

Introduction

These guidelines are not intended as a comprehensive list but to give a brief overview of Value Added Tax (VAT) and how works and applies to SGUL.

VAT legislation is complicated and in many cases open to interpretation by HMRC. Please email your queries to Finance on finance@sgul.ac.uk who will either resolve the query or liaise directly with SGUL's advisors or HMRC as appropriate.

Departments are strongly advised to seek advice from Finance or JRES on any VAT matters of concern, and they should not correspond directly with HMRC.

What is VAT?

VAT is a tax on consumer expenditure. It is based on individual transactions rather than an overall income or profit. The application of the VAT laws to SGUL is particularly complex due the wide variety of areas of activity a typical HEI will undertake.

There are three main rates of VAT – the standard rate currently at 20%, the reduced rate currently at 5%, and the zero rate. Goods and services may also be exempt or outside the scope of VAT.

The majority of goods and services have VAT charged at the standard rate. The reduced rate of VAT applies mainly to fuel and power costs, and certain specified construction services. The zero rate applies mainly to children's clothing and books. Exempt Supplies are exempt from VAT altogether. Outside the scope are goods and services where VAT cannot be charged or reclaimed and are considered outside of the VAT tax system. These include goods/services bought **and** used outside of the UK and statutory fees.

Using the Partial Exemption method, SGUL can recover a small percentage of VAT incurred on overhead expenditure, i.e. expenditure which relates to both taxable and exempt supplies. The amount recovered is used to reduce the VAT liability.

VAT Registration Number

You may be asked for SGUL's VAT registration number for various reasons. You may need to provide this when you are importing goods or when you are creating a new credit account with a supplier.

If you are not sure why the number is being requested find out as much information as you can and contact finance@sgul.ac.uk for help and advice if you have any concerns.

SGUL's VAT Registration Number is: **GB 562 0444 64.**

Our EORI number is GB 562044464000.

SGUL Status

SGUL is an "**Exempt charity**"; charities in general have no special VAT arrangements.

SGUL is classified as an Eligible Body under Schedule 9 of the VAT Act 1994, under Note 1(b) of Group 6 (Education) and Note 2A to Group 10 (Sports).

SGUL **cannot** reclaim VAT for its exempt (educational and some research) activities, which are the majority of the supplies SGUL makes. This means that the full cost of goods and services (inclusive of VAT) will be applied as a charge to the relevant Institute or Departmental budget for their expenditure.

There are some exceptions to this, areas such as taxable research and commercial use of digital services.

Income

Provision of Education

The provision of education is an exempt supply for VAT purposes. This includes tuition fees, short courses, adult education, some conferences (please see more details below) and seminars. It also includes income closely related to education. VAT cannot be reclaimed on expenses relating to the provision of education.

Accommodation

As SGUL is classified as an 'eligible body, the supply of accommodation to our students is considered to be a closely related supply of education and is therefore VAT exempt. This will also apply to visitors who are using the accommodation for education related purposes, for example, on a course.

However, when we provide accommodation to visitors where they are not involved in any educational process, for example, holiday lets or overnight stays, then there is no closely related supply of education, so the supply would be standard rated.

Staff on Secondment

The supply of staff to another Institution for non-teaching purposes is standard rated.

If a staff member is supplied to another Institution which is a provider of exempt education, and that member of staff will be used for the direct benefit of the students i.e. teaching, then this will be an exempt supply.

The supply of clinical staff to the NHS for the provision of treatment to patients is exempt. The provision of any other staff to the NHS, such as technicians or administrators, or clinical staff for any other reason (not patient related) is standard rated.

Research

HMRC defines "research" as 'original investigation undertaken in order to gain, advance or expand knowledge and understanding'. This does not include consultancy advice, nor does it include education itself, or for example administrative services.

The VAT liability of research undertaken by SGUL will always depend, as a matter of fact, on the precise details of both the funding contract that SGUL holds the express intention of the parties, and also on the VAT status and location of the sponsor/funder. It can be zero rated, standard rated or outside the scope. Finance/JRES will advise on this, no indication of the VAT status should be given to a research funder without speaking to them first.

Consultancy

The supply of consultancy is normally charged at the standard rate of VAT. SGUL will generally be able to reclaim any VAT incurred on costs. Care must be taken in deciding if a service is research or consultancy. If in any doubt, please contact JRES.

Conferences

When deciding what rate of VAT a conference falls into, we must consider the question of educational content. Where an event is primarily educational in purpose, and delegates are charged for the event, then the fees are exempt from VAT as a supply of education.

Where the supply is made in the provision of education as above, any supplies of accommodation or catering by the eligible body organising the conference for those attending the conference are also exempt as supplies incidental to the supply of education.

The usual definition of eligible bodies applies (i.e. Schools, Universities, Government Departments, Local Authorities etc.) in this case. Groups which are organising the conference for educational purposes may still be eligible for VAT exemption, providing that the group cannot distribute its profits, the client is charging for the event, and any surplus from the event will be used to fund further educational events. If any of these criteria are not met, the supply of facilities will be standard rated. If further advice is required, please contact the [finance department](#) to discuss the matter further.

Where a conference has minimal or no provision for education, the exemption from VAT does not apply. The supply then becomes one of facilities, where some costs will be standard rated and some, such as room hire may be exempt.

Any Equipment Hire element will be subject to VAT at the standard rate.

Room Hire

Room hire is exempt from VAT with no provision of special equipment, facilities, catering etc., as this is classed as a licence to occupy land unless SGUL has "opted to tax" the property in which case the room hire will be standard rated. SGUL has not currently opted to tax any buildings.

The hire of a room in one of these buildings would therefore be standard rated.

If special facilities are provided in addition to the hire of the room (e.g. the dissection room), then the entire charge is subject to VAT at the standard rate.

e.g.

- *If you grant a licence for someone to use a specific area of office accommodation, such as a bay, room or floor this would be VAT exempt unless you have opted to tax the building. If it's more than a basic room and the room includes additional special facilities and/or equipment etc HMRC may see this as standard rated.*
- *If you allow someone access to use office facilities i.e. they can sit anywhere rather than a designated area then this is not a licence to occupy and will automatically be standard rated.*

Often a charge will be made to cover additional costs incurred by SGUL in making the room available such as the management of repairs and maintenance. Such charges can be exempted, as they are simply part of the overall charge for room hire. If equipment is supplied as part of the overall charge for room hire this will also be included in the exemption.

Therefore, service charges normally follow the same VAT liability as the room hire under the lease or licence (normally exempt, unless the building has been opted to tax, see above).

Photocopying

Photocopying charges which relate to students are VAT exempt, as are photocopying charges to staff for departmental work. Providing the charges are incurred for educational purposes, no VAT charge will apply.

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The Photocopying charges of a complete book will follow the same VAT liability of the original document, therefore a complete photocopy of a reference book would be zero rated.

If the photocopying charges relate to private work, then VAT will be charged at the standard rate.

Library

Any loan or hire charges relating to zero rated books or articles, will also be zero rated.

Miscellaneous Income

Car parking charges are vatable at the standard rate.

Expenditure

Imported Goods and Services

When SGUL purchases goods and services from outside the UK, these transactions are subject to the Reverse Charge mechanism. The Reverse Charge mechanism is designed to prevent businesses from avoiding VAT by obtaining goods and services from abroad.

What this means is that the goods or services purchased from overseas do not have VAT added. SGUL is required to provide our VAT number to the company supplying the goods or service. SGUL, as the purchaser, is required to calculate the VAT element of the transaction and pay this over to the HMRC, and their VAT charge is added to the cost of the goods or services.

Goods imported from outside the UK usually have any relevant import duty or tax collected at Customs before being let into the UK, therefore it is not necessary to charge any VAT. Services imported from outside the EU are subject to VAT.

All transactions involving imports are examined by the finance department and any VAT due is charged to the same code as the original transaction by journal.

If you intend purchasing goods or services from outside the UK, and are unsure about any relevant VAT implications, please contact the [Finance department](#).

Advertising

VAT Relief on Advertising

As SGUL has charity status, it does not need to pay VAT on its advertising, providing certain conditions are met.

The conditions for the relief to apply are:

- The advertising must communicate to the general public. This would include advertising media such as television, cinema, newspapers, magazines or websites which are accessible to the public. (Direct mail shots and telesales would not qualify as these are targeting specific individuals).
- SGUL must be paying to advertise in someone else's media, e.g. an external publication or website. Advertising on our own website would not apply, neither would advertising on exhibition stands, or advertising on commemorate items such as pens or adult clothing.

The supplier is entitled to ask SGUL for evidence that it qualifies for the relief. If this is the case, you need to send a completed form Charity Advertising to the supplier, please speak to the [Finance Department](#) where this is relevant.

Advertising expenditure meeting the above criteria is zero-rated and therefore no VAT is payable. For more details on VAT relief on advertising, follow the link [here](#) to the HMRC website:-

Equipment for Medical Research or Training

Zero-rating of medical equipment In order for the zero rating of medical equipment to apply, the following criteria must **ALL** apply:-

- The goods and services must be purchased by SGUL;
- The supply is must be of qualifying goods or services, or the repair of qualifying goods or services;
- If the supply is of medical, scientific, computer, video, sterilising, laboratory, or refrigeration equipment, this equipment is being purchased to be used by SGUL mainly for medical or veterinary research, training, diagnosis or treatment;
- SGUL must provide the supplier with a certificate of eligibility for relief.

Explanation of qualifying goods and services

The legislation lists the following seven types of equipment as qualifying for relief provided that the other criteria above are also satisfied;

Medical Equipment - This covers a wide range of goods, from simple items like bandages and tongue depressors, to complex machinery such as x-ray machines and scanners.

Scientific Equipment - equipment designed to perform a scientific function. This includes precision measuring equipment and analytical equipment such as thermometers, weighing machines and spectrometers.

Computer Equipment – This covers computer hardware, peripherals (monitors, printers and scanners), and in certain circumstances software.

Video Equipment – This covers Video Recorders, Cameras, DVD players and other recording/playback devices.

Sterilising Equipment – This includes autoclaves and other specialised equipment using steam or other high temperature processes.

Laboratory Equipment – This includes equipment that is designed for use in a laboratory, such as test tubes and other laboratory glassware; Bunsen burners; fume cupboards; micro tomes; cryostats; laboratory benches; specialised sinks and catch pots This does not apply to general furniture used in a lab, bulk materials, or consumables.

Refrigeration Equipment - This includes all cooling and freezing equipment, whether designed for industrial, domestic or any other purpose.

As mentioned earlier, this relief also applies to the repair, maintenance or installation of qualifying goods, and any goods supplied in connection with this repair, maintenance or installation. The relief also extends to parts and accessories for use in or with any of the above equipment.

The HMRC provides an extensive list of various equipment which does and does not qualify under these criteria. The link to this document is provided [here](#).

What is equipment?

Equipment is articles designed or used for a specific purpose. It will usually be durable, although certain disposable items, such as syringes that are designed to be used once only, may still be equipment.

The following items are **not** equipment and do **not** qualify for zero-rating, even when supplied to, or for donation to, an eligible body:

- bulk materials such as liquids, powders, sheets, pellets, granules; clothing (other than specialist medical equipment such as surgical masks, gowns and gloves);
- and consumables such as chemical reagents, fuel, ink, medicines, oil, paper, and cleaning and sterilising fluids.

Please note however, medicines and chemical reagents may qualify for zero-rating under a separate relief when supplied to certain charities. Further information can be found under Drugs and Chemicals and Medicinal Products [here](#).

When purchasing equipment which meets the criteria described above, you need to choose medically exempt as the VAT status on the PO on Agresso and send the supplier the exemption certificate which will be produced along with the PO.

If you have any queries, please contact the [Finance department](#).

Drugs and chemicals

A charity engaged in medical or veterinary research can purchase substances directly used for testing, or for mixing with other substances in the course of that research, at the zero rate.

A 'substance' can be natural or artificial, and can be in solid or liquid form or in the form of a gas or vapour. If the substance is purchased in the form of gas the zero-rating will also apply to the cylinder rental.

Medicinal products

A charity engaged in the treatment or care of people or animals, or in medical or veterinary research, can purchase medicinal products at the zero rate.

A 'medicinal product' is a substance presented as a medicine, or an ingredient for a medicine, capable of being administered to people or animals for a medicinal purpose. The zero rate covers medicinal products purchased by a charity for the purpose of testing the efficiency of those products.

'Medicinal purpose' means:

- treating or preventing disease;
- diagnosing disease, or ascertaining the existence or degree of a physiological condition;
- contraception;
- inducing anaesthesia;
- otherwise preventing or interfering with the normal operation of a physiological function, whether permanently or temporarily, and whether by terminating, reducing or postponing, or increasing or accelerating the operation of that function, or in any other way.

E-publications

From 1 May 2020 e-publications became zero rated. The definition of e-publications includes

- books
- booklets
- brochures
- pamphlets
- leaflets
- newspapers
- journals and periodicals – including magazines
- children's picture and painting books