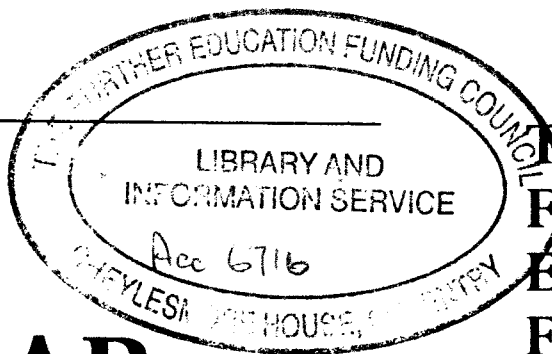


19 February 1993



**THE
FURTHER
EDUCATION
FUNDING
COUNCIL**

CIRCULAR

To
Principals of colleges

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Subject
Value Added Tax

Summary
Guidelines interpreting the law
concerning Value Added Tax within
the higher education context

Reference number: 93/01 (Addendum)

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93/01
(Addendum)



VALUE ADDED TAX

INTRODUCTION

1 This circular is issued as an addendum to Circular 93/01 which contained advice to colleges on value added tax (VAT).

THE HIGHER EDUCATION CONCORDAT

2 In Circular 93/01 Colleges were informed on aspects of VAT, including the statement by HM Customs and Excise that further education corporations may apply the agreement between the Customs and Excise and the Committee of Vice-Chancellors and Principals of the Universities of the United Kingdom (CVCP). The concordat, which is attached as an annex to this addendum, allows colleges in certain circumstances to apply simplified procedures with respect to VAT.

3 A college is not obliged to apply the concordat. It may, if it prefers, make alternative arrangements with its local VAT office. However, where a college does intend to use the concordat, it should notify in writing the local VAT office of this intention.

4 Your attention is drawn, in particular, to four sections of the concordat:

- the restricted set of circumstances where colleges using the concordat have to charge VAT on supplies of education (paragraph 8)
- the VAT treatment of conferences (paragraphs 9 and 10)
- the VAT treatment of seconded staff (paragraph 14)
- the opportunity to avoid keeping VAT records on most purchases (paragraph 42).

5 To assist a college in reconciling its balance sheet when preparing the annual accounts, the college may find it helpful to request the local VAT office for a 'Stagger 2' quarterly return pattern. This would enable the college to make a VAT return in the quarter ending in July.

6 Please refer any enquiries regarding the interpretation of the higher education agreement to the local VAT office.

Note: VAT is now 17.5% not 15% as mentioned in paragraph 4 of the annex to this addendum.

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30 March 1990

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**VALUE ADDED TAX:
REVISED GUIDELINES**

30 March 1990



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VALUE ADDED TAX: REVISED GUIDELINES

Part I – General

INTRODUCTION

1 Since the beginning of Value Added Tax (VAT) in 1973, there has been a working arrangement on how VAT applies to United Kingdom universities agreed between Customs and Excise and the Committee of Vice Chancellors and Principals of the Universities of the UK (CVCP). Detailed guidelines, agreed with Customs and Excise, have been issued by the CVCP to the UK universities in order that the universities were aware of their obligations under VAT law. All local VAT offices hold a copy of these guidelines.

Under the provisions of the Education Reform Act 1988, certain higher education institutions, including polytechnics, left local authority control, and from 1 April 1989 became independent bodies funded by the Polytechnics and Colleges Funding Council (PCFC). For VAT purposes these PCFC funded institutions will receive the same treatment accorded to the United Kingdom universities from that date.

Customs and Excise have agreed, in consultation with the CVCP, the Committee of Directors of Polytechnics (CDP), and the Standing Conference of College Principals (SCOP), to widen the coverage of the guidelines, previously issued by the CVCP to the United Kingdom universities, to include the new higher education institutions. The guidelines continue to apply to those institutions named in note (3A) (d) of group 6, schedule 6 of the VAT Act 1983 (see annex 1).

These revised guidelines incorporate much of the former CVCP guidelines issued in 1987 and have been updated to include changes since then.

PURPOSE OF THESE GUIDELINES.

2 The purpose of the guidelines is to interpret the law concerning VAT within the higher education context. In order to ensure that the tax is applied equitably and economically some of the agreements they contain are based upon concessions made either by Customs or the CVCP, CDP and SCOP. You can refer any dispute you have with Customs to an independent VAT tribunal. Before you do so,

however, please consult the CVCP, CDP or SCOP as appropriate as a tribunal decision, although benefiting one institution, could undermine the spirit of these guidelines and result in other institutions having to perform extra work or paying more tax. VAT tribunals should be considered as a last resort and the CVCP, CDP or SCOP can usually suggest alternative courses of action.

FURTHER ADVICE

3 The guidelines are not the only form of advice you have available. You should find that your local VAT office will be able to give any assistance you require. It will have copies of notices and leaflets that explain to the public various aspects of the tax. These are listed in the leaflet 'VAT Publications'. The most important notice is notice 700 ('The VAT Guide') which is issued to every person registered for the tax. You should also obtain a copy of the VAT leaflet 'Education' which explains the extent of the exemption for supplies of education, training and research.

THE SCOPE OF THE TAX

4 VAT is a broadly based tax on general consumer expenditure and is charged upon most supplies made in the course of business by taxable persons. The basic feature of the tax is that a taxable person must charge tax at the standard rate of 15 per cent on his supplies unless they are the subject of specific reliefs contained in the law. The VAT Act 1983 provides for two forms of relief, zero rating under schedule 5 and exemption under schedule 6; zero rating allows tax to be recovered on purchases whereas exemption does not. These reliefs are listed in VAT leaflet 'Vat Liability Law'. The extent of both reliefs is that they only apply to supplies made by a person; there is no way that a person engaged in making zero-rated or exempt supplies can instruct a supplier not to charge tax unless they are specifically relieved, for example specialised medical equipment (see paragraph 13).

REGISTRATION

5 As higher education institutions are taxable persons and are registered for VAT, they must account for the tax on all their taxable activities and you must ensure that the staff responsible are aware of the obligation to account for the tax. Higher education institutions and their staff can form companies or associations which have a distinct

legal status and may require separate VAT registration. The VAT leaflet 'Should I be registered for VAT?' explains what to do in these situations; if you require further advice you should consult your local VAT office.

SOURCES OF INCOME

6a Grants

Grants which are given freely and do not confer any unique benefit to the recipient are not the consideration for a supply and are therefore outside the scope of the tax. An example of such an outside the scope payment is a UFC or PCFC grant, but for others you should be careful in that some bodies use the term 'grant' in a general way and some 'grants' are the consideration for a supply. If you are in any doubt, please consult your local VAT Office.

6b Sponsorship and donations

Donations are sometimes loosely described as sponsorship and vice versa. The name given to a payment is not important: it is the reality of the terms under which it is paid which has to be examined and which determines the VAT treatment. VAT is not chargeable on pure donations of cash, ie, where no strings attach to the donation. But if a 'donation' of cash is made on condition that the recipient provides something in return, then the recipient is making a supply of services to the donor (or sponsor) which will be liable to VAT under the normal rules. The mere acknowledgement of a donation, for example, naming a Chair after the donor, does not attract VAT. But if the donor receives advertising or promotional benefits, or obtains special rights, eg, privileged use of facilities or expertise, then the recipient is making a taxable supply to the donor on which VAT is chargeable. Where both parties to an arrangement recognise that payment by the donor includes both an element to pay for services supplied by the recipient of the money and an additional gratuitous donation, the donation element does not attract VAT provided that the amount attributed to the supply is realistic in relation to the benefits provided and that it is clear from any agreement that the donation element is separate and distinguishable.

If the sponsor's support is given in the way of goods and services rather than in money, the transaction is a form of barter. Each side in the transaction, if registered for VAT, must account for tax on the open market value of the goods or services supplied.

Where a sponsored organisation charges tax on supplies to a sponsor who is registered for VAT, the sponsor will be able to recover it as input tax, subject to the normal rules, if the supplies are used for his taxable business activities.

For VAT purposes donations of equipment are taxable supplies even if no strings attach to the donation. The reason for this is to adjust the amount of input tax reclaimed by the donor when the equipment was originally purchased for taxable business activities. When a business donates equipment it is therefore required to account for VAT on it based on the cost to the donor.

The VAT leaflet 'Sponsorship' gives further information on this subject.

Part II – Exemption for Supplies of Education and Research

LAW

7 Supplies of education and research provided by higher education institutions are exempt under item 1 of group 6 of schedule 6 of the Value Added Tax Act 1983. The group is reproduced in full in annex 1. The exemption in item 1 only applies to those bodies listed in notes 3 and 3A to the group; it does not cover supplies of staff acting independently or companies or consortia set up by higher education institutions. These may, however, qualify for exemption under item 2 of group 6. The VAT leaflet 'Education' gives further information.

SUPPLIES OF EDUCATION

8 The exemption for supplies of education by higher education institutions not only applies to those provided to full-time students, but to all supplies of education such as extra-mural courses and individual lectures. The VAT (Education) Order 1989, which added note 1(a) and (b) to group 6, excluded from exemption courses in English as a Foreign Language (EFL) provided for payment exceeding the full cost of providing the courses, and holiday courses of an essentially recreational or sporting nature. This order gave statutory force to an existing agreement between Customs and the CVCP whereby universities had been voluntarily taxing such supplies following complaints of unfair competition by commercial providers of such courses: you should be able to identify profitable EFL courses at the budgeting stage when the fee levels are calculated. Any accounts concerning the calculation of fees should be made available to Customs on request. Cases may arise where courses are budgeted to break even or to make a loss but because of a higher than anticipated take-up or a reduction in costs they in fact make a profit. Such courses remain exempt because the crucial test is one of intention which can only be decided before courses commence. Examples of sporting and recreational courses are given in annex 2.

CONFERENCES ORGANISED SOLELY BY HIGHER EDUCATION INSTITUTIONS

9 • Supplies of lectures, talks etc are exempt under item 1 of group 6 of schedule 6 of the VAT Act 1983 as supplies of education.

- Supplies of accommodation, catering and other facilities to those attending the conference are exempt under item 4 of group 6 as supplies incidental to the supply of education.

CONFERENCES ORGANISED JOINTLY BETWEEN A HIGHER EDUCATION INSTITUTION AND ANOTHER BODY

10 A jointly organised conference should be treated the same way as one provided solely by a higher education institution and will be exempt provided:

- its subject matter falls into the general pattern of higher education and research or the administration of education, and
- its content and the administrative arrangements are supplied and controlled primarily by the higher education institution with the approval of the institution's authorities, and
- its financial transactions are accounted for in the records of the host institution.

If the educational supply by the members of the higher education institution above is small in proportion to the whole, the institution will be making a mixed supply in which some elements may be standard rated (but see paragraph 14). If a higher education institution makes such a mixed supply and wishes, for simplicity, not to apportion its charge between exempt and taxable activities, the whole supply should be standard rated.

If the supply of education is by members of the higher education institution acting in a private capacity, or as officers of the other body, the supplies by the higher education institution (eg, accommodation and catering) may be standard rated (but see paragraph 14).

CONFERENCE FACILITIES

11 Where you do not provide any education or its provision is minimal and note 5(b) to group 6 does not apply, the supply is one of facilities. Supplies of facilities are usually a mixture of several supplies such as the letting of a hall, bedded accommodation and catering. The liability of these supplies is explained in part III of these guidelines. Where an invoice covers a number of supplies with different liabilities you should follow the directions of 'The VAT Guide', appendix H.

RESEARCH

12 Supplies of research by higher education institutions are exempt under group 6 item 1; supplies by other bodies such as companies set up by higher education institutions are exempt under item 2(a), but only if they are of a kind provided by a university and they are made otherwise than for profit. The exemption for research covers an educational activity carried out by higher education institutions as part of their essential function, the advancement of knowledge. Research is defined broadly in the following paragraph, which forms paragraph 2 of annex 1 of a letter, dated 9 May 1985, from the Chairman of the University Grants Committee to the CVCP.

'Research is to be understood as original investigation undertaken in order to gain knowledge and understanding. It includes the use of existing knowledge in experimental development to produce new or substantially improved materials, devices, products and processes including design and construction. It excludes routine testing and analysis of materials, components and processes, - eg, for the maintenance of national standards - as distinct from the development of new analytical techniques. In the humanities it includes scholarship which leads to new or substantially improved understandings.'

This definition is couched in rather general terms. In interpreting it one must remember that not every activity involving the gathering or processing of information undertaken by a higher education institution is research as defined here, in just the same way as not everything that one could learn would be seen as higher education.

Essentially, research in this sense is restricted to activities which are directed towards opening up new areas of knowledge or understanding, or the initial development of new techniques, rather than towards mere quantitative additions to human knowledge. For example, work aimed at discovering a cure for a particular disease or at improving the efficacy of an existing remedy would be seen as research, but surveys of the incidence of disease would not qualify in themselves. Similarly, in the humanities and social sciences, an activity is seen as research if it aims at widening our general understanding of society and its structures and processes, rather than at the solution of particular local problems.

The fact that a particular project may have a specific commercial application does not prevent it from being seen as research; indeed much research funded by the Department of Trade and Industry and by research councils is aimed at developing improved equipment or techniques for use in industry. However, you must be careful that exemption is not claimed for activities such as market research, business efficiency studies, the development of computer software/word-processing packages or business consultancy activities in general. This type of activity is not specific to a higher education institution or research association, but might be done by many commercial organisations and could lead to complaints of unfair competition with higher education institutions.

GOODS BOUGHT FOR MEDICAL RESEARCH OR MEDICAL TREATMENT

13 In general goods purchased by science faculties in higher education institutions are subject to VAT. However, there is a relief for goods used for certain medical purposes when supplied to charitable organisations and paid for from charitable or voluntary funds. As higher education institutions are charities, their own funding is regarded as charitable and they can purchase at the zero rate medical, scientific, computer, video, sterilising, laboratory or refrigeration equipment for use in medical research, training, diagnosis or treatment. The relief includes parts or accessories for use in or with these goods. From 1 May 1990 zero-rating is no longer restricted to equipment with specialised design features.

Drugs and chemicals used by higher education institutions directly in medical research are also zero-rated. If a higher education institution 'bulk orders' any item of this nature, part only of which is used in medical research, an apportionment should be calculated.

Suppliers should be provided with signed declarations, copies of which are set out in annex 3. Under VAT law it is the supplier of goods and services who is responsible for accounting for VAT correctly. Thus the declaration can only serve as a guide to suppliers who may still query whether it is appropriate to zero rate the goods ordered.

An extract of the law concerning these provisions is reproduced at annex 3 to these guidelines. Revised editions of the VAT leaflets on 'Charities' and 'Donated medical and scientific equipment etc' which explain these reliefs will be available later in 1990.

Part III – Other Supplies

EXTENT OF GROUP 6 ITEM 4

14 The exemption in group 6 item 4 is subject to the restriction imposed by note 5 to the group. It is designed to relieve supplies which, although incidental to the supply of education, are closely related to it. Not all supplies made by a provider of education to its students can be regarded as incidental to the supply of education. Supplies of board and lodging and of materials needed in class are exempt, but not those of alcoholic drinks, clothing and laundry or launderette services.

Incidental supplies are exempt if

- (i) the higher education institution makes them direct to its own students for an educational purpose.
- (ii) they are of a kind that a higher education institution normally supplies to its own students and are supplied to another body providing exempt education for the direct use of that body's own students ('own students' includes registered full-time students and students who attend an exempt conference or lecture) for an educational purpose.

Under (ii) the use by the students of one higher education institution of another's laboratory facilities, computer studies facilities, student accommodation bureau are exempt. However, exemption does not extend to supplies of administrative/computer services, of O & M or other similar projects between higher education institutions since these are not used directly by the recipient's students.

Supplies of examinations between higher education institutions or between higher education institutions and examination boards, are regarded as supplies of education and are exempt.

The secondment (supply) of staff by one higher education institution to another educational body is always standard rated. The 'supply of staff' is the placing of personnel under the general control and guidance of a third party. A clear distinction needs to be drawn between a supply of staff and a supply of other services which a higher education institution makes by making use of its staff itself. For example, if staff are supplied who give lectures or tutorials at another educational body and the person comes under the control and direction of the

recipient party that constitutes a supply of staff and is standard rated. However, if a higher education institution supplies lecturing or tutorial services, ie, it accepts a contract for a specific lecturing assignment, this does not constitute a supply of staff, but will be exempt as a supply of education.

Annex 5 to these guidelines summarises in flow chart format the circumstances in which incidental supplies and supplies between educational bodies are exempt under group 6 item 4.

SUPPLIES OF ACCOMMODATION – GENERAL RULES

15 The liability of supplies of accommodation to persons other than your own students or those of another provider of exempt education or training, does not depend upon the provisions of group 6, but on those of group 1 of schedule 6 to the VAT Act.

This group is reproduced in Notice 74d2 'VAT: Land and Property'. That notice and VAT leaflet 'Hotels and holiday accommodation' explain these provisions in detail.

SUPPLIES OF ACCOMMODATION TO STAFF AND VISITING STUDENTS

16 In making supplies of accommodation to your own staff, you are not acting as a similar establishment to a hotel, etc, and the supply is exempt.

Supplies of accommodation made direct to visitors are exempt if made to:

- students of another higher education institution.
- candidates for admission to your higher education institution.

Supplies made direct to students of overseas universities, those of commercial colleges or school children (except candidates for admission to your own higher education institution) are taxable at the standard rate unless you also supply exempt education to them.

SUPPLIES OF ACCOMMODATION TO OTHER VISITORS

17 When you supply bedded accommodation to persons other than your own students or those exempted under paragraph 16, you are acting as a similar establishment to a hotel, etc, and the supply is standard rated.

LETTING OF ROOMS, ETC, WITH OR WITHOUT BEDDED ACCOMMODATION.

- 18
- i the letting of bedded accommodation itself is taxable (see paragraphs 15-17).
 - ii the letting of rooms is exempt under group 1 to the VAT Act 1983, whether or not in conjunction with bedded accommodation.
 - iii the letting of rooms for the purpose of a supply of catering (eg, halls for dinners or parties) is taxable where it is supplied together with a supply of taxable bedded accommodation.
 - iv where a room is let for the purpose of a supply of catering and (iii) above does not apply, the hire of the room is exempt but any supply of catering is taxable and if a global charge is made it should be apportioned fairly.

Where lettings of rooms, etc, are exempt they can be taxed, at the standard rate, under the option to tax rules. An option, once made, is irrevocable. VAT notice 742B 'Land and Property' gives more details.

CAR PARKING

- 19
- On the principle of 'majority use', all supplies of car parking in a area used mainly for parking students' vehicles are exempt, unless the supplies made to staff and visitors are separately identified.
 - Where a garage is let in conjunction with the letting for a charge of a house or flat, the supply of the use of the garage is exempt. If, however, the letting of the house or flat is free, and a charge is made for use of a garage, that supply is taxable.

VAT leaflet 'Parking facilities' gives further details.

LETTING OF SPORTS FACILITIES TO OUTSIDE ORGANISATIONS AND INDIVIDUALS

20 Your charges to your own students for the use of sports facilities are exempt under item 4 of group 6. Supplies to other organisations and individuals are standard rated under item 1(k) of group 1 of the VAT Act 1983 unless either

- they are supplied to another provider of exempt education for direct use by that body's own students in connection with a supply of education; or

- they meet the conditions for exemption as lets for a continuous period of use exceeding 24 hours or more, or a series of lets contained in note 13 to group 1. VAT leaflet 'Letting of facilities for sport and physical recreation' gives more details of the liability of these supplies.

ADMISSION CHARGES AND FUND-RAISING EVENTS

21 Admission charges to sporting events, exhibitions, concerts, etc, are normally standard rated both to your own students and to other persons. From 1 April 1989, goods and services supplied in conjunction with one-off fund-raising events by charities are exempt, but input tax is not recoverable on costs incurred in arranging such events. Higher education institutions are entitled to relief for supplies made in connection with such events, eg, sports matches or concerts, organised for their own purposes or on behalf of another charity.

group 12, schedule 6 of the VAT Act which describes this exemption is reproduced in annex 4.

CATERING

22 Your supplies of catering to your own students are exempt under group 6 item 4. Your supplies to staff and visitors are standard rated unless they are supplied in outlets which cater mainly for students and in which meals to staff and visitors cannot be readily identified. This 'majority use concession' should be considered for each session the outlet is open, eg, breakfast, lunch and dinner sessions or all day if there are no breaks in service. If students do not form the majority of diners for some sessions, eg, during vacations, you should account for tax on sales apportionment of takings.

SALES OF CONFECTIONERY CRISPS, ETC.

23 Some products such as confectionery, crisps and ice cream are standard rated when you buy them. You should account for output tax when you sell them unless they are supplied from an outlet predominantly concerned with the supply of exempt catering to your own students. The effect is that these products will be exempt if sold in a refectory but standard rated if sold in a bar or shop. If you have any doubts over which categories your outlets fall into, please consult your local VAT office. In some cases you may find it easier to regard all your

supplies of confectionery, crisps, etc, as taxable, if so you can do this.

VENDING MACHINES

24 Sales of standard rated items (confectionery, crisps, etc) from vending machines are standard rated wherever they are sited. Supplies of other items such as hot or cold sandwiches are exempt if the machines are sited where the majority of users will be your own students.

CATERING AND VENDING MACHINES PROVIDED BY A CONTRACTOR

25 As the exemption for catering only applies to your own supplies, its provision by a contractor acting as a principal is standard rated. When, however, a contractor is your agent, sales made on your behalf are exempt; he will also make a separate charge for his own services (managing charge); this is standard rated. The distinction between an agent and principal in this connection is important and it is explained fully in VAT leaflet 'Industrial, staff and public sector catering'.

SUPPLIES BY BOOKSHOPS AND LIBRARIES

26 The supply of printed matter by higher education institutions' bookshops is taxable at either the standard or zero rate depending upon its nature, see VAT leaflet 'Printed and similar matter'. Standard rated materials which are identified as being sold only to your own students for an educational purpose are exempt under group 6 item 4. If you lend or hire a zero rated article any charge you make is also zero-rated. Where your library acts as a back-up library supplying photocopies, microfilms, etc, to the British Library Lending Division, you should invoice the British Library for such supplies and for any handling charge at the standard rate. (Your supplies of books and other zero rated printed matter to the British Library will remain zero rated).

PHOTOCOPYING SERVICES

27 The supply of a photocopy of a complete book, booklet, etc, is zero rated provided the copy retains the normal characteristics of the original, ie, a copy of a book is in permanent binding. The supply of photocopied extracts from books, booklets, etc, is standard rated except where your supply is to your own students for an educational purpose. If you

provide 'instant' photocopying or duplicating services and cannot determine the VAT liability of the copies, you should account for VAT at the standard rate.

SELF SUPPLY OF STATIONERY

28 Under the terms of article 14 of the VAT (Special Provisions) Order 1981, if you print your own stationery, you may have to account for output tax as if you bought it from someone else - please see VAT leaflet 'Self Supply of Stationery'. The provision applies to both standard-rated and zero-rated material. It does not apply, however, to any stationery or other printed matter which is supplied to another person: for example, the supply of lecture notes to students is outside the scope of the order, but provision of examination papers is regarded by Customs and Excise as for use by the educational establishment and therefore as a 'self-supply' within the terms of the order. Nor does the order apply to stationery and other printed matter produced by typewriting, duplicating or photocopying (but it does apply to material printed by offset lithography).

Where the order applies, higher education institutions, as partly exempt bodies, are entitled to deduct in full the input tax included in the cost of goods (eg, paper, ink, plates, machinery, etc) used in the manufacture of standard-rated or zero-rated self supplies. However, evidence collected from a small sample of universities has suggested that the amount of input tax recoverable is likely to be more than the output tax actually payable on self-supplies liable at the standard rate. It was therefore proposed that the application of the order should be waived in respect of higher education institutions generally on the grounds outlined in the leaflet. Customs and Excise have no authority to allow a 'blanket' waiver of this kind, but have agreed that each higher education institution can approach its local VAT office and seek waiver of the application of the order in its own case, on production of supporting evidence. You may find that the savings in administrative costs make waiver worthwhile and you should make such an application unless your calculations show that the amount of tax potentially recoverable from Customs and Excise is significantly greater than the amount potentially payable.

If the local VAT office allows waiver of the application of the order no output tax is payable on these self-supplies; nor will you normally be entitled to recover any of the related input tax.

LANGUAGE TAPES

29 The supply of language tapes either by the higher education institution library or by another department is standard rated unless it is to your own students for an educational purpose or to another supplier of exempt education for use by their own students.

PAYPHONES

30 The VAT treatment of payphones is determined by whether you have an old or new installation. With old installations, British Telecom was responsible for collecting the takings and it accounted for output tax. With the new, you are responsible for these monies and must account for output tax on them. Whichever system you have you may recover in full the VAT charged to you by British Telecom, Mercury or the City of Hull telephone department for the use of payphones. For other telephone charges, you can only claim input tax for your own taxable activities under the tunnelling arrangements explained in paragraph 42.

CONSULTANCY, COMPUTER SERVICES AND GRANTING OF RIGHTS

31 Consultancy, computer services and the granting of rights are taxable at the standard rate if the customer is based in the United Kingdom. If the customer is based overseas, the supplies may be zero-rated and you should check by reading notice 741: 'International Services'. In some cases your consideration for these services is in the form of royalty payments which are calculated by the customer, but it remains your responsibility to account for output tax (see also paragraph 32).

TAX RECEIVED UNDER SELF BILLING ARRANGEMENTS

32 Some customers receive approval by Customs and Excise to raise tax invoices on behalf of their suppliers usually to meet a situation when they have the information on which to base an invoice before the supplier. In these cases the customer will give the supplier a copy of the 'self billed invoice' and it is then the supplier's responsibility to bring the output tax to account. Examples of supplies which might be the subject of self billing are the granting of rights, underwriting and other commissions, sales of waste paper, scrap metals and similar by-products.

In completing your VAT records see part V; you may find it useful to include a separate head for output tax due on self billing arrangements.

PART EXCHANGE TRANSACTIONS

33 Part exchange transactions between two persons registered for VAT are treated as two separate supplies; so the supply by a higher education institution of, for example, a business machine traded in part exchange will be taxable on its full market value. For possible input tax recovery see paragraph 44.

SUPPLIES TO STUDENT UNIONS, COLLEGE CLUBS ETC

34 Student unions, college clubs, etc, can be treated for VAT in one of three different ways:

- as part of the parent institution's VAT registration
- as a separate VAT registration
- as a separate legal entity which is not registered because its taxable income is below the registration limit.

In the first case, there are no supplies between parent institution and club, but you must ensure that you account for VAT on all taxable transactions made by the club to third parties. In the other two cases, where the club consists of students, the supply is to be treated as exempt if it would have been exempt if you had made the supply direct to the students, eg, the supply of general administration or sports staff, sales of catering, hire of sports equipment. In other cases, such as sales of alcoholic drinks, confectionery or the secondment of staff specifically employed on bar duties, you should charge VAT.

SUPPLIES TO CONSORTIA AND JOINT VENTURES

35 If a consortium does not constitute a separate legal entity the supplies a higher education institution makes to its fellow members will be treated in the same way as other supplies between higher education institutions (see paragraph 14).

If, however, a consortium is a separate legal entity, a higher education institution could exempt its supplies to it provided the supplies are of education or research, as distinct from, eg, O&M services or computer facilities.

If the consortium makes taxable supplies it may recover any tax charged by higher education institutions, subject to the normal rules. A higher education institution, however, would not be able to recover VAT charged by a consortium unless the supply could be attributed under the tunnelling arrangements to a taxable supply by that institution.

VETERINARY, ARCHITECTURAL AND OTHER SUPPLIES NOT PREVIOUSLY MENTIONED

36 As stated in paragraph 4, the general rule is that you must charge tax at the standard rate on your supplies unless they are the subject of a specific relief. These reliefs are listed in VAT leaflet 'VAT liability law'. If you need confirmation on the liability of any of your supplies, please consult your local VAT office. You should note that you should charge tax on supplies of veterinary and architectural services for nominal fees. If, however, you ask for donations for your veterinary services, those donations would not be subject to the tax providing the supply of the services is not conditional on the donation being given. For medicinal products bought for veterinary treatment see paragraph 13.

Part IV-VAT on Purchases and Recovery of Input Tax

VAT ON FUEL AND POWER AND NEW CONSTRUCTION

37 In June 1988 the European Court of Justice ruled that certain of the UK's VAT zero rates were not permissible under EC law. Significant among these for higher education institutions were supplies of fuel and power and new construction for non-domestic purposes. In implementing this ruling the government attempted to minimise the effects for higher education institutions as far as possible. The government decided that higher education halls of residence may be classed as domestic accommodation, and supplies of the new construction of such buildings and of fuel and power to them will continue to be zero-rated subject to the issue of the appropriate certificate for new construction; for all other buildings, standard rating will apply. Further information on the detailed implementation of the new legislation will be found in VAT leaflets on the 'Construction Industry' and 'Fuel and Power'.

37a Construction

Zero-rating for the construction or acquisition of a new building for use as student accommodation depends on the higher education institution being able to issue a certificate to the builder or developer as set out in the VAT leaflet on 'Construction: VAT certificates for residential or charity buildings'.

Higher education institutions may, on occasions be in some difficulty with respect to issuing certificates as they know that some use is likely to be made of student accommodation for non-qualifying purposes during vacations, eg, the letting of student accommodation for holiday use or for non-educational conferences, etc, but such use is difficult to quantify. In the circumstances, because in any event tax will be collected in respect of this non-qualifying use and provided that the new building is clearly intended primarily for use as student accommodation for ten years from the date of its completion, then Customs have agreed that higher education institutions may issue a certificate for the construction or acquisition of such a building as a 'relevant residential' building. Where only part of a new building will qualify and part will not, the certificate and accompanying plans must clearly indicate which part or parts are entitled to relief.

A building or part of a building constructed for a qualifying residential purpose must be used for that purpose for 10 years from the date of construction in order to qualify for zero-rating. If, within that time, a higher education institution disposes of all or part of that building for a non-qualifying use or should its usage for any reason change, tax will be due. The special rules governing such activities are explained in detail in the VAT leaflet 'Construction: VAT certificates for residential or charity buildings'.

All works, including extensions, to existing halls of residence are standard rated unless the building is listed and the works amount to approved alterations. Further information will be found in the VAT leaflet on 'Protected buildings'.

If a higher education institution arranges for the construction of a non-qualifying building (eg, a lecture theatre) which is to be used for an exempt activity, it will be liable to account for VAT on the combined cost of the land at the time the institution purchased it and on the standard-rated goods and services supplied for or in connection with the construction of the building. Where polytechnics and other higher education institutions build on land handed over by local authorities under the provisions of the Education Reform Act 1988, and the special charge on self-supplies by developers applies, the value of grants relating to the land is nil. Notice 742A 'Property development' explains this self-supply provision in detail.

37b Fuel and power

Supplies of fuel and power for use in student residential accommodation will be zero-rated. The VAT leaflet 'Fuel and power' gives further information on this subject.

As with the issue of certificates for the construction of new student accommodation Customs have agreed that where a building is used sometimes for student residential accommodation and sometimes to make taxable business supplies, then higher education institutions may issue a certificate claiming entitlement to receive wholly zero-rated supplies provided that the building, or the relevant part of the building is clearly used primarily as student accommodation.

Where part of a building is designed or used for purposes other than student accommodation (eg, a lecture theatre) then an apportionment between zero-rated and standard-rated use must be made. If

there is a supply of gas or electricity through one meter which serves a number of buildings, some of which are not halls of residence, than an apportionment will also be necessary to calculate the proportion of zero-rated fuel used in the qualifying buildings.

Where buildings each have their own electricity or gas supply and bill, they should be apportioned where necessary, individually, not aggregated together for one overall apportionment.

CHARITY ADVERTISING

38 The supply to a charity of advertising for raising money for its work or for making known its aims and objectives, published in a newspaper, journal, poster, programme, annual, leaflet, brochure, pamphlet, periodical or similar publication is zero-rated. From 1 May 1990 zero-rating has been extended so that it applies not only to printed media advertising supplied to charities for raising money for their work or for making known their aims and objectives but also to any related preparatory work. Higher education institutions who prefer not to offer the advertising contract in its entirety to a publisher can have the artwork, typesetting, etc, separately invoiced at the zero rate if they provide the supplier with a declaration that this work is intended for advertising in the printed media to make known their aims and objectives or to raise funds. Advertisements which may indirectly benefit a higher education institution by securing additional funds, but are not primarily of a fund-raising nature – eg, higher education institutions of charitable status seeking new students – are standard-rated. This relief is set out in item 8 of zero-rate group 16 (annex3).

Higher education institutions with charitable status which print advertisements in their own brochures, programmes, annual reports or similar publications can treat any sums received from the advertisers as donations and outside the scope of VAT provided the advertisements are clearly not of a commercial character and a significant proportion of non-business advertisements from private individuals is included in the publication.

EVIDENCE OF TAX PAID

39 In order to recover the VAT paid on purchases to which you are entitled, you must have evidence of tax paid, unless the special provisions of paragraphs

41 and 42 apply. This must be:

- a. Goods supplied in the UK:
- i) a tax invoice (including a self-billed invoice). (What constitutes a tax invoice is explained in paragraph 46); or
 - ii) an authenticated receipt for stage payments in the construction industry.

note: For items costing £50 or less, a less-detailed tax invoice is acceptable. This must include the name, address and VAT registration number of the supplier, the time of supply, the charge made including VAT and the rate of VAT.

- b. Imported goods:
- i) copy 8 of the Single Administrative Document (SAD); or
 - ii) a certificate of VAT paid produced by the Customs and Excise.

IMPORTATION OF GOODS

40 Notice 702: 'Imports and warehoused goods' explains the procedures for accounting for VAT on imports. It also explains what reliefs are available for temporary imports and certain goods.

SERVICES RECEIVED FROM ABROAD

41 When you purchase certain services from abroad (eg, viewdata) you must account for VAT on them as if they were taxable services you had supplied in the UK. The purpose of this procedure is to ensure that VAT is accounted for on taxable supplies regardless of the country of origin of the supply, thus avoiding any distortion of competition. Services bought from overseas will therefore be liable to VAT as they would be if they were bought within the UK; the liability of any onward supplies by the recipient higher education institution is not relevant. This is known as the reverse charge procedure and is detailed in VAT Notice 741 'International Services'.

RECOVERY OF INPUT TAX (TUNNELLING)

42 Higher education institutions are entitled to recover input tax, or a proportion of it, included in the costs of goods and services used wholly or in part to make taxable supplies. Because the value of a higher education institution's exempt outputs is much the greater part of the value of its total outputs, and it would recover little input tax under a pro-rata method, Customs and Excise have approved special arrangements for higher education

institutions whereby each taxable activity can be dealt with separately or 'tunnelled'. Under these arrangements there has to be separate accounting for each taxable activity, but it will be possible for input tax to be offset against output tax in relation to each such activity except when higher education institutions dispose of capital goods which have been used except when higher education institutions dispose of capital goods which have been used wholly in connection with exempt activities (see paragraph 44). As an extension of this arrangement it was also agreed that higher education institutions would not have to keep any detailed records on either the output or input sides in respect of their wholly exempt activities. In respect of activities where both taxable and exempt outputs arise, apportionment of input tax will be necessary. Where apportionment is made on a pro-rata basis, it is normally necessary to make an annual adjustment of input tax deduction (based on annual figures for the activity). This will correct any seasonal variation in inputs and outputs which, if left unadjusted, could be unfair to the higher education institution or to the exchequer.

In some instances – for example the sale of computer time at commercial rates – the amount of input tax recoverable may be very small. Where the amount is likely to be exceeded by the cost of keeping the necessary records, higher education institutions can, if they wish, refrain from claiming it and thereby avoid additional administrative work.

RECOVERY OF INPUT TAX ON TAXABLE ACCOMMODATION, CATERING AND BAR SALES

43 Customs have agreed to a formula approach for recovery of input tax for three areas of taxable supplies where goods and services are used which are also acquired for exempt uses. For taxable supplies of accommodation and catering, higher education institutions (other than voluntary colleges of education, colleges of education in Scotland and Scottish central institutions) may recover as input tax 20 per cent of the output tax. Voluntary colleges of education, colleges of education in Scotland and Scottish central institutions may recover 10 per cent pending the completion of a survey by Customs to see if this percentage should be amended. In respect of bars, tax is payable on purchases of liquor, soft drinks and tobacco, and this will be fully recoverable to the extent that sales of these items will be liable to output tax. All higher education institutions will

also be entitled to reclaim 5 per cent of the total output tax charged in respect of bars as representing related deductible input tax on items such as glasses, cleaning materials and items of equipment. With this approach it will not be necessary to keep records of purchases other than for liquor, etc. Any alternative approach to the methods outlined in this paragraph must be agreed with your local VAT office and will normally be required to apply for at least two years.

CAPITAL GOODS

44a Input tax on sales of capital equipment (except motor cars) acquired before 1 April 1990.

From 1 March 1986, a concession was agreed with Customs and Excise to allow higher education institutions to reclaim part of the input tax paid on capital goods used in connection with exempt activities if resold. This arrangement was agreed because at that time the normal VAT rules prevented VAT on purchases of capital equipment used for exempt activities being recovered at the time of purchase, but the subsequent sale of it gave rise to a taxable supply. Customs have agreed higher education institutions can recover a proportion of the original input tax when you meet all the following conditions:

- a. the equipment was purchased new at a price not less than £20,000 inclusive of VAT;
- b. input tax was not recovered in whole or part at the time of the purchase, and;
- c. it is the subject of a taxable disposal by the higher education institution within not more than three years of purchase at a tax-exclusive price equal to at least a quarter of the tax-exclusive price at the time of the original purchase; then

You may regard as input tax related to the taxable supply of any such goods the VAT paid on the goods at the time of original purchase multiplied by

$$\frac{\text{tax-exclusive price at disposal}}{\text{tax-exclusive price at time of original purchase.}}$$

Higher education institutions may continue to use the concession for capital equipment purchased up to and including 31 March 1990, that is for items acquired or brought into use before the new capital goods scheme described in paragraph 44B comes into force. The arrangement will lapse by 31 March 1993 (see also paragraph 44C).

44b **Capital goods acquired or bought into use on or after 1 April 1990.** On 1 April 1990 a new capital goods scheme comes into force in United Kingdom VAT Law, which will implement requirements in European Community VAT legislation.

The scheme will not apply to any capital items acquired or bought into use before 1 April 1990.

The scheme affects input tax only on certain capital goods. Under the scheme, if you acquire computers, computer equipment, land or buildings on or after 1 April 1990 for use in your business, you must review their use in your business year by year over a given period of time. If during this time there is any change in the extent to which they are used for making taxable supplies (eg, you first use them for making taxable supplies and later use them for making exempt supplies, or vice versa), you make an input tax adjustment to take account of this.

When you acquire a capital item covered by the scheme you follow the normal rules for claiming the input tax you incur on it. If it is first used in your business wholly for making taxable supplies you claim the input tax on it in full; if you use it wholly for exempt supplies you do not claim any of the input tax on it, if you use it for both taxable and exempt supplies you claim a proportion of the input tax to reflect the extent of taxable use.

If there is later any change in the extent of taxable use within a given 'adjustment period' you make an input tax adjustment. When the taxable use increases you claim a further amount of input tax; when it decreases you repay some of the input tax you have already claimed.

The scheme covers only:

- computers and computer equipment of a tax-exclusive value of £50,000 or more, if their use changes within 5 years; and
- land and buildings of tax-exclusive value of £250,000 or more, if their use changes within 10 years.

The use of the goods must be reviewed year by year throughout the adjustment period and an adjustment made if necessary.

Customs and Excise are considering whether certain specific items of information relating to input tax incurred on land and buildings should be kept to allow adjustment to be made in the years beyond the normal six year period for which records have to be retained.

The VAT leaflet 'Capital Goods Scheme: Input Tax on Computers, Land and Buildings Acquired for Use in Your Business', dated 1 April 1990, gives details including worked examples and types of computers and computer equipment covered by the scheme.

44c Other capital goods. No output tax is chargeable on the disposal of capital goods acquired after 1 April 1990 if:

- i) the items are not covered by the capital goods scheme described in paragraph 44b; and
- ii) no input tax has been recovered because the goods have been acquired in connection with exempt activities.

This treatment also applies to all capital items acquired before 1 April 1990, unless higher education institutions choose to continue to use the concession described in paragraph 44a. If any higher education institution enters into arrangements before 1 April 1990 to dispose of capital items, although the transaction is completed only after that date, the new capital goods scheme will not affect those arrangements and the provisions of paragraph 44a, if appropriate, will apply.

GOODS BOUGHT FOR EXEMPT PURPOSES BUT USED TO MAKE TAXABLE SUPPLIES

45 You buy standard-rated goods for use in connection with your exempt supplies of education, but subsequently use them instead to make taxable supplies. This may occur if, for example, computer tapes or stationery which you have purchased for educational purposes are sold to your staff for their private use. If this happens, and you have not already reclaimed the input tax incurred on the goods in question, the input tax can be reclaimed after the event provided that adequate stock records are kept to enable the claim to be verified. Your local VAT office can advise further on this question.

Part V – Accounting for VAT

ISSUE OF TAX INVOICES

46 Whenever you supply standard rated goods or services to another registered person, you must give him a tax invoice. A tax invoice must include the following information: identifying number, supplier's name, address and VAT registration number (nine characters); name and address of customer; description of nature of transaction; time of supply, ie, tax point; quantity and description of goods; unit invoice price (excluding VAT); total amount payable (excluding VAT); rate of any cash discount offered; VAT rate and total VAT charged on invoice. More information on tax invoices is given in part V of notice 700: 'The VAT Guide'.

RETAIL SALES

47 For cash sales such as catering, shop and bar sales, for which you do not issue invoices you should account for VAT on gross takings. In order for you to do this Customs have devised a number of retail schemes which are explained in VAT leaflet: 'Choosing your retail scheme'.

YOUR VAT ACCOUNT

48 For each tax period, you must keep a summary of the totals of your output tax and input tax. The summary should give a separate total for each taxable or mixed activity both for purchases and sales. You should keep all records relating to VAT for a period of six years. Further information is given in the VAT leaflet 'Keeping records and accounts'.

YOUR VAT RETURN

49 VAT returns are sent from the VAT Central Unit, Southend on Sea, at quarterly intervals and they must be returned there by the date stipulated on them. VAT leaflet: 'Filling in your VAT returns, a brief guide' explains how to complete your return.

PENALTIES

50 The Finance Act 1985 introduced financial penalties for the following:

- failure to apply for registration
- failure to keep or produce VAT records
- unauthorised issue of tax invoices

-
- failure to send in VAT returns
 - persistent late rendering of returns or payment of tax
 - serious misdeclarations in respect of underdeclared or overclaimed tax.

In addition, the Finance Act 1985 provides for the charging of default interest on underdeclarations and overclaims by way of commercial restitution for monies due but not paid to Customs and Excise.

There is also a repayment supplement which is a compensatory payment made by Customs and Excise if they fail to pay an acceptable claim within a reasonable period.

Details on all these provisions are available from your local VAT office.

Annex 1

(referred to in paragraph 7)

LAW CONCERNING SUPPLIES OF EDUCATION

EXTRACT FROM THE VALUE ADDED TAX ACT 1983, SCHEDULE 6, AS AMENDED BY THE VALUE ADDED TAX (EDUCATION) ORDERS 1987 AND 1989.

EXEMPTION GROUP 6 – EDUCATION

- 1 The provision of education or research by a school, eligible institution or university.
- 2 The provision, otherwise than for profit, of:
 - a. education or research of a kind provided by a school or university; or
 - b. training or re-training for any trade, profession or employment.
- 3 Private tuition, in subjects (except those of a recreational or sporting nature), which are normally taught in the course of education provided by a school or university, to an individual pupil by a teacher acting independently of any employer or organisation.
- 4 The supply of any goods or services incidental to the provision of any education, training or re-training comprised in items 1 and 2.
- 5 The provision of any instruction supplemental to the provision of any education comprised in items 1 and 2.
- 6 The provision by a youth club or association of youth clubs of the facilities available to its members.
- 7 The supply to a person receiving training or re-training pursuant to any arrangements made by, or under the authority or direction of, the secretary of state under section 2 of the Employment and Training Act 1973 or pursuant to any arrangements made by the Department of Economic Development under section 3 of the Employment and Training Act (Northern Ireland) 1950 of:
 - a. training or re-training for any trade, profession or employment; or
 - b. any goods or services essential to such training or re-training;

in respect of which payment is made by, or under the authority or direction of, the secretary of state or by the Department of Economic Development, as the case may be.

NOTES

- 1 'Education' includes training in any form of art but excludes -
 - a. courses in English as a foreign language which are provided for payment which exceeds the full cost of providing the courses; and
 - b. holiday courses of an essentially recreational or sporting nature.
- 2 'School' in items 1, 2 and 3 means an institution which, within the meaning of the Education Acts 1944 to 1981, the Education (Scotland) Act 1980 or the Education and Libraries (Northern Ireland) Orders 1972, 1976 and 1980, provides primary or secondary education or both, and which -
 - a. either is provisionally or finally registered or deemed to be registered as a school within the meaning of the aforesaid legislation, in a register of independent schools or is a school in respect of which grants are made by the secretary of state to the proprietor or managers; or
 - b. is a voluntary school within the meaning of the Education Act 1944 or the Education and Libraries (Northern Ireland) Order 1972, 1976 and 1980.
- 3 'University' means a United Kingdom university and includes any college, institution, school or hall of such a university.
- 3a For the purposes of item 1 above 'eligible institution' means -
 - a. an institution to which section 132(6) of the Education Reform Act 1988 applies;
 - b. an institution to which section 77(5) of the Education (Scotland) Act 1980 applies;
 - c. an institution to which grants are paid by the Department of Education for Northern Ireland under article 66(2) of the Education and Libraries (Northern Ireland) Order 1986;
 - d. the Cambridge Institute of Education, the Royal College of Art and the Cranfield Institute of Technology.
- 4 Paragraph (a) of item 2 does not include recreational or sporting activities except where they are provided as part of a general educational curriculum.

5 Item 4 applies only where:

- a. Supplies described in that item are made to the persons receiving education, training or re-training comprised in items 1 and 2 (hereinafter referred to as students) by the same person who provides them with that education, training or re-training; or
- b. Supplies described in that item are made to a person providing education, training or re-training comprised in items 1 and 2 (hereinafter referred to as the recipient), by another person providing such education, training or re-training and such supplies to his own students, and are directly used by the students of the recipient.

6 Item 5 applies only where the instruction described in that item is provided to persons receiving education comprised in items 1 and 2 by the same person who provides them with that education.

Annex 2

(referred to in paragraph 8)

HOLIDAY COURSES – SPORTING AND RECREATIONAL COURSES

The examples given below are in all cases illustrative rather than exhaustive.

Sporting activities. All courses which involve sporting activity are taxable. This includes a range of activities in addition to conventional sports.

Examples: Competitive sports, such as archery, darts, cricket, football, squash, tennis, etc. Individual activity such as climbing, fishing, keep fit exercises or gymnastics.

RECREATIONAL ACTIVITIES

- a. Courses which in themselves amount to activities of a wholly recreational character are taxable, as are courses not of a kind provided by a school or university.
Examples: Beauty culture, bridge, chess, dancing, flower arrangement, model making, old-time music hall, slimming, stamp collecting, home brewing, wine appreciation, yoga, meditation, gardening.
- b. There are some borderline types of courses of which the title or description may not itself be enough to show whether or not there is a taxable recreational activity – Customs and Excise will accept these as exempt, provided the university can demonstrate a formal intention to teach, instruct or train those attending the course. Course schemes or syllabi must show a clear intention of progression in learning, aiming at the achievement of a defined standard or level of competence.
Examples: Courses within the following categories: domestic science, arts, crafts, music, DIY, car maintenance.

EXEMPT COURSES

To assist in distinguishing those courses which are taxable from those which are not, and particularly with reference to the scope for the phrase 'recreational or sporting activity', the following examples are given of categories of course which will be regarded as exempt:

Examples: Professional or vocational courses, eg. accounts, engineering, horticulture, business or computer studies; academic or scholastic studies, eg. anthropology, archaeology, science, mathematics, economics, history, geography, languages, religion, social studies, English language and literature; utilitarian courses, such as industrial relations, baby care, health education, first aid and safety training.

Annex 3

(referred to in paragraph 13)

EXTRACTS FROM THE VALUE ADDED TAX ACT 1983

(as amended from 1 May 1990)

SCHEDULE 5 – ZERO RATED; GROUP 16 – CHARITIES, ETC

Item No

4 The supply of any relevant goods for donation to a nominated eligible body where the goods are purchased with funds provided by a charity or from voluntary contributions.

5 The supply of any relevant goods to an eligible body which pays for them with funds provided by a charity or from voluntary contributions or to an eligible body which is a charitable institution providing care or medical or surgical treatment for handicapped persons.

6 Repair and maintenance of relevant goods owned by an eligible body.

7 The supply of goods in connection with the supply described in item 6.

8 The supply to a charity of a publication in any newspaper, journal, poster, programme, annual, leaflet, brochure, pamphlet, periodical or similar publication of an advertisement which is for the raising of money for, or making known the objects or reasons for the objects of, the charity or the supply to a charity of any goods or services in connection with the preparation of such an advertisement.

9 The supply to a charity, providing care or medical or surgical treatment for human beings or animals, or engaging in medical research, of a medicinal product where the supply is solely for use by the charity in such care, treatment or research.

10 The supply to a charity of a substance directly used for syntheses or testing in the course of medical research.

Notes

(3) 'Animals' includes any species of the animal kingdom.

(4) 'Relevant goods' means

- a. medical, scientific, computer, video, sterilising, laboratory or refrigeration

equipment for use in medical research, training diagnosis or treatment;

- b.
- c. parts or accessories for use in or with goods described in paragraph (a) or (b) above;

(5) 'Eligible body' means

- e. a research institution whose activities are not carried on for profit;

(10) Items 4 and 5 include the letting on hire of relevant goods; accordingly in items 4,5 and 6 and the notes relating thereto, references to the purchase or ownership of goods shall be deemed to include references respectively to their hiring and possession.

(11) Items 5 includes computer services by way of the provision of computer software solely for use in medical research, diagnosis or treatment.

(12) In item 9:

- a. a 'medicinal product' means any substance or article (not being an instrument, apparatus or appliance) which is for use wholly or mainly in either or both of the following ways:
 - i. by being administered to one or more human beings or animals for a medicinal purpose
 - ii. as an ingredient in the preparation of a substance or article which is to be administered to one or more human beings or animals for medicinal purpose;
- b. a 'medicinal purpose' has the meaning assigned to it by section 130(2) of the Medicines Act 1968;
- c. 'administer' has the meaning assigned to it by section 130(9) of the Medicines Act 1968;

(13) In items 9 and 10 -

'substance' and 'ingredient' have the meanings assigned to them by section 132 of the Medicines Act 1968.

DECLARATION REFERRED TO IN PARAGRAPH 13

DONATED MEDICAL AND SCIENTIFIC EQUIPMENT ETC PURCHASE/IMPORTATION BY AN ELIGIBLE BODY

I _____ (full name)
_____ (status in organisation)
of _____ (name and address of organisation)

declare that the above-named organisation is buying/importing from:

_____ (name and address of supplier)

the following goods or services:

_____ (description of goods or services)

and is paying for this supply with funds provided entirely by a charity or from voluntary contributions.

* I also declare that the goods are to be used in medical research, training, diagnosis or treatment.

I claim that the supply is eligible for relief from value added tax under group 16 of the zero rate schedule to the Value Added Tax Act 1983.

_____ (Signature)

_____ (Date)

*delete if not applicable

There are severe penalties for making a false declaration. If you are in any doubt about the eligibility of the goods or services you are buying, you should seek advice from any local VAT office before signing this declaration.

DECLARATION REFERRED TO IN PARAGRAPH 13

**MEDICINAL PRODUCTS AND SUBSTANCES USED
IN MEDICAL RESEARCH,
PURCHASED OR IMPORTED BY A CHARITY
ENGAGED IN MEDICAL RESEARCH, TREATMENT
OR CARE**

I _____ (full name)
_____ (status in organisation)

of _____ (name and address of
organisation)

declare that the above-named organisation as
*importing/buying from

_____ *(name and address
of supplier)

the following goods

_____ (description of goods)

I also declare that the goods are to be directly used
by the above-named organisation solely for the
purposes of medical *care/treatment/research.

I claim that the supply is eligible for relief from value
added tax under group 16 of the zero rate schedule
to the Value Added Tax Act 1983.

_____ (Signature)

_____ (Date)

**There are severe penalties for making a false
declaration. If you are in any doubt about the
eligibility of the goods you are buying, you should
seek advice from any local VAT office before signing
this declaration.**

NOTE TO SUPPLIERS

You should retain this certificate for production to
your VAT officer. The production of this certificate
does not authorise the zero-rating of the goods. It is
your responsibility to ensure that the goods supplied
are eligible before zero-rating them.

Annex 4

(referred to in paragraph 21)

**EXTRACTS FROM THE VALUE ADDED TAX ACT
1983**

**SCHEDULE 6 – EXEMPT; GROUP 12 – FUND
RAISING EVENTS BY CHARITIES AND OTHER
QUALIFYING BODIES**

Item No

1 The supply of goods and services by a charity
in connection with a fund-raising event organised
for charitable purposes by a charity or jointly by
more than one charity.

2 The supply of goods and services by a
qualifying body in connection with a fund-raising
event organised exclusively for its own benefit.

notes:

- (1) For the purposes of items 1 and 2 'fund-raising event' means a fete, ball, bazaar, gala show, performance or similar event, which is separate from and not forming any part of a series or regular run of like or similar events.
- (2) For the purpose of item 2 'qualifying body' means any non-profit making body mentioned in either section 47(3) of this Act or item 1 of group 9 of schedule 6 to this Act'.

Annex 5

INCIDENTAL GOODS AND SERVICES SUPPLIED BY HE INSTITUTIONS TO OTHER EDUCATIONAL PROVIDERS: ELIGIBILITY FOR RELIEF UNDER NOTE 5 TO ITEM 4, GROUP 6

NOTE:

Certain supplies, eg the letting of lecture rooms, may be exempt under other provisions if not under item 4 to group 6. In this case, guidance will be found elsewhere in the Guidelines (eg, paragraph 18).

