



VAT guidance notes

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VAT (Value Added Tax)

1. Introduction

- 1.1 The following guidance notes are only intended to enable staff to have a broad understanding of the main VAT principles impacting on Bournemouth University (BU).
- 1.2 BU is registered for VAT and is required to submit quarterly VAT returns. BU's VAT registration number is GB 504 4921 66.
- 1.3 BU has 'eligible body status.' Eligible body status entitles the University to certain VAT exemptions.
- 1.5 Despite the eligible status, VAT is due on certain activities deemed outside the University's core educational activities.
- 1.6 HMRC state that a transaction is within the scope of UK VAT if the following conditions are satisfied:
 - i. It is a supply of goods or services.
 - ii. It is made by a taxable person (VAT registered).
 - iii. It is made in the course of furtherance of business.
 - iv. It is made with at least two parties and with a written or oral agreement between them.
 - v. It takes place in the UK.

2. VAT Rates

2.1 There are 5 different VAT types:

- i. Standard rate - 20%
- ii. Reduced rate - 5%
- iii. Zero Rate - 0%
- iv. Exempt - No VAT applies
- v. Outside the scope - No VAT applies

2.2 Standard rate – a supply of goods or services on which VAT is charged at 20%.

2.3 Reduced rate – normally applies to fuel and power where VAT is charged at the lower rate of 5%.

2.4 Zero rate – VAT applies at a rate of 0%.

2.5 Exempt – a supply of goods or services on which no VAT is charged.

2.6 Outside the scope – no VAT applies as there is no supply. Grant funding and pure donations are deemed outside the scope of VAT as there is no supply between the two parties.

3. Education

3.1 The provision of education supplied by BU is exempt from VAT. No VAT should be charged on educational supplies (i.e. tuition fees and income closely related to the provision of education). VAT charged by suppliers on associated expenditure is irrecoverable and should be budgeted.

3.2 Education includes:

- i. Undergraduates/Postgraduates
- ii. Short courses
- iii. Courses to commercial entities
- iv. Educational conferences and seminars
- v. Distance learning

3.3 The exemption also includes 'closely related' goods and services:

- i. Student accommodation
- ii. Catering closely related to the supply of education

- iii. Transport, parking for students
- iv. Examination services
- v. Field trips
- vi. All items necessary for delivering the education

4. Research and consultancy

4.1 Research for VAT purposes is described as “original investigation undertaken in order to gain, advance or expand knowledge and understanding.”

Research does **not** include:

- i. merely confirming existing knowledge or understanding
- ii. consultancy
- iii. business efficiency advice
- iv. collecting and recording statistics without also collating, analysing, or interpreting them
- v. market research
- vi. opinion polling
- vii. writing computer programmes
- viii. routine testing and analysis of materials, components and processes

4.2 Research which is outside the scope of VAT

Generally research when funded by either the public sector or by the charitable sector for the wider public benefit is “non business” and outside the scope of VAT. VAT is not chargeable on research that is outside the scope of VAT. In addition VAT charged by suppliers on associated expenditure is irrecoverable and should be budgeted.

Supplies where the funding will be outside the scope of VAT include:

- i. research which is funded for the 'general public good' and there is no direct benefit for the funding body
- ii. research which is funded for the general public good and is either not expected to generate any intellectual property (IP), or if it does then any reports or findings will be freely available to others
- iii. where there is a 'collaborative' agreement between different research institutions where all parties to the grant are named on the application

- iv. where the funding flows through one named party - and they act purely as a conduit passing on the funds to others involved in the research project - the funding remains outside the scope of VAT”

4.3 Research where VAT should be charged

For research to be considered a supply for VAT purposes there has to be a direct link between the payment received by the University and the services provided by the University.

Indications that VAT would apply to a research activity include:

- i. The recipient having access to the results before a commercial competitor.
- ii. The funder being granted first option to use any IP that may be developed from the project (i.e. granted a licence to use Foreground IP for evaluation purposes).
- iii. The funder having publication rights and constraints
- iv. The sponsor providing funding in return for research which it may be able to exploit commercially in the future, albeit under a separate contract.

When a research service attracts VAT, the VAT is also recoverable on associated expenditure. Expenditure should be budgeted net of VAT.

4.4 Subcontracted Research

If BU passes on the relevant element of a research council grant to a third party named on the funding agreement, this is largely an administrative arrangement and the funding will remain outside the scope of VAT.

Where an element of research is sub-contracted to a third party who is not named on the funding agreement, it remains a supply for VAT purposes.

4.5 Consultancy

All forms of consultancy are taxable at the standard rate if the supply is delivered in the UK, this includes all incidental expenses. VAT on associated expenditure is fully reclaimable.

5. International goods and services

Goods

- 5.1 When BU buys goods from another EU Member State, the University will be required to supply its VAT registration number and will not be charged VAT. The University will still be charged VAT at the standard rate under the 'reverse charge mechanism' and so there is no potential to avoid the cost of VAT by buying from a member state.
- 5.2 When the University imports goods from a non-EU country, VAT is also normally charged at the same rate as if they had been supplied in the UK (import tax and duty).
- 5.3 When BU imports equipment for use in medical training or research from a country outside the UK, the goods can be imported free of duty and VAT. Prior customs approval is required; please notify Finance prior to the order being raised.

Services

- 5.6 For VAT purposes, the place of supply of services is the place where a service is treated as being supplied. This is the place where it is liable to VAT (if any).
- 5.7 The place of supply of services to another business (B2B) is where the recipient belongs. If the supply is in the UK it is subject to UK VAT, if the supply is outside the UK it is outside the scope of UK VAT as long as evidence of the international customer's business status is obtained (usually the VAT registration number which should be quoted on the University's invoice).
- 5.8 The place of supply for a service to a non-business customer (B2C) is where the supplier belongs, for BU this is the UK and so VAT should be charged at the standard rate if applicable.
- 5.9 If BU receives a service from supplier outside the UK, BU will still be required to pay VAT at the standard rate (reverse charge) on that service and the VAT cost should be budgeted. The reverse charge would not apply on a service that would be exempt from VAT if supplied in the UK.

Supplies of Education

- 5.8 The place of supply of education for business to business (B2B) is where the customer belongs as long as evidence of the international customer's business status is obtained (e.g. if a course is designed and delivered for a company in France, the place of supply is where the customer is established. The invoice will be outside the scope of UK VAT).
- 5.9 For business to consumer supplies of education (B2C), the place of supply is where the activities generally take place (i.e. for the University this would be the UK and the supply would be exempt from VAT).

6. A-Z Guidance

Accommodation

Supplies of bedded accommodation to the University's own students are exempt from VAT. Supplies of bedded accommodation to persons other than students are taxable at the standard rate unless ancillary to education.

Advertising

Advertising placed by the University on any subject, including staff recruitment, which communicates with the general public is zero rated and no VAT should be charged to the University by suppliers. A VAT zero rating certificate will need to be sent to suppliers at the time of ordering. The certificate is available from Accounts Payable.

Car parking

Car parking supplies to students is exempt from VAT. Car parking provided for staff and visitors is taxable at the standard rate.

Catering and Hospitality

Supplies of catering and hospitality to students is exempt from VAT, supplies to non-students are taxable at the standard rate unless ancillary to education (see 3.3).

Conferencing

Educational conferences organised by the university are exempt from VAT.

Where the university is letting out its facilities to an external party and the external party is an eligible body (see 4.5) and is using the university facilities for educational purpose, the conference will be VAT exempt.

Where the external party is not an eligible body and the facilities are not being used for educational purposes, the supply is generally one of a mixture of facilities. The provision of the room hire is exempt from VAT; the provision of all other services (catering, hire of equipment etc) is taxable at the standard rate.

Donations

Pure donations are outside the scope of VAT providing the university offers nothing in return for the donation. If the University offers something in return for the donation or openly advertises the name of the donor, then this would be considered sponsorship and the income would be subject to VAT at the standard rate.

Internal Recharges

No VAT is applicable on recharges between Schools and Professional Services.

Letting of Rooms

The letting of room hire only, is exempt from VAT as the University has not opted to tax its buildings. If the University had opted to tax a building the letting would attract VAT.

Medical research and training equipment

Equipment purchased by an eligible body for use mainly in medical or veterinary research, training, diagnosis or treatment can be zero rated. A VAT zero rating certificate will need to be sent to suppliers at the time of ordering. The certificate is available from Accounts Payable.

Equipment available for zero rating includes:

- i. Medical equipment
- ii. Scientific equipment
- iii. Computer equipment and certain software
- iv. Video equipment
- v. Sterilising equipment
- vi. Laboratory equipment
- vii. Refrigeration equipment

Sale of second hand goods

The sale of second hand goods is taxable at the standard rate.

Sponsorship

Sponsorship money which confers advertising or promotional benefits is taxable at the standard rate. Simple acknowledgement of a corporate donation does not give rise to a supply for VAT purposes and so no VAT would be applicable.

Sport and letting of sport facilities

Supplies of sporting and physical education services to individuals by BU are exempt from VAT.

The letting of facilities for playing any sport or for taking part in any physical recreation, may be supplying an interest in, a right over, or a license to occupy land. These supplies are normally standard-rated. However, if the let is for more than 24 hours or is for a series of 10 or more sessions, subject to conditions, then, the supply may be exempt..

Sale of sports related goods are generally taxable unless the goods are supplied to students where their course of study requires the students to have the goods concerned.

Staff

A supply of staff is made for VAT purposes if the use of an individual who is contractually employed by the University is provided to another

person for consideration (ie the staff are not contractually employed by the recipient but come under its direction).

Where staff are supplied to another person but continue to operate under the control of the supplier, this is not a supply of staff but a supply of those services and VAT will also apply at the standard rate.