



Beginners Guide: ACADEMIES AND VAT

YES you can get your VAT back!

If you run an academy you can recover the VAT on your school expenditure (as opposed to your business expenditure) but what are the rules and practical implications? The rules changed with effect from 1 April 2011 and are contained within section 33B of the VAT Act, but knowing you can recover the VAT is different to the detail of how and why! This is also important because the VAT grant element of the payments schools receive ceased during 2011, so if your Academy does nothing it will be worse off!

Register for VAT or not?

Firstly should your Academy register for VAT and do regular VAT returns? Or use the existing form 126 procedure as the local authority will have done? The answer is actually another question because it depends (!) and you need to consider if; (1) you are required to be VAT registered, (2) are able to voluntarily register or (3) have to use the form 126. This depends on your circumstances:

- If your business income or taxable sales (ie; standard, reduced or zero-rated supplies) are over the VAT registration threshold (currently £73k in a 12 month period) – then it is compulsory for your Academy to be VAT registered. You can choose to register before you reach this threshold but are required to register from the date when the threshold was exceeded. This threshold should be monitored and VAT registration applied for at the point where it has been exceeded in the last 12 months – and note that you must register within 1 month of exceeding the threshold.
- If you have some taxable sales, but are below the VAT registration threshold – then you can apply for voluntary VAT registration.
- If you have no taxable sales, or your taxable sales are below the VAT registration limit – then VAT registration is not required. But, VAT related to non-business activity (ie grant-funded free provision of education) will be recoverable using the form 126 procedure.

Note that if you are VAT registered you will be required to charge VAT on your VATable sales– so make sure you identify what are VATable sales (taxable supplies to use the

technical jargon) so that you charge VAT correctly. If you use the form 126 procedure then you do not have to charge VAT on your business income.

Partial Exemption

Academies cannot reclaim all of the VAT they are charged - and if your Academy is VAT registered then you might need to carry out a partial exemption calculation to identify how much you can, or can't, reclaim.

How to reclaim VAT

The process of claiming a refund is also different. If you are VAT registered then you are required to prepare and then submit online VAT returns. Most accounting packages produce the relevant reports or printouts as standard and you then enter five or six numbers into a online-form and click to file. The Form 126 procedure requires you to complete the appropriate form, to list out relevant expenditure, and to post it off. The downside with the form 126 procedure is that you can probably use printouts from your accounting system but not necessarily – and it might therefore involve more administrative work than the online process of submitting VAT returns.

What do YPLA recommend?

YPLA have suggested that VAT registration would be a preferable route for academies because VAT returns can be completed online, while the form 126 refund process currently requires manual claims. But the real point is that your Academy needs to make a decision on whether or not to register for VAT based on its own specific circumstances and it is important to bear in mind that the most important implication of VAT registration is that VAT will need to be charged on taxable or business income.

We can help!

We can help by providing form 126, applying for VAT registration for you, helping to identify what your taxable supplies are and more...

If you would like to have a discussion about the specific VAT issues faced by your academy then you can always contact us!

CAVEAT

This Beginners Guide is no substitute for proper specific professional advice and no liability can be accepted for any acts or omissions taken as a result of reading it.

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