

## **23. Value Added Tax**

Generally the County Council is able to recover the excess of Value Added Tax (VAT) incurred on payments made over that received in income collected and this arrangement applies to those financial transactions made by schools through their official budgets. It is important that the correct accounting treatment in respect of VAT is applied by schools in order to avoid penalties being imposed by HM Revenue & Customs (Customs), and to assist in this, detailed guidance on accounting for VAT is set out in the local authority Taxation and VAT manual<sup>1</sup> which is held electronically on the Intranet.

**See also:**

Taxation and VAT Manual

### **Regulations**

23.1. Headteachers are responsible for correctly accounting for VAT in respect of both income and expenditure. Schools are expected to comply with the instructions on treatment of VAT set out in the Taxation and VAT manual, which is available on the Intranet. Chapter 5 deals specifically with school related matters with further references at paragraphs 2.3.6 and 4.1.5. Where any doubt exists about the correct VAT treatment the IBC Tax Team through e-mail address [ibctax@hants.gov.uk](mailto:ibctax@hants.gov.uk) should be consulted.

23.2. Unless as a result of incorrect guidance from the local authority's taxation adviser, any error which results in a VAT misdeclaration or other penalty, will be the responsibility of the Headteacher and will be charged to the school's budget.

**See also:**

A23.3 Asset Management

23.3. The IBC tax Team is the local authority's contact point with Customs. They are not only responsible for submitting the local authority VAT returns and any necessary adjustments to Customs, but also undertake all other communications with Customs. Under no circumstances must school staff attempt to make direct contact with Customs on matters concerning the school's official activities. All queries should be routed through the IBC Tax Team.

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<sup>1</sup> Provided through Hampshire County Council IBC

- 23.4. Monitoring the level of taxable turnover in the school's unofficial/special purposes funds is the responsibility of the school governors. If the annual VAT registration turnover threshold is reached in any rolling twelve month period the governors must either, register those funds for VAT, or alternatively request Customs permission not to register by providing evidence that the level of taxable turnover will drop below the registration threshold in the next twelve months. Full details about VAT registration and which types of income count towards the threshold can be found at paragraph 2.1.2 VAT Registration<sup>2</sup> in the Taxation and VAT manual.

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<sup>2</sup> If in any doubt as to whether registration is required schools are advised that they must contact the IBC tax Team or their school's EFS finance adviser for clarification