e.g. diaries, calendars, address books, etc. and other items primarily intended for completion by a purchaser, are Standard Rated. The supply of programmes, if required to secure admission to an event, is Standard Rated.

Charges for **Advertising** placed in printed matter are Standard Rated. The hire of materials by Public Libraries is Outside the Scope of VAT (Non Business).

Supplies of items such as maps, posters, etc. for decorative purposes are Standard Rated.

N.B. The zero rating is on the supply of printed matter, not specifically on the service of printing it. Therefore supplies of the listed items are zero rated irrespective of whether they are sold by the actual printer, or by a wholesaler/retailer.

Printing and Photocopying

The printing of, or supply of, a photocopy of a complete book, booklet, brochure, pamphlet, leaflet, newspaper, journal, periodical, etc, will follow the same VAT liability as the supply of the original article. For example, the supply is Zero Rated provided that the copy retains the normal characteristics of the original, i.e. a copy of a book in permanent binding.

The supply of photocopied extracts from books, booklets, etc, is Standard Rated except where the supply is to an eligible body's own students/pupils for an educational purpose, in which case the supply may be exempted. If a body provides an instant copying service and cannot determine the VAT liability of any copies, for example because it cannot distinguish between copying for pupils and third parties, it must account for VAT at the Standard Rate.

Printing of stationery, for example letter headings, envelopes, forms etc will usually be liable to VAT at the Standard Rate. The supply of stationery by an eligible body making supplies of education in

the course of business to its students may, however, be exempt if it is closely related to the provision of education.

The supply of printed matter, such as stationery, to a charity, where the stationery includes a "qualifying message", can be Zero Rated.

Private Funds

The Council's overall VAT registration does not apply to Private Funds (these are mainly used by Social Services and Schools). A Private Fund is subject to the same registration rules for VAT purposes as any other trading organisation. This may have a significant impact on Private Funds operated by Council establishments. It is separate account and is the money raised from extra curricular activities often by organisations such as the PTA. The most common activities are tuck shops, sales of equipment, uniforms and photographs, and some school trips. Purchases made from these funds must not be included in the school imprest return as VAT cannot be reclaimed by WBC.

Any major expansion of activities covered by a private fund may push such funds over the threshold for VAT registration. Managers are advised to think very carefully about the VAT implications before proceeding. Currently the limit for "taxable turnover" (see table below) is £81,000 in any 12 month period. There are substantial penalties for not registering when required, which can be as much as, if not more, than the VAT involved.

Private Fund records should be kept for 6 years, irrespective of whether it is registered for VAT. Note that unless the Private Fund is registered for VAT, VAT should not be added to any sales.

Once registered for VAT, the accounting requirements of HMRC for VAT then have to be followed. It is only when the fund is registered for VAT that VAT can be reclaimed. Please contact the Corporate Finance Team if you are concerned that your Private Fund may need to be registered for VAT.

Taxable Turnover

The table below is to show the items to be included in assessing whether the fund needs to be registered for VAT – it does not show the VAT liability of the transaction.

	Taxable Turnover
Sales of confectionery and similar items	Yes
Sales of medical items or aids to mobility	Yes
Sales of items donated to junk and jumble sales	Yes
Profit making trips	Yes
Donations	No
Tuck shop sales	Yes
Uniform sales	Yes
Sales of other clothing	Yes
Ticket sales for concerts, school plays, discos and other paid for events	Yes
Sales of stationery and equipment to pupils and staff, if made through a school shop not controlled by the school itself, and not "in class"	Yes
Sales of school or group photographs	Yes
Non educational school visits	Yes

Recharges

Internal recharges are Outside of the Scope of VAT. Otherwise, where the individual or organisation being recharged receives a supply of goods or services, see the entry for that supply. If we are simply recharging our own costs, and no supply has been made, then the transaction is Outside the Scope of VAT (Non Business).

Recordings

Sale charges are Standard Rated. Charges by **Libraries** for the hire, loss or damaged of material are Outside the Scope of VAT (Non Business).

Refuse Collection

VATGPB8875

The collection of domestic waste is Outside the Scope of VAT (Non Business). Following a review of the liability of trade / commercial waste collections, HMRC have accepted that this activity is Non-Business. The liability of charges for the supply of containers (including wheeled bins) to customers follows that of the refuse collection, provided they are sold for that purpose. Where they are sold for other purposes (e.g. as storage containers), or where they are sold to other refuse collection operators, charges are Standard Rated.

Registrar Fees

The VAT liability of charges for the services provided by Registrars of Births, Deaths and Marriages are as follows:

Civil Funerals	Exempt
Civil Partnerships	Non Business
Other Ceremonies	Standard Rate
Naming Ceremonies (Celebratory Services)	Standard Rate
Commitment Ceremonies (Celebratory Services)	Standard Rate
Certificate of Births, Deaths & Marriages	Non Business
Attendance at Marriages at Registry Offices, Civil Venues and Churches	Non Business
Registration of Buildings for Worship and Marriage	Non Business
Notice of Marriage	Non Business
Citizenship Ceremonies	Non Business

Registration Fees

In cases where there is a statutory duty to register with a local authority, charges are Outside the Scope of VAT (Non Business). Otherwise charges are Standard Rated

Reimbursements

If the reimbursing is receiving the benefit of the supply that they are reimbursing the cost of, see the entry for that supply. Otherwise, charges are Outside the Scope of VAT (Non Business) (e.g. reimbursements of the cost of repair to council property).

Repairs in Default

Where carried out by the authority under a statutory obligation (e.g. works carried out under s77-78 of the Building Act 1984), charges are Outside the Scope of VAT (Non Business).

Residential Care

Social Services Residential care provided by WBC to a client resident within the authority's area is Non-Business, where a charge is made to the client or his/her relatives.

This covers both the care itself and any services associated with it, such as catering.

Where the client is resident outside the WBC area and the residential place has been arranged by another local authority, then the charges made are Exempt from VAT. Although no VAT is charged to the resident or his/her relatives, there **may** be some implications for WBC as a whole, in that some or all of the VAT incurred in providing the residential unit concerned, may therefore be irrecoverable.

Road Closures

Charges made for the granting the right to close a road are Outside the Scope of VAT (Non Business).

Safety/Protective Clothing

Notice 701/23 (May 2011)

Protective boots and helmets for industrial use are Zero Rated if the following criteria are met:-

- They must comply with relevant British or European Standards - which are: Boots EN345, EN346, BS1870; Helmets EN397, EN812, BS4033, BS5340.
- The supply is not to an employer for use by their employees.

Motorcycle helmets are Zero Rated provided that they comply with one of the following standards: BS6658 or UNECE22.05.

Pedal cycle helmets are Zero Rated provided that they comply with requirements imposed by the European Community Directive on Personal Protective Equipment (the PPE Directive) and bears a mark indicating that conformity.

All other supplies of safety/protective clothing are Standard Rated, unless they meet the conditions for Zero Rating as Children's Clothing.

Schools – Other Sales

Sales of equipment to pupils for educational purposes are Non Business. This is as long as the good or service is for the direct use of a pupil, student or trainee body and is necessary for delivering the education to that person.

The following rules should be applied to determine whether goods and services supplied by an LEA are able to be treated as Non Business:

- The specific goods or services are for the direct use of the pupil in lessons during LEA supervised tuition in the delivery of education that is part of the school curriculum and are necessary for delivering that education to him or her.
- It is not enough that a similar item is used in the LEA tuition whilst the purchased item is used elsewhere, eg at home, for homework or musical practice.
- The goods or services required must be purchased from the LEA. This means that the LEA must hold title to the goods and transfer ownership to the parent, guardian or pupil purchasing them. However, within that, the delivery address and point of distribution of those goods is a matter for individual LEAs to determine.
- Payment for the goods must be made either to the LEA or to the school. If paid to the school it must be paid into the school's official funds.
- Some evidence, eg order form, must be kept to show that the recipient of the goods and services has been receiving education from the LEA, and that what was supplied was essential to that education. The style of the order form can be tailored to the needs of the LEA.
- The price of the goods and services supplied must be at or below cost; this is to ensure there is no intention to make a profit. "Cost" means the full overhead-inclusive price of supplying

the goods or services to the pupil. In the absence of clear and compelling evidence to suggest an intention to make a profit, you should generally accept that this condition will be met.

- In certain cases goods may be leased. In such cases the same rules as will apply as for sales.
- Sales of computer equipment by LEA schools to either parents or teachers are not considered to be closely related to the provision of non-business education to the pupils and therefore cannot benefit from non-business treatment even if supplied at or below cost. Thus any payments received by the LEA are business and Standard Rated. (This means that any sales of computers for the use of parents and teachers are not seen to be 'closely-related to education' because they are not the ones receiving education. The intention is not to stop a parent or guardian personally paying for a laptop for the use of their child, but the laptop must be for the use of the child).

These rules will apply to all items of goods and services closely related, and essential to, education. This includes goods sold 'in class' to the pupils at or below cost for 'regular classroom use' and closely related to education which is part of the normal curriculum. For example, this would incorporate pens, exercise books, craft materials and simple computers or calculators. Items which are not however, regularly brought into school and are not easily portable probably do not qualify for 'classroom use'. Goods sold in shops operated by the school or college are not usually included.

It also includes the provision of accommodation and catering to students by the eligible body or on its behalf by an agent.

Supplies of clothing, sports equipment and non-educational services, e.g. laundry/haircutting are not included. Specialist clothing or equipment which is regularly used in class, for example chef's whites, knives etc for a student on a catering course, may be eligible for exemption as being closely related to the provision of education. Examples of goods and services which are not covered by the exemption for supplies closely related to the provision of education include:

- sales of goods from school shops, campus shops and student bars.
- sales of goods not needed for regular use in class.
- supplies to staff (including tutors on summer schools) and to other non students.
- sales from vending machines (except where it otherwise qualifies as catering for students).
- separately charged laundry and other personal services.
- sales of school uniforms and sports clothing.
- admission charges (other than for taking part in sports activities) - for example, admission to plays, concerts, dances, sporting venues, exhibitions, museums and zoos, unless covered by exemptions elsewhere.
- administration and management services.
- commission for allowing sales by outside organisations at an education establishment.

This list is not exhaustive.

School Photographers

VATGPB7840

The commission paid by school photographers was once the subject of debate at numerous VAT tribunals! However, it is now accepted that the income belongs to a school's unofficial fund. Please remember that it is still of a taxable nature, so must be considered when determining whether the unofficial fund should register for VAT.

Sales of photographs by the photographer direct to parents

The photographer is responsible for charging VAT on the final selling price to the parents. The school arranges the photographic session, provides the premises and acts as the photographers agent in collecting the sums due to the photographer. In return, the photographer pays the school a commission.

The commission is usually calculated as a fixed percentage of the selling price of the photographs, net of VAT (For VAT at 20%, this commission will be calculated on 1/6th of the selling price).

For Example, if the photographs cost £10 including VAT:

$£10.00 \times 1/6 = £8.33$

The commission will be calculated as a percentage of £8.33, i.e. the net selling price.

Provided the commission from the photographer is paid into the Private School Fund, there is no VAT liability, unless the School Fund is registered for VAT in its' own right.

However, there will be a VAT liability where the commission is paid into the school's WISE account. In this case it is important to agree with the photographer beforehand that the commission is not a VAT inclusive amount, otherwise the income received into the WISE account will be reduced.

Sales of photographs by the photographer to the school

Here the photographer sells the photographs to the school, who sell them on to the parents in their own right (and not as agents for the photographer), but often at prices suggested by the photographer.

VAT (Input tax) will be charged on the invoice from the photographer, and can be reclaimed if the invoice is paid through the delegated (formula) budget. Equally, VAT (output tax) has to be paid by the school on the sales proceeds from the parents.

If the whole transaction is accounted for through the School Fund, then there will be no VAT liability on the sales (unless the School Fund is required to register for VAT in its' own right), and equally no VAT can be reclaimed on the cost of the photographs.

School Trips

Educational trips

Trips which are linked to an examinable course or form part of the national curriculum, are regarded by HMRC as being 'educational'. VAT can be reclaimed on 'educational' trips provided that the expenditure has been met initially from the school's delegated budget. This includes the VAT on minibus petrol, provided that it has been paid for from the school budget. The trip may even be profit-making. VAT cannot be claimed on expenditure from a school's private funds. A statement of costs must be drawn up, if you are intending to reclaim VAT, and must be kept on file for possible HMRC inspection, for up to six years.

Non-educational trips

You will not be able to reclaim any VAT. HMRC will treat you as if you were a package holiday company. You will have to keep a lot of detailed records to satisfy them. Contact the Schools Finance Team for more advice if you need it.

School Uniforms

Notice 714 (June 2011)

There is no specific relief from VAT for items of school uniform supplied by or to educational bodies, and any such items are subject to the normal VAT rate applicable to supplies of childrens clothes, i.e. size restrictions determine which garments are determined to be for children under 14 years of age and these may be Zero Rated. Other garments will usually be Standard Rated.

However, if garments are supplied exclusively for pupils under 14 years of age (primary school uniforms), and the garments bear a prominent badge or logo identifying them as part of the official uniform of a school, e.g. badged blazers or sweatshirts printed with the identify of the school, then the supply can be Zero Rated irrespective of size.

Unidentified uniform items, e.g. plain skirts and trousers, un-badged blazers and all uniform items for schools whose pupils include children of 14 years and older are subject to the maximum size limits for zero rating of childrens clothes.

Details of the size limits and measurements are contained in Customs Notice 714.

Search Fees (Local Land Charges)

From 1st January, 2017 HMRC have decided that Standard Rated VAT will become chargeable on certain aspects of Search Fees / Local Land Charges (LLC).

The certificate LLC1 fee will remain Outside the Scope of VAT (Non Business).

However, fees for Con29(R), Con29(O) and additional parcel searches will become chargeable at the Standard Rate.

Secondment of Staff

Where staff are seconded to another organisation and a charge is made for their services, then VAT should be charged, regardless of how the charge is calculated. This means that VAT will be charged on all costs e.g. national insurance superannuation contributions.

This will apply wherever staff are supplied to another organisation and a charge is made, regardless of the term used to describe the arrangement.

There is, however, an exception, where teachers are seconded to an Examination Board (for setting or marking of examination papers or to the National Curriculum Authority). In these cases the charge is Exempt from VAT.

Also, where a local authority provides staff to another education provider, that supply is seen as being an Exempt supply of the local authority, as long as the staff are used in an educational capacity associated with the provision of education to students. For example, where a teacher is seconded to a further education college and is involved directly in the provision of education to students at the school, or a laboratory assistant is seconded to a further education college and assists in classes for the college's students, both of these supplies will be treated as exempt activities for the local authority.

Section 106 Agreements

Monies paid by a developer under s106, for example a contribution towards improvement of infrastructure, are Outside the Scope of VAT (Non Business).

Service Charges for Leasehold Flats

- Service charges relating to the upkeep of common areas are Exempt as long as they are required to be paid under the terms of the lease or tenancy agreement.
- Any charge made for managing the estate or collecting the service charges is Exempt.
- Any optional services are Standard Rated.

The reason for the distinction is that for the first two points the leaseholder has no option over the charge and it is deemed to be the supply of exempt domestic accommodation.

Where the leaseholder does have an option, we are then acting as any other private company (e.g. as a Painting Company, Replacement Window Company, etc) and therefore the work would be Standard Rated.

Sheltered Placement Scheme

Notice 700/34 (May 2012)

The Sheltered Placement Scheme provides severely disabled people with job opportunities. A Sponsor (being a Local Authority, Voluntary Organisation or Rempoy Limited) employs the disabled person then contracts out the services of that person to a firm in return for payment. The Employment Department, Training and Employment Agency, LSC or LEC contributes by making a grant towards the deficit incurred by the Sponsor. This falls outside the scope of VAT.

The agreed payment by the host firm to the Sponsor is Standard Rated being payment for the supply of services.

The funding received by the Sponsor from the above agencies or departments is outside the scope of VAT but nevertheless is received in the course of a taxable business of supplying staff and therefore the Sponsor is entitled to input tax credit for costs associated with this activity.

Customs have made changes in respect of the hire of staff. However in respect of the placement of disabled workers under the sheltered placement scheme the following applies:-

Where the sponsor of a disabled worker places the worker with a host company under the Sheltered Placement Scheme (or any similar scheme) and the host company:

- a. is responsible for paying the worker's remuneration directly to the worker; and/or
- b. discharges the sponsor's obligations to pay to any third party PAYE, NICs, pension contributions and similar payments relating to the worker,

then, to the extent that any such payments as are mentioned in paragraphs (a) and (b) above form the consideration or part of the consideration for the placing of the worker with the host company, they shall be disregarded in determining the value of placing the worker with the host company.

Social Services General

See table for guidance on VAT treatment of main activities:

Service	VAT Treatment
Provision of childrens' residential accommodation	Non Business
Provision of day care for children in need (under 8s)	Non Business
Creche facilities and playgroups	Exempt
Inspection of private children's homes	Non Business
Provision of elderly residential accommodation including meals, laundry services etc	Non Business
Domiciliary Support/ Welfare Services including home helps, domiciliary laundry services, meals on wheels, day care, holidays and outings provided as part of statutory care.	Non Business
Rentals of telephones, television or radio for chronically sick or disabled people	Non Business
Recreational holidays for elderly people not provided as part of statutory care	Non Business
Provision of accommodation for disabled people	Non Business
Provision of welfare services for disabled people	Non Business
Provision of lectures, games outings or other recreational or educational facilities for chronically sick or disabled people	Non Business
Provision of meals in the home or elsewhere for chronically sick or disabled people	Non Business
Provision of telephone and associated specialized equipment for chronically sick or disabled people	Non Business
Provision of accommodation – learning disability	Non Business
Provision of adult learning centres	Non Business
Provision of facilities for employment or work under special conditions, training courses and payment of expenses	Non Business
Provision of accommodation – mental health	Non Business
Car badges for disabled persons	Non Business
Sale of work from workshops	Standard Rated
Accommodation supplied to staff in local authority residential establishments	Non Business
Accommodation supplied to guests and visitors in local authority residential establishments	Standard Rated
Provision of non statutory care	Exempt
Social work including social therapy clubs	Non Business

Social Services trips

Trips organised by Social Services establishments and which are non-profit-making can be recharged to participants, and the charge is Exempt from VAT. Any VAT incurred on arranging the trip can be reclaimed, provided:

- expenditure is met from Council funds.
- the charge is subsidised or merely covers the cost of the trip.

You should keep a simple statement of how much was collected from those on the trip, how many went, and how it was spent. If any of the bills were paid from your Council budget and the VAT reclaimed, a note should be made of this. The statement doesn't have to be elaborate; a single page will do. Keep it somewhere safe where you can find it in case HMRC want to see it. (This could be up to 6 years later.)

If the trip is profit-making, VAT will not be able to be reclaimed. Contact the Corporate Finance Team if you need any advice.

Social Services – other sales

Sales of crafts and materials to residents and clients of Social Services are Outside the Scope of VAT (Non Business) for VAT purposes.

Sales to visitors and members of the public are, however, Standard Rated.

Sponsorship

Where the sponsor may gain a business benefit from their sponsorship (e.g. advertising income from sponsored roundabouts), charges are Standard Rated. Where the sponsor cannot gain a business benefit (e.g. a parent sponsoring their child in a school fundraising event), income is Outside the Scope of VAT (Non Business).

Sport and Recreational Courses

Courses with instruction, when provided by a Local Authority or other eligible body in the course of its business, to students of the relevant body or otherwise, qualify as educational courses and are Exempt from VAT.

Qualifying courses include only those where there is a measure of instruction in the provision of the facilities. Typical courses will include, swimming lessons, badminton lessons, horse riding etc.

The provision of facilities for the playing of sport with expert supervision, for example admittance to a swimming pool with lifeguards in attendance, is not considered to be the provision of instruction and are treated as Non-Business.

The provision of facilities to students for the playing of sport, by an eligible body making supplies in the course of business, are exempt as being supplies which are closely related to the provision of education to that student. Thus, if exemption cannot apply as outlined above, it may apply in relation to such supplies to students.

However, the course itself does not necessarily need to result in a recognised qualification or level of achievement in order to be treated as exempt. For example, an evening class in cake decoration will normally be treated as exempt assuming the participants pay tuition fees.

Sporting Competitions

The liability of entry fees, where the total fees collected are given back out as prizes, is Exempt. Otherwise, entry fees are Standard Rated.

Sports Facilities

Charges for the use of sports facilities are Non-Business.

If the facilities are let to a WBC school the supply is internal and therefore Outside the Scope of VAT (Non Business).

Stray Dogs

Recharges of vets and kennelling (detention) fees are Standard Rated. Statutory fees are Outside the Scope of VAT (Non Business).

Street Naming and Numbering

Statutory fees are Outside the Scope of VAT (Non Business). Discretionary fees are Standard Rated.

Student Teachers

Income received from universities in respect of student teacher placements is Exempt.

Supplies to Other Local Authorities

There are three types of these, and all are treated differently for VAT:

- **Services – provided as a statutory requirement**

Non Business unless the service is provided in competition with the private sector in which case it is subject to VAT. Examples of areas where the services are provided as a statutory requirement are:

- Recoupment for schools
- Recharges of capital financing costs
- Recovery of costs incurred from the client's 'home' authority

- **Services – Not provided as a statutory requirement**

Subject to VAT

- **Package of Goods and Services**

Subject to VAT

Supply Cover

Where costs of supply cover are being reimbursed by teacher being covered, income is Outside the Scope of VAT (Non Business).

Telephones

Charges for telephone calls and telephone equipment are Standard Rated.

E-top-ups of pay-as-you-go mobile telephones are Standard Rated. When coding payments for these charges, the VAT element can be separated and reclaimed, even though it may not be shown on an invoice.

Income from the recharge to employees of private telephone calls is subject to VAT. Often these recharges are calculated from the itemised listings that are sent with the telephone bills. The amounts in these listings are usually the VAT exclusive amounts, as VAT is added at the end of the bill. It is therefore essential that after calculating recharges from the itemised listings you add an extra 20% to cover the VAT that will be deducted when the income is banked. Failure to do so will result in you not receiving sufficient income to cover the cost of the private calls. For example - if private calls are found on the itemised listing totalling £10.00, you should charge the employee £12 - i.e. £10.00+VAT. The VAT will be deducted when you pay in the income, and you will still have £10 to cover the cost of the calls.

In cases where employees or members settle the telephone accounts themselves, and recover all or part of the cost of the service from the Council, the same principles will apply, in that the employee must bear VAT on that part of the total cost not reimbursed. The Council may recover in the usual way the input tax relating to that proportion of the account it meets, providing the following conditions are met:

- the tax invoice (i.e. the original account), must be retained in support of the claim for input tax; and

- the accounts of the local authority must show that the person has been reimbursed that proportion in respect of which a claim for refund of input tax is made.

Tipping Charges

Tipping charges are Standard Rated.

Toys

The sale of toys is Standard Rated. Charges by libraries for the hire, loss or damage of such items is Outside the Scope of VAT (Non Business).

Training / Educational Courses

Notice 701/30 (February 2014)

The provision of training by the Council to external attendees is Exempt from VAT. Where training is provided by an external organisation, they may charge VAT. The liability of charges for refreshments supplied to attendees of a course should follow that of the course.

Educational courses, whether provided by WBC directly or by one of the authority's schools, can either be provided free of charge or a fee may be charged to the student.

Most education provided in WBC schools is provided free of charge. School-based education is regarded as Non-Business and no liability arises to pay VAT to HMRC. Any VAT incurred in providing this education can be recovered by WBC through the monthly VAT return.

Where a charge is made to the student by the providing body, then the course becomes a business activity in the eyes of HMRC, regardless of whether the course is profit-making, intended to break-even, or is subsidised.

Where courses are provided as a business activity, by a private company, the fees charged to the student (regardless of who actually pays them) are subject to VAT. Local authorities and their schools are regarded as "eligible bodies" for this purpose, which means that the course fees which they charge are regarded as exempt from VAT. This means that no VAT is charged to the student, but there may be implications to the authority as a whole, as far as recovery of VAT incurred is concerned.

The exemption of course fees applies to all types of courses arranged by the local authority and its' schools for payment. This definition includes lectures, seminars and conferences, and out-of-hours sports tuition for school pupils or the public. (However, any catering supplied at these events will be subject to VAT.)

To summarise:

Free education	Non Business
Training/education provided by a private company for a charge	Standard Rated
Training/education provided by a local authority or school for a charge	Exempt

Training Agency Schemes

Notice 701/30 (February 2014)

These take a variety of forms, and are known under a variety of names which seem to change annually. The main features, however, vary little.

Students sponsored by a variety of employers, colleges and other bodies, receive training given to them (usually on a day release basis) by a training provider. The courses also include a work experience element with a local employer, and the students are paid a fixed-rate allowance by their sponsor, which is usually a little more than unemployment benefit. The schemes are usually funded by the local Training and Enterprise Councils (TECs) who distribute Government funds.

WBC or its' establishments may be involved in any or all of these roles: sponsor, training provider or work experience provider. Some or all of these roles may be combined, or be represented by different establishments, voluntary bodies or companies.

Money paid to the training provider is exempt from VAT.

A management fee is also paid by the TEC to the students' sponsor which is subject to VAT.

During the work experience part of the course, it is commonplace for the students to be paid their allowance through the employer's payroll arrangements, and the payments through the sponsor are then suspended. Even though no money changes hands between the sponsor and the employer, there is a supply of staff (the student) by the sponsor to the employer, which is subject to VAT. This is based on the normal allowance which would otherwise be paid to the student.

Under / Over Bankings

The VAT liability should be the same as that for the majority of the income received at that site.

VAT Control or Compliance Visits

Control Visits, sometimes referred to as inspections or compliance visits, are carried out by officers from HMRC on an ad hoc basis, and can last around 3-4 days. The purpose of the visits is to ensure the Authority's compliance with VAT legislation and policy. Each visit is planned to be carried out by the same officers, ensuring more of a consistent approach. The visits usually take the following form:-

- An investigation of the monthly VAT returns completed by the Authority,
- A check of income transactions that were not treated as Standard Rated,
- A check of high value input tax (VAT on expenditure) transactions,
- A check of areas in which errors have previously been detected, to ensure that procedures have been corrected,
- A check of areas in which errors have been found in other Authorities.

The Corporate Finance Team will attempt to deal with the majority of the questions that arise. However, it will be necessary to contact other members of staff to deal with more complicated issues. It has been agreed with HMRC that in the first instance a member of the Corporate Finance Team will make contact and not the HMRC officer. If HMRC do wish to visit an area of the authority, a member of the Corporate FinanceTeam will always accompany them.

Any errors detected by HMRC during their visits will be included on an Assessment. This is effectively a form of bill from HMRC, and the amount is deducted from our next monthly claim.

When we are assessed we are charged for:-

- Tax misdeclarations
- Interest on misdeclarations - unless the misdeclaration hasn't resulted in a cashflow loss to HMRC - e.g. where charges are made to VAT registered businesses
- Penalties - can be imposed by HMRC, particularly if they feel that the misdeclaration was the result of fraud or negligence. An example of where a penalty may be applied is where the same error is made repeatedly in spite of having been assessed on previous visits.

The service responsible for the error will be charged for any amounts assessed in connection with the error.

Vehicles

Purchase of Vehicles

VAT can be recovered on the purchase of commercial vehicles. VAT cannot usually be recovered on the purchase of cars. However, HMRC have permitted the recovery of VAT in individual cases where the Council can be sure that the vehicle will not be put to any private use. "Private use" includes home-to-work journeys by employees. In these circumstances, after VAT recovery, strict mileage records have been maintained, which have to be made available for HMRC to inspect upon request. Should private mileage be discovered, or any mileage be unaccounted for, HMRC will require the VAT to be repaid, plus penalties and interest. When a car is leased, there is a 50% block on input tax recovery on the finance element of any charge, to represent potential private use of the vehicle.

Sale of Vehicles

The sale or hire of commercial vehicles is Standard Rated. The sale of cars where VAT was recovered on purchase is Standard Rated. The sale of cars where VAT was not recovered on purchase is Outside the Scope of VAT (Non Business); unless the sale price exceeds the purchase price, in which case only the amount of the purchase price is Outside the Scope of VAT (Non Business) and the balance is Standard Rated.

Vending and Other Coin-Operated Machines

Income from sales from vending or other coin-operated machines - see the page relevant to the items sold. Where this is food/drink, see [Catering – General](#). Charges for the supply of a vending machine are Standard Rated.

Income received by the Authority from the owners of machines in respect of the right to site them on council property used to be treated as a supply of that premises (exempt unless opted to tax). However a ruling by the European Court of Justice in the case of Sinclair Collis has determined that such income is in respect of a "licence to operate" the machine, and therefore Standard Rated. This revised treatment had to be implemented by 1 January 2004.

Vets Fees

Fees charged by vets are Standard Rated.

Village or Community Halls

Traditionally local authorities at parish, district and unitary level have co-operated with local voluntary groups and charitable trusts to provide enhanced facilities at these community halls or build new facilities from scratch.

This took the form of one of the local authorities acting as “banker” for the project, and collecting donations, and government grants received, from the other parties. The orders for the work would then be placed by the “banker” authority, who would then be entitled to reclaim the VAT incurred, provided the finished “work” was donated to the Management Committee of the Trust operating the hall.

This has changed with the arrival of the National Lottery and grants awarded by the Lotteries Board, and HMRC have issued an Information Sheet on this.

If the hall is owned and operated by the local authority, then all the VAT incurred on the contract can be recovered in full.

Complications arise where the hall is owned by an independent charitable trust.

Where the local authority places the order on behalf of all the parties concerned, then the VAT incurred on the contract (input VAT) can only be recovered in proportion to the local authority’s own funds (including grants paid to the local authority) which have been used for the contract.

When a village hall committee makes an application for National Lottery money which is successful, then VAT cannot be recovered on that part of the contract funded by grants, and donations to the village hall committee,

HMRC regard Lottery funds as belonging to the body which applied for them and not the local authority, even where the lottery money is paid direct to the local authority as fund-holder.

Voluntary Aided Schools

VATGPB7530

Both local education authorities (LEAs) and voluntary aided schools are part of the maintained sector. However, the voluntary aided school governors (now corporate bodies under the recent school governors regulations) have specific responsibilities in relation to their school buildings. These are set out in section 15(3) of Education Act 1944 and refer to the provision of the premises (buildings and the site on which they sit) and built-in equipment, alterations to the buildings so that they meet the prescribed standards, and repairs to the exterior of the buildings. The governors of the voluntary aided school are responsible for this specified work related to the building, which is not the responsibility of the LEA, and any VAT incurred cannot be reclaimed from HMRC. This fact is recognised by the Department for Education in the level of their funding. In any case, construction of new buildings for voluntary aided schools can be zero rated for VAT purposes.

The LEA has statutory duties in relation to the premises, e.g. running costs and internal repairs, and it pays directly for these items falling within its responsibility. The VAT incurred may be reclaimed. However where VA school governors act independently the position could be different.

Where an LEA instigates and undertakes a project, fully using its own funds to pay for goods and services supplied to it which it then gives away without charge to the voluntary aided school, this is a Non Business activity of the local authority. It is entitled to recover any VAT incurred, irrespective of who is actually responsible for carrying out the work.

A local authority is entitled to recover VAT on purchases made by a VA school to the extent that the funding is sourced from, or through, the LEA. This includes delegated budget funding, additional

funds from the LEA or other local authority budgets, and monies from other agencies such as DfES that have been passed down through the LEA.

However, VAT recovery by the authority does NOT apply where DfES has made any form of direct grant to the governors to fund work that is the governor's responsibility. Nor can the local authority recover VAT in respect of work funded, for example, by National Lottery Grant, where it is clear that the award has been made to the governors rather than to the local authority. Under these circumstances it is NOT sufficient to ensure VAT recovery under s33 that the cheque should be made out to the local authority when the reality is that the money at no stage belongs to them.

Where a VA school has contracted for a supply that has been fully or partly funded by a local authority, the authority can use a copy of the supplier's invoice to the school to support its recovery of VAT. However, HMRC have stipulated that the link between the supply and the incidence of payment by the school must be clear and readily identifiable.

Where an LEA has responsibility for, contracts and pays for work at a VA school, any contribution from the school can be treated as a donation, providing no additional benefit is given in return.

Waste

VATGPB8875

Waste issues are covered by the Environmental Protection Act 1990. The collection of general household waste is a statutory function of local authorities acting in their capacity as waste collection authorities. Regulations categorise what must be collected without charge and should be collected when requested and for which they can charge.

Examples of chargeable collections include waste that is bulky by weight and/or volume, and those from places where people live but which are not private domestic dwellings, such as prisons.

- Any collection for which there is no charge is Non-Business.
- Any charged-for collection from private domestic dwellings is also Non-Business.
- Any other charged-for collection is Non-Business (including **commercial, trade** and industrial **waste** from February 2011)

The authority may make related supplies for which it charges. For example the provision of special dustbins necessary to fit the collection vehicle, or specially marked rubbish sacks. These are also be Non-Business except for the sale of standard unmarked bags that are otherwise available from retail suppliers, in which case they are Standard Rated.

Weighing Machines and Measuring Instruments

VATGPB8880

HMRC have conducted a detailed review of the legislation around weighing machines and measuring instruments. The reason for the review is that, historically, LAs had the monopoly for the inspection and verification of these goods (meaning it was a non-business activity of the LA), but legislation has changed over the years allowing other "approved verifiers" to undertake the same services.

Definitions: NAWI = Non Automatic Weighing Instruments
 LWMA = Local Weights and Measures Authority

From 1st April 2008, the new position is:

Service	VAT liability	Comment
Testing and approval of 'new' NAWI ('new' from 1992)	Standard Rated	Non-automatic Weighing Instruments (EEC Requirements) Regulations 1992 introduced concept of other approved bodies undertaking testing
Re-verification of equipment approved under NAWI	Standard Rated	Can also be carried out by other notified bodies
Third party verification of specified metrology equipment	Standard Rated	Can also be carried out by other notified bodies
Re-verification after 'adjustment' of specified metrology equipment	Non Business	Can only be carried out by LWMAs
Anything carried out under Measuring Instruments (EEC Requirements) Regulations 1988	Non Business	Can only be carried out by LWMAs
Anything carried out under Measuring Instruments Directive 2004/22/EC	Standard Rated	Can also be carried out by other notified bodies

Works in Default

Charges made to owners in respect of work carried out to private property by a local authority under the Public Health Acts, the London Building Acts, the Housing Acts or similar legislation, where the owner has defaulted by failing to repair, for instance, a dangerous structure, may be subject to VAT.

The VAT treatment depends on whether the local authority is performing work that the owner/occupier is required to carry out himself but has failed to do so, or whether the authority has been requested to carry out the works as contractor.

If the Council carries out the work as a result of the owner failing to comply with a notice then it is a Non Business supply. This is because the Council is required by law to undertake the works.

However, if the owner appoints the Council as a contractor it is a Standard Rated supply as the Council is in competition with other contractors.

Youth and Community Centres

Youth and Community Centres form part of WBC. Any VAT incurred on expenditure charged direct to the BWO cost centre can be recovered in the usual way.

VAT Treatment for income is as follows:

Membership Fees	Non Business
Social Evenings, outings and similar events – where arranged by the youth service for the members (however this does not apply for events organised by other parties e.g. where the youth service merely arranges for its members to buy discounted tickets from an event organiser).	Non Business
Provision of games, amusements and entertainments machines	Non Business

Tuck shops and cafes – sales at or below the overhead inclusive cost	Non Business
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If you have any comments or questions, please contact the mailbox:

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