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1 Introduction

1.1 This Manual

This manual is intended to give advice on all tax issues relating to County Councils and their schools falling under IBC. It is not suitable for use by others that County Council provides services to, even where these services are supplied via the IBC Portal, and should not be relied upon by such organisations.

The manual is available on www.hants.gov.uk as a complete “pdf” document in order to allow use of search functionality – press the “Ctrl” and “F” keys together, and enter word(s) to search for.

Section 6 gives an index of [VAT and PAYE liabilities](#). Where the liability is dependant on the circumstances of the case, links to more detailed guidance are provided. Section 5 provides a [summary of guidance for schools](#), again linking to more detailed information elsewhere in the manual.

Details of updates to this manual will be posted to the [Tax News](#) page on www.hants.gov.uk.

1.2 Tax Contacts

For advice on any County Council VAT / tax issue, please contact the IBC Tax Team:

- Email: ibctax@hants.gov.uk
- Telephone: (01962) 847404
- Raise an enquiry on the IBC Portal

VAT correction journals for all departments must be carried out by the IBC Tax Team. Please email the following information to the address shown above:

- An explanation of the correction required
- Details of the codes (Cost Centre / GL / SIO) used for the transaction
- Document number of the transaction

Any relevant paperwork should be scanned and attached to the email.

Further information about VAT errors can be found in section 2.8.

1.3 HM Revenue and Customs (HMRC)

Taxes are administered by HMRC. Inspectors visit the County Council, checking that tax has been correctly accounted for. They may also want to visit individual establishments; however this would usually be arranged via the [IBC Tax Team](#).

Where they find errors, they will charge us for:

- Any tax underdeclared,
- Interest, to cover the period from when the tax should have been declared, and
- Penalties, especially where they consider that reasonable care had not been taken to avoid the misdeclaration. Penalties can be charged regardless of whether the error resulted in too little or too much tax being declared.

The [IBC Tax Team](#) should be contacted in respect of any VAT issues and the County Council's obligations to account for tax as an employer.

Employees queries regarding their own personal tax affairs should be directed to:

Hampshire County Council Employees:

HM Revenue and Customs,
West Hampshire Area Service,
Trinity Bridge House,
2 Dearman's Place,
Salford,
Manchester
M3 5BS

or telephone: 0845 3021400.

Oxfordshire County Council Employees:

HM Revenue and Customs,
Ty Glass,
Llanishen,
Cardiff,
CF14 5YF

or telephone: 0163 326 1610

Employees in direct contact with that office concerning their own affairs should always quote that ref in correspondence, along with their National Insurance no and payroll ref no. This enables HMRC to identify them as opposed to someone else with the same name.

Further advice on personal tax issues can be sought from HMRC's website: www.hmrc.gov.uk.

2 VAT

2.1 Introduction to VAT

2.1.1 Background

VAT is charged on:

- the supply of goods and services in the UK,
- the purchase of goods from other European Union (EU) member states, and
- the importation of goods from countries outside the EU.

2.1.2 VAT registration

Most organisations are required to register whenever one of the following two conditions are met:

- their taxable turnover over the past 12 months exceeds the [VAT registration threshold](#); or
- they expect that their taxable turnover for the next 30 days will exceed the [VAT registration threshold](#)

Taxable turnover is that element of turnover that would be subject to VAT if the organisation were registered. The VAT registration threshold is generally increased by around £1,000-£3,000 in each budget. Current and previous values are shown in section 7.1.3. Businesses can de-register when their taxable turnover falls below a de-registration limit, generally around £2,000 below the registration threshold.

Businesses can still apply for registration voluntarily, even if the conditions are not met.

Schools' external unofficial funds are not part of the County Council's VAT registration, and would require separate VAT registration if the threshold is exceeded.

Local Authorities must register for VAT regardless of the level of taxable turnover (in practice this requirement is waived if taxable turnover is below £1,000 p.a. – to prevent small town/parish councils having to register).

The VAT Registration numbers are:

- Hampshire County Council: **GB 189 4068 22**
- Oxfordshire County Council: **GB 195 4786 09**

2.1.3 Outputs and inputs

VAT registered organisations must pay over to HM Revenue and Customs (HMRC) the VAT they have charged on their supplies. This VAT is called **output tax**, as it is the VAT paid over on the organisation's outputs.

VAT registered organisations can generally recover from HMRC the VAT on their purchases of goods and services, provided that these have been purchased for use in the course of their business. This VAT is called **input tax**, as it is the VAT recovered on the organisation's inputs.

It is important to maintain the distinction between input tax and output tax - irrespective of in which direction money changes hands. For example, the refund by a supplier in respect of an invoice paid by us is negative input tax (rather than output tax) even though we are receiving the payment. Similarly, if we refund a part year of a season ticket we must declare the VAT as negative output tax (rather than input tax) even though we are making a payment.

2.1.4 How does VAT work?

The following example shows how the VAT system works:

Example

A manufacturer buys materials for £60 (incl. 20% VAT) from their supplier, which they use to make an item of furniture. They then sell the furniture directly to a member of the public for £180 (incl. 20% VAT).

The manufacturer receives an invoice from their supplier. It pays the supplier £60 - but reclaims from HMRC £10 input tax – making the actual cost to them £50. They sell the furniture to the member of public, who pays £180 - but the manufacturer has to pay £30 output tax to HMRC. The actual income retained is therefore £150.

The manufacturing process has clearly "added value" to the goods. The value added can be calculated as the income retained from the sale, less the cost of the goods supplied - i.e. £150 - £50 = £100. The tax difference - i.e. the difference between the output tax paid to HMRC on the selling price and the input tax recovered on the purchase of the goods is £30 - £10 = £20 = 20% of the £100 "value added".

The example is a simplified one, usually you would have a much longer supply chain, perhaps with wholesalers and retailers. At some stage in the process, goods may be imported or exported. But the concept remains the same - in theory, VAT should only be a cost to the end consumer, who is unable to recover VAT charged to them.

In practice, this is not always the case, as the ability to recover VAT on inputs to a business is in some instances restricted. This can cause VAT costs to "stick" with a business.

2.1.5 Special rules for local authorities

Local authorities and certain similar organisations, under section 33 of the VAT Act 1994, are also entitled to recover VAT on purchases for use in the course of their **non-business** activities (e.g. those carried out under statutory obligation). However, not all organisations that you may consider as being similar to local authorities are covered by section 33. Examples of organisations excluded from section 33 are health authorities, central government departments and the governor / parent teacher associations funds within schools.

When accounting for VAT, no distinction is made between that which we recover in respect of our business activities (true input tax) and that which we recover in respect of our non-business activities (known as section 33 VAT). Except where specified to the contrary, the rest of this manual uses "input tax" to refer to both.

2.1.6 The VAT return

Input and output tax is accounted for by VAT registered organisations on a VAT return. The frequency that returns must be submitted varies. Local authorities submit returns monthly, whilst many other organisations submit returns quarterly or even annually, dependant upon the size of the organisation. A local authority's VAT return will normally result in a payment being made by HMRC to the authority - as the input tax recoverable on expenditure is usually far greater than the output tax payable on income. The only exception to this would be smaller councils receiving very high levels of taxable income, e.g. from seasonal trading activities.

2.1.7 When can't input tax be reclaimed?

There are a number of circumstances when we will not be able to reclaim the input tax shown on an invoice that we pay. These include:-

- where we have not received a **supply**. For example:
 - re-imbusement of interview expenses
 - payment of compensation for damage caused to private property by our vehicles
- VAT incurred on business entertainment.
- cars - where we lease cars, input VAT recovery is restricted to 50% on any finance element to reflect the fact that the vehicle may be put to private use. Where we purchase cars, input VAT recovery is blocked altogether, unless we are able to get specific agreement from HMRC.

“Private use” for this purpose includes an employee’s journey from home to work.

- VAT on supplies of accommodation, travel, admissions, etc. bought in for resale as an organised tour or trip (these come under the Tour Operators Margin Scheme)
- should we become partially exempt, any input tax incurred on any expenditure attributable to our "exempt activities"

Where input tax is not recoverable, it is generally known as blocked input tax.

2.2 Supply and Consideration

2.2.1 Definitions

A **supply** can be of either goods or services, or a combination of both, either by an organisation acting as [principal](#), or as an [agent](#) of another.

Consideration may be a monetary payment or a supply of goods or services in return, or a combination of both – for example, part-exchange. It can be paid by the person receiving the supply, or by a third party.

For VAT to apply to a transaction, a supply must be being made in return for consideration.

2.2.2 Donation, grants, voluntary contributions and sponsorship

Where a donation is received and no more than a simple acknowledgement is provided in return, the donation cannot be consideration for any supply and so must be outside the scope of VAT.

If instead the donor receives some benefit (for example free tickets, preferential booking rights, free advertising space in an event programme, etc.) that they would not otherwise be entitled to, the amount received is consideration for the supply of that benefit. The VAT liability of that type of supply will apply.

If the donor receives a benefit that they would have been entitled to anyway, they are making a voluntary contribution, outside the scope of VAT. The fact that it may not be feasible to offer the benefit if insufficient donations are received is unimportant – provided that where a benefit is offered, there is genuinely no compulsion to donate.

Grants are outside the scope, where no goods or services are provided in return. This doesn’t stop the grant provider attaching conditions simply to ensure that the funds are spent for the purpose originally intended.

The term sponsorship can be used in two ways. Amounts collected by individuals for participating in a sponsored charity event are outside the scope of VAT. But sponsorship income provided by commercial organisations in return for advertising benefits is standard rated.

If you are uncertain, please [contact the IBC Tax Team](#).

2.2.3 Barter transactions

Where consideration for a supply is partially or fully non-monetary, this is referred to as a barter transaction, and it is necessary to establish a true value for the supplies. This is to ensure that both inputs and outputs are separately identified - otherwise both are artificially reduced. It's also possible that the bartered supplies identified may have differing VAT liabilities, or that one of the parties involved may be unable to recover VAT, meaning that there will be amounts of VAT due to HMRC.

Example 1 – part-exchange:

A retailer offers the County Council a part-exchange on the purchase of a new piece of equipment:

- Supplies:
 - the retailer is supplying equipment to the County Council, and
 - the County Council is supplying equipment to the retailer
- Consideration:
 - the value of the supply made by the retailer is the normal price for the equipment (i.e. before the part-exchange value is deducted), and
 - the value of the supply made by the County Council is the reduction in price offered for part-exchange.

Example 2 – consideration partially non-monetary:

A local printer offers to produce a school newsletter. They make a reduced charge (or no charge) for printing in return for retaining income raised from advertising within it.

- Supplies:
 - the printer is supplies printing services, and
 - the printer receives a supply of advertising rights.
- Consideration:
 - the value of the supply made by the printer is any reduced charge plus the income raised from advertising, and
 - the value of the supply received by the printer is the income raised from advertising

Example 3 – consideration fully non-monetary:

A new tenant carries out some refurbishment works to a building that would normally be the landlord's responsibility. In return, the landlord grants them an initial six month rent-free period.

- Supplies:
 - the landlord supplies the tenant with the use of the property, and,
 - the tenant supplies the landlord with the refurbishment works.

- Consideration:
 - no money changes hands, so the supplies must be of equal value. Provided that they gave reasonable results, HMRC would be likely to accept as the value of the supplies either the cost to the tenant in undertaking the works, or the normal value for the six months rent.

2.2.4 Principals and agents

An agent is someone who acts for or represents someone else (a principal) in arranging the supply of goods or services. The supplies between the parties are usually as follows:-

Selling Agents

- The principal makes a supply of goods or services to a customer.
- The agent makes a supply of services to the principal.

Buying Agents

- The principal receives a supply of goods or services from a supplier.
- The agent makes a supply of services to the principal.

The liability of the principal's supply to the customer is dependant upon the nature of the goods or services supplied. The liability of the agent's supply to the principal does not automatically follow the liability of the goods or services supplied to the customer, and is standard rated unless it is zero rated or exempt in its own right. For example, the legislation on zero rating for passenger transport specifically mentions both the ".transport of passengers." and the ".making of arrangements for [that] supply." as two distinct items.

Invoicing arrangements will vary - so they are probably best illustrated by examples:

Example 1 – County Council as principal

A school catering contract, with external contractors (i.e. not HC3S). The agreement makes the school the principal in the supply of meals to pupils and staff, and the catering contractor is the school's agent. The catering contractor will pay food suppliers, staff wages, etc. They will also collect income from pupils and staff. They then send an invoice to the school showing:-

- The agent's costs, plus any VAT; less
- Income collected on behalf of the school, with any VAT element shown separately.

This will usually result in a payment by the school to the contractor. The school can recover the VAT on the agent's costs as input tax, but must declare the VAT on income (adult meals only, pupil meals are outside the scope of VAT).

Further information on [school meals](#) is in section 5.4.

Example 2 - County Council as agent

Day trip ticket sales. The tour operator is the principal in the supply of day trips to the public, and we act as the tour operator's agent in arranging the sale of tickets. We will collect income on behalf of the operator and declare the VAT element of these sales as output tax. The operator sends us an invoice showing:-

- The value of tickets we sell (net and VAT elements shown separately); less
- The amount of commission payable to us (usually a percentage) - again net and VAT amounts shown separately

We will pay the invoice, recovering the VAT element of ticket sales as input tax, and declaring the VAT element of the commission as output tax.

Note that where we are putting a package together, the [Tour Operators Margin Scheme](#) may apply.

2.3 Liabilities of Supplies

2.3.1 General

Once a supply has been identified, its VAT liability must be determined. Remember that the basic position is that a supply made in return for consideration is liable to VAT. However, there are a number of exceptions

to this. Some business supplies are defined in VAT law as being zero rated, exempt or subject to VAT at a reduced rate – and in some cases this may be dependant upon the nature of the supplier and/or recipient. Other supplies are not made in the course of business at all, and are outside the scope of VAT altogether. Some common examples are below.

2.3.2 Examples of VAT liabilities

A [detailed list of the VAT liabilities](#) of various types of income and expenditure is shown in section 6.2 - however some common examples are included below.

Taxable at Standard Rate (currently 20%):

It is not possible to list all standard rated supplies. A supply will be standard rated if it fails to meet the criteria for any of the other liabilities.

Taxable at Reduced Rate (currently 5%):

- Certain supplies of fuel (excluding road fuels) and energy, mainly supplies for domestic or charitable use, and other "low quantity" supplies.
- Some materials used in energy efficiency projects.

Taxable at Zero Rate:

- Certain basic [food](#) items
- Books and magazines
- Children's clothing up to set [size limits](#)
- Certain supplies to [charitable organisations](#) / the [disabled](#).

Note: the liability of these items can easily be changed to either the standard or reduced rate (as was the case with energy supplies). The lowest rate of VAT normally allowed under European legislation is 5%.

Exempt from VAT

- Certain [land and property](#) transactions
- Certain health-related supplies
- Certain supplies to or by [charitable organisations](#)
- Cremations (but not burials by a local authority, which are outside the scope of VAT)
- Admission fees covered by the [cultural exemption](#).
- Certain financial services and insurance premiums. Note: insurance premiums are subject to Insurance Premium Tax (IPT) - this should not be confused with VAT and must not be reclaimed as VAT.

Outside the Scope of VAT (Non-Business)

- Supplies made by an organisation that is not registered for VAT
- Grants
- Statutory fees and charges
- [Internal transactions](#) (but see section 2.3.5)

- Charges made that do not relate to any [supply](#) of goods or services

The criteria that must be met in order for a supply to be exempt or taxable at either the reduced or zero rates is set out in law.

2.3.3 Onward supplies

Transactions within a chain need to be considered individually. VAT liability is determined by what is being supplied, regardless of how the value is calculated. For example: a school lets a classroom for an evening and charges the hirer an amount equal to the overtime paid to the caretaker for keeping the building open later. But the supply made to the hirer is that of the classroom, not the caretaker's time.

The VAT liability of our income may not always be the same as that of our costs. For example a school may buy materials that are subject to VAT for use in a lesson. However, their onward supply to the pupil will be incidental to education, and so outside the scope of VAT. See section 5.1.5 regarding [supplies to pupils](#).

2.3.4 Single or multiple supplies?

This issue arises when a supply consists of a number of separately identifiable goods or services, and is particularly relevant where the liability of these if supplied alone would differ. Case law has laid down a process that should be followed:

Is there one single supply - what the customer is actually receiving?

A single supply must be distinct and independent; it must amount to more than merely a component of a supply. Supplies should not artificially be split. For example, a vehicle service will consist of a number of separately identifiable elements, but they are clearly not independent - any split would be artificial.

If a number of independent supplies are identified, could each be regarded as a principal supply, or are some merely ancillary to a principal supply.

A supply should be regarded as ancillary if it does not amount to an aim in itself, but simply enhances, or allows the customer to better enjoy, a principal supply. For example, the provision of tea/coffee making facilities in a meeting room is ancillary to the letting of that meeting room - hirers are not making the booking in order to get the refreshments. Whether or not the supplies are separately charged for is not in itself a determining factor.

Where a supply is deemed ancillary to a principal supply, its VAT liability should follow that of the principal supply. Where all elements are supplies

in their own right, each will be liable for VAT at the appropriate rate. Sometimes this may then appear on an invoice as an unusual VAT rate – packages containing a zero rated book and standard rated CD are perhaps one of the most common examples.

2.3.5 Internal transactions

VAT should not be charged on internal transactions, irrespective of what the VAT liability would have been had the supply been made to an external customer. Internal transactions should be treated as outside the scope of VAT.

However, there are some circumstances where it will be unavoidable for VAT to be charged on an internal transaction. If for example a ticket is obtained from a pay-and-display machine in a County Council car park, VAT will have automatically been charged.

Such cases will generally be paid via petty cash. Please record the expenditure transaction as an output rather than an input - i.e. use the “A” prefixed VAT code rather than the “V” prefixed one. The VAT calculated on this transaction will then cancel out the original entry that was made when the invoice was raised, preventing the overall VAT totals from being artificially increased.

2.3.6 Schools

Generally, for VAT purposes, schools are regarded as part of the County Council. So transactions between schools or between the County Council and schools should be treated as [internal transactions](#) – see guidance above. However there are some exceptions to this:

- External funds held by schools – e.g. Governors / Parent Teacher Association private funds, or unofficial funds held outside of the County Council’s systems.
- Voluntary Aided schools in respect of most Governor Responsibility works. These are generally capital works to the fabric of the building, rather than supplies connected with the day-to-day provision of education - see section 5.9.
- Academies / Independent / Private Schools (although where the school provides [fee-paying education](#), see section 6.6.
- Schools not included above that are within other LEA areas - see [Other local authorities](#).

Section 5 provides a [summary of issues for schools](#) and links to detailed guidance.

2.3.7 Other local authorities

All supplies by the County Council to other local authorities and their schools, to Police Authority, Probation Boards, National Parks and to Magistrates' Boards must be treated in the same way as supplies to other external customers.

An exception to this are supplies of services that are not made “in competition” with the private sector. These may be treated as outside the scope of VAT. However this exception only covers services where there are no private sector providers – it will not be met simply by the customer failing to undertake a competitive tendering exercise. If you think that the exception may apply to your supplies, please [contact the IBC Tax Team](#) to confirm first.

Please note that Fire and Rescue Service is still part of the County Council's VAT registration, and transactions between them should be treated as [internal](#).

2.3.8 Charities

There are various VAT reliefs applicable to charges to and by [charities](#). Please see section 2.11.

2.3.9 Supplies to handicapped persons

Zero-rating is also available for the direct supply to handicapped people of the equipment listed in section 2.11.3 “[Goods and services supplied to charities](#)” (except for the supply of sound recording equipment, radios and cassette recorders). Those claiming zero-rating must submit eligibility forms - [contact the IBC Tax Team](#).

2.3.10 Other organisations within partnership arrangements

There are special rules that can apply to charges between partners in [partnerships](#). Please see section 2.12.

2.3.11 Staff purchases for private use

Items should not normally be bought for staff private use.

However, where this has done, VAT must be charged to the staff member in the same way as if the item had been supplied to any other external customer.

2.3.12 Further information

This section is very generalised - more detailed information regarding the [VAT liability of specific supplies](#) is available in section 6.2.

2.4 Calculation of VAT

2.4.1 VAT calculator

This tool, available on Hantsnet, calculates the VAT content within gross (VAT inclusive) amounts, and the VAT chargeable on net (VAT exclusive) amounts:

<http://intranet.hants.gov.uk/updatedvatcalculator-201011.xls>

2.4.2 VAT fraction

The VAT fraction can also be used to calculate VAT. For standard rate of VAT at 20%, the fraction is 1/6. How you use it depends upon the figure you know and the one that you want to calculate:

- VAT = 1/6 of the Gross
- Net = the remaining 5/6 of the Gross
- VAT = 1/5 of the Net

The VAT fraction for the reduced rate of VAT (5%) is 1/21. So for the reduced rate, VAT is 1/21 of the gross.

[VAT fractions for earlier rates](#) are in section 7.1.2.

2.4.3 Rounding

When calculating VAT, amounts below 0.5p must be rounded down and amounts of 0.5p and above must be rounded up. For example, 49.50p becomes 50p, but 49.49p becomes 49p.

You may find that, due to rounding, the total VAT on a supplier's invoice is a few pence different to any amount calculated by the financial system. Also some suppliers may have agreed alternative basis for rounding with HMRC. In such cases, you should not return the invoice to the supplier for correction, but must use the VAT amount shown on the invoice.

2.4.4 Discounts

Where a supplier offers an unconditional discount, and the discounted amount is paid, VAT should be calculated based on the discounted amount.

Where a supplier offers a prompt payment discount:-

- prior to 1 April 2015*, VAT should be calculated based on the discounted amount whether or not the customer pays promptly enough to earn the discount
- from 1 April 2015*, VAT should be calculated based on the amount paid by the customer.

* note – this change takes effect from 1 May 2014 in respect of any telecommunications and broadcasting services where no VAT invoice is issued.

Where a retrospective discount is paid by a supplier, the value of the supply is reduced, and the supplier can issue a credit note to adjust the VAT.

2.5 Tax Point (Time of Supply)

2.5.1 General

The tax point of a transaction is the date on which VAT must be accounted for. Normally this will just determine which month's VAT return it should appear in – but when VAT rates change, it can determine the rate of VAT to be used.

2.5.2 Basic tax point

For a supply of goods, the basic tax point is the date that the goods were either delivered to the customer, or made available for the customer to collect. For a supply of services, it is the date on which those services were performed.

2.5.3 Actual tax point

In certain circumstances the tax point will be earlier or later than the basic tax point:

- Receiving a payment, or issuing a tax invoice in advance – the tax point will be the date of receipt of payment or issue of invoice.
- Issuing an invoice up to 60 days after the basic tax point – the tax point will be the date of issue of invoice. Note that the 60 day limit is by special agreement between local government and HMRC – for other

VAT registered organisations, the limit is 14 days. If you issue an invoice more than 60 days after the basic tax point, please [provide details to the IBC Tax Team](#).

- Continuous supplies (e.g. utilities, maintenance agreements) – there is a tax point on the earlier of each issue of invoice or receipt of payment. Where invoices/payments are more than one year apart, there is a tax point annually.

2.5.4 Change of VAT Rate

Whilst the tax point rules normally determine whether the “old” or “new” rates should be used, transitional rules may allow use of the other rate. If you are unsure of the rate that should be used, please use the VAT rate checker on www.hants.gov.uk:

<http://intranet.hants.gov.uk/checkvatrate-2010.xls>.

2.5.5 Transactions outside the UK

[Different tax point rules](#) can apply – see section 2.13.8.

2.6 VAT Types and Codes Used

2.6.1 VAT types

For VAT purposes there are three categories that transactions fall under:

- taxable – a business supply that is either standard-rated (20% since 4 January 2011), reduced-rated (5%) or zero-rated (0%), or
- exempt - a business supply not subject to VAT, or
- outside the scope – not subject to VAT (for example receipt of a grant or donation where there is no supply, and certain supplies made by a local authority under a statutory monopoly - such as education supplied in local authority schools).

2.6.2 VAT codes

Current VAT codes are:

	Rate	Inputs	Outputs
Taxable:			
• Standard Rate	20%*	V9**	A9
• Reduced Rate	5%	V6	A6
• Zero Rate	0%	V8	A8
Exempt	-	V0	A0
Outside the Scope	-	V7	A7

Inputs are usually expenditure and outputs are usually income – but see section 2.6.4 for details of how to process [credit notes and refunds](#).

* Rate applies to tax points from 4 Jan 2011.

**There is no longer a separate code for input VAT on certificate payments – these should also use V9.

Codes for recent previous rates of VAT are:

	Rate	Inputs	Outputs
Tax point is prior to 01.12.08, or between 01.01.10 and 03.01.11			
• Standard Rate	17½%	V1	A1
• Certificate Payments	17½%	V3	-
Tax point is between 01.12.08 and 31.12.09			
• Standard Rate	15%	V4	A4
• Certificate Payments	15%	V5	-

2.6.3 Mixed rates

Sometimes you will find on an invoice a VAT rate which is not one of the above. Most often this occurs with the purchase of packages containing zero rated books and standard rated CDs or DVDs. Suppliers of such items have usually agreed in advance with HMRC a composite VAT rate reflecting the actual cost of each component being sold.

If possible, these should be input into SAP as multiple lines – one for each VAT rate, with the appropriate [tax code](#). You can use either the VAT calculator or the VAT fraction to determine the net amount relating to the standard rated element.

Otherwise if you are unable to do this, input the total amount as standard rated and overwrite the VAT amount generated by SAP with the actual amount shown on the invoice

2.6.4 Credit notes and refunds

A debit is not always an input, and a credit is not always an output:

- A credit note we receive from a supplier is a negative input – please use the “V...” codes.
- A refund we make of income received is a negative output – please use the “A...” codes.

2.6.5 System guidance

Please refer to Hantsnet: <http://www3.hants.gov.uk/portal-help.htm>.

2.7 Invoices, Receipts and Record Keeping

2.7.1 VAT invoices

A VAT invoice (or receipt containing the same information) is required to recover the VAT on our expenditure. We must also issue VAT invoices (or receipts) to VAT registered customers. The invoices that our systems produce comply with the requirements for this. Where income is received without issuing invoices, we may be asked for a VAT receipt by business customers - please [contact the IBC Tax Team](#) if this occurs.

Please note that documents such as pro-forma invoices and delivery notes are not VAT invoices.

2.7.2 Full VAT Invoice

A full VAT invoice should show all of the following information:

- Invoice number.
- Date of supply and issue of invoice.
- Name, address and VAT registration number of the supplier.
- Name and address of the recipient.
- Description sufficient to identify goods/services supplied.
- For each description, the quantity of goods, the unit price, the amount excluding VAT and the rate of VAT applicable.
- Total amount excluding VAT.
- Total amount of VAT.
- Rate of any discount offered.

2.7.3 Less Detailed VAT Invoice

Where the total value of the goods/services supplied (including VAT) does not exceed £250, only the following information is required:

- Name, address and VAT registration number of the supplier.
- Date of supply (tax point).
- Description sufficient to identify goods/services supplied.
- For each VAT rate applicable, the rate and total amount payable including VAT.

2.7.4 Retailers' Invoices

As VAT invoices only have to be supplied to VAT registered businesses, retailers are only required to produce a VAT invoice if they are asked for one. The document produced can either be a full or less detailed VAT invoice as above, and it can show the amounts as being VAT inclusive rather than VAT exclusive.

2.7.5 Where No VAT Invoice Is Required

VAT invoices are not required in respect of the following where the VAT inclusive amount is less than £25:

- Off-street car parking (on-street car parking is not subject to VAT).
- Telephone calls.
- Purchases from vending/other coin operated machines.

You must however be certain that both:

- the supplier is registered for VAT in the UK, and
- the supply [took place in the UK](#).

Purchasing cards only – some suppliers are able to transmit VAT details in respect of purchasing card transactions. In such cases, the VAT will already have been split when the parked journal is received, and no VAT invoice will be required to support this recovery. However, where VAT amounts need to be split manually, the appropriate VAT document must be held.

2.7.6 Self billing

In some circumstances it may be more practical for the recipient of a supply to produce the invoice – for example in a construction contract where the amounts due to a contractor are determined by the client's valuation of the works to date; or where items in a gift shop are provided by a supplier on a sale or return basis. Sometimes an invoice can be a combination of a "normal" invoice and a self billing one – for example where a school catering contractor invoices for their services to the school, but deducts money collected in respect of the school's sales to pupils and staff.

Even though the invoice is issued by the recipient of the supply, it must still contain the supplier's VAT registration number. VAT amounts should be clearly identified as "This amount is your output tax due to HMRC".

Before self-billing arrangements can commence, it is necessary for an agreement between supplier and recipient to be signed. Where arrangements are continuing, updated agreements then need to be signed each year. The [IBC Tax Team](#) already maintains and arranges updating of some self billing agreements, and is happy to add agreements for other areas to this process.

Please [contact the IBC Tax Team](#) if you are asked to enter into self-billing arrangements, or think that this may be useful for your service.

2.7.7 Authenticated receipts

Where contractors do not participate in a self-billing scheme, they should be required to provide authenticated receipts, which allow VAT on these payments to be recovered. These must be retained in the receiving department for inspection by HMRC. If receipts cannot be produced, HMRC could disallow any VAT claimed on the payments concerned.

Occasionally we may be required by a customer to provide authenticated VAT receipts. If you receive a request, please forward it to the [IBC Tax Team](#), together with on the document number of the banking of the income. We must not issue invoices to customers if our contract with them is to issue authenticated receipts.

2.7.8 Payments by cheque requisitions/pro forma

Where payments are made on the basis of cheque requisitions or pro-forma invoices, the expenditure will be charged gross to budgets. The VAT can only be coded out on receipt of a proper tax invoice or receipt, so it is important to ensure that one is received. If you receive such a document, email a scanned copy to the [IBC Tax Team](#), together with the document number of the payment that it relates to. They will then move the VAT from your GL code to the VAT account.

2.7.9 Difficulties in obtaining VAT invoices

VAT registered suppliers are legally obliged to provide VAT registered customers with VAT invoices/receipts. Some suppliers do not automatically produce these documents, but have procedures for supplying them on request – see section 7.5.1 for details relating to specific suppliers.

If VAT registered suppliers refuse to produce satisfactory invoices, they must be [reported to the IBC Tax Team](#), who will pass the information where appropriate to HMRC.

If a supplier does not issue an appropriate VAT invoice, the document issued should be returned to the supplier and a VAT invoice requested. Where only a VAT-inclusive charge is shown on an invoice, the amount to be coded as input tax can be calculated using the VAT fraction.

VAT invoices must not be altered once they have been issued. If an invoice requires alteration it must be returned to the supplier, with an appropriate explanation, and they will either issue an amended invoice, supplementary invoice or credit note.

2.7.10 Alternative Evidence

Strictly one of the above documents is required to reclaim VAT, and where no such document is held, the full VAT inclusive amount should be charged to your budget. However, VAT legislation permits HMRC officers a degree of discretion, and they may still allow us to recover where they are still satisfied that:

- there are other documents that demonstrate that a supply to the County Council liable to VAT has taken place,
- that supply has been paid for by the County Council, and
- it is not possible/reasonable to obtain a proper document from the supplier.

It is important to remember that VAT recovery in such circumstances is entirely at the discretion of HMRC officers - every attempt should be made to obtain the correct documentation. If you have received a supply where there is a significant value of VAT but, despite having made all reasonable attempts to do so, you have been unable to obtain the full documentation, please [contact the IBC Tax Team](#). Do not just assume that HMRC would allow VAT recovery on these grounds.

2.7.11 Record keeping requirements

VAT regulations require that all source documentation (e.g. orders, invoices, delivery notes, credit notes, paying-in slips, till rolls, bank statements and any relevant documentation) is kept for a minimum of six years. They must be kept in such a form as to allow them to be easily retrieved on demand by an officer of HMRC and easily verifiable as being either the source document or a true and unaltered copy of the information contained on it.

It is possible to reduce the period of time for which documents are retained if agreement is obtained from HMCE. Agreement has been reached by the County Council with regarding invoices to reduce the retention period to three full financial years plus the current year.

2.8 VAT Errors

2.8.1 Reporting VAT errors

Some errors can be corrected on a future VAT return; others must be separately notified to HMRC. In order to ensure that we comply with these rules, journals to correct VAT errors must only be carried out by the [IBC Tax Team](#). Other staff who discover errors must notify the [IBC Tax Team](#) by email. Please include the following information:

- An explanation of the correction required
- Details of the codes (Cost Centre / GL / SIO) used for the transaction
- Document number of the transaction

Any relevant paperwork should be scanned and attached to the email.

Errors can result in HMRC charging interest and/or penalties to the County Council – where this happens, the cost will normally be recharged to the relevant department.

Errors: VAT not charged

Where you have agreed a price with a customer, raised an invoice all coded to an income revenue account and you notice some time later that you should have accounted for VAT on the sale, there are two possible courses of action:

- issue a supplementary invoice for VAT, or
- request a VAT journal to transfer the relevant proportion of the income to the VAT account.

If the price that you originally agreed a price was an amount “plus VAT”, then a supplementary invoice should be issued. If it was agreed as an amount “including VAT”, it will be necessary to request a VAT journal.

If the price was agreed with no mention of VAT, the purchaser may accept a supplementary invoice if they are registered for VAT (as they should be able to recover the cost from HMRC on their next VAT return). Otherwise, a VAT journal will be required.

VAT charged in error

There are two ways to correct errors where we have accounted for VAT on income that should not have been liable to VAT:

- where the customer was originally sent a VAT invoice, we should send a credit note and a replacement invoice for the correct value / VAT liability
- otherwise, request a VAT journal to correct the error

Credit notes issued

When we issue a credit note to correct an error, the credit note should use the same VAT code as the original invoice.

2.8.2 VAT-only invoices received

On occasions you may receive VAT-only invoices from suppliers, where they have omitted to charge VAT on an earlier invoice in error. Please check that the net element has already been paid, and then [send them to the IBC Tax Team](#) for processing.

Less often, suppliers may ask whether the County Council would be prepared to pay VAT-only invoices should they decide to voluntarily register for VAT. Please pass any such requests to the [IBC Tax Team](#). We will need to be certain that we would be entitled to reclaim the VAT

amounts before agreeing to pay. Also these suppliers will be benefitting from additional VAT recovery on their expenditure if they register for VAT and it may be possible for us to negotiate a share of this in the form of a retrospective discount.

2.9 Partial Exemption

2.9.1 What is partial exemption?

In theory, input tax cannot be recovered on expenditure incurred in the making of exempt supplies. Organisations such as insurance companies and universities cannot generally recover input tax, as the vast majority of their income is exempt.

Any organisation that makes a combination of exempt and non-exempt supplies is termed "partly exempt". They may still recover input tax incurred in the making of exempt supplies, provided that it falls below a de-minimis limit.

For local authorities, this limit is 5% of total input tax incurred. If we are above the limit, we cannot recover any input tax attributable to the making of exempt supplies. To determine where we are relative to the 5% limit, a partial exemption calculation must be undertaken.

2.9.2 What is the cost of becoming partly exempt?

We currently recover around £90 million of input tax per year from HMRC. Even if we only slightly exceed the 5% limit, we would be required to repay to Customs around £4.5 million for every year that the limit was exceeded. This would fall as an extra cost to all services receiving exempt income.

It is therefore extremely important that we do not exceed the limit!

2.9.3 What can we do about partial exemption?

There are measures that we can undertake to avoid exceeding the de-minimis limit. For example, we can opt to charge VAT on some exempt lets (sometimes this requires HMRC's permission), reducing our exempt income and thus also reducing our expenditure relating to exempt income. This is particularly useful in instances where the lets are to VAT registered organisations who could recover the VAT charge, and where we may incur any significant costs.

Income that is exempt from VAT on other grounds remains exempt. Opting to tax an adult education centre would make room hires subject to VAT, but would not affect course fees. An option to tax may also not apply

where the tenant/hirer puts the premises to charitable or residential use, or is involved in funding the construction of the premises.

[Properties subject to the option to tax](#) are in section 6.8.11.

Also important is the structure of an agreement. Who supplies what to whom and when? There are often a number of ways of structuring agreements, all of which achieve the same overall objectives, but have totally different tax treatments. The precise wording of agreements can also have an impact. If you are planning to set up some form of agreement, for example including partnerships, joint working, etc. please [contact the Tax Team](#) as early as possible in the process. It is much easier to ensure that arrangements are "tax efficient", without impact to the overall aims, at that stage.

2.9.4 The partial exemption calculation

Reports are run detailing by cost centre the amount of income and expenditure for each tax code. These figures are used to calculate an exempt percentage for each – that is the exempt income as a proportion of total income – and the amount of VAT incurred in relation to this.

This is why it is important that the correct [tax codes](#) are used. If the code for exempt is used on income that should be outside the scope, there would be an adverse impact on the calculation. Whilst checking is carried out to spot obvious errors, not all would be identifiable.

For capital schemes, it is necessary to determine a relevant exempt percentage – this is based upon the anticipated use after completion.

The VAT on expenditure attributable to exempt income is totalled and expressed as a percentage of the total VAT on expenditure. It is this figure that must be below 5%.

2.10 Trips and The Tour Operators Margin Scheme (TOMS)

2.10.1 General

Where income for a trip is a voluntary contribution (i.e. those not paying can still go on the trip), recover VAT on expenditure as normal, and income is outside the scope of VAT.

Where a charge is for coach or air travel only (e.g. any admission fees, accommodation, meals, etc. must be paid for directly), income will be zero rated.

[School trips](#) should follow the guidance in section 5.2.

If none of the above applies, it will be subject to the [Tour Operators Margin Scheme \(TOMS\)](#).

2.10.2 Tour operators margin scheme (TOMS)

Where the VAT position has not been determined by the sections above, the Tour Operators Margin Scheme applies. Instead of recovering VAT on expenditure and charging it on income, VAT is accounted for on any profit margin. To do this, please check that no VAT has been reclaimed on trip expenditure – if it has, follow the procedure for requesting a VAT correction in section 2.8. Please ensure that tax code A7 is used for all trip income.

Once all expenditure and income for the trip, plus any necessary VAT corrections, have been processed, please [forward to the IBC Tax Team](#) by email the following details:

- “Name”, venue and date of the trip.
- Cost centre that income/expenditure transactions are held in.
- For each GL code, the total income/expenditure relating to the trip. Expenditure should include any VAT charged, since this will not have been recoverable.

This information will be used to calculate whether there any VAT needs to be accounted for on the trip. If it does, a VAT journal will be processed to charge this. In practice, where trips are not run at profit, there will be no VAT charge.

2.11 Charities and Other Voluntary Bodies

2.11.1 General overview

There is no general exemption from VAT for charities and voluntary bodies – normally they will be treated like any other external organisation with VAT being charged to them where appropriate. There are, however, some specific VAT reliefs.

For VAT purposes, the term “charity” includes not only registered charities, but also organisations that are recognised as having charitable status for direct tax purposes.

Charities may be entitled to [Gift Aid](#) on some of their income – details are in section 4.3.

HMRC's guidance relating to charities is extensive, and it is only possible to give a summary in this manual. Please [contact the IBC Tax Team](#) if you have any other queries.

2.11.2 Recovery of VAT on expenditure

A significant proportion of most charity's activities will generally be non-business. This means that they can be limited in their ability to recover VAT on their expenditure (input tax).

Where the County Council supports a charity's activities, it may be more tax efficient to give that support in the form of goods or services, rather than cash. The County Council can recover the VAT that it is charged by its suppliers as usual – whereas had a cash grant been given, the charity may not have been able to. However, it is not possible for the charity to avoid VAT by using its own funds to buy goods or services through the council in this way, and if there is any service to be supplied by the charity in return, it is likely that this will be a [barter transaction](#).

2.11.3 Goods and services supplied to charities

In recognition of the limited VAT recovery, the following goods and services can be zero rated when supplied to charities, on receipt of a completed certificate of eligibility:

- sound recording equipment, radios and cassette recorders supplied to charities for the blind or severely visually handicapped
- medicines supplied to charities involved in the treatment or care of humans and animals and medical research
- equipment designed or adjusted to be used by the physically handicapped
- services of adapting goods to suit the physically handicapped
- construction of ramps, widening of entrances to enhance the mobility of the handicapped
- lifts and the adaptation for use by the handicapped of bathrooms, washrooms or lavatories in residential homes
- alarm systems for the use of the handicapped
- the repair and maintenance of such goods as above
- the supply of fuel and power for non-business use
- construction of new buildings*
- sea rescue equipment (supply, repair and maintenance of lifeboats & associated equipment); and
- advertising promoting their charitable aims**.

* The buildings can be self contained or an annexe to an existing building provided the annexe can function independently of the existing building. The building must be used for charitable or residential purposes only. The zero rate only applies to new construction - neither architects and other fees, nor refurbishment works to existing buildings, qualify for zero rating.

** The zero rate applies to the printing of leaflets, publishing in newspapers, brochures, etc. and TV & radio adverts. It also applies to artwork and typesetting. The fund raising aspect must be clear from the wording of the advertisement - if this is not the case the supply is taxable.

Only supplies in this list can be zero rated. All other supplies must be taxed if appropriate. For example, the servicing of a minibus with tail hoist belonging to a charity (subject to the provision of a declaration) could be zero rated, whilst servicing an ordinary minibus or van (even one belonging to the same charity) would have to be standard rated.

The County Council has produced a Certificate of Eligibility that can be used ([please contact the IBC Tax Team](#)) – alternatively the charity can provide their own. Please forward a copy of any certificates received to the [IBC Tax Team](#). If no certificate is provided, no VAT relief can be given.

In addition, a charity can disapply an [option to tax](#) on land and property that they put to their non-business use, reverting charges to being exempt from VAT.

2.11.4 Fund raising event income

Income from charity fund raising events can be exempt from VAT, including admission charges, sponsorship, advertising in brochures, and goods such as T-shirts sold at the events. All of these income sources would normally be standard rated, so the charities can retain all the income and not have to hand over the VAT element to HMRC. There are conditions attached to these events, covering the frequency and types of event. This is to prevent abuse and distortion of competition with commercially run events.

2.12 Partnerships

2.12.1 General overview

Increasingly partnership arrangements are being used to deliver services. The way in which the partnership is established, who the partners are and the roles and responsibilities that they have are all factors that can affect whether or not the partnership is able to recover the VAT it incurs on its expenditure. This section looks at the three main partnership structures.

No examples of partnerships are given in this manual, as sometimes what may seem a small variation in the set-up can significantly affect the ability to recover VAT. Most partnerships should clearly fit into one of the following categories, but if you are unsure, please [contact the IBC Tax Team](#).

2.12.2 County Council as lead authority

Where we act as the lead authority for the partnership, provided that:

- we receive all funds available to the partnership,
- those funds belong to us, and
- we purchase all goods and services required to deliver the project,

VAT is recoverable by the local authority.

2.12.3 Partners form a separate legal entity

The entity is unlikely to be able to recover VAT on its expenditure via any of its partners, instead it will be subject to the normal business VAT rules. It will have to register for VAT if its taxable turnover exceeds the VAT registration threshold – and even if registered, will only be able to recover VAT on its expenditure incurred in generating taxable income, i.e. [input VAT, not section 33 VAT](#).

If the entity is a [charity](#), it may be entitled to claim zero rating on some of its expenditure.

Depending upon how it is established, it may be liable to pay income tax or corporation tax on its profits.

2.12.4 Management Board or Committee is established (but not a separate legal entity)

This is now one of the most common structures:

- The main board / committee determines the policy and direction of the project, and at the start decides which partner should deliver which aspect of the projects.
- Each partner treats the transactions involved in delivering their part of the project according to the VAT rules applying to them. So a local authority partner will largely be able to recover the VAT on the supplies it receives in order to enable it to deliver the part of the project that it is responsible for. A [charity / voluntary organisation](#) as a partner may not be able to recover VAT in the same way, but may instead be entitled to receive some supplies zero-rated.
- HMRC have made it clear that the selection of partner for each part of the project should be on the basis of which is most appropriate for the work – not which offers the best tax recovery.
- Any transactions between the partners that are simply movements of funds to reimburse a partner for the expenditure that they have incurred on the project are outside the scope of VAT.

2.12.5 Lottery funding

If an application for funding is made to the Lottery Board (or other funding bodies) by the County Council, we can use our registration to recover VAT on expenditure against this funding. However, if the application is made by a body that is not covered by our VAT registration (and they are not entitled to VAT recovery under any VAT registration that they may have) the application must be submitted on a VAT inclusive basis. This is because we will not be able to use our registration to recover VAT incurred against this funding.

Lottery funding received by the County Council is outside the scope of VAT, even if a token acknowledgement of the source of donation (e.g. a sign) is required.

2.13 VAT – International Transactions

2.13.1 General

There are some special rules affecting these transactions – for details, please see:

- [Importing Goods](#)
- [Exporting Goods](#)
- [Receiving Services](#)
- [Supplying Services](#)

Also bear in mind:

- When exporting goods, there are [record keeping requirements](#), to prove that the items have left the UK.
- It is important to establish where the [place of supply](#) is deemed to be.
- The [tax point](#) of the transaction (the point at which any VAT is due / can be reclaimed) will not always be the same as for supplies made within the UK.

In this manual, for ease of reference, the terms “importing” and “exporting” are used to cover any supply of goods in or out of the UK. However, strictly they should only cover supplies from or to countries outside of the EU. The technical terms for supplies between EU member states are “acquisitions / arrivals” and “dispatches / removals”.

2.13.2 Importing goods

When importing goods from the EU:

- we should give the supplier our VAT registration number,
- they should not charge VAT, and
- we should use the VAT code for zero rate.

When importing goods from outside the EU:

- we will be charged UK VAT by HMRC when the goods arrive,
- this is recovered using a certificate, issued by HMRC to the County Council centrally.
- where paid by a courier on our behalf, it cannot be recovered on the courier's invoice.

2.13.3 Exporting goods

When exporting goods to a business based in the EU:

- we should get their VAT registration number,
- we should retain proof of export, and
- we should use the VAT code for zero rate on our invoice.

When exporting goods to a business based outside the EU (or an individual based anywhere outside the UK):

- where not supplied to a UK business (other than an export agent) nor used prior to export, and
- they are exported within set time limits,
- we should retain proof of export, and
- we should use the VAT code for zero rate on our invoice.

Time limits for zero rating exports of goods outside the EU - where we export goods directly ourselves, the export must be within three months of the time of supply. If we use an agent, the agent must export within one month of the time of supply. For these purposes, the "time of supply" is deemed to be the date that the goods are made available to the customer – or, if an invoice is issued within 14 days of this date, the date of the invoice.

If conditions for zero rating are not met, we should charge VAT at the same rate as if the goods were supplied within the UK.

2.13.4 Receiving services

The VAT treatment of services depends upon the place at which they are deemed to be supplied. There are some general place of supply rules, and some exceptions.

Where the place of supply is deemed to be the UK:

- we should give them our VAT registration number,
- they should not charge VAT, and
- we should use the VAT code for outside the scope of VAT.

Where the place of supply is deemed to be abroad:

- we are likely to be charged foreign VAT (by EU businesses) or an equivalent (non-EU businesses),

- this cannot be reclaimed when paying the invoice, so use the VAT code for outside the scope of VAT, but
- it is sometimes possible to reclaim some VAT charged in other EU countries directly from the foreign tax authorities. If the amounts are significant, please provide details to the [IBC Tax Team](#). However, when comparing supplier's charges, we should not assume an ability to recover non-UK VAT.

2.13.5 Supplying services

The VAT treatment of services supplied depends upon the place at which they are deemed to be supplied. There are some general place of supply rules, and some exceptions to the general rules.

Where the place of supply is deemed to be the UK,

- the transaction is subject to normal VAT rules, and we should use the same VAT code as if the supply had been made to a UK-based customer, unless:
- the services are one of the following (where the VAT code for zero rate should be used):
 - works on goods for export outside of the EU
 - making arrangements for those works, or the export itself
 - making arrangements for a supply of services outside the EU

Where the place of supply is deemed to be abroad:

- if the customer is an EU business, we should get their VAT registration number,
- if they are a business outside of the EU, we should request other evidence such as a certificate issued by a fiscal authority, and
- use the VAT code for outside the scope of VAT on our invoice.

Where the customer is outside of the EU, there may be a liability to local taxation in that country.

2.13.6 Place of supply of services

The VAT treatment of services is depends on where they are deemed to have been supplied. From 1 January 2010, "business to business" (B2B) supplies of services within the EU are generally accepted to be supplied in the country where the customer belongs – and so are not subject to UK VAT. "Business to consumer" (B2C) supplies within the EU are generally deemed to be supplied in the country where the supplier belongs, and so are subject to UK VAT.

There are some exceptions to the general rules, listed below, and the place of supply in each case:

- Any services related to land or property – the country in which the land or property is located.

- Short term vehicle hire, and passenger transport – the country in which the vehicle is hired or the transport takes place.
- Freight transport (exception applies to B2C supplies only) – the country in which the transport takes place.
- Services involving “physical performance” (artistic, cultural, training, etc.) – the country in which the services are performed.
- Restaurant / catering – generally the country in which the services are carried out.
- Electronically supplied services – e.g. e-books, web hosting, etc. (exception applies to B2C supplies only) – the country in which the customer belongs.

Supplies of services to businesses or consumers outside of the EU are subject to UK VAT.

2.13.7 Record keeping requirements

We must retain evidence that goods are actually exported in order to zero rate.

For goods exported within the EU, a commercial document from the carrier removing the goods from the UK will be acceptable. Any of the following will be acceptable evidence as long as, taken together with other evidence, they clearly indicate removal: customers' orders, sales contracts, inter-company correspondence, copy export invoices, advice notes, consignment notes, packing lists, insurance and freight charges, or evidence of payment.

If goods are exported in baggage or a private motor vehicle, the tickets, loading passes etc provided by the shipping company or airline can be used in addition to any commercial accounting records. Where the customer takes the goods out of the UK personally, it would be prudent to find out what evidence they will be getting and retain a deposit until they provide that evidence.

Where goods are exported outside of the EU, examples of the evidence that Customs will expect to see are:

- Primary evidence issued by shipping and airline companies such as authenticated seaway bills, airway bills or bills of lading, or
- Secondary evidence issued by freight forwarders and other carriers. They will get primary evidence and then issue secondary evidence in the form of authenticated house air or seaway bills, CMR notes and similar documents, or certificates of shipment to the exporter based on the primary evidence of export.
- Photocopies cannot generally be used as evidence of export (although authenticated photocopies may be used in certain circumstances). But duplicates of lost evidence are acceptable provided they are clearly marked as such.

The rules for services can depend upon whether the customer is a business. Before treating a customer as a business, we should obtain a VAT registration number for EU businesses, or some similar evidence from non-EU businesses. If we cannot obtain this evidence, we will have to apply the VAT treatment as if they were an individual.

2.13.8 Tax points

The tax point of a transaction determines when any VAT due to the tax authorities must be paid, and when any VAT recoverable can be claimed. The tax point rules applying to transactions involving other EU member states are slightly different to those applying to [transactions within the UK](#), explained in section 2.5.

Supplies of goods – the tax point is the earlier of:

- the 15th day of the month after that of the first export/import of goods, and
- the date of issue of an invoice.

Supplies of services - the tax point is the earlier of:

- the date on which the services are performed (or for continuous supplies, the end of any period covered by an invoice), and
- the date any payment is made

If no invoice is raised or payment made for a continuous supply made over the course of a full calendar year, 31 December will be deemed a tax point.

2.13.9 Intrastat

Intrastat is a reporting requirement on movements of goods within the EU. It must be undertaken by any organisation that buys or sells goods to other EU member states, where the total annual sales or purchases exceed [set limits](#).

The County Council is not currently required to submit declarations, but must keep the position under review.

2.13.10 “EU” prefixed VAT registration numbers

Non-EU based suppliers of electronically delivered (e.g. downloaded) services can have a single VAT registration number with an EU prefix, rather than having to register in every country where they want to do business. No VAT amounts should be shown on these invoices.

3 PAYE

3.1 Introduction

PAYE (Pay As You Earn) is the system that HM Revenue & Customs (HMRC) uses to collect [Income Tax](#) and [National Insurance contributions](#) (NICs) from employees' salary / wages as they earn it.

The County Council has to collect these amounts, and pay employer's NICs if they earn above a certain threshold. These amounts are paid to HMRC monthly. At the end of the tax year, various annual returns are submitted.

For PAYE to apply, a payment must be made to the employee. However, tax must be accounted for on the following notional payments:

- vouchers (which can be exchanged for cash, goods or services),
- money or goods provided by way of a credit token,
- tradable assets.

Section 6.3 provides details of the [income tax and national insurance liabilities](#) of a range of expenses and benefits.

The Government are currently consulting on whether there is scope to combine or align income tax and national insurance. A combination of the two is unlikely – an updating and closer alignment of rules, exemptions and thresholds is more possible.

3.2 Income Tax

3.2.1 Scope of income tax

Income tax is payable at the [appropriate rate](#) on income in excess of a tax-free [personal allowance](#), less any allowable expenditure. This allowable expenditure is called a [deduction](#).

Income from employment is subject to tax under The Income Tax (Pay As You Earn) Regulations 2003. The tax payable is collected through the PAYE system.

Taxable income includes not just salaries, wages, bonuses and pensions, but also:

- most benefits in kind
- certain payments of expenses to staff
- certain allowances given to staff.

Income from self employment is also subject to income tax. The tax treatment for self employment can appear more favourable (greater entitlement to deduct expenses and delayed need to pay over tax). Therefore where individuals claim to be self-employed, it is necessary to check their [employment status](#).

3.2.2 Exemptions and deductions

These two terms are easily confused, although they are technically quite different.

Exemption

An item (usually a benefit) that is not subject to income tax in the first place. For example, childcare vouchers provided by employers up to a set value per week are exempt from tax.

Deduction

An item of allowable expenditure (for example, a necessary professional subscription) that can be offset from income for tax purposes. Where payment is made by an employer for an expense for which a deduction would be due, strictly the employee should still initially be taxed, but then entitled to reclaim the tax from HMRC. To simplify the process, employers can agree [dispensations](#) with HMRC, which allow them to treat the items as tax free in the first place.

3.3 National Insurance Contributions (NICs)

3.3.1 Employees

National Insurance Contributions are payable by employees aged between 16 and the state retirement age, where the amount that they are paid exceeds a Lower Earnings Limit. If the amount that they are paid exceeds an Upper Earnings Limit, then only the income up to that limit is subject to employee's contributions.

Where employees are part of an approved pension scheme, such as the LGPS, they "contract out" of part of the state pension and pay reduced contributions.

3.3.2 Employers

National Insurance Contributions are payable by employers of individuals from the age of 16, where the amount that they are paid exceeds a Lower Earnings Limit. There is no upper age limit, nor upper earnings limit in

respect of employer's contributions. In addition, employers must pay contributions on most non-cash benefits, such as lease cars.

Where employees are part of an approved pension scheme, such as the LGPS, they "contract out" of part of the state pension and reduced employer's contributions are paid.

3.3.3 Self Employed

Self-employed individuals pay two classes of National Insurance Contributions. One is a fixed amount payable regularly and based on a set weekly rate, whilst the other is calculated on the profits of the individual's business and payable with any income tax due.

3.3.4 Rates

Current employee and employer NIC [limits](#) and [rates](#) are shown in sections 7.1.6 and 7.1.7 of this manual.

3.3.5 Aggregation

The law requires earnings to be aggregated (totalled) if an employee has two or more jobs with the same employer, to ensure that the correct [rates](#) of National Insurance are paid.

3.4 Expenses and Benefits

3.4.1 General

Some benefits are assessable on all employees regardless of their level of earnings, such as gift vouchers and living accommodation. Other benefits such as a leased car will attract a tax liability only if the employee is earning over £8,500 a year. The value of benefits received is included when determining whether the limit is breached or not.

Details of the tax/NI implications of common expenses and benefits can be found in the [PAYE liability index](#).

3.4.2 Completion of expense claims

Guidance for staff in the completion of expense claims can be found on www.hants.gov.uk at: <http://intranet.hants.gov.uk/travelclaims.htm>.

Please note that receipts should be obtained to support all expenses claimed.

3.4.3 Employees earning less than £8,500 a year

Unless the benefit is specifically taxable, employees earning less than £8,500 a year will be assessed on:

- benefits that can be exchanged for cash
- settlement of personal liabilities by the employer.

In the first case, the amount of the assessment is equal to the amount of cash which could be obtained. In the second, it is the amount of liability settled.

Taxable benefits to these employees are recorded on an annual P9D return.

In practice, the number of employees within this category will be limited, since the value is below the minimum wage for a full-time employee.

3.4.4 Employees earning more than £8,500 a year

Apart from a few exceptions, benefits paid to employees earning over £8,500 a year are taxable.

Taxable benefits to these employees are recorded on an annual P11D return.

3.4.5 Completion of P11D / P9D forms

An information request is circulated annually for information that needs to be recorded on the P11D (or P9D) forms. The request is circulated in January, with information to be provided by the end of March.

3.4.6 In-house benefits

The value of the benefit to employees of their use of in-house provided services is only the **marginal** cost of allowing the use – i.e. those costs that would not otherwise have been incurred. Where the benefit is one of admission to facilities that are also open for public use, the marginal cost may be fairly insignificant.

3.5 Dispensations and PAYE Settlement Agreements

3.5.1 Dispensations

Dispensations are given by HMRC for certain expenses, payments and benefits that give rise to little or no tax liability. The sole purpose of giving

a dispensation is to reduce the amount of information reported on an employer's P11D return and an employee's self-assessment return, thus saving time and effort for the employer, employee and HMRC.

HMRC has given the County Council a [dispensation covering specific expenses, payments and benefits](#), which is summarised in section 7.3.2. This dispensation was given on the basis of our policy and procedures in dealing with the items covered by it. It's therefore important that all departments comply with the conditions set out in order that the dispensation remains valid.

Dispensations are generally reviewed by HMRC approximately every five years.

Note that the existence of a dispensation does not require an employer to reimburse any specific expense or provide a benefit. It simply determines what the tax treatment should be if the employer reimburses / provides.

3.5.2 PAYE Settlement Agreements (PSAs)

A PAYE Settlement Agreement is where an employer agrees with HMRC to meet an employee's income tax / NI liability on their behalf. They can only be used in very limited situations, and the County Council does not currently have any PSAs.

3.6 Self Assessment

Self assessment was introduced by the HMRC to simplify the tax system for taxpayers who are not wholly dealt with via PAYE and must complete a tax return. Most employed taxpayers will not be asked to submit a tax return because their tax liability is fully dealt with by PAYE.

To provide information for employees to fill in their tax returns, the County Council will give a copy of the following forms to employees by specified dates:

- P60 - by 31 May after tax year – showing total taxable pay and tax/NIC deducted
- P11D - by 6 Jul after tax year – a report of taxable benefits (or P9D for staff earning less than £8,500 p.a.).

Employees will only receive a P11D / P9D form in respect of benefits that are not fully covered by a dispensation. "Nil returns" are not produced, nor are forms produced for individuals no longer employed by the County Council at year end.

Queries regarding the completion of self-assessment returns should be [referred to HMRC](#).

3.7 Employment Status

3.7.1 What is employment status?

All employers are required by law to correctly account for income tax and national insurance on payments made to their employees. Employment status is the determination, for tax/NIC purposes, as to whether a worker is “employed” or an “[office holder](#)” (and so subject to tax and NIC deductions at source), or “self employed” (and so able to be paid without deduction).

3.7.2 Why does employment status need to be considered?

If employers don't account for income tax and national insurance on payments to employees, HMRC will not only charge the under-declared amounts, but also add interest and penalties. Depending on the circumstances, this can amount to almost as much as the original payment itself – and by the time that it is found, there will be little hope of recovering this from the worker. It's therefore important that employment status is considered at the outset whenever dealing with individuals – regardless of whether they are trading in their own name or a business name.

It doesn't need to be considered where work is awarded to a company (registered with Companies House) and payment is to be made to that company. This is because the workers are employed by the company, rather than the County Council. Registered company numbers are often shown on headed paper and other documents, or can be found on the [Companies House website](#), under the heading “SEARCH company information”.

Note that company registration numbers are not the same as VAT registration numbers or Unique Taxpayer References (UTR). An individual could be registered for VAT and/or have an UTR without being a registered company.

The position can be less clear for partnerships or other unincorporated organisations, or where workers operate under a trading name (for example, through franchising arrangements). A key factor in such cases will be whether you are contracting for a specific individual to work or whether the organisation that you are paying could send any one of a number of their workers at their choice. If in any doubt whether employment status needs to be considered, please [contact the IBC Tax Team](#).

3.7.3 Petty cash, unofficial and amenity funds

None of these should be used when paying an individual. Petty cash is still the County Council's expenditure, and so does not avoid the need to account for tax and NI on payments. If an external fund is used to pay an

individual, it is possible that they would be seen by HMRC as the employer – if so, penalties could be even higher, as they may also incur penalties for failing to register as an employer.

3.7.4 How is employment status determined?

For some areas of work, employment status is set by law, whilst for others it is necessary to consider a number of factors which have been established by the courts in deciding previous cases. Each engagement must be considered individually. It is quite possible that a worker may be self-employed in respect of some of their work, but employed for the rest. So it can't be assumed that a worker will be self-employed just because they have registered for self-employment with HMRC, have a Unique Taxpayer Reference (UTR) or have been paid on invoice before.

The process to determine employment status is as follows:

- First consider sections 3.7.5 - 3.7.7.
- Only if these have not determined employment status, either:
 - consider the [employment status tests](#) in section 3.7.8, or
 - use the [HMRC on-line tool](#), instructions for which are in section 3.7.9
- Where appropriate, see the [additional guidance notes covering specific types of work](#) in section 3.7.10.

If at any stage you are at all uncertain, please [contact the IBC Tax Team](#).

3.7.5 Initial considerations

In all cases, follow the steps in the order that they appear below. Further details on each are in the sections that follow:

- Are we contracting with a registered company? If so, make payment on invoice to the company (not to an individual).
- Are we contracting with the employer of the person(s) carrying out the work? If so, issue an order to the employer and pay them (rather than the individuals directly) on an invoice.
- Does the person that we're contracting with [meet our insurance requirements](#) for the type of work? If not, we must pay them via payroll.
- Are they a [deemed employee](#) due to the nature of work undertaken? If so, pay them via payroll. (N.B. this step is required under National Insurance legislation. If the worker is above state retirement age, they will have no liability to pay National Insurance Contributions, and so this step can be ignored).

3.7.6 Insurance

Our insurance policies cover council employees, not self employed workers. If a worker cannot meet our insurance requirements, they cannot be treated as self employed and cannot be paid on invoice.

More information on requirements can be found in the insurance pages of council website.

3.7.7 Deemed employment

The employment status of workers carrying out certain activities is set in law: the Social Security (Categorisation of Earners) Regulations 1978. These are complex rules; however there is one area that may affect us – cleaning. Any individuals undertaking cleaning work must be paid via the casual payroll, unless they are employees of a cleaning company and we are making payment to the company's name.

Until 6 April 2012, these regulations also covered individuals providing tuition or instruction. Although teachers and instructors are no longer automatically deemed employed, the remaining employment status tests must be considered.

If you are uncertain whether any specific work falls within the criteria for deemed employment above, please [contact the IBC Tax Team](#).

3.7.8 Employment status tests

These are the tests that we have always considered in order to determine employment status. An [on-line check](#) is now available; however it should give the same results as considering these tests.

Control tests

- Do we set out how work is to be carried out?
- Do we supervise the work?
- Can we move the worker between tasks?

An employer normally has greater control over the work of an employee than they would over the work of a self-employed worker. So “yes” to these questions indicate employment, and “no” would indicate self-employment.

Mutual obligation tests

- Are we obliged to provide work?
- If no work was available, are we still required to pay the worker?

An employee will generally be paid for their time, whereas a self-employed worker will generally be paid for specific tasks. So “yes” to these questions indicate employment, and “no” would indicate self-employment.

Economic reality tests

- Is the worker required to supply all necessary equipment for the work?
- Would they have to meet the cost if it was damaged or stolen?
- If work was not completed to a satisfactory standard, is the worker required to meet any costs of putting it right?
- (If work is coaching) – is payment linked to the number of attendees?

A self-employed worker generally bears a greater level of financial risk than an employee would. So “yes” to these questions indicate self-employment, and “no” would indicate employment.

Integration tests

- Is the work something that council staff could do?
- Do they have an office or desk at any council site, or use council equipment?
- Do they have a user ID to use council system, or telephone extension?
- Do we provide support or other staff to work for them?

These questions are to determine to what extent the worker is a part of the organisation. A self-employed worker will generally work more independently than an employee. So “yes” to these questions indicate employment, and “no” would indicate self-employment.

Exclusive service tests

- Can the worker send a substitute, if they are either unable or don't want to work on a particular day?
- If so would the worker pay the substitute directly?
- Does the worker carry out similar work for others?

An employee must attend themselves, whilst a self-employed worker will generally be able to sub-contract work if they want. Self employed workers generally carry out work for a number of customers. So “yes” to these questions indicate self-employment, and “no” would indicate employment.

3.7.9 HMRC online check

HMRC have an on-line employment status check tool that can be used in place of the employment status tests above if the position has not been established from the after consideration of sections 3.7.5 to 3.7.7. This is available on the HMRC website at:

tools.hmrc.gov.uk/esi

To use the check, open the web page above, and click on the Start button. The questions asked on the first few screens are standard and will be asked every time. Questions on later screens will depend on the answers given to earlier ones. Click the Next button once each screen is complete.

For the questions on the initial screens, answer as follows:

Question	Answer
“What is the customer role?”	“Engager”
“Is the enquiry in relation to a future contract?”	“Yes” if the work has yet to be done, “No” otherwise
“What is the worker’s current employment status?”	“Employee” if currently council staff, “Not known” otherwise
“Engager’s business?”	“Public sector – other”
“If other please enter description here”	Leave blank
“Trade of worker”	Assuming that none of the listed trades apply, enter “Other”. If one of the listed trades does apply, please contact the IBC Tax Team , rather than continuing with the online check
“If other please enter description here”	Brief description of the nature of the work to be carried out

Answer the remaining questions according to the circumstances of the individual case. After a number of questions have been asked, a screen will be displayed, giving one of the following four results:

Result	Action
“Based on the information you have provided, the worker is self-employed”	You can issue an order and make payment on invoice.
“Based on the information you have provided, the worker is an employee”	You must make payment via casual payroll.
“Based on the information you have provided, the employment status cannot be determined”	Please contact the IBC Tax Team .
“Special Cases Warning”	

In either of the first two cases, print the screen, then click on “Enquiry details” near the top-right of the screen and print a copy of that screen too. Keep these prints for your records. Please send an [email to the IBC Tax Team](#) detailing the name of the worker that you’ve checked, and the “ESI reference” and result (“self-employed” or “employee”) taken from the screen.

3.7.10 Additional notes relating to specific types of worker

Authors

Author visits to schools tend to consist of a number of elements:

- The author reading extracts from their books,
- The author arranging a workshop session with the children, and
- The author selling copies of their books.

Following changes to the deemed employment regulations from April 2012, the fact that the workshop sessions often involve teaching or instruction no longer automatically makes the work employment.

However, the remaining employment status tests must be considered. Factors that may be particularly relevant would include:

- who develops the content of the visit,
- whether it may be possible for them to arrange a substitute author if they become unavailable, and
- who provides any materials or equipment needed.

Franchisees

Sometimes a business with a recognised name will allow individuals to trade under that name, in return for paying a fee. Although that business (the “franchiser”) may be a registered company, it is usually the individual (the “franchisee”) that we would contract with.

Franchisees can be registered companies in their own right – but where they are not, it is important that we carry out the normal employment status checks on them, not on the franchiser.

Sports coaches

Where we pay sports coaches to provide tuition, we must apply the normal employment status tests. However, unless they supply the sports equipment required, it is likely that they will be considered employed.

If out of school hours, an alternative option may be to hire the sports facilities to the coach, in the same way as they may let facilities to anyone else. The coach could then provide tuition to and collect income from the students directly. There would then be no payment by us to the coach to require the consideration of employment status.

3.7.11 Office holders

Even if an individual is not an employee, it is still important to determine whether they are an office holder, as they still need to be paid via the payroll with PAYE deductions made as appropriate. An office is defined as a “permanent, substantive position which has an existence independent from the person who fills it, which goes on and is filled in succession by successive holders”.

Specific offices will usually be created by legislation. In some cases the individual is required to act independently of the County Council. This in itself does not prevent them being regarded as an office holder.

Examples of “office holders” include:

- Members of Adoption and Fostering panels
- Clerks to the Governors at schools

- School Improvement Partners (SIPs)

This list is not exhaustive – if you are in any doubt about whether an individual should be regarded as an office holder, please [contact the IBC Tax Team](#).

3.8 Travel

3.8.1 Background

Two basic factors must be considered in connection with employee travel:

- The County Council as employer determines what employee travel is to be reimbursed, and at what rates, according to set agreements.
- Tax legislation determines what employee travel is eligible for tax relief

The position in respect of both must be established, in order to determine:

- how the journey should be recorded,
- whether any reimbursement will be paid, and
- what the tax implications are

In summary:

		Is the travel reimbursable in accordance with council's policies? (see section 3.8.8 "Further information")	
		Yes	No
Is the journey deemed business travel by HMRC? (see following sections)	Yes	Mileage can be claimed. Reimbursement is tax and NIC free up to a maximum of 45p per mile*.	Mileage can be recorded as MFTP (miles for tax purposes). No mileage allowance is paid, but tax relief is still given
	No	Mileage can be claimed, but must be recorded on the claim as taxable business mileage. Reimbursement will be subject to tax and NIC in full**.	Do not record on the travel claim. Travel cannot be reimbursed, nor can tax relief be given.

* Over 10,000 miles, HMRC's tax-free limit reduces to 25p per mile. NIC-free limit remains at 45p per mile.

** Tax and NIC rules differ for leased car holders in respect of private mileage. Instead of the actual amount reimbursed being subject to tax and NIC, there is a taxable fuel benefit charge. The value of this is not related to the actual number of miles undertaken, so it can be greater than the amount claimable. It may therefore not be worth some leased car holders

claiming travel regarded by HMRC as private. This includes travel assistance resulting from significant changes to workbase location.

3.8.2 Tax treatment of travel

The tax treatment of travel will be dependant upon whether HMRC regard it to be business travel. The terms used are explained in the sections that follow.

For employees who are not designated as [patchworkers](#):

- Travel between home and a [permanent workplace](#) – private*
- Travel between home and a [temporary workplace](#) – business
- Travel between workplaces (permanent or temporary) – business

For employees who are designated as [patchworkers](#):

- All travel within the designated patch – business
- Travel between home and the patch boundary (where living outside of the patch) – private*
- Travel between home and a [temporary workplace](#) outside of the patch boundary – business

Note that the County Council will not generally reimburse travel between home and the normal workplace or patch boundary. The County Council will also require that this distance is deducted from any claims for travel between home and a temporary workplace. As the distance deducted is still business according to HMRC rules, it can be recorded as Miles For Tax Purposes (MFTP).

* An exception applies to certain employees of the emergency services. Where all three of the following conditions are met, the journey from home will be regarded as business for tax purposes:

- they have to give advice on handling the emergency before starting the journey; and
- responsibility for aspects appropriate to their duties is accepted from that time; and
- they have a continuing responsibility for the emergency whilst travelling to the workplace

3.8.3 Permanent workplaces

An employee's normal place at work will generally be their permanent workplace. However, it is possible for someone to have more than one permanent workplace, and any place attended either on a regular basis or for a reasonable proportion of the working time might be considered to be a permanent workplace.

A [patchworker's](#) permanent workplace is the whole of their patch.

3.8.4 Temporary workplaces

A place is a temporary workplace if the employee attends it for a task that is of limited duration or a temporary purpose.

Limited duration means that:

- no more than 40% of the employee's time is spent at the place; and
- the requirement to attend that workplace is not expected to exceed 24 months.

Temporary purpose means that:

- the visit is for a self-contained (rather than ongoing) purpose; and
- the employee has other workplaces (temporary or permanent) during the employment.

Any place of work that is not a temporary workplace must be regarded as a [permanent workplace](#).

3.8.5 Casual workers

Each job offered to a casual worker is an individual employment. So whilst each individual employment may be at a different site, that site will usually be the [permanent workplace](#) for the whole of that employment. Travel from home to there is deemed private for tax purposes.

Sometimes a casual worker will be offered work at a number of different sites on the same day. In such cases, travel between sites during the day is business for tax purposes, but any journeys from or to home (e.g. first and last journey each day) are private for tax purposes.

3.8.6 Patchworkers

Patchworker is a term used by the County Council, and is based upon the tax treatment granted by HMRC to employees whose "duties are defined by reference to a particular area". Requests for patchworker status must be referred to the [IBC Tax Team](#), which will where necessary seek HMRC confirmation.

There are a number of conditions, all of which will have to be met by a post before it will be granted patchworker status:

- There must be no individual site (or sites) that is a [permanent workplace](#).
- They must be required to attend the area regularly.
- They must have a job where the duties "are defined by reference to a geographical area".

Some requests to HMRC have been rejected where employees have no allocated office space, but are generally required to work from home, as

home is seen as their [permanent workplace](#). However, it is still possible that the sites visited may count as [temporary workplaces](#) for tax purposes.

3.8.7 Homeworkers

There are three categories of homeworker:

- **Council's Contractual Homeworkers** are those employees who are required by the County Council to work from home, and so are eligible to receive Homeworking Allowances from the County Council. These allowances are paid monthly, and are subject to deductions of income tax and national insurance.
- **Council's Flexible Homeworkers** are those employees who spend a part of their contracted hours working from home, but are not required to do so. They are not eligible to receive Homeworking Allowances.
- **HMRC Homeworkers** are those employees who meet conditions set by HMRC. It is very rare for anyone to be able to meet these conditions (none of the County Council's employees do). It would have to be demonstrated that it is impossible for the work to be carried out anywhere other than the employee's home, i.e. it is not simply that homeworking is more convenient or practical for either the County Council or the employee. HMRC Homeworkers would be entitled to the normal Homeworking Allowance, but would be entitled to a deduction of £156 (£3 per week) for tax/NI. To maintain consistency, requests for HMRC Homeworker status must be referred to the [IBC Tax Team](#), which will where necessary seek HMRC confirmation.

Further information on flexible working, including homeworking, is available on www.hants.gov.uk at:

<http://intranet.hants.gov.uk/hampshireworkstyle/hr-flexibleworking-flexiblelocation.htm>

3.8.8 Further information

The guidance provided here is a summary of the tax rules. If you are uncertain regarding the tax position of any employee travel, please [contact the IBC Tax Team](#).

For further information regarding the entitlement to submit a claim - please contact your usual HR representative.

Guidance notes to assist with submitting claims can be found at

<http://www3.hants.gov.uk/portal-help/employee/ibc-help-travelclaims-guide.htm>.

4 Other Taxes

4.1 Construction Industry Scheme (CIS)

4.1.1 General

Payments for construction works are subject to the Construction Industry Scheme (CIS). The scheme was introduced by HMRC to assist in ensuring tax compliance within the industry. It only applies to labour charges for construction works – labour charges for non-construction related works, plus materials and VAT charges for any works are excluded. The scheme can result in deductions of tax from payments to vendors. This tax must be paid by the County Council direct to HMRC, and the vendors can offset these deductions from any tax that they would be required to pay HMRC.

HMRC set definitions of what counts as construction works – if you are in any doubt, please [contact the IBC Tax Team](#).

4.1.2 Verification

Any vendor that will carry out construction works must be first be verified with HMRC. HMRC will determine whether:

- The vendor can be paid gross (without tax deduction). This usually means that HMRC are satisfied that the vendor is well established and has a good history of tax compliance.
- 20% tax must be deducted from labour charges. This means that although the vendor is registered with HMRC, they may not have been trading long enough to build up a history of tax compliance.
- 30% tax must be deducted from labour charges. This usually means that HMRC have no knowledge of the vendor.

4.1.3 Returns

Where a deduction is made, the vendor is notified. A monthly return and payment of the tax deducted is sent to HMRC. If the County Council fails to deduct tax when it should, and pays the vendor gross in error, it will still be liable to pay to HMRC the tax which should have been deducted. If there are any errors on the returns or they are submitted late, there is an additional fine of £100 per vendor involved per month since the error.

4.1.4 Interaction with employment status checks

If the person being paid to carry out the work is an individual (rather than company), their [employment status](#) must be determined first. If it is determined that they are an employee, they must be paid via payroll.

Normal employment taxes will then be deducted and the CIS will not apply. If, however, it is determined that they are self-employed, it will be necessary to determine whether the works fall within the scope of the CIS.

4.2 Foreign Entertainer / Sportsperson Withholding Tax

4.2.1 General

Departments that use foreign entertainers and sports competitors should contact HMRC's Foreign Entertainers Unit direct for instructions on the amount of tax to be deducted. HMRC will issue a quarterly return form (FEU1) to the department. It must be completed and returned by the 14th day following the end of the quarter to the following address, together with the amount of tax deducted:

HMRC Personal Tax International, Foreign Entertainers Unit, St John's House, Merton Road, Merseyside, L75 1BB. Telephone: 0151 472 6488, fax: 0151 472 6483.

If you have any problems with completing the form or accounting for the tax deducted, please [contact the IBC Tax Team](#).

4.2.2 Income tax

Income tax will be charged on the UK earnings of foreign entertainers and sports competitors as if it formed the income of a trade carried on entirely in the UK. The County Council as payer must deduct tax at the basic rate from any payment to them.

The amount of tax deducted may be reduced if a foreign entertainer or sports competitor incurs significant expenses in relation to his or her UK performance. In such situations, HMRC will notify the County Council of the amount of tax to deduct.

In many cases, the foreign entertainer will then be able to deduct tax paid in the UK from their total tax liability in their country of residence – i.e. avoiding double taxation.

4.2.3 National Insurance

Foreign entertainers and sports competitors are classed as self-employed and therefore do not attract any National Insurance contributions.

4.3 Gift Aid

4.3.1 Introduction to Gift Aid

Gift Aid is a scheme that allows charities to reclaim the income tax (at [basic rate](#)) that would have been paid by those making donations.

For example, where £10 is donated and basic rate tax is 20%, gift aid will be worth another £2.50, as:

- £12.50 (gross)
- less 20% tax (20% of £12.50 = £2.50)
- equal £10.00 (net)

Where the individual pays tax at a [higher rate](#), they are entitled to claim the remainder of the tax relief themselves via their tax returns. They could of course chose to donate this to the charity too, but are under no obligation to do so.

4.3.2 Gift aid declaration

In order to claim gift aid, the charity must obtain from the donor a declaration. This declaration should include:

- the donor's full name
- the donor's home address
- the name of the charity
- details of the donation
- the fact that it's a Gift Aid donation

The donor should also ensure that they are paying at least as much UK tax as the charity intends to reclaim.

4.3.3 Donation benefits

For gift aid purposes, a donor can still receive some benefit in return for their donation. There are limits to this:

Donation (£)	Max. benefit value	...but
0 – 100	25% of donation	Total benefit value from all donations in the tax year must not exceed £2,500*
101 – 1,000	£25	
1,001 – 10,000	5% of donation	
10,000 +	£2,500*	

* increased from £500 by Finance Act 2011.

Note that these limits do not apply for VAT purposes. If the donor receives any benefit beyond a mere acknowledgement of the donation, [it may become subject to VAT](#) – see section 2.2.2.

4.3.4 Admission fees

Gift aid can be claimed in respect of admission charges to charity property provide that

- it is not to view a performance,
- an appropriate gift aid declarations are completed, and
- either of the following apply:
 - the individual chooses to pay an amount that is at least 10% higher than the standard admission fee (visitors must be aware that they are choosing to pay a higher price); or
 - the individual pays an amount that entitles them to unlimited free or reduced price admission for a year (in practice up to five days per year can be excluded). Where entitlement is to reduced price admission, gift aid is not available on the subsequent reduced admission fees.

An individual's rights to admission should not be affected by whether they have agreed to complete a gift aid declaration or not.

4.3.5 Small Donations Scheme

From April 2013, an additional scheme has been made available under which a top-up payment can be claimed on small donations without the need for declarations from donors.

Who is eligible?

Charities are eligible to use the Small Donations Scheme if they meet all of the following criteria:

- they also make claims under the Gift Aid procedure,
- they have existed for at least the last two tax years,
- they have made successful Gift Aid claims in at least two of the last four tax years, without a gap of two or more years, and
- they have not received a penalty in respect of either a Gift Aid or Small Donations Scheme claim made in the current or previous tax year.

What can be claimed?

Claims can only include cash (notes or coins, not cheques, cards, etc.) donations of £20 or less.

The maximum level of such donations that can be included in such a claim is the lower of:

- ten times the level of the donations included in the Gift Aid claim,
- £5,000

Low value donations can still be processed via the Gift Aid procedures (rather than counting against the Small Donations Scheme limits above) if a Gift Aid declaration has been completed.

4.3.6 Further information

For further information on Gift Aid, please [contact the IBC Tax Team](#).

4.4 Stamp Duty Land Tax (SDLT)

4.4.1 Introduction to SDLT

Stamp Duty Land Tax (SDLT) replaced Stamp Duty as a tax on land and property transactions with effect from 1 December 2003, and is generally due where the amount paid for the purchase or transfer of property or land is above a certain threshold. In addition most land and property transactions must be notified to HMRC on a SDLT return within a certain time limit - even if no tax is due.

Various rules apply for working out how much, if any, SDLT is payable. The calculation - which is based on a value called the chargeable consideration - can vary depending on whether the land is residential or non-residential, freehold or leasehold, or on other factors such as whether several transactions are linked.

There are also some types of transactions that are [exempt](#) from SDLT, or where [reliefs](#) can reduce the amount payable.

This section is only intended to be a summary of the issues – for more information links are provided to published HMRC guidance, or [contact the IBC Tax Team](#).

4.4.2 SDLT rates and thresholds

Broadly speaking, SDLT is charged as a percentage of the amount paid for property or land when it is bought or transferred - unless there is a relief or exemption.

Higher percentage SDLT rates apply to higher-value transactions. The amount payable can also vary depending whether the property is being used for residential or non-residential purposes, and whether the property is sold as a freehold or leasehold.

Current rates and thresholds are available at:

<http://www.hmrc.gov.uk/sdl/intro/rates-thresholds.htm>.

4.4.3 SDLT Reliefs

Some transactions are entitled to SDLT relief. In these situations you can claim the relief when you complete the SDLT return. The main reliefs available are:

- Disadvantaged areas
- First-time buyers
- House building company buys an individual's home
- Employer buys employee's house when they relocate
- 'Chain breaking' purchases
- Compulsory purchases as part of property development
- Property developer subject to planning obligations
- Transferring property between companies in the same group
- Charities
- Right to buy properties
- Registered social landlords
- Zero-carbon homes

Details are available at:

<http://www.hmrc.gov.uk/manuals/sdlmanual/SDLTM20000.htm>.

4.4.4 SDLT Exemptions

Some land and property transactions are exempt from SDLT regardless of their value and therefore don't need to be notified to HMRC. These include:

- transactions where no money changes hands (and no other supply is made in return)
- property that's left in a will
- transfers of property in a divorce or when a civil partnership is dissolved

In addition HMRC doesn't have to be notified about the following:

- freehold transactions or assignments of leases of less than £40,000
- grants of leases of seven years or more where the value is less than £40,000 and the annual rent is less than £1,000
- grants of leases of less than seven years - or assignments of leases which were originally granted for less than seven years - where the total value of the transaction isn't more than the residential or non-residential SDLT threshold

Details are available at: <http://www.hmrc.gov.uk/sdl/reliefs-exemptions/no-sdl-return.htm>.

4.4.5 What value is SDLT charged on?

SDLT is charged on the total value of what's known as the chargeable consideration. The chargeable consideration includes everything of economic value given in exchange for the property - so as well as a payment of money, it can include a release from a debt, the transfer of an existing mortgage, or the provision of other services.

Details are available at: <http://www.hmrc.gov.uk/sdlr/calculate/value.htm>.

In some cases, the overall value may be dependent upon a future event – e.g. the purchaser's ability to obtain planning permission, or the future sale of the property by the purchaser. SDLT must normally be calculated based upon the maximum value, assuming that the future events leading to additional payments will take place. The purchaser can then apply to HMRC for payment of the element of the SDLT relating to the possible future event to be deferred.

4.4.6 VAT and SDLT

Where VAT is payable on a land transaction (either because it is subject to VAT as a new commercial building or as the result of an [option to tax](#)), SDLT is payable on the VAT inclusive value of the chargeable consideration. This is particularly important where the VAT exclusive value of the transaction is just below a SDLT rate threshold, but the VAT inclusive value is above.

Conversely VAT is not chargeable on SDLT, as SDLT is not part of the consideration for the transaction.

5 Schools VAT and PAYE

5.1 Introduction

5.1.1 About this section

This section is not intended to be a complete manual for schools, as much of the guidance in the other sections of the manual is also relevant. However it provides guidance that is specifically aimed at schools, covers some of the most frequently asked questions, provides examples where relevant, and links back to guidance in the rest of the manual.

For more general information regarding [VAT](#) and [PAYE](#) please see sections 2 and 3.

Details of VAT and PAYE liabilities can be found in the [Tax Liability Schedules](#) - section 6.

5.1.2 Academy status

The guidance in this manual is intended for use by LEA maintained schools. Academies are not part of the LEA for tax purposes, and operate under differing tax regimes.

For VAT purposes, they need to be treated as external organisations. Section 33B of the Value Added Tax Act entitles them to VAT recovery in respect of their non-business activities – however, unless they register for VAT, they are not entitled to recover VAT on their business activities. Even if they do register for VAT, their [partial exemption](#) de-minimis limit is the same as that for private businesses, not the 5% used by Local Authorities.

Academies are not covered by the County Council's PAYE reference.

Guidance in this manual should not be relied upon by Academies.

5.1.3 Official, unofficial and private funds

Throughout this manual, schools' delegated budgets are referred to as the "official fund". The official fund is part of the County Council's VAT registration.

Some schools also have an unofficial fund. Guidance on the use of unofficial funds is available in Chapter 32 of the School Finance Manual: <http://intranet.hants.gov.uk/childrens-services/cs-staff/cs-units/efs/efs-publications/schoolfinancemanual/chapter32.htm>.

Where this fund is outside of the County Council's financial systems and held in a separate bank account, it does not form part of the County Council's VAT registration. It will be necessary periodically to check that the level of taxable turnover for this fund does not exceed the VAT registration threshold. If the threshold was exceeded, the fund would have to separately register.

One advantage of maintaining external unofficial/private funds is that whilst below the [VAT registration threshold](#), they can be used to fund raise without having to declare VAT on the monies raised. Although VAT won't be able to be recovered on the costs of the fund raising activity either, the profits can be donated to the official fund to purchase an item for the school, gaining the benefit of VAT recovery.

Example

Students art work is printed onto tea towels by an external supplier. A batch of tea towels are bought from the external supplier for a total of £120 including VAT. They are sold on to parents for a total income of £270, with the intention that the profit would be used to buy equipment for the school.

If done through the official fund:

- Tea towels purchased, £20 VAT recovered, so cost is $£120 - £20 = £100$
- Tea towels sold, £45 VAT declared ($1/6 \times £270$), so income is $£270 - £45 = £225$
- Profit = $£225 - £100 = £125$

If done through an unofficial fund that does not need to be registered for VAT:

- Tea towels purchased, no VAT recoverable, so cost is £120
- Tea towels sold, no VAT due, so income is £270
- Profit = $£270 - £120 = £150$, which can then be given to the official fund as a donation

In either case, the official fund will then be able to recover VAT on the equipment bought with the funds raised, but carrying out the fundraising in the unofficial fund has resulted in a greater profit.

What the school **can't** do is to pay the external supplier via the official fund but sell the tea towels in the unofficial fund. This is because there would then be an implied [supply](#) of the tea towels by the official fund to the unofficial fund, for which the donated profits would be deemed [consideration](#).

Some schools have transferred their unofficial funds into their official funds whilst others have transferred it into an "H" cost centre. Once the funds have been transferred, they are all within the County Council's VAT registration – and VAT will need to be considered on all income sources.

Other private funds, e.g. PTA funds, may still be maintained separately. These don't form part of the County Councils VAT registration.

Except where stated otherwise, the guidance in this manual assumes that transactions are taking place in the official fund, and fall within the County Council's VAT registration.

5.1.4 Charitable status of voluntary aided and foundation schools

Prior to the implementation of the Charities Act 2006 in April 2009, the Governing Bodies of Voluntary Aided and Foundation Schools were regarded as exempt from registering with the Charities Commission.

When the Act was implemented, transitional arrangements were made, under which the existing treatment would continue until August 2011.

Legislation has since been enacted to set the Secretary of State for Education as the Principal Regulator for these schools, meaning that they are still exempt from registration with the Charities Commission.

5.1.5 Supplies to pupils

There is an HMRC concession that allows supplies that are made in connection with and are essential to the statutory education we provide to also be treated as outside the scope of VAT. This includes:

- [School trips](#)
- [Assisted instrument purchase scheme](#)
- [School meals](#)
- Materials / ingredients for arts, crafts and cookery classes

There are however certain circumstances where HMRC will not allow the concession – these include

- [School uniforms](#) (although some items may be zero rated) and other clothing
- Sports equipment
- Book bags and water bottles

Generally, sales must be “at or below cost”. However it is accepted that “cost” can include reasonable administrative overheads. In some cases there are further criteria that must be met – these are explained later in the section.

It must be remembered that this is a concession, which could be withdrawn by HMRC. When first introduced, there was a condition requiring that sales took place in the classroom. This has since been removed as it was found in some cases to be impractical. However HMRC still discourage the setting up of “school shops” to sell items VAT-free - as this could lead to complaints from retailers that have to charge VAT.

5.1.6 Supplies to staff

Whenever supplies are made to staff, the tax implications must be considered. Even if items are supplied to staff for business purposes (e.g. computer equipment), there may be PAYE implications if any significant private use is also allowed – see section 5.11. If staff make a contribution towards the private use, it may reduce or remove the PAYE implications, but the contribution is likely to be subject to VAT.

Please [contact the IBC Tax Team](#) for further information regarding the tax implications of any supplies made to staff.

5.2 School Trips, Events and Productions

5.2.1 School trips

Income collected from pupils/parents is outside the scope of VAT. HMRC now accept that any trip organised by a school for its pupils will be for a “broadly educational purpose” – so there is no longer a need to consider the educational value of individual trips.

Charges to pupils should be no more than at cost - although “cost” can include overheads such as administrative staff time. HMRC have previously agreed to an additional £50 per trip. If costs exceed this, you may use a higher figure, but you would have to be able to show that it was reasonable. It’s also accepted that whilst a trip may be intended to break even, circumstances can lead to small “profits” being generated occasionally.

Where VAT is shown on the invoice by suppliers, this can be coded as normal.

Since Jan 2010, suppliers that do not run facilities “in-house” have had to apply the [Tour Operators Margin Scheme \(TOMS\)](#) rules. This prevents them from issuing a formal VAT invoice to their customers – and so there is no VAT that can be recovered in such cases. Even if invoices state that the amounts “include VAT”, recovery is not possible if any mention is made of the Tour Operators Margin Scheme.

5.2.2 Other trips

The guidance above relates specifically to trips organised by schools for its pupils – for the VAT implications for [any other trip](#), see section 2.10.

5.2.3 School proms/balls

School proms are not regarded as trips. Income received from pupils for prom/ball tickets is subject to VAT. Sometimes fundraising events or activities are carried out in advance, the idea being to subsidise the cost. Provided that:

- the event / activity is separate to the prom / ball (i.e. participation is not necessary to buy tickets, nor does it give any reduction in the ticket charge); and
- the event / activity is organised by the students themselves, or by the school's external unofficial fund (if it has one)

any proceeds can be donated to the official fund, and that donation will be outside the scope of VAT.

5.2.4 Staff / other helpers

A certain level of adult supervision will be required on trips or at proms, and they may not be required to pay. Provided that the adults are only those required for supervisory purposes, there are no VAT or PAYE implications.

Sometimes additional members of staff or their families also travel. Any amounts paid by them for their places will be subject to VAT. Where the amount paid is less than the cost of the place, the difference must be reported as a [taxable benefit](#) on the P11D of the member of staff. The value of the benefit is any additional costs incurred in respect of those places, less any amount that they actually paid.

5.2.5 School concerts/productions and other events

Admission charges to concerts and theatrical productions would normally be subject to VAT. However HMRC has agreed that the [cultural exemption](#) can be applied, making these charges exempt.

The cultural exemption **only** applies to concerts and productions. Income from admissions to other events run by the school would be subject to VAT when paid into the official fund, and any VAT incurred on costs relating to the event can be recovered in the normal way.

Where an event is run by an unofficial/private fund (which is not registered for VAT), income will not be subject to VAT. However VAT incurred on costs relating to the event will also be irrecoverable.

All income and expenditure for any event must be recorded within the same fund. If you record an event's income VAT-free in an unofficial / private fund, you cannot recover the VAT on the associated expenditure through the official fund.

5.3 Assisted Musical Instrument Purchase Scheme

The scheme is based upon HMRC's concession regarding sales closely related to education. It can therefore only apply to pupils receiving outside the scope music education from the LEA. This includes:

- tuition by a tutor employed either by the school or Music Service; and/or
- participation in a band or orchestra run by either by the school or Music Service.

It cannot be used by teachers to buy instruments for them to use when teaching, nor can it be used where the pupil only receives private music tuition, even if that tuition takes place on school premises.

In addition:

- the instrument must be required and brought in for use in school lessons or for school band/orchestra practice at least once per week; and
- the pupil must have at least one whole term's music education left within LEA.
- replacement parts or parts of a different specification to that originally supplied are covered by the scheme, **but** instrument cases are only covered where sold with the instrument.

Subject to all the above conditions being fulfilled, the Scheme operates as follows:

- The parent/guardian must contact the school in writing, stating exactly what instrument is required and from which supplier.
- The school then places the order and is invoiced direct, paying the invoice in the normal way and recovering the VAT.
- The parent is then invoiced for the instrument, with the income being banked as outside the scope. The charge to the parent should be no more than at cost, although "cost" can include overheads such as administrative staff time. HMRC have agreed to £5 per instrument overheads. If costs exceed this then you may use a higher figure, however you would have to be able to demonstrate to HMRC that it was reasonable.

Music software cannot be purchased using this scheme. When purchasing software for onward sale to parents, VAT must be charged.

The Scheme is a concession, it is for individual schools to decide whether they want to offer it – parents / music shops cannot insist that you do. If the Scheme is used without all the conditions being met, there is the potential risk that HMRC could withdraw the concession.

If you have any problems with the use of the Scheme please [contact the IBC Tax Team](#).

5.4 School Catering

5.4.1 Sales to pupils

Catering supplied to pupils by the school, or a contractor acting as agent is outside the scope of VAT, provided that overall it is being supplied “at or below cost”. It is not necessary to consider supplies or outlets individually, and “cost” can include reasonable overheads.

5.4.2 Sales to staff and visitors

Sales to staff and visitors are subject to VAT unless the items are eligible for zero-rating as cold take-away [food](#).

The following are eligible for zero rating when sold take-away: sandwiches and rolls (not toasted/with hot fillings), salads, fruit, and yoghurt.

The following are not eligible for zero rating, even when sold take-away: toasted sandwiches, crisps, confectionery, ice creams.

5.4.3 Vending machines

Where vending machines are located in a place where they could be used equally by pupils, staff or visitors, an apportionment method has been agreed with HMRC based on headcount:

$$\text{Pupil sales} = \frac{\text{Number of pupils}}{\text{Number of pupils} + (2 \times \text{number of staff})}$$

The double-weighting on staff numbers is to reflect any potential use by visitors.

If you want to use any other form of apportionment method, it would need to be agreed with HMRC – please [contact the IBC Tax Team](#) to arrange.

5.4.4 Cashless catering systems

There are a number of systems in use that rely on staff/pupils topping up “credit” on cards, which are used to purchase food. The correct VAT treatment should be:

- Credit added to card – income received is outside the scope of VAT because nothing has been supplied at this stage.
- Card is used to purchase food – transaction is either:-
 - Outside the Scope of VAT where meal is purchased by pupil
 - Standard Rated where meal is purchased by staff (or zero rate where eligible as take away cold food).

In practice, this can be achieved by entering all credit added as non-business income to the “pupil meals” code, then arranging correction journals periodically for staff sales that are subject to VAT. Please [contact the IBC Tax Team](#) to arrange

5.4.5 External catering contractors

External catering contractors generally operate as the agent of schools, enabling them to treat pupil meals as outside the scope of VAT.

This can result in them needing to draw up complex invoices, which include income collected and expenditure incurred on the schools behalf, as well as the cost of free meals and management costs. These can be difficult to input into the IBC portal correctly. If you receive such invoices, please forward them to the [IBC Tax Team](#) for payment, together with details of cost codes/GL codes to be used for any net element.

5.5 School Uniforms

HMRC do not consider the sale of uniforms to fall within their concession for non-business treatment of sales to pupils. However, some items of uniform will be zero rated as children’s clothing anyway.

Schools that are only for pupils under the age of 14 can zero rate the sale of any items that contain permanent, prominent logos or badges that identify them as part of the school’s uniform.

Where items are not identifiable in this way, or the school has some pupils that are over the age of 14, it is necessary to determine the VAT liability based on the items size. The [maximum sizes for zero rating](#) are in the table in section 6.4.2. VAT then must be charged on the sale of any items exceeding these sizes.

5.6 School Photographers

5.6.1 Summary

The commission that is received from photographers is deemed to be in respect of services supplied by the school. When the school does so it is either acting as the agent of the LEA (with VAT charged and income paid into the school's official fund), or of the school governors (via the unofficial fund - VAT only chargeable where the unofficial fund is VAT registered).

5.6.2 Accounting entries

There are numerous ways in which these transactions can be accounted for – but those listed below are the most common:

In an Unofficial Fund (not registered for VAT)

Either:

- Pay to the photographer the full amount collected,
- Let them calculate the commission amount and pay it back to you,
- Consider the commission amount re: the need to register for VAT

Or:

- Calculate the commission yourself and deduct from amounts received,
- Forward the balance to the photographer,
- Consider the commission amount re: the need to register for VAT.

In the Official Fund (agreeing to self billing)

Either:

- Pay to the photographer the full amount collected,
- Receive receipted self-billing invoice/cheque for commission plus VAT,
- Bank the cheque, treat as standard rated.

Or:

- Notify the photographer of the income received,
- Receive invoice from photographer (commission element is self billing),
- Pay invoice, remembering to account for VAT on commission.

In the Official Fund (without agreeing to self billing)

Either:

- Pay to the photographer the full amount collected
- Send an invoice to them for the commission due, plus VAT

Or:

- Calculate commission yourself and deduct from amounts received
- Forward the balance to the photographer
- Remember to account for the VAT on the commission

If a photographer wants to use arrangements that do not fit one of the above options, please [contact the IBC Tax Team](#).

5.6.3 Self billing

Self-billing arrangements are often used by photographers in respect of commission. Under a self billing arrangement, an agreement is made that

the customer will, on the supplier's behalf, issue an invoice charging themselves. In the case of photography commission, the school is "the supplier" and the photographer is "the customer".

More information is in the [self-billing section](#) of the manual. Agreements are entered into with photographers centrally (to avoid each school needing to enter into separate agreements) and are renewed annually. A list of those with [current agreements](#) is in section 7.4.1. Photographers have been told that although it is a single central agreement, individual schools retain the choice of whether they want to use self-billing or not.

If you want to enter into a self billing agreement with any other photographer, please [contact the IBC Tax Team](#), in order that the photographer can be added to the list and included in the annual renewal of agreements.

5.6.4 Payments made directly by parents to photographer

This does not affect the accounting arrangements for the treatment of commission, it just means that the school will not be banking the money and paying it over to the photographer first.

5.6.5 Free photographs

If the photographer offers the school free photographs, this is a [barter](#) and VAT must be accounted for on the market value. Please [contact the IBC Tax Team](#) for advice on how to account for these.

5.6.6 Transfers of commission between funds

Where commission is received in the official fund, it may not be transferred to the unofficial fund, even after the VAT has been accounted for. However, where commission is received in the unofficial fund, it may be donated to the official fund, for use by the school. Provided that there is nothing supplied to the unofficial fund in return, the donation is outside the scope of VAT.

5.6.7 Unregistered photographers

It is possible that some very small photography businesses may not be registered for VAT. They won't be able to issue self-billing invoices, and their commission is likely to be a fixed percentage, regardless of whether you have to account for VAT from it or not. Such photographers are generally better dealt with in the unofficial fund, so that no VAT cost is suffered on the commission.

5.6.8 Examples

The following examples refer back to the six options for accounting entries given:

Example 1 – photographer that is registered for VAT

A photographer is VAT registered. The value of photographs sold is £1,000 plus VAT and the commission payable to school is 15% (plus VAT where appropriate). A total of £1,200 is received from parents.

In an Unofficial Fund (not registered for VAT):

- Pay £1,200 over to photographer.
- Receive commission cheque for £150 (15% commission on £1,000).
- Bank in the unofficial fund. £150 counts towards the unofficial fund registration limit.

Or:

- Commission is £150 (15% of £1,000)
- Pay £1,050 (£1,200 - £150) to the photographer
- £150 counts towards the unofficial fund registration limit.

In the Official Fund (agreeing to self billing):

- Pay £1,200 over to photographer.
- Receive commission cheque for £180 (15% of £1,000 = £150, plus 20% VAT = £30).
- Bank into the official fund, treating as standard rated income.

Or:

- Receive an invoice from the photographer for £1,020 (£1,200 less the £180 VAT inclusive self-billed commission element).
- Pay the invoice, treating the £180 deduction as standard rated income.

In the Official Fund (without agreeing to self billing):

- Pay £1,200 to photographer.
- Send £180 (£150 + £30 VAT) invoice to photographer for commission.

Or:

- Pay £1,020 to photographer (£1,200 less £180 VAT incl. commission)
- The £180 deduction must be treated as standard rated.
- The photographer may request a VAT receipt for the £180.

In each case, the overall result to the school is the same – they retain £150 (the VAT exclusive commission value).

Example 2 – photographer that is not registered for VAT

A photographer is not VAT registered. The value of photographs sold is £1,000 and the commission payable to school is 15% (which must include any VAT due). A total of £1,000 is received from parents.

In an Unofficial Fund (not registered for VAT)

- Pay £1,000 over to photographer.
- Receive commission cheque for £150 (15% of £1,000).
- Bank in the unofficial fund. £150 counts towards the unofficial fund registration limit.

Or:

- Commission is £150 (15% of £1,000)
- Pay £850 (£1,000 - £150) to the photographer
- £150 counts towards the unofficial fund registration limit.

Note that the self-billing options do not apply. The photographer cannot self-bill as they are not VAT registered.

In the Official Fund

- Pay £1,000 over to photographer.
- Send £150 (£125 + £25 VAT) invoice to photographer for commission.

Or:

- Pay £850 to the photographer (£1,000 less £150 VAT incl. commission)
- The £150 deduction must be treated as standard rated.

Note that using the unofficial fund, the school retains £150, whereas using the official fund they only retain £125. As there is nothing to stop the unofficial fund later donating the £150 raised to the official fund, this is a benefit to the use of an unofficial fund.

5.7 Lettings

5.7.1 General rules

Detailed information and a flowchart can be found in the [Land and Property](#) section. However, as a general rule:

- letting of a [sports facility](#) which the hirer uses for a sporting purpose – standard rated, unless:
 - the let is for a [continuous period in excess of 24 hours](#) – exempt
 - there is a [series of lets, that meets set conditions](#) – exempt
- lettings where the room is incidental to the facilities supplied (e.g. IT suite) – standard rated

- most other lettings – exempt

Example – sports facility:

A karate club hires the school **gym** (a room designed solely or primarily for sports use – not a general purpose hall) for one evening every week.

The club is run as a business. The gym contains some PE equipment, but this is not used by the club as they bring everything that they need with them.

This is a let of a sports facility for a sporting purpose. But they cannot meet the series of lets criteria due to the commercial nature of the club. The lets are subject to VAT.

The same club hires a large classroom, or a general purpose hall, on few evenings a term.

Although the let is still for a sporting purpose, so long as no sports equipment is being let with the room, it is not a letting of a sports facility, and so is exempt from VAT.

Example – let over 24 hours:

A football club hires sports pitches for a two day tournament with other local clubs during the school holidays. They have control over the use of the pitches throughout that period.

Although a sports facility is being let for a sporting purpose, the let is for a continuous period in excess of 24 hours, so the letting is exempt from VAT.

Examples – sporting purpose:

The school gym is let for a meeting. Although a sports facility is being let, it is not being let for a sporting purpose, and so is exempt from VAT.

They also have a dance studio which is let for a half-day badminton event. Even though the sport taking place is not that which the facility was designed for, it is still a sports facility let for a sporting purpose. As neither of the exceptions (series of lets / lets in excess of 24 hours) apply, the let is subject to VAT.

Example – series of lets:

A non-commercial hockey club hires the school's pitches for ten sessions, weekly excluding half-term. On the third session, the pitches are unplayable due to bad weather and the school does not charge for this session.

The series of lets exemption still applies to the remaining nine lets.

On the fifth session of the same series of lets, insufficient players are available to run the club. The club cancels and are not invoiced for the let.

The series of lets exemption is now broken, and all nine lets (i.e. excluding the session where the pitches were unplayable) will be subject to VAT. Had the club instead still paid for the fifth let rather than cancel it, exemption would have been maintained.

5.7.2 “Extras”

It is necessary to consider whether anything supplied is:

- incidental to the let – in which case it has the same VAT liability as the letting; or
- an independent supply – in which case it has the normal VAT liability for that item; or
- the main supply (with the let being incidental to it) – in which case the entire charge (let plus “extra”) has the normal VAT liability for that item

Example:

A school lets a number of their classrooms to a language school during the school holidays. The hirer can use the basic furniture (chairs, tables and boards) within the classroom, plus a nearby kitchen area. The use of furniture and kitchen area are seen as incidental to the classroom lettings, and the whole charge is exempt from VAT.

The hirer wants the school to provide lunches, and wants to make use of the school’s photocopier and fax machine (for which they will be charged an agreed amount per copy/fax). The additional charges for the lunches, photocopying and faxes are subject to VAT.

The school also lets its fully-equipped IT suite to the hirer, who is able to make use of the computer equipment. The fact that a room is being hired is incidental to the use of the computer equipment, and so the charge for the IT suite is subject to VAT.

5.7.3 Value of letting

Remember that no matter how you chose to calculate your charge, it is still a charge for the letting. You may set the value as a fixed charge, reimbursement of your costs or base it in some other way on the hirer’s use – but in each case it is still a charge for the letting.

Examples:

(a) The school hall is hired for an evening function. The hirer is not charged a “rent” as such, but are told that they must meet the cost of overtime paid to the caretaker, plus contribute an agreed amount towards

any extra heating / lighting costs. Charges for a supply of staff or utility costs would both normally be subject to VAT, but the real supply here is a letting of the hall which is exempt from VAT.

(b) The school's playground is let to the organisers of a car boot sale. It is agreed that the organisers will pay a percentage of the income that they collect from sellers and buyers to the school. Although it will not be known until after the event how much the organisers must pay, it is still payment for hire of the playground, which is exempt from VAT.

5.8 Breakfast Clubs, After-School Clubs, Pre-Schools and Nurseries

5.8.1 General

The VAT implications of Breakfast Clubs, After-School Clubs, Pre-Schools and Nurseries are similar, and will depend upon who they are run by. The following paragraphs detail VAT implications for common arrangements. Where arrangements differ to those set out below, please [contact the IBC Tax Team](#).

5.8.2 Where run through school “official” funds

The school will take bookings, and collect income from parents. This income is outside the scope of VAT. The school can reclaim VAT on any expenditure incurred in the normal way.

5.8.3 Where run by an external organisation

Normally, the external organisation hires premises from the school. They take bookings and collect income directly from parents (occasionally the school may do this for them, acting as their [agent](#)).

Any charge for this hire of premises is lettings income, and will normally be exempt from VAT. It does not matter how the value of the letting is determined. For example, it may for example include agreed percentages of the school's overhead costs, some of which the school may originally have been charged VAT on.

In addition to the letting, there may be some goods or services supplied to the external organisation. These should be subject to their normal VAT liabilities. For example, if equipment is bought specifically for their use, or staff are supplied to them, VAT will be due on these charges.

Charges for utilities will depend upon the basis of calculation. Where the exact usage cannot be determined and the organisation is charged an

agreed percentage of the school's total bills, the charge forms part of the calculation of the letting income and is exempt from VAT. However, where the areas used by the external organisation are separately metered and an exact recharge is made, that charge will be subject to VAT.

Occasionally, an external organisation has asked to fund works to the school premises – if this happens, please [contact the IBC Tax Team](#).

5.9 VAT Recovery at Voluntary Aided Schools

5.9.1 Background

HMRC, in consultation with the DfE, reviewed their guidance on VAT recovery at Voluntary Aided (VA) schools in March 2013. Whilst the general principles are unchanged, there has been some clarification on responsibilities for different types of expenditure. This section summarises the main points, and HMRC's full guidance document will be included by the DfE in their publication "Capital Funding For Voluntary Aided (VA) Schools in England - Blue Book Guidance" when it is next updated.

Although the County Council provides education within VA schools, it does not own the premises. This means that some types of expenditure within a VA school is the responsibility of the County Council, whilst others is the responsibility of the Governing Body. These responsibilities are set in law, but generally:

Governing Body Responsibility

- Premises-related capital expenditure (where in excess of £2,000)

County Council Responsibility

- Non premises-related capital expenditure
- Premises-related capital expenditure below £2,000
- All revenue expenditure

Note that:

- "premises-related" expenditure excludes playing fields, sports pitches and related buildings on such areas. It includes "fixed" furniture and equipment (e.g. lab benches connected to utility supplies, ICT cabling works), but excludes "loose" items (e.g. laptop computers).
- expenditure should not be artificially split to bring it below the £2,000 limit.

The ownership of funding is also important in determining the VAT position. Some funding sources belong to the County Council, whilst others belong to the Governing Body. When spent on County Council responsibility works, the school's delegated budget is regarded as being spent by the Governing Body acting as the agent of the County Council.

Finally, it is important to consider who actually enters into a contract for works to be undertaken.

5.9.2 Governing Body Responsibility Works

These are generally funded up to 90% by grant from the DCSF. The remainder must be found by the Governing Body. Where the Governors initiate work, the County Council is not able to reclaim any VAT charged.

Occasionally, the County Council may initiate such works, placing the order and paying for the work on an invoice addressed to it. The work is then given away without charge to the VA school. In these cases the County Council is still entitled to recover the VAT. However, if the Governors want to contribute funds towards such work, they must be charged VAT on their contribution, which they will be unable to recover.

VAT cannot be recovered where the school spends its delegated budget on governor responsibility works.

5.9.3 County Council Responsibility Works

The County Council can recover VAT as usual when initiating work which is its responsibility. If funds are donated/ contributed towards such works, then provided that the order is still placed by the County Council and an invoice received and paid by it, VAT can still be recovered. No VAT need be charged to the contributor, provided that they do not benefit from the works.

VAT can be recovered where the school spends its delegated budget on County Council responsibility works.

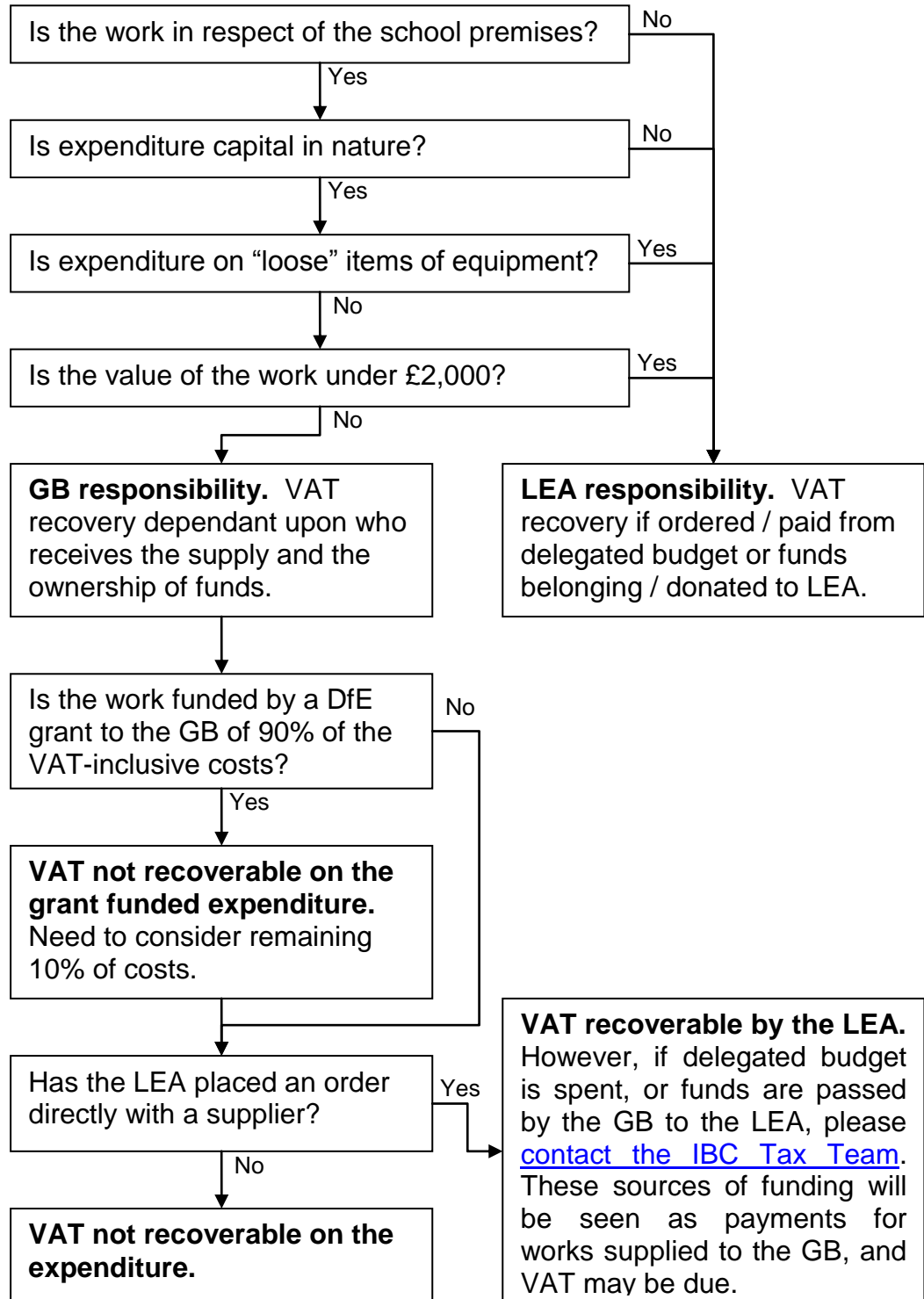
5.9.4 Zero Rating

There are some circumstances in which VA schools may not need to pay VAT on premises capital projects. Contractors can zero-rate the supply to the Governing Bodies of the construction of a new building at a VA school, provided that the Governors can certify that it will be put to at least 95% non-business use. In some cases it is difficult to know whether a completely new building is being constructed - particularly where there is some link with an existing building. Where such projects are being planned, please [contact the IBC Tax Team](#) at an early stage.

Note that zero rating is only available on supplies contracted for by the Governing Body. Where the supply is made to the County Council, works will be subject to VAT and certificates of eligibility for zero rating should not be completed.

5.9.5 Flowchart

The following flowchart should assist in determining whether VAT is recoverable in respect of specific items of expenditure. However, if you are at all unsure, please [contact the IBC Tax Team](#) for further advice.



5.10 Employment Status

5.10.1 General

Whenever an individual carries out work, it is necessary to determine their employment status. Detailed guidance on determining [employment status](#) is in section 3.7, but areas of particular relevance to schools are highlighted here.

5.10.2 Teaching/Workshops

Until 5 April 2012, the [deemed employment rules](#) for teachers / instructors had to be considered. These generally resulted in payment needing to be made via the casual payroll. If one of the exceptions were met, the other employment status checks in section 3.7 still had to be considered.

Since 6 April 2012, these regulations have not applied to teachers / instructors, and only the normal employment status checks in section 3.7 need to be considered. Particularly relevant factors are:

- Is the individual required to provide equipment or materials as part of their charge?
- Is the individual likely to need to spend their own time in advance of the paid sessions on lesson / workshop preparation?

5.10.3 After-school classes

If an after-school class (e.g. football, dance, etc.) is run by the school using an external tutor, the [employment status](#) of the tutor will need to be considered. This may result in them having to be paid via the payroll.

However, a school can let its facilities to a tutor, for the tutor to then provide a class directly to the pupils. Parents must be aware that the class is not provided by the tutor privately rather than by the school. Tutors will either collect fees directly from the parents or may enter into an arrangement with the school to collect them – either way, the tutor should bear the risk of any non-payment by parents. No payment other than the passing on of fees collected should be made by the school. In such cases, there are no tax/NI issues.

Where schools use Disadvantage Subsidy, Pupil Premium or similar funding to reduce the cost of specific places on a class, they will need to make a payment directly to the tutor. Provided that the payment is in respect of specific places and is only being made direct to short-cut the process of paying the parent and the parent paying the tutor, there will be no tax/NI implications and the tutor can still be treated as self-employed.

5.10.4 Employment Status Leaflet

A brief leaflet had been produced to explain what employment status is and why we need to determine it. This has been updated to reflect the repeal of the [deemed employment rules](#) for teaching and note the impact of [office holders](#). It can be downloaded and given either to staff engaging individuals and/or to the individuals themselves: <http://intranet.hants.gov.uk/employmentstatusnotes.doc>.

5.10.5 Clerk to the Governors

Payments to individuals for undertaking the role of Clerk to the Governors must be made via the payroll. This is because even if the individual is not already an employee, they are regarded as an [office holder](#).

5.11 Expenses and Benefits

Details of the tax implications of reimbursing expenses and providing benefits to members of staff are detailed in the [PAYE index](#).

Where in-house benefits are provided (e.g. discounted membership of a school gym), the benefit value is only the marginal cost of making the benefit available – i.e. the additional cost incurred through permitting staff use. In the case of the gym, if the staff membership only permits use when the facilities are also open to the public, marginal cost is minimal and would likely be covered by any discounted membership charged.

Note that where an employee makes a contribution towards the cost of a benefit, that contribution is payment for the benefit received, and so may be liable to VAT.

Non-pay benefits with Income Tax or National Insurance implications will need to be reported to HMRC via the P11D return. A schools circular is issued late January / early February each year requesting information for the return.

6 Tax Liability Schedules

6.1 About the Schedules

The VAT schedule replaces the Income and Expenditure Schedules of the former VAT Manual. VAT liabilities are no longer separated by service, as often items allocated to one service are also being relevant to others. The PAYE schedule replaces much of the Specific Areas section of the former PAYE Manual.

References and links are provided where appropriate to other guidance in this manual – including to the other schedule where it is possible that a transaction may have both VAT and PAYE implications. Some topics require more detail than can be provided within the structure of the schedules, and so have links to separate sections at the end.

The tax liabilities are given here as a guide. If the circumstances of your transaction don't exactly match any details given in this section, please [contact the IBC Tax Team](#). The schedules will be updated to reflect enquiries made.

6.2 VAT Liability Schedule

6.2.1 Using the VAT liability schedule

The schedule shows the VAT codes for the appropriate rates. The VAT codes for 20% standard rate (A9 and V9) and 5% reduced rate (A6 and V6) are used, codes for [previous VAT rates](#) are in section 2.6.2.

Generally, codes are provided for both income and expenditure. Where it is considered likely that an item will be income-only or expenditure-only, just the relevant tax code is provided.

6.2.2 Rules that override the liability schedule

The VAT liability of a transaction will vary from that in the schedule in the following circumstances:

- Any charges by one part of council to another (including schools' official funds) should be treated as outside the scope of VAT (income A7, expenditure V7). An exception to this is any charge for works to the fabric of the building of a Voluntary Aided School (as this is the responsibility of the Governing Body, and so is an external transaction).
- Any charges for minor supplies that form part of a main supply should follow the liability of the main supply. For example, the liability of light

refreshments at a training course that we provide would follow the liability of the course.

- Any charges by organisations not registered for VAT will be outside the scope of VAT (V7).

6.2.3 VAT Liability Index

A

Description	VAT Code		Notes
Accommodation			See: Land and property section or Hotel accommodation
Admission fees:			
• School productions	A0		
• to venues covered by the cultural exemption			
• otherwise	A9	V9	See: Culture section
Adult education:			
• course fees	A0		
• materials sold to students in connection with courses	A0		
Air fresheners	A9	V9	
Alcohol-free drinks	A9	V9	
Alcoholic drinks	A9	V9	
Allotments	A7		
Animals:			
• of a type normally for human consumption	A8	V8	
• other	A9	V9	
Animal feed	A8	V8	Except: Pet food
Audio books			
• sales to the blind	A8		
• charges made by libraries			
• other	A9	V9	See: Libraries

B

Description	VAT Code		Notes
Baking parchment	A9	V9	
Baking cases	A9	V9	
Balloons	A9	V9	
Bandages and plasters	A9	V9	
Barbeque:			
• site hire, with warden	A9	V9	See: Land and property section
• site only			
• equipment purchase / sale	A9	V9	
• charcoal	A6	V6	
Barge, hire of	A9	V9	
Batteries	A9	V9	
Beans and pulses	A8	V8	
Bed and breakfast			See: Hotel accommodation
Bees	A8	V8	
Beverages:			
• tea / coffee – catering (e.g. in a café)	A9	V9	
• tea / coffee – ingredients	A8	V8	
• other	A9	V9	
Bin liners	A9	V9	
Birth certificate	A7	V7	
Biscuits:			
• as part of supply of catering (e.g. in a café)	A9	V9	
• otherwise – chocolate coated	A9	V9	
• otherwise – plain	A8	V8	
Blue badge scheme:			
• charge for issue of badge	A7		See Car Parking in Land and property section
• charges to holders for parking			

Description	VAT Code		Notes
Boats – moorings / boatyard rents	A9	V9	
Books:			
• binding of	A9	V9	
• sale of	A8	V8	Except: Audio books
• library charges			See: Libraries
Bottled water	A9	V9	
Bread	A8	V8	Except catering - see: Food and catering section
Bread sticks	A8	V8	Except catering - see: Food and catering section
Breakages deposits	A7	V7	
Bubble bath	A9	V9	
Bus fares / season tickets		V8	

C

Description	VAT Code		Notes
Cakes:			
• as part of supply of catering (e.g. in a café)	A9	V9	
• otherwise	A8	V8	
Cake decorations:			
• Edible	A8	V8	
• Other	A9	V9	
Calculators	A9	V9	Except: Sales to pupils (section 5.1.5)
Calendars	A9	V9	
Cameras and accessories	A9	V9	
Candles	A9	V9	
Car parking:			See Car Parking in Land and property section

Description	VAT Code		Notes
Caravan pitches, seasonal hire	A9	V9	
Caretaker: <ul style="list-style-type: none"> • supply of staff • costs used to calculate charge for hire of facilities 	A9	V9	See: Land and property section
Carrier bags	A9	V9	
Carpet	A9	V9	
Cassettes, audio: <ul style="list-style-type: none"> • sale of • library charges 	A9	V9	See: Libraries
Catering: <ul style="list-style-type: none"> • income from sales • letting to concessionaires 			See: Food and catering section See: Land and property section
CDs: <ul style="list-style-type: none"> • sale of • library charges 	A9	V9	See: Libraries
Cereals	A8	V8	Except catering - see: Food and catering section
Certificates, issued by Registrars	A7		See: Registration Services
Charcoal	A6	V6	
Cheese	A8	V8	Except catering - see: Food and catering section
Cheese sauce mix	A8	V8	
Chocolate: <ul style="list-style-type: none"> • suitable for culinary use only • other 	A8 A9	V8 V9	
Christmas decorations	A9	V9	

Description	VAT Code		Notes
Cleaning products / materials	A9	V9	
Cleaning services	A9	V9	
Cling film	A9	V9	
Clocks	A9	V9	
Clothing and footwear			See: Clothing section
Coca cola	A9	V9	
Cocoa	A8	V8	
Coffee			
• as part of a supply of catering – e.g. in a café	A9	V9	
• ingredients – e.g. coffee granules	A8	V8	
Coleslaw	A8	V8	Except catering - see: Food and catering section
Commission:			
• from sale of public transport tickets	A8	V8	
• otherwise	A9	V9	
Compensation for damage to property	A7	V7	
Computers / software / games:			
• sale of	A9	V9	
• library charges			See: Libraries
Confectionery	A9	V9	
Contributions			
• contribution made to us towards our own costs (no other supply to the contributor)	A7		
• contribution made to other party towards their own costs (no other supply to us)		V7	
• supply made/received by contributor in return			See: Entry for goods or services supplied in return
Cooking oils	A8	V8	

Description	VAT Code		Notes
Cordials	A9	V9	
Costume hire			See: Clothing section
Courses			See: Training courses
Court fines		V7	
Crackers (Christmas)	A9	V9	
Crackers (edible)	A8	V8	Except catering - see: Food and catering section
Crèche <ul style="list-style-type: none"> • income from operation of by us • leased to third party 	A7		See: Land and property section
Crisps and other potato snacks	A9	V9	
Crockery	A9	V9	
Curatorial services	A9	V9	
Cutlery	A9	V9	
Cycle safety helmets	A8	V8	

D

Description	VAT Code		Notes
Damage to property, compensation for	A7	V7	
Death certificate	A7	V7	
Deposits: <ul style="list-style-type: none"> • initial part-payments • refundable 	A7	V7	See: Entry for goods or services to be supplied
Developer's contributions (under s278 Highways Act 1980)	A7		

Description	VAT Code		Notes
Diaries	A9	V9	
Diesel	A9	V9	
Directories:			
• printing or sale of	A8	V8	
• distribution of	A9	V9	
Dividends	A0	V0	
Donations	A7	V7	See: Donation, grants, voluntary contributions and sponsorship (Section 2.2.2)
Doughnuts:			
• as part of supply of catering (e.g. in a café)	A9	V9	
• otherwise	A8	V8	
DVDs:			
• sale of	A9	V9	
• library charges			See: Libraries

E

Description	VAT Code		Notes
Eggs	A8	V8	Except catering - see: Food and catering section
Electricity:			Climate change levy (CCL) cannot be reclaimed
• domestic / charities / low usage	A6	V6	Low usage means no more than 1,000kwh per month
• others	A9	V9	
Essences	A9	V9	
Exam fees		V0	
Exhibition, pitch hire			See: Land and property section

F

Description	VAT Code		Notes
Fabric	A9	V9	
Fabric softener	A9	V9	
Faxes, sending of private	A9		
Fines		V7	Where not a charge for a service
Fire alarms	A9	V9	
Fire certificates	A7	V7	
Fire reports	A7	V7	
Fire service college, secondments to:			
• trained fire personnel	A7		
• other supplies of staff	A9		
Fish (edible)	A8	V8	Except catering - see: Food and catering section
Fish (ornamental)	A9	V9	
Fish and chip takeaway	A9	V9	
Flour	A8	V8	
Flowers	A9	V9	
Fodder / feed, animal	A8	V8	
Food:			
• for human consumption			See: Entry for individual items, or Food and Catering section for general principles
• animal feed	A8	V8	Except: Pet Food
Footwear			See: Clothing section
Frozen deserts:			
• requires defrosting prior to consumption	A8	V8	Except catering - see: Food and catering section
• other	A9	V9	
Fruit:			
• fresh, tinned or frozen	A8	V8	Except catering - see: Food and catering section
• trees	A8	V8	
Fuel	A9	V9	

G

Description	VAT Code		Notes
Games, computer: <ul style="list-style-type: none"> • sale of • library charges 	A9	V9	See: Libraries
Gas: <ul style="list-style-type: none"> • domestic / charities / low usage • others 	A6	V6	Climate change levy (CCL) cannot be reclaimed Low usage means no more than 150 therms (4,397kwh) per month
	A9	V9	
Gift vouchers			See: Vouchers section
Government grants			See: Grants
Grants: <ul style="list-style-type: none"> • no goods or services supplied in return • otherwise 	A7	V7	Conditions may still specify how money is to be spent. See: Entry for goods/services supplied
Greeting cards	A9	V9	
Guides, printed	A8	V8	

H

Description	VAT Code		Notes
Hair conditioner	A9	V9	
Hair dryer	A9	V9	
Hair shampoo	A9	V9	
Hall hire			See: Land and property section
Harbour fees	A9	V9	
Heating oil: <ul style="list-style-type: none"> • domestic / charities / low usage • others 	A6	V6	Low usage means total deliveries no more than 2,000 litres per day
	A9	V9	

Description	VAT Code		Notes
Herbs and spices	A8	V8	
Home baking ingredients	A8	V8	
Hotel accommodation	A9	V9	VAT only applies to first 28 days of continuous stays

I

Description	VAT Code		Notes
Ice cream	A9	V9	
Ice lollies	A9	V9	
Incontinence products: <ul style="list-style-type: none"> • supplied direct to the individual • otherwise 	A8 A9	V9	
Insurance: <ul style="list-style-type: none"> • income from claim • premiums paid 	A7	V0	Insurance Premium Tax (IPT) charged can't be reclaimed
Interest received	A0		
Interviewee expense reimbursements		V7	VAT cannot be reclaimed as supply is not made to County Council
Investments: <ul style="list-style-type: none"> • interest • principal 	A0 A7	V0 V7	

J

Description	VAT Code		Notes
Jam	A8	V8	Except catering - see: Food and catering section
Jigsaws: <ul style="list-style-type: none"> • sale of • library charges 	A9	V9	See: Libraries

K

Description	VAT Code		Notes
Ketchup	A8	V8	Except catering - see: Food and catering section
Kitchens: <ul style="list-style-type: none"> • letting of • sale of food waste 	A8	V8	See: Land and property section

L

Description	VAT Code		Notes
Lamps	A9	V9	
Land and property			See: Land and property section
Leaflets: <ul style="list-style-type: none"> • printing of • distribution of 	A8 A9	V8 V9	
Legal fees: <ul style="list-style-type: none"> • charge for service supplied to external customer • recovery of our own costs as part of an agreement with a third party 	A9		Note: Charge is additional payment for the agreement
Lettings			See: Land and property section

Description	VAT Code		Notes
Libraries:			
• fines (lost, late, damaged, etc.)	A7		
• hire charges (except room hire)	A7		
• room hire			
• sale of withdrawn stock (printed books)	A8		
• sale of withdrawn stock (other items)	A9		
• provision of prison library service	A7		
Light bulbs	A9	V9	
Locker deposits, refundable	A7		Note: Refund of deposit should use same VAT code as initial deposit charge

M

Description	VAT Code		Notes
Magazines	A8	V8	
Maps:			
• posters / charts, etc.	A9	V9	
• other	A8	V8	
Marinades	A8	V8	
Marriage certificate	A7	V7	
Mayonnaise	A8	V8	Except catering - see: Food and catering section
Meat and fish, fresh, tinned or frozen	A8	V8	Except catering - see: Food and catering section
Meringues	A8	V8	Except catering - see: Food and catering section
Milk and milk drinks	A8	V8	Except catering - see: Food and catering section
Mobile phones			See: Telephones section
Moorings	A9	V9	
Musical instruments	A9	V9	Except: Sales to pupils (section 5.1.5)
Mustard	A8	V8	Except catering - see: Food and catering section

N

Description	VAT Code		Notes
Negatives, sale of	A9	V9	
Newspapers	A8	V8	
Nuts: <ul style="list-style-type: none"> unprocessed salted or roasted 	A8 A9	V8 V9	Except catering - see: Food and catering section

O

Description	VAT Code		Notes
Oil: <ul style="list-style-type: none"> cooking heating, domestic / charities / low usage heating, others 	A8 A6 A9	V8 V6 V9	Low usage means total deliveries no more than 2,000 litres per day

P

Description	VAT Code		Notes
Paint	A9	V9	
Pamphlets	A8	V8	
Paper: <ul style="list-style-type: none"> cups, plates and serviettes plain or specialist art gift-wrapping writing 	A9 A9 A9 A9	V9 V9 V9 V9	

Description	VAT Code		Notes
Pasta and pasta sauces	A8	V8	Except catering - see: Food and catering section
Pensions:			
• employee contributions	A7		
• refunds – previous service		V7	
• transfer values received	A7		
Pet food: canned, packaged or prepared / cat and dog biscuits	A9	V9	
Petrol, sale of	A9	V9	
Petroleum spirit licence	A7		
Photocopying, private	A9		
Photographs / photography:			
• photographs, sale of	A9	V9	
• photograph developing charge	A9	V9	
• services of a photographer	A9	V9	
• photographer commission, schools	A9	V9	
Picture frame / framing service	A9	V9	
Plants and seeds:			
• of a type used for or bearing food – e.g. vegetable seeds, fruit trees	A8	V8	
• otherwise	A9	V9	
Plasters and bandages	A9	V9	
Postage:			
• stamps, sold at face value	A0	V0	
• other, including contracted delivery services		V9	
Postcards	A9	V9	

Description	VAT Code		Notes
Potato crisps, sticks, puffs and similar	A9	V9	
Printing:-			
• books, newspapers, magazines, leaflets and similar items	A8	V8	
• other	A9	V9	
• private photocopying income	A9		
Prison library service provision	A7		See: Libraries
Programmes, printed:			
• where required to gain admission to an event			See: Admission fees
• otherwise	A8	V8	
Public transport			
• taxis	A9	V9	
• buses / trains / aeroplanes	A8	V8	
Publications:			
• fully printed	A8	V8	
• provided free in return for advertising			See: Barter Transactions (Section 2.2.3)

Q

Description	VAT Code		Notes
Quiche	A8	V8	Except catering - see: Food and catering section

R

Description	VAT Code		Notes
Radio masts			See: Land and property section
Rail fares / season tickets		V8	
Receivership fees, (estate admin)	A7		
Refreshments			See: Food and catering section
Registration fees, statutory (e.g. Poisons Act 1972, Explosives Acts 1875 and 1923)	A7		
Registration Services charges:			
<ul style="list-style-type: none"> • statutory - e.g.: <ul style="list-style-type: none"> ○ birth/death/marriage certificates ○ attendance at place of marriage ○ register building for worship/marriage ○ notice of marriage ○ registration of civil partnership ○ citizenship ceremony • celebratory service (e.g. naming/commitment ceremony) • civil funeral 	A7		
	A9		
	A0		
Rent:			
<ul style="list-style-type: none"> • residential accommodation • other 	A0	V0	See: Land and property section
Repairs (to County Councils property), recharge of costs to third party causing damage	A7		
Reptile translocation	A9	V9	
Reservation fees:			
<ul style="list-style-type: none"> • libraries • where reservation is a deposit 			See: Libraries See: Deposits
Rights of way, statutory fees	A7		

Description	VAT Code		Notes
Road safety courses			See: Training courses
Rooms, hire of			See: Land and property section
Rugs	A9	V9	
Rulers			See: Stationery

S

Description	VAT Code		Notes
Salad items	A8	V8	Except catering - see: Food and catering section
Salt:			
• edible	A8	V8	Except catering - see: Food and catering section
• other	A9	V9	
Sandwiches:			
• cold, take-away	A8	V8	
• other	A9	V9	
Sanitary protection	A6	V6	
School meals:			See: School catering (section 5.4)
• to pupils where supplied by school or a contractor acting as its agent	A7		Note: Overall catering provision in school “at or below cost”
• to staff or visitors	A9		Except: Items eligible for zero rating, see food and catering section
School photographer commission	A9	V9	
School uniform:			See: Clothing section
• sizes up to those allowed as children’s clothing	A8	V8	
• larger sizes – school only for under 14’s and items with prominent logo	A8	V8	
• larger sizes – other	A9	V9	
Section 278 agreements	A7		

Description	VAT Code		Notes
Seeds / plants:			
• of a type used to grow food – e.g. vegetable seeds, fruit trees	A8	V8	
• otherwise	A9	V9	
Shampoo	A9	V9	
Shoe polish	A9	V9	
Shoes			See: Clothing section
Shower gel	A9	V9	
Sign writing	A9	V9	
Soy sauce	A8	V8	
Sponsorship received:			
• from a company	A9		Normally this will generate publicity for the sponsor Provided that there are no related business benefits
• from an individual (e.g. friend/relative of a participant in a sponsored event)	A7		
Sporting rights	A9	V9	
Sports facilities, letting of			See: Land and property section
Staff, supply of secondment of	A9	V9	Except: to fire service college and teaching staff
Stain remover	A9	V9	
Stamping fees, under Weights & Measures Acts			See: Testing fees
Stamps, postage, sold at face value	A0	V0	
Staplers and staples	A9	V9	
Stationery	A9	V9	Except: Sales to pupils (section 5.1.5)
Statutory licences / fees	A7	V7	
String			See: Stationery
Sugar	A8	V8	
Surplus equipment, sale of	A9		
Sweeteners	A8	V8	

T

Description	VAT Code		Notes
Tables and tablecloths	A9	V9	
Taxis	A9	V9	
Tea: <ul style="list-style-type: none"> as part of a supply of catering – e.g. in a café ingredients – e.g. tea bags 	A9 A8	V9 V8	
Tea towels	A9	V9	
Telephones / telephone calls			See: Telephones section
Television licence		V7	
Testing fees: <ul style="list-style-type: none"> MOT test, carried out by an approved testing centre Weights and Measures Act 1985 	A7 A9	V7	Liability due to potential for private sector competition
Text books	A8	V8	
Thermos flasks	A9	V9	
Timber, sale of	A9	V9	
Tin foil	A9	V9	
Tissues	A9	V9	
Toilet rolls	A9	V9	
Toothbrushes and toothpaste	A9	V9	
Toys	A9	V9	Except: Libraries

Description	VAT Code		Notes
Train fares / season tickets		V8	
Training courses: <ul style="list-style-type: none"> • supplied by us to external organisations • supplied to us by other local authorities, colleges or universities • supplied to us by private organisations 	A0	V0 V9	See: Education section – re: eligible bodies
Trees, sale of: <ul style="list-style-type: none"> • fruit trees • other 	A8 A9	V8 V9	

U**V**

Description	VAT Code		Notes
Vegetables, fresh, tinned, frozen and seeds	A8	V8	Except catering - see: Food and catering section
Vehicles, private use of	A9		See: Vehicles section
Vending machine: <ul style="list-style-type: none"> • catering sales • other sales – other • site hire (income received from the operator) 	A9 A9	V9 V9	Except: Sales to pupils (section 5.1.5) See: Heading for item sold Note: May be fixed amount or proportion of sales
Videos	A9	V9	Except: Libraries
Vouchers			See: Vouchers section

W

Description	VAT Code		Notes
Washing powder	A9	V9	
Washing-up liquid	A9	V9	
Water: <ul style="list-style-type: none"> • bottled drinking water • distilled water • water rates (domestic) • water rates (industrial) 	A9	V9	
Wayleaves			See: Land and property section
Weighbridge testing unit, hire of	A9	V9	
Wool, sale of	A9	V9	
Wrapping paper	A9	V9	

X

Description	VAT Code		Notes
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Y

Description	VAT Code		Notes
Yoghurt: <ul style="list-style-type: none"> • frozen • other 	A9	V9	Except catering - see: Food and catering section
	A8	V8	

Z

Description	VAT Code		Notes
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6.3 PAYE Liability Index

6.3.1 Using the PAYE liability index

The index details the liabilities for:

- Income Tax (IT)
- National Insurance Contributions:
 - Employee's contributions (EE)
 - Employer's contributions (ER)

Any Income Tax / National Insurance Contributions due will be collected either:

- at source – being the time that there is entitlement to the payment (for IT) or it is paid (NIC); or
- via an adjustment to the tax code, after information has been provided to HMRC on the annual P11D report (P9D report for employees earning less than £8,500 p.a.).

The inclusion of an item in the index is not an indication that the County Council will provide such benefits / meet such costs.

6.3.2 Rules that override the index

In some circumstances there is no liability to Income Tax / NIC for employees that earn less than £8,500 p.a.. This list assumes earnings of at least £8,500. If this is not the case, please contact the [IBC Tax Team](#).

All employees have a [personal allowance](#) for income tax purposes, and NIC is only due where income exceeds certain thresholds – current [rates](#) and [thresholds](#) are in section 7.1.

Generally, the value of a taxable benefit is reduced by any payments made for it by the employee.

The value of “in-house” provided benefits is usually the marginal (or additional) cost incurred by the County Council in providing the benefit.

Example:

A member of staff is allowed discounted membership to a school-based gym that is also open to the public. The value of the benefit is not based on the normal membership fee charged to the public. It is based on any additional cost to the School arising from allowing the discounted membership that it would not otherwise have incurred. This may be quite minimal, and so easily covered by the discounted fee paid, leaving no benefit value.

Where the index refers to reimbursing employees, it means reimbursing actual costs – this will generally need to be supported by receipts/invoices, etc. Generally where a lump sum is paid irrespective of actual cost, it will be subject to Income Tax and NIC.

6.3.3 PAYE Liability Index

Description	Tax	NIC	How	Notes / Value for Tax and NIC
Accommodation				See: Land and Property section
Agency staff:				
• employed and paid directly by agency	No	No	-	
• employed and paid directly by council	Yes	Both	Source	Amount paid.
Assets:				
• cars / vans				See: Vehicles section
• living accommodation				See: Land and Property section
• other (where private use is permitted):	Yes	ER's	P11D	Given to employee: market value of asset when given *. Loaned to employee: 20% of market value when first loaned, plus any cost incurred in the year *.
• other (where no private use is permitted)	No	No	-	

* Strictly, the benefit value should cover both the business and private use, with the employee then able to claim a deduction for income tax relating to their business use. In practice, HMRC permit the benefit value to be apportioned between business and private use for tax purposes. Apportionment is not possible for NIC purposes – if any private use is made, employer's NIC is due on the full amount.

Description	Tax	NIC	How	Notes / Value for Tax and NIC
Cars				See: Vehicles section
Car Loans				See: Loans
Car Parking				See: Parking
Childcare vouchers (up to the limits set in the County Council's scheme)	No	No	-	Note that the limits changed for employees joining the scheme on/after 6 April 2011, so that the value of tax relief is the same for all tax rates
Clothing and uniforms				See: Clothing section
Computer equipment				See: Assets – "Other"
Ex-gratia payments				Depends on circumstances, contact IBC Tax Team
Eye tests, necessary glasses and lenses (where required under Health and Safety regulations)	No	No	-	
Fuel				See: Vehicles section
Gym membership				
<ul style="list-style-type: none"> discounted membership of in-house facility 	Yes	ER's	P11D	Marginal (additional) cost in providing discounted use. So if any discounted membership fee paid by employee covers the marginal costs, no benefit is reportable. Cost to the County Council of providing discounted use. If cost is met by gym operator, no benefit is reportable.
<ul style="list-style-type: none"> discounted membership of external gym 	Yes	ER's	P11D	
Honaria:				
<ul style="list-style-type: none"> paid to employee 	Yes	Both	Source	Amount paid But see Employment Status guidance
<ul style="list-style-type: none"> otherwise 	No	No	-	

Description	Tax	NIC	How	Notes / Value for Tax and NIC
I-Pads				See: Assets – “Other”
Laptop computers				See: Assets – “Other”
Living accommodation				See: Land and Property section
Loans				
<ul style="list-style-type: none"> where outstanding balance below £10k (£5k until 5 April 2014) throughout tax year 	No	No	-	
<ul style="list-style-type: none"> amounts written-off 	Yes	Yes	Source	Amount written-off
<ul style="list-style-type: none"> other 	Yes	No	P11D	Interest calculated at the HMRC official rate
Long service awards				
<ul style="list-style-type: none"> all following conditions met: not cash, service of at least 20 years, value of no more than £50 per year’s service, no similar award in last 10 years 	No	No	-	
<ul style="list-style-type: none"> other – cash 	Yes	Both	Source	Amount awarded
<ul style="list-style-type: none"> other – not cash 	Yes	ER’s	P11D	Value of award
Meals:				
<ul style="list-style-type: none"> in workplace canteen, available to all staff on site 	No	No	-	Note: Schools should also refer to guidance from EPS
<ul style="list-style-type: none"> other 				See: Refreshments section
Mobile phones				See: Telephones section

Description	Tax	NIC	How	Notes / Value for Tax and NIC
Parking				
• as part of business travel	No	No	-	
• at or near workplace	No	No	-	
• reimbursement of fines	Yes	Both	Source	Amount paid by employer.
• other (employer contracts and pays car park operator)	No	ER's	P11D	Amount paid by employer.
• other (employee contracts, employer pays operator)	No	Both	Source	Amount paid by employer.
• other (employer reimburses employee)	Yes	Both	Source	Amount reimbursed to employee.
Private use of assets				See: Assets
Refreshments				See: Refreshments section
Relocation / removals – reimbursement of actual costs under current scheme:				Note: Fuel benefit implications may mean that it is not worth leased car holders claiming travel assistance.
• first £8,000	No	No	-	
• over £8,000	Yes	ER's	P11D	Costs over £8,000
Subscriptions (work-related, reimbursed by the employer)	Yes	No	Source	However, where to an HMRC approved organisation, tax relief can be obtained by employee or dispensation sought by employer
Suggestion schemes				Depends on circumstances, contact IBC Tax Team
Telephones				See: Telephones section
Training, work related	No	No	-	
Travelling				See: Travel (section 3.8)
Uniforms				See: Clothing section
Vans				See: Vehicles section
Vouchers				See: Vouchers section

6.4 Clothing

6.4.1 General rules

Clothing will be subject to VAT unless it meets the criteria for one of two zero ratings:

- Children's clothing, up to [set sizes](#); or
- Certain items of [protective clothing](#).

The scope of these zero ratings is detailed in the following sections.

The provision of clothing by the County Council to staff, reimbursement for purchases made by staff and reimbursement of any cleaning / repair costs will have taxable benefit implications, except where the clothing is:

- Part of a formal or corporate [uniform](#); or
- [Protective clothing](#); or
- Kept at work – i.e. not available for private use.

The scope of these exceptions is detailed in the following sections. If the exceptions do not apply, the benefit is taxed as follows:

Circumstance	Tax	Value
Employer provides clothing, ownership remains with employer	Income Tax and National Insurance (employer's only) Reported on year end P11D	All years that clothing is provided: hire cost (if hired), 20% of purchase price otherwise*
Employer gives the clothing, ownership transfers to employee		Year clothing is given only: higher of purchase price or second hand value*
Employer reimburses the employee for non-durable clothing	Income Tax when reimbursed	The amount reimbursed
Employer reimburses the employee for durable clothing	Income Tax and National Insurance (employee's and employer's) when reimbursed	
Employer reimburses the employee for cleaning or repairing of clothing		

*the value of any taxable benefit is reduced by any contribution made by the employee.

6.4.2 Children's clothing and footwear

Items of children's clothing can be zero rated for VAT, provided they do not exceed the maximum sizes below:

Item		Boys		Girls	
Shirt	Chest	104 cm	41"	105 cm	41½"
Knitwear	Chest	104 cm	41"	105 cm	41½"
Jacket	Chest	109 cm	43"	110 cm	43½"
Coat	Chest	114 cm	44½"	115 cm	45"
Dress	Chest	-	-	98 cm	39½"
Trousers / Skirt	Waist	72 cm	28½"	71 cm	28"

In addition, schools that only have pupils under the age of 14 can zero rate the sale of any items that contain permanent, prominent logos or badges that identify them as part of the school's uniform, even where the sizes exceed those in the table above.

HMRC will accept that footwear is designed for young people when the following measurements are met:

Boys' shoes: up to and including UK size 6½.

Girls court shoes (that is a low cut shoe without straps or other fastenings): up to (and including) size 3.

Other girls shoes: up to (and including) size 3; and sizes 3½ to 5½ as long as the heel height doesn't exceed the sole depth by more than 4cms (approx. 1⅔ inches).

American and continental sizing equivalents

UK	American	Continental
Boys 6½	7 (unless 7½ is marked as equal to UK 6½)	40
Girls 3	4½	35½ (35 if no half sizes)
Girls 5½	7	38½ (38 if no half sizes)

6.4.3 Protective clothing

Protective helmets and boots can be zero rated provided that they comply to the relevant safety standards and are supplied to individuals or other suppliers (not to an employer for use by their employees).

The provision of protective clothing by an employer to its employees (e.g. lab coats, overalls) is not a taxable benefit.

6.4.4 Uniforms

For [school uniforms](#), please see section 6.4.2.

The provision of a formal or corporate uniform is not a taxable benefit provided that the items bear a prominent permanently attached logo.

6.5 Culture

6.5.1 General

Admission charges for museums, galleries, art exhibitions and zoos and theatrical, musical or choreographic performances of a cultural nature may qualify for exemption from VAT when supplied by public bodies or charitable/not-for-profit organisations, subject to a number of conditions.

6.5.2 Definitions

Museums, galleries, art exhibitions and zoos are based on the normal everyday meaning of the words, taking into account factors such as the nature of the collections, objects, artefacts, site and exhibits on show.

HMRC have however made it clear that botanical gardens and similar do not qualify for exemption.

In terms of theatrical, musical or choreographic performances of a cultural nature, HMRC's view is that each event has to be judged on its individual merits. Live performances of any form of stage play, dance or music will generally be accepted as cultural for the purposes of this exemption.

6.5.3 Conditions applicable to public bodies (including County Councils)

Exemption from VAT will not apply if either:

- it would be likely to distort competition to the disadvantage of commercial venues; or
- the venue is run as part of a joint-venture arrangement with anyone who was not eligible to treat the income as exempt.

There is a formal process that must be undertaken in order to demonstrate that distortion of competition would be unlikely to take place. Therefore, admission charges to sites where cultural exemption has not already been agreed should be treated as being subject to VAT. If you think that the exemption should apply to other sites that we operate, please [contact the IBC Tax Team](#).

6.5.4 Conditions applicable to charitable/not-for-profit organisations

Exemption from VAT will only apply where all three of the following conditions are met:

- it must be a non-profit making organisation,
- any profits made from exempt admission fees must be applied to “the continuance or improvement of the facilities made available”, and
- it must be managed and administered on an essentially voluntary basis, by people who have no direct or indirect financial interest in the activities of the body.

6.6 Education

6.6.1 General

The provision of free, statutory education is outside the scope of VAT. [Certain closely related supplies to school pupils](#) can also be treated as outside the scope of VAT – see section 5.1.5 onwards for details.

Supplies of charged-for education and some “closely related” supplies may qualify for exemption from VAT when supplied by or to the County Council or another [eligible body](#), subject to a number of conditions.

6.6.2 Eligible bodies

The following are eligible bodies for the purposes of the education exemption:

- Schools, within the meaning of the Education Acts,
- UK universities, and any college, institution, school or hall of such a university,
- Further and higher education institutions,
- Government departments, local authorities and similar bodies,
- Any other body which is precluded from distributing and does not distribute any profit it makes; and applies any profits made from supplies of a description within this Group to the continuance or improvement of such supplies,
- Any other body which provides the Teaching of English as a Foreign Language (TEFL). Note that these bodies are only eligible bodies in respect of their TEFL activities.

6.6.3 Scope of exemption

The following supplies are exempt from VAT:

- Education (where charged for) and vocational training supplied by an eligible body
- Closely related supplies (other than examination services):
 - made by the eligible body that is supplying the exempt education or vocational training; or
 - made to the eligible body that is supplying the exempt education or vocational training, by another eligible body, for the direct use of those receiving the exempt education or vocational training.
- Examination services (including setting and marking examinations, setting educational / training standards, making assessments and other services provided with a view to ensuring educational and training standards are maintained):
 - provided by or to an eligible body; or
 - provided to a person receiving exempt education or vocational training
- Vocational training (plus any essential goods and services) paid for from funds provided under the Employment and Training Acts
- Education and vocational training (plus any essential goods and services) paid for from funds provided by the YPLA
- Provision of facilities by:
 - a youth club/association of clubs to its members
 - an association of clubs to the members of its members

6.7 Food and Catering

6.7.1 Catering

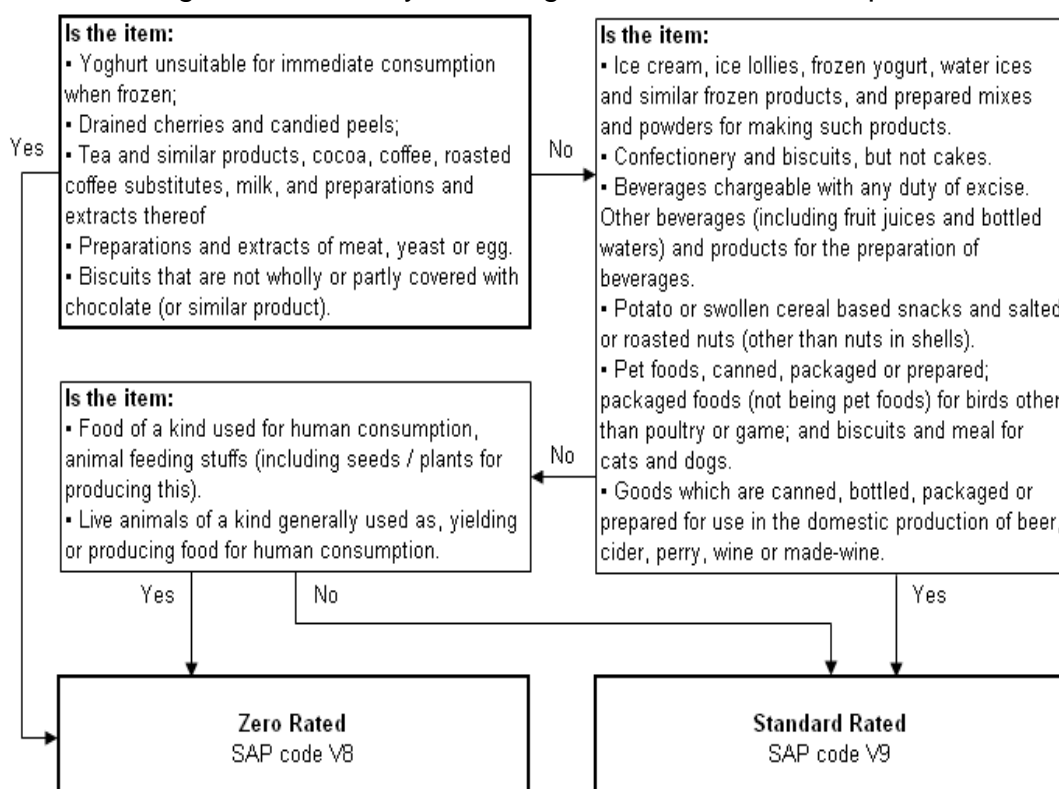
Catering is defined as prepared food or drink, and includes supplies from restaurants, cafeteria, canteens, etc, plus function catering and delivered ready to eat meals. Catering is usually standard rated – but there are exceptions:

- [school meals](#), sold to pupils either directly by the school or a contractor acting as their agent are usually outside the scope of VAT – see section 5.4. Adult meals are still subject to VAT.
- “meals on wheels” are outside the scope of VAT where delivered to council’s clients as part of an assessed package of care. Similar meals supplied to individuals on care/welfare grounds (but without formal assessment) are exempt from VAT. Supplied to other individuals, or to charities, are subject to VAT.
- Cold food sold “take-away” is not regarded as catering. Income will be standard rated or zero rated, depending on the item sold – see [Food and Drink](#).

6.7.2 Food and drink

Where food is sold hot, or for consumption in restaurants, cafeteria, canteens, etc., please see [Catering](#).

Other supplies of food or drink will either be zero rated or standard rated. The legislation covering the zero rating for food is complex, and so where possible individual food items will be added to the VAT liability index. When purchasing food from supermarkets, there is often a letter or symbol alongside the standard rated items to identify them. However, the flow chart below gives a summary of the legislation. Start in the top left box:



Please note – the above flow chart can only be used where it has been determined that the supply is not catering.

6.7.3 Refreshments provided to staff

The wording of the guidance in this section was agreed with HMRC in 2008, and is still applicable. If refreshments are to be provide to staff in circumstances other than those covered below, please [contact the IBC Tax Team](#) prior to any supply being made, in order to confirm that no taxable benefit will be generated.

In general, the provision of tea, coffee, juice, water and biscuits at any meetings are not deemed to constitute a benefit in kind.

Meetings – Non council attendee/s also present:

- Where an external attendee is present and the meeting extends over lunchtime no benefit will accrue on CC employees where an appropriate level of catering is provided on site or provided off site such as at a restaurant or public house.
- However, it would not normally be acceptable for employees to outnumber third party attendees.
- Attendance by staff for a meeting at another external organisation where food is provided is not a benefit.

Meetings - council staff only as attendees

- Food and drink provided during meetings held at local cafes/restaurants/public houses etc. involving only council employees represents a benefit in kind.
- Where an on site meeting extends over the lunch period and an appropriate level of catering is provided during the course of the meeting no benefit will accrue.
- Normally, if following a meeting held on council premises food is provided off site in a local restaurant or public house this will constitute a benefit. However, depending on the circumstances, if the expense can be covered by the normal expenses rules this may not be the case. Please [contact the IBC Tax Team](#) before any event to confirm no taxable benefit will occur.

Training

- Where a training course is arranged at conference centres or hotels etc. for council employees only and where food is provided during the course of the day at that location no benefit in kind will arise providing the reason for the event is work related.
- If a meeting is arranged at a local restaurant/public house etc that has a meeting room the reason for the meeting must be stated clearly so that if queried at a later date it is clear why the expense has been incurred and no retrospective benefit would accrue.
- Training undertaken at a site such as a school with food provided off site e.g. at a restaurant or public house may or may not constitute a benefit.

For example, if the meal is provided during the course of the training and everybody present is provided with a meal, then no benefit will arise. However, if the training has finished and the meal is provided afterwards then a benefit will arise unless the expense can be covered by the normal expenses rules - i.e. you are away from your normal place of employment.

In all cases where food has been provided full details of those present and who they represent must be given on claims for reimbursement.

6.7.4 Staff restaurants/cafeteria – taxable benefits

Subsidised staff restaurants / cafeteria do not create a taxable benefit for the staff using them, provided that they are available for use by all staff on site.

Schools should also refer to guidance produced by EPS (Education Personnel Services).

6.8 Land and Property

6.8.1 General VAT overview

The VAT law covering supplies of land and property is extremely complex. Any query that does not precisely fit the guidance in this manual should be referred to [the IBC Tax Team](#).

Many supplies of land and property are exempt from VAT. However there are a number of exceptions, the main ones are:

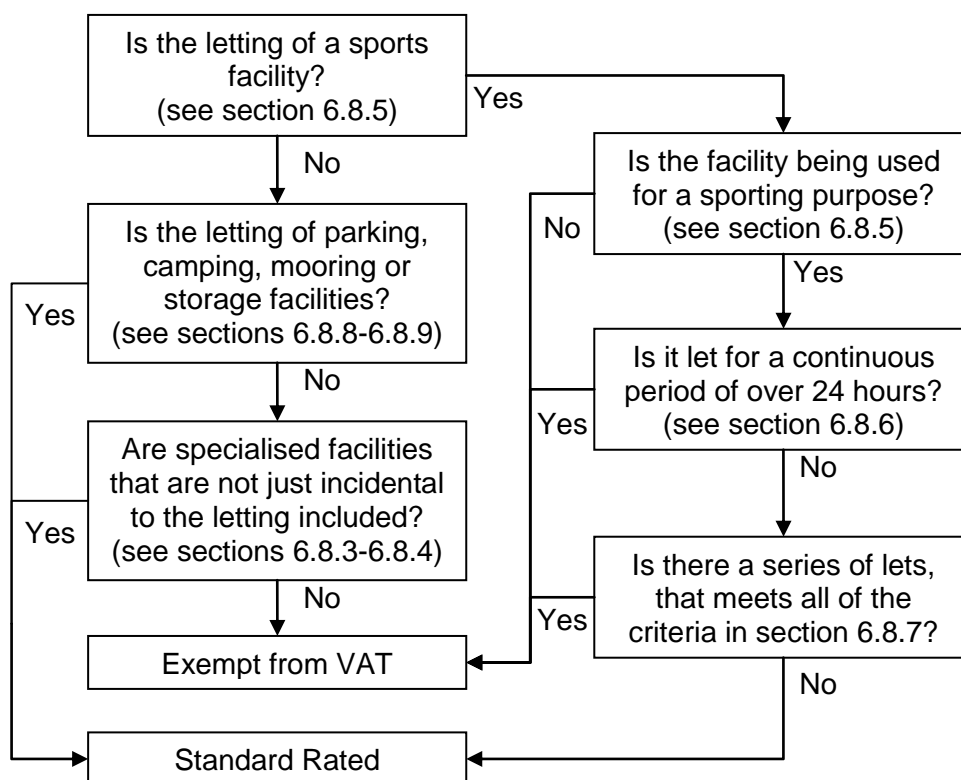
- [Licences to use land](#). Note that it is often difficult to distinguish between a licence to use land and a [licence to occupy land](#) – if in doubt, please [contact the IBC Tax Team](#)
- [Sports facilities](#) let for a sporting purpose
- [Car parking](#)
- [Mooring / storage of boats](#)
- [Freehold sale of a new commercial building](#)

Where the amount charged to the hirer is determined by the cost to us (e.g. caretakers overtime) the charge is still for the letting and should have the appropriate VAT liability from this section of the manual.

Some supplies of land and property that would normally be exempt from VAT can become standard rated under the [Option to Tax](#).

Special rules can apply where a new building put to charitable or residential use is [first sold or let](#).

The following simplified flowchart is provided to assist in determining the VAT liability of general lettings income – however it must be used in conjunction with the other guidance in this section.



6.8.2 Granting interests in or rights over land

Interests in or rights over land are generally exempt from VAT. Examples would include:

- the sale or grant of a lease of, a building
- the sale or grant of a lease of, land
- the grant to someone else of mineral rights over County Council land
- the grant to the owner of neighbouring land of a right over County Council land to make his property better and more convenient (such as the grant of a right to lay pipes or cables across the land)

6.8.3 Granting licences to occupy land

Licences to occupy land are generally exempt from VAT. Examples would include:

- letting land or buildings – for example the grant of a right to occupy a particular room or office (often expressed as creating a relationship of licensor and licensee) under terms that fall short of a formal lease or tenancy
- hiring a hall or other accommodation for meetings, conferences etc
- granting a catering concession, where the caterer is granted a licence to occupy specific kitchen and restaurant areas
- granting the use of a pitch in a market.

Sometimes, other services will be supplied to hirers of rooms. It is necessary to establish whether these services:

- are incidental to the hire of the room – e.g. use of furniture, heating, lighting, kitchen facilities, etc. Charge for these services will have the same VAT liability as the room hire.
- are separate to the hire of the room – e.g. car parking charges, or provision of a photocopying service. Charges for these services will have their normal VAT liability
- form the main part of the supply and it is the room letting that is incidental – e.g. the booking of tables for a meal in a restaurant. In such cases, the entire charge will have the same VAT liability of the services provided.

Some guidance on room hire provided to the library service, which may also assist others, has been included in section 7.6.1. However, if you are at all uncertain, please [contact the IBC Tax Team](#).

6.8.4 Granting licences to use land

Licences to use land are generally standard rated. Examples would include:

- allowing someone to enter a field to see the view
- grant admission to a cinema, show or sporting event
- grant permission to enter your land or premises to use specialised facilities
- supply storage / self-storage or safe custody facilities
- provision of a seasonal caravan pitch
- allowing someone to site a vending machine (this may be called rent, royalties or commission).

6.8.5 Sports facilities - general

The following guidance is intended to cover income from sports facilities let by the County Council / Schools. Charges made by Leisure Trusts to the County Council / Schools maybe subject to different rules.

The letting of sports facilities for a sporting purpose is standard rated, unless one of the following exemptions apply:

- [Continuous lets](#) in excess of 24 hours
- [Series of lets](#) (“block bookings”) - subject to a number of criteria

It’s important to note that the facility and the use do not even have to be for the same sport for the letting to be deemed standard rated. But if a sporting facility is hired for a non-sporting purpose, or an ordinary room is hired for a sporting purpose, the letting is exempt from VAT.

Sports’ facilities include swimming pools, tennis and squash courts, gymnasias, dance studios, cricket and football pitches and other specially

designed, adapted or equipped land or premises. Premises are sports' facilities if they are designed or adapted for playing any sport or taking part in physical recreation.

However, HMRC accept that the presence of floor markings in a general purpose hall will not constitute a sports facility. If a school's general purpose hall also contains sports equipment, it will only be regarded as a sports facility where the hirer is permitted use of that equipment.

6.8.6 Sports facilities exemption - continuous lets in excess of 24 hours

Where the facilities are provided for a continuous period of use exceeding 24 hours, the supply is exempt from VAT. An example might be where a sports facility that we own is operated by someone else.

6.8.7 Sports facilities exemption - series of lets ("block bookings")

A series of lets will be exempt from VAT where all of the conditions are met:

- The series of lets must be to either:
 - a school,
 - a club,
 - an association, or
 - an organisation representing affiliated clubs/constituent associations (e.g. a league).
- The series of lets must not be to a commercial organisation
- The series must be at least 10 lets booked in advance.
- Each let in the series must be for the same type of activity at the same location, although different pitches, courts, etc at the site are allowable.
- The interval between each let must be at least one day and no more than 14 days. The dates should be set at the time of booking. The 14 day interval cannot be extended to take account of school holidays.
- Payment must be made by reference to the whole series and this must be evidenced by a written agreement.
- Payment does not have to be made in advance, but all sessions must be paid for, regardless of whether the facility is actually used. The only exception to this is where the facility is unavailable due to unforeseeable circumstances. This includes adverse weather or vandalism, but excludes use for meetings, etc.
- The hirer has exclusive use of the facilities during the periods of hire.

If any of the criteria for the series of lets are not met, then the entire series becomes taxable.

It is up to the hirer to prove that they meet the first of the criteria above – so hirers should be requested to forward a copy of their articles /

memorandum of association or constitution, which should be kept with the appropriate booking forms. Hampshire County Council's schools should use Form HEF11(a), which is in an appendix to chapter 23 of the School's Finance Manual:

<http://intranet.hants.gov.uk/childrens-services/cs-staff/cs-units/efs/efs-publications/schoolfinancemanual/chapter23.htm> .

If the hirer only provides proof after the series of lets has started, it is still possible to backdate the exemption to cover the whole series, provided that:

- the series of lets meets all of the other criteria for exemption; and
- any document provided as proof of eligibility predates covers the full series of lets; and
- all lets have taken place, and all tax invoices issued, within the last four years

HMRC are currently reviewing their interpretation of what constitutes a club or association for these purposes and this manual will be amended once this has been completed.

6.8.8 Car parking

Charges for car parking and the supply of land for that purpose is usually standard rated. Exceptions are:

- Charges for on-street parking are outside the scope of VAT, as only a Local Authority can permit this.
- Excess Charge Notices (fines) for either on or off-street parking are also outside the scope of VAT.
- Where parking spaces supplied as part of a larger site and parking is incidental to the main use of the site, the VAT liability is based upon the main use.
- The freehold sale of a car park over three years old is exempt from VAT.

Charges for off-street car parking are subject to on-going litigation.

For the PAYE implications of allowing employee parking, see the PAYE schedule entry.

6.8.9 Mooring / storage

Charges for the mooring or storage of boats, and letting or sale of land for that purpose is usually standard rated. The exception is where it is supplied as part of a larger site and this is incidental to the main use of the site - in such cases the VAT liability is based upon the main use.

6.8.10 Freehold sale of a new commercial building

Freehold sales of commercial buildings that are less than three years old are normally subject to VAT, even without an [option to tax](#).

6.8.11 Option to tax

The option to tax standard rates supplies of land and property that would otherwise be exempt from VAT. The benefit to us of opting to tax is that it eases our [Partial Exemption](#) position, but does not increase the cost to the recipient of our supplies, provided that they are VAT registered and able to recover the VAT on their expenditure.

A disadvantage of opting to tax is inflexibility – once an option to tax has been made, it generally cannot be revoked for 20 years. There may be an increased cost to any tenants unable to recover VAT, which may in turn reduce the level of rent that we are able to charge. Also there are a number of circumstances in which an option to tax does not apply – these include where the properties are to be used for residential or charitable purposes.

HCC Properties currently (April 2014) subject to the option to tax are:

- the majority of property investments held by the Pension Fund
- Havant Academy
- Land at Portchester Community Centre
- Vertex House, Basingstoke
- Manydown Estate, Basingstoke

The option to tax only applies to the land and property exemption – i.e. those supplies that are exempted in this part of the manual. It doesn't affect any supplies exempted on any other grounds. For example, should an option to tax be exercised on a museum covered by the [cultural exemption](#), any room hire charges would become standard rated, but admission charges would remain exempt under the cultural exemption.

6.8.12 First grant of a major interest

Where a new building is constructed that is intended to be put to either no-business use by a charity, or residential use by anyone (but not as a holiday home), the constructor can zero-rate:

- construction charges; or
- their charge for the first grant of a major interest in it.

A major interest is defined as:

- a **sale** of the building – in which case the sale proceeds are zero rated; or

- granting a **lease of at least 21 years** – in which case the premium payment (or if there is no premium, the first rent payment) is zero rated.

This zero rating will not normally be affected if a number of minor interests (i.e. short term leases) have been made first.

Those claiming zero-rating must submit eligibility forms - [contact the IBC Tax Team](#). If we do not receive a completed and signed certificate, we must charge VAT.

Where we are the recipient of a supply and may be able to claim zero rating, please forward certificates to the [IBC Tax Team](#) for completion. It is important to note that if we claim a zero rating, and it is later found that we were not entitled to, we will incur interest and penalties.

6.8.13 PAYE – living accommodation

Generally, where an employee is provided with accommodation and charged a commercial rent, there is no taxable benefit to them.

If a reduced rent is charged, there may be a taxable benefit unless either of the following conditions can be satisfied:

- it is necessary for the proper performance of the employee's duties that he or she should reside in such accommodation; or
- the accommodation is provided for the better performance of the employee's duties and it is customary for employers to make such provision.

If neither condition can be met, the value of the taxable benefit is based on the accommodation's annual value, which is measured by reference to the property's rateable value (if this value is not available, the County Council will agree a value with the HMRC). If the property provided is being rented at market value, the annual value is the rental value plus (for any leases of under 10 years) any lease premium divided equally over the period of the lease.

If the cost of providing the accommodation exceeds £75,000, then an additional charge will be incurred based on the excess over £75,000 at the appropriate [official rate of interest](#) in force at the start of the tax year.

The taxable benefit value will then be reduced by the amount of contribution made by the employee towards the cost of the property.

Running costs met by the employer can also generate a tax charge. [Contact the IBC Tax Team](#) for details.

Any benefit value will also be subject to employer's National Insurance Contributions.

6.9 Telephones

6.9.1 Telephones

Telephone calls, line rental and any other telephone equipment are all subject to VAT at the standard rate.

The actual cost of business calls made from a member of staff's own phone can be reimbursed without deduction of Income Tax and National Insurance if itemised bills are provided. Rental charges or other costs cannot be reimbursed tax-free, and so must be paid through payroll.

6.9.2 Private use of County Council telephones

Private calls should be charged – the amount charged should at least cover:

- the cost of the call, plus
- a proportion of the line rental

Any charge for private calls will be subject to VAT at the standard rate.

6.9.3 Mobile phones

One mobile phone, where the contract is between us and the mobile network, may be provided to an employee without creating a taxable benefit. As with other telephones, charges should be made for any private use, which will be subject to VAT. Where more than one mobile phone is provided to the same employee, the second and subsequent phones are treated as assets for tax purposes.

“Top ups” for pay-as-you-go mobile phones are treated as [vouchers](#) for tax purposes.

Where an employee contracts for the mobile phone, any reimbursement by us of contract fees, etc. must be paid via the payroll and will be subject to Income Tax and National Insurance. Actual costs of business calls can be reimbursed tax-free only if they are supported by an itemised bill, and not covered by “free minutes” or similar offers.

6.9.4 Payphones

Income from payphones that we operate ourselves is subject to VAT at standard rate, as is any “site rental” income that we receive from payphone operators.

Where a business call is made from a payphone, VAT is recoverable even though we will not hold a VAT invoice.

6.10 Vehicles

6.10.1 VAT – Purchase / hire of vehicles

VAT can be recovered on the purchase of commercial vehicles.

VAT cannot usually be recovered on the purchase of cars. However, Customs may be prepared to permit the recovery of VAT on a case by case basis where we can be sure and able to prove that the vehicle will not be put to any private use. "Private use" includes home-to-work journeys by employees. Please [contact the IBC Tax Team](#) if you think this may apply.

When a car is leased, there is a 50% block on input tax recovery on the finance element of any charge, this is to cover potential private use of the vehicle.

6.10.2 VAT – Sale / letting of vehicles

The sale of commercial vehicles is standard rated. Where these are sold at auction, certain costs (which may contain VAT) may be deducted from the sale proceeds by the auctioneer.

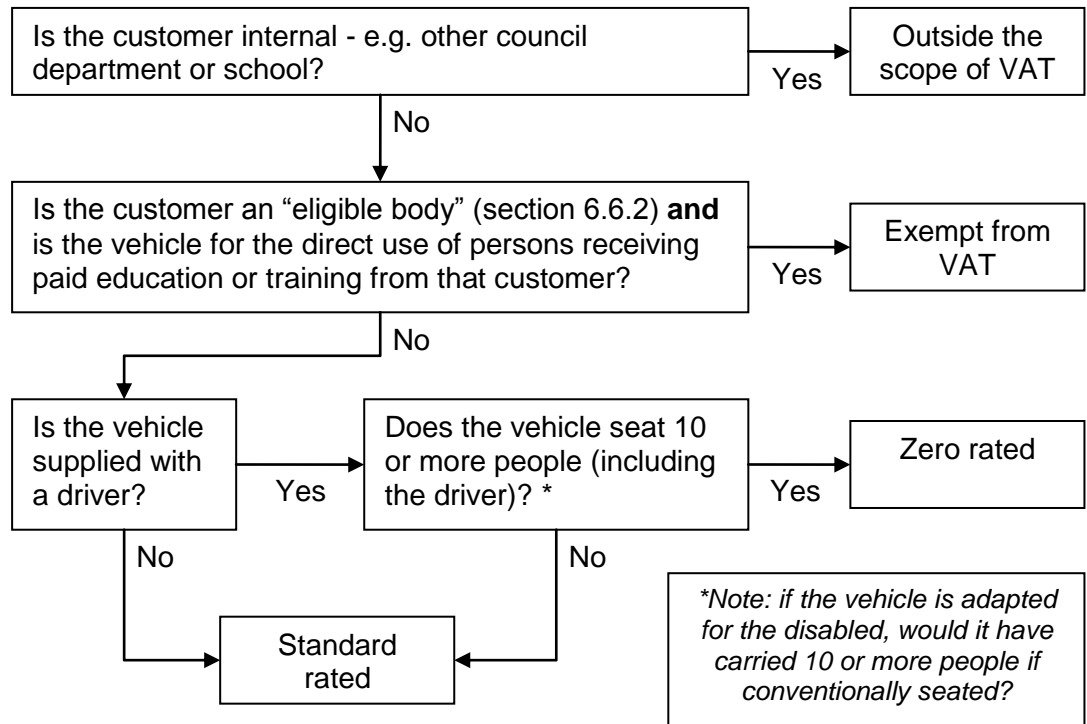
Example:

A second-hand van is sold at auction for £1,000 + 20% VAT (£1,200). The auctioneer deducts fees of 10% (£120), issuing a cheque for £1,080 and a self-billing invoice for the fees. The income should be processed as follows:

- £1,000 (net) with code A9, output VAT of £200 will be calculated, total is £1,200.
- -£100 (net) with code V9, input VAT of £20 will be calculated, total is -£120. This is supported by the self-billing invoice
- Balance is £1,200 - £120 = £1,080 – i.e. the value of the cheque received.

The sale of cars is standard rated where VAT was recovered on purchase, and exempt otherwise.

The liability of the letting of vehicles depends on a number of factors – please use the following flowchart:



6.10.3 VAT – Abandoned vehicles

Charges made for removal / return of abandoned vehicles are outside the scope of VAT.

6.10.4 PAYE – Car, van or asset?

Vehicles made available to employees will fall within one of three categories. It is important that the correct category is identified, as the calculation of benefit values differ.

A [car](#) is defined as a “mechanically propelled road vehicle” other than:

- a goods vehicle; or
- a vehicle not commonly used, and unsuitable to be used, as a private vehicle; or
- a motorcycle; or
- an invalid carriage

Note that, due to the second point above, emergency vehicles fitted with fixed flashing blue lights are not regarded as cars.

A [van](#) is defined as a “mechanically propelled road vehicle” that:

- is a goods vehicle; and
- has a design weight of no more than 3,500kg; and
- is not a motorcycle

Any other vehicle made available is to be treated in the same way as an [asset](#).

6.10.5 PAYE – Car “availability” benefit

Please note that this only applies to vehicles meeting HMRC’s definition of [car](#), as detailed in section 6.10.4.

The taxable benefit of the availability of a car is a percentage of its price.

The percentage is determined by the fuel type and vehicle emissions, and can be found using a calculator on HMRC’s website: <http://www.hmrc.gov.uk/calcs/cars.htm>. Until 2010/11, various reductions to percentages were available for cars running on alternative fuels. From 2011/12, this was simplified, and there are three categories – diesel, electric, and all others.

The price is defined as:

- its list price at the time it was first registered including delivery charges and number plates, plus
- the price of any accessories provided with the car (with the exception of car phones)
- the price of any other accessories (if in excess of £100) added to the car after it was first made available.

The price could change from one year to the next depending on whether more accessories are added in a later year. For this reason, the price may need to be reworked to calculate the benefit in any particular year.

The taxable benefit will only be reduced:

- by a proportionate amount if the car was incapable of being used at all for at least 30 consecutive days (but if a replacement car is to be provided, please [contact the IBC Tax Team](#)).
- by any payments by the employee towards the private use of the car (up to a maximum of £5,000). These payments must be in addition to any mileage payment intended to mitigate the fuel benefit charge.

Example:

Based on 2011/12, a diesel car with a “price” (see definition above) of £15,000 and an emissions rating of 188g/km. It will be unavailable for the whole of June and July, and the employee is paying £50 per month towards their private use during the remaining 10 months.

- The percentage to use found to be 30%
- Full car benefit is “price” x percentage = (15,000 x 30%) = £4,500.
- Car is unavailable for June and July (61 days), so reduce by (61/366) x 4,500 = £750
- Employee contributes 10 months at £50 per month = £500

- Reportable car benefit for year is $4,500 - 750 - 500 = \text{£}3,250$. The employee will pay income tax at the appropriate rate via an adjustment to their tax code.

Note that there will be an additional benefit if [fuel](#) is provided – see section 6.10.6.

Where a car is shared between two or more employees, the car benefit is split between them. But if a car is a ‘pool car’, there will be no tax charge on employees if all the following conditions are met:

- during the tax year the car must be available to and used by more than one employee by reason of their employment and must not normally be used by any one employee to the exclusion of others
- the car must not normally be kept overnight at or near the home of any of the employees to whom it is available
- must be used only incidentally, if at all, for private purposes by each of the employees to whom it is available.

HMRC accepts that incidental use may cover an exceptional case where an employee, who is required to undertake a long business journey, takes the pool car home the previous night in order to make an early start the next morning. However if you are uncertain, please [contact the IBC Tax Team](#).

There is no employee’s National Insurance liability for cars provided for private use. The same benefit figures as calculated for income tax will be used to calculate the amount of National Insurance payable by the employer.

6.10.6 PAYE – Car fuel benefit

Please note that this only applies to vehicles meeting HMRC’s definition of [car](#), as detailed in section 6.10.4.

In addition to any benefit of the car being made available, if any fuel is provided, there will be a taxable benefit. This is calculated as a [fixed amount](#) (as shown in section 7.1.12), multiplied by the same percentage as calculated for the car “availability” benefit.

The taxable benefit will only be reduced:

- by a proportionate amount if the car was incapable of being used at all for at least 30 consecutive days
- by a proportionate amount if the provision of fuel was withdrawn (and not reinstated)
- to zero if either:
 - the employee reimburses the employer for all private mileage at a rate not below [HMRC’s Advisory Fuel Rates](#) (the same reimbursements cannot also be used to reduce the [car “availability” benefit](#)); or

- the employer only makes fuel available for business use.

Where a car is shared between two or more employees, the car fuel benefit is split between them.

It is important to note that no account is taken of the actual number of private miles. An employee undertaking one private mile will suffer the same tax cost as one undertaking 1,000 private miles. Therefore there are occasions (e.g. relocation) where although the County Council allows private mileage to be claimed, it may not actually be in the employees interests to claim.

There is no employee's National Insurance liability for cars provided for private use. The same benefit figures as calculated for income tax will be used to calculate the amount of National Insurance payable by the employer.

6.10.7 PAYE – Van “availability” benefit

Please note that this only applies to vehicles meeting HMRC's definition of [van](#), as detailed in section 6.10.4.

For this benefit to apply, there must be actual private use of the van and that private use must be more than “insignificant”. In addition, no benefit will apply where:

- private use is restricted to home-to-work commuting; or
- the primary reason for the van being made available is the need for business use.

If you are uncertain whether van “availability” benefit applies in any specific case, please [contact the IBC Tax Team](#).

Where the benefit does apply, the benefit value is a fixed sum as listed in section 7.1.12. The taxable benefit will only be reduced:

- by a proportionate amount if the van was incapable of being used at all for at least 30 consecutive days (but if a replacement van is to be provided, please [contact the IBC Tax Team](#)).
- by any payments by the employee towards the private use of the van. These payments must be in addition to any mileage payment intended to mitigate the [fuel benefit charge](#).

Where a van is shared between two or more employees, the van benefit is split between them.

6.10.8 PAYE – Van fuel benefit

Please note that this only applies to vehicles meeting HMRC's definition of [van](#), as detailed in section 6.10.4.

In addition to any benefit of the van being made available, if any fuel is provided, there will be a taxable benefit, unless:

- there is no actual private use of the van beyond that which is “insignificant”; or
- private use is restricted to home-to-work commuting; or
- the primary reason for the van being made available is the need for business use.

If you are uncertain whether van fuel benefit applies in any specific case, please [contact the IBC Tax Team](#).

Where the benefit does apply, the benefit value is a fixed sum as listed in section 7.1.12.

The taxable benefit will only be reduced:

- by a proportionate amount if the van was incapable of being used at all for at least 30 consecutive days (but if a replacement van is to be provided, please [contact the IBC Tax Team](#)).
- by a proportionate amount if the provision of fuel was withdrawn (and not reinstated)
- to zero if the employee reimburses the employer for all private mileage at a rate not below [HMRC’s Advisory Fuel Rates](#) (the same reimbursements cannot also be used to reduce the [van “availability” benefit](#))

Where a van is shared between two or more employees, the van fuel benefit is split between them.

It is important to note that, once private use goes beyond “insignificant”, the benefit value takes no account of the actual number of private miles.

There is no employee’s National Insurance liability for vans provided for private use. The same benefit figures as calculated for income tax will be used to calculate the amount of National Insurance payable by the employer.

6.11 Vouchers

6.11.1 Background

There are a number types of vouchers and ways in which we can become involved in transactions using vouchers.

Vouchers includes “pay as you go” mobile phone top-ups.

6.11.2 **Single purpose or multi purpose?**

From 10 May 2012, it has been necessary to distinguish between single purpose and multi purpose vouchers.

A single purpose voucher is one that can only be exchanged for goods and/or services of a single VAT liability. Therefore, the VAT liability is known at the point that the voucher is issued. The issue of a single purpose voucher is therefore treated as a supply of the goods and/or services for which it can be redeemed. If those goods and/or services are subject to VAT, VAT must be declared when the voucher is issued.

A multi purpose voucher is one that can be exchanged for goods and/or services with differing VAT liabilities, and so the eventual VAT liability cannot be known at the time of issue. The following sections deal with the treatment of multi purpose vouchers.

6.11.3 **VAT – we sell multi purpose vouchers redeemable at our establishments**

These vouchers will have a “face value”. At the time that we sell them, nothing has been supplied by us, so that transaction is outside the scope of VAT. When the voucher is redeemed, it is simply a payment method (like cash or cheques) and VAT must be accounted for as normal on the items purchased.

Example – gift voucher valid at leisure attraction

£10 gift vouchers are sold, which can be redeemed against admission fees or gift shop purchases at County Council owned attractions.

A member of the public buys a voucher - the £10 that they pay is outside the scope of VAT, since nothing has been supplied to them by the County Council.

They give the voucher to a relative, who uses it to pay for admission fees. VAT must then be declared on the £10 (unless it is an attraction where admissions are exempt on cultural grounds).

6.11.4 **VAT – we buy multi purpose vouchers for our own use**

Generally where we buy vouchers for our own use, we cannot recover VAT at the time of purchase and should treat it as outside the scope. This is because the tax point is the time at which the voucher is redeemed. However in practice it may be impractical to recover VAT retrospectively at this point, particularly if the amounts involved are insignificant.

6.11.5 VAT – we buy and sell multi purpose vouchers as an intermediary

Where we buy vouchers to sell onto others, and we do not accept the vouchers for redemption ourselves, we can recover VAT on the purchase of the voucher, but must declare VAT at standard rate on its onward sale.

6.11.6 PAYE – general position

A distinction is made between “cash” and “non-cash” vouchers.

“Cash” vouchers are those that the holder can exchange for cash. The amount that they can be exchanged for must be subject to tax and both employee’s and employer’s National Insurance contributions (in the same way as salary/wages) at the time that they are given to the employee.

“Non-cash” vouchers are those which can only be exchanged for goods or services – for example gift vouchers. These are usually subject to tax as taxable benefits. Where the voucher is exchangeable for goods that HMRC deem can be “readily convertible” to cash, they will also be subject to employer’s National Insurance contributions.

6.11.7 PAYE – exceptions

The following exceptions are not subject to either tax or National Insurance contributions:

- Vouchers issued in connection with business expenses (e.g. a rail warrant to be exchanged for a ticket to travel to a meeting)
- Childcare vouchers – subject to the limits in the section below
- A one-off gift voucher to a volunteer, provided that all three of the following criteria are met:
 - they are not an employee, and the voucher could not be seen as reward for services,
 - there is no obligation on the County Council to give it, and
 - there is no expectation on the part of the volunteer that a voucher may be received

6.11.8 PAYE – childcare vouchers – limits

An employer can provide childcare vouchers to employees up to the following limits:

- Staff joining the scheme prior to 6 April 2011 - £55 per week
- Staff joining the scheme on or after 6 April 2011:
 - Basic rate (20%) taxpayers - £55 per week
 - Higher rate (40%) taxpayers - £28 per week
 - Additional rate (50%) taxpayers - £22 per week

The reductions mean that each rate would receive an approximately similar value of tax exemption.

7 Appendices

7.1 Rates, Thresholds and Allowances

Current and recent tax rates, thresholds and allowances are contained in this section. An archive containing earlier rates is held by IBC Tax Team

7.1.1 VAT rates

Current and recent previous VAT rates are shown in the table below. The zero rate has existed since the introduction of VAT (1 April 1973), and so is not shown below.

From	To	Standard	Reduced
04.01.11	Present	20%	5%
<i>01.01.10</i>	<i>03.01.11</i>	<i>17½%</i>	5%
<i>01.12.08</i>	<i>31.12.09</i>	<i>15%</i>	

7.1.2 VAT fractions

Fractions are sometimes used to calculate the VAT element of a VAT inclusive figure. An [example of how this can be done](#) is in section 2.4.2. The fractions can also be expressed as ratios.

VAT Rate	Fraction	Ratio		
		Net	VAT	Gross
20%	1/6	5	1	6
5%	1/21	20	1	21
<i>17½%</i>	<i>7/47</i>	<i>40</i>	<i>7</i>	<i>47</i>
<i>15%</i>	<i>3/23</i>	<i>20</i>	<i>3</i>	<i>23</i>

7.1.3 VAT registration thresholds

An organisation (including a school unofficial fund) must register for VAT when its taxable turnover either:

- Exceeds the VAT registration limit below over the past year; or
- Is expected to exceed the limit below in the next month alone

Taxable turnover is that income which would be liable to VAT (at standard, reduced or zero rate) if the organisation was registered for VAT.

The organisation can de-register for VAT when its taxable turnover falls below a de-registration limit. The difference in value reduces the risk of smaller organisations needing to regularly register and de-register.

From	To	Registration Threshold	Deregistration Threshold
01.04.14	31.03.15	£81,000	£79,000
01.04.15	-	£82,000	-

7.1.4 Income Tax Rates

Income tax is payable on earnings in excess of the Personal Allowance at the rates shown below (different rates apply for dividend income).

Rates	Basic		Higher		Additional	
2014/15	Up to £31,865	20%	£31,866 – £150,000	40%	Over £150,000	45%
<i>2013/14</i>	<i>Up to £32,010</i>	<i>20%</i>	<i>£32,011 - £150,000</i>	<i>40%</i>	<i>Over £150,000</i>	<i>45%</i>

7.1.5 Income Tax Personal Allowances

The personal allowance is the amount that an individual can earn tax-free. It forms the base of the calculation of the individual's tax code. Higher levels of personal allowance apply to those born prior to 6 April 1948 whose income does not exceed set limits.

Date of Birth	Personal Allowance			Income Limit	
	From 6/4/1948	6/4/1938– 5/4/1948	Up to 5/4/1938	From 6/4/1948	Up to 5/4/1948
2015/16	£10,600	£10,600	£10,660	£100,000	£27,700
2014/15	£10,000	£10,500	£10,660	£100,000	£27,000
<i>2013/14</i>	<i>£9,440</i>	<i>£10,500</i>	<i>£10,660</i>	<i>£100,000</i>	<i>£26,100</i>

Prior to 2013/14, allowances and limits were based on age at end of tax year, with the three ranges being “under 65”, “65 to 74” and “75+”.

Since 2010/11, personal allowances have been reduced by £1 for every £2 earned in excess of £100,000 p.a.

7.1.6 National Insurance Earnings Limits

There are a number of bands / limits which determine the calculation of NICs payable by the employer and deductible from employees pay:

- Lower Earnings Limit - LEL
- Earnings Thresholds*, Primary and Secondary – PET and SET
- Upper Accruals Point** – UAP
- Upper Earnings Limit – UEL

* Separate earnings thresholds are set for primary (employee's) and secondary (employer's) contributions from April 2011.

** The Upper Accrual Point was introduced from April 2009. It's effect is to limit rebates for those contracted out of the secondary state pension to the level of the 2008/09 UEL.

All bands/limits are based on the employee's total ([aggregated](#)) employments with the County Council:

Weekly	LEL	PET	SET	UAP	UEL
2014/15 Weekly	£111	£153		£770	£805
Monthly	£481	£663		£3,337	£3,488
Annual	£5,772	£7,956		£40,040	£41,860
2015/16 Weekly	£112	£155	£156	£770	£815
Monthly	£486	£672	£676	£3,337	£3,532
Annual	£5,668	£7,748	£7,696	£40,040	£41,444

7.1.7 National Insurance Contribution Rates

Contribution rates payable by employees and employers are shown in the tables below:

Employees' Contribution (Primary)	Not Contracted Out (NCO)					Contracted Out Rebate: Salary Related
	< LEL	LEL - PET	PET - UAP	UAP - UEL	> UEL	
2015/16	0%		12%		2%	-1.4%
2014/15	0%		12%		2%	-1.4%
2013/14	0%		12%		2%	-1.4%

Employers' Contribution (Secondary)	Not Contracted Out (NCO)					Contracted Out Rebate: Salary Related
	< LEL	LEL - SET	SET - UAP	UAP - UEL	> UEL	
2015/16	0%			13.8%		-3.4%
2014/15	0%			13.8%		-3.4%
2013/14	0%			13.8%		-3.4%

Contracted Out Rebates apply to earnings between the LEL and UAP where the employee has made separate pension arrangements and opted out of the State Secondary Pension. In the past, the level of rebate has depended on the type of pension scheme – however from April 2012, contracting out rebates for money purchase schemes were abolished. The Local Government Pension Scheme is “Salary Related”.

7.1.8 Mileage Allowances

The County Council's current mileage allowance rates paid to staff using either their own transport or leased cars can be found on council website. Travel claimed is subject to tax/NIC to the extent that it exceeds [HMRC Approved Mileage Allowance Payments](#).

7.1.9 HMRC Approved Mileage Allowance Payments (AMAP)

The following table shows the tax/NIC free limits for allowances for the business use of a member of staff's own transport. Employers are not obliged to pay these rates. Tax relief is available regardless of whether reimbursement of the travel can actually be claimed, since a "loss" on mileage allowance payments can be reported to HMRC. There is no similar mechanism for National Insurance.

	Cars and Vans			Motor-bike Tax / NIC	Bike Tax / NIC
	Tax		NIC		
	First 10,000 miles	Additional miles			
2011/12 - 2015/16	45p	25p	45p	24p	20p

HMRC allow the payment of a 5p per passenger allowance for other members of staff carried. From 2011/12, the 5p also applies to volunteers. Tax relief is only available on passenger payments actually made.

7.1.10 HMRC Advisory Fuel Rates (AFR)

HMRC publish Advisory Fuel Rates for various fuel types and engine sizes, which are accepted for a number of purposes. These are now routinely reviewed quarterly, and during the first month of each quarter, either the new or previous rate can be used.

Fuel Type / Engine Size	Petrol			Diesel			LPG		
	Up to 1400cc	1401-2000cc	Over 2000cc	Up to 1600cc	1601-2000cc	Over 2000cc	Up to 1400cc	1401-2000cc	Over 2000cc
From Jun 15	12p	14p	21p	10p	12p	14p	8p	9p	14p
<i>Mar 15 – may 15</i>	<i>11p</i>	<i>13p</i>	<i>20p</i>	<i>9p</i>	<i>11p</i>	<i>14p</i>	<i>8p</i>	<i>10p</i>	<i>14p</i>
<i>Dec 14 - Feb 15</i>	<i>13p</i>	<i>16p</i>	<i>23p</i>	<i>11p</i>	<i>13p</i>	<i>16p</i>	<i>9p</i>	<i>11p</i>	<i>16p</i>
<i>Sep14 – Nov 14</i>	14p	16p	24p	11p	13p	17p	9p	11p	16p
<i>Jun 14 – Aug 14</i>				12p	14p				17p
<i>Mar 14 – May 14</i>				12p	14p				17p

7.1.11 HMRC Official Rate of Interest (ORI)

This rate is used in the calculation of the values of certain benefits in kind. Some cases require an “actual rate”, others require an “average rate”:

Dates	Actual ORI	Year	Ave. ORI
6 Apr 15 – Present	3.00%	2015/16	t.b.c
6 Apr 14 – 5 Apr 15	3.25%	2014/15	3.25%
6 Apr 10 – 5 Apr 14	4.00%	2010/11 – 2013/14	4.00%

7.1.12 Car and Van Benefit

The calculation of [car “availability”](#) and [car fuel](#) benefits are explained in section 6.10.5 onwards. Benefit calculations require a percentage that is dependant on vehicle CO₂ emissions (g/km) and fuel type.

The percentage can be found using a calculator on HMRC’s website: <http://www.hmrc.gov.uk/calcs/cars.htm>.

[Car fuel](#) benefit uses a “fixed sum” set in legislation, to which the same percentages are applied. [Van availability](#) and [fuel](#) benefits are “fixed sums” also set in legislation. Current and previous values are as shown below:

	Car Fuel (percentage of)	Van Availability	Van Fuel
2015/16	£22,100	£3,150	£594
2014/15	£21,700	£3,090	£581*
2013/14	£21,100	£3,000*	£564*

* £0 if zero emissions. Benefit values for zero emission vans will be phased back in from 2015/16.

7.1.13 Intrastat thresholds

[Intrastat](#) is a system for reporting statistical information on EU trade. It is only required from the point where EU trade in the calendar year exceeds one of the thresholds. Reporting must then continue until either:

- a calendar year ends with neither threshold exceeded; or
- the threshold for the following year is increased such that it exceeds the EU trade for a year just ended.

Calendar Years	Acquisitions / Arrivals (Purchases / “Imports”)	Dispatches / Removals (Sales / “Exports”)
2015	£250,000	£1,500,000
2014	£250,000	£1,200,000
2013	£250,000	£600,000

7.2 VAT Error Correction Forms

From April 2014, VAT error correction forms are no longer required. Requests for VAT error corrections should be submitted by email to the IBC Tax Team. Please include:

- An explanation of the correction required
- Details of the codes (Cost Centre / GL / SIO) used for the transaction
- SAP document number of the transaction

Any relevant paperwork should be scanned and attached to the email.

7.3 Dispersations

7.3.1 General

HMRC have granted a number of [dispersations](#), to remain in effect until further notice. For more information on dispersations, please see section 3.5.1.

Note that the existence of a dispersation does not require the employer to reimburse any specific expense, it just determines the tax treatment that would apply should the employer make reimbursement.

7.3.2 Current Dispersations

Travel

Public transport costs necessarily incurred by employees travelling on council business, properly receipted where possible. Excludes: cost of home to place of work travel or normal commuting.

Car parking fees and road tolls incurred on business visits away from the normal place of work. Excludes: parking fines or call out fees.

Reimbursement of fuel for leased / council owned car users at no more than the Advisory Fuel Rates (AFRs). Note: if reimbursing fuel for private travel / commuting, fuel benefit must be declared on P11D.

Employees provided with a fuel cards, etc. for council provided cars must reimburses the council for all private mileage at not less than the AFRs.

Subsistence

Actual, reasonable, receipted cost of meals when employees working on council business more than 5 miles from their normal place of work. Excludes: any drinks other a drink taken to complement the main meal.

Accommodation

Hotel bills for accommodation, meals, business calls / faxes, conference room / equipment hire and any other business support services whilst away from home and normal workplace on council business.

Entertainment

Reimbursement of costs incurred entertaining suppliers or other business connections on genuine business occasions. Excludes: the entertaining of personal friends, family, and colleagues; and reciprocal entertaining between business acquaintances.

Telephone

Reimbursement of business calls on phone where employee is subscriber. Excludes: any contribution towards rental costs.

Credit Cards

Employee's cards - reimbursement of items relating solely to business related expenditure. Excludes: personal expenditure and card subscription charges.

Employer's cards - expenditure must be wholly business, with no private purchases allowed. If a private purchase is made, the cost must be reimbursed in full.

Protective Clothing / Uniforms

Provision and laundering (where applicable) of protective clothing and uniforms only worn at work and remaining Council property.

Eye Tests

Eye tests required by EC Health & Safety regulations, and glasses / lenses required for VDU use only. Excludes: the cost of extras, such as tints.

Subscriptions / Fees

Reimbursement of professional subscriptions / fees for specific organisations on HMRC approved list.

7.4 Self-Billing – Current Agreements

7.4.1 School photographers

Hampshire County Council [Self-billing](#) agreements with the following school photographers, covering the school year 2015/16, are held centrally.

- Cardwell & Simons, 15 Church Street, Shirley, Southampton
- Fraser Portraits, The Broadway, Broadstone
- Hallett Photography, Dene Close, Chilworth
- Pro Portraits, 100 West Heath Road, Farnborough
- H Tempest Ltd, Lelant, St Ives, Cornwall
- Yellow, The Old Stables, Peewit Hill Close, Bursledon

If schools want to enter into self-billing arrangements with any other photographers, please [inform the IBC Tax Team](#), in order that these records can be updated.

For information on the VAT treatment of [school photography](#) income, see section 5.6.

7.5 Obtaining VAT Invoices / Receipts

7.5.1 Specific suppliers' procedures

For more general information regarding invoices, please see section 2.7.

As noted in section 2.7.9, some suppliers do not automatically issue VAT documents, but have procedures for providing them on request. The list in this section provides details for specific suppliers where known. This information has been provided by various departments and establishments – if you are aware of any other suppliers' arrangements, please [inform the IBC Tax Team](#), so that this list can be expanded.

Amazon

The County Council's VAT registration number can be added to business Amazon accounts (must not be added to personal accounts). Doing so will ensure that VAT invoices are provided when goods are supplied by Amazon UK, and charges will be zero rated where possible when goods are supplied by Amazon from elsewhere in the EU. Note that it will not affect purchases from Marketplace suppliers – who may need to be contacted to determine whether VAT will be charged.

Instructions for adding the VAT registration number are at: www.amazon.co.uk/gp/help/customer/display.html?nodeId=502576. You

may be asked to provide a “legal business name/address” – if so, this should be:

Hampshire County Council, The Castle, Winchester, SO23 8UB”

or

Oxfordshire County Council, County Hall, New Road, OX1 1ND

Argos

VAT receipts for on-line purchases can be requested from customer services: https://argos.custhelp.com/app/answers/detail/a_id/22.

Asda

VAT receipts for on-line purchases can be obtained by emailing ID and order numbers to VATRequest@asda.co.uk

The Range

VAT receipts can be obtained by contacting (01752) 725572.

7.6 Further Guidance Notes

This section contains guidance notes that were provided to answer queries by specific services, but may also assist others. Please bear in mind that tax treatment can depend on the individual circumstances, so if you are at all uncertain, please contact the [IBC Tax Team](#).

7.6.1 VAT - Room Hire

The following guidance was provided to the library service in May 2014. It therefore only considers the type of facilities likely to be found in libraries. Full guidance on land/property transactions can be found in section 6.8.

Hire of empty rooms (not sports facilities) are exempt from VAT

If any of the following are supplied with room hire, the charge is still exempt:

- Furniture (tables, chairs, etc.).
- Heating / lighting.
- Flipcharts, notice boards and screens.
- Projectors and a single laptop/PC where necessary to use the projector.
- Use of kitchen facilities by the hirer.
- Teas/coffees (if included in basic hire charge).

However, the following would make the overall charge subject to VAT:

- Room contains computer equipment (beyond that in the section above), which the hirer will have the use of.
- Room contains children's play equipment, which the hirer will have the use of.
- Room is a sports facility, or contains sports equipment, and will be hired for playing sport (unless long-let or block-booking criteria are met, see the section 6.8.5 of the tax manual).

Separate charges that would be subject to VAT:

- Photocopying
- Car Parking
- Catering

7.6.2 Provision of computer equipment to employees - Tax implications

The following guidance was provided to schools and education centres in June 2014 in response to queries about whether computer equipment (including laptops, ipads and similar) loaned to employees are regarded by HMRC as a taxable benefit.

Provided that:

- ownership of the equipment remains with the school;
- the employee makes no payment to the school towards the equipment;
- the equipment is provided for business purposes only; and
- if, despite the point above, there is also some private use, that private use is insignificant

then loan of the equipment is not a taxable benefit to the employee.

In order to be able to evidence the third point above, it would be useful for there to be an agreement between the school and the employee documenting that the equipment is being provided for business purposes only.

If the above criteria are not fully met, there will be a taxable benefit to the employee, which must be reported on the annual P11D. The benefit value is calculated as:

- the higher of:
 - 20% of the equipment's market value at the time that it was first provided to the employee
 - any rental / hire charge paid by the school for the equipment;
- plus any running / maintenance costs met by the school during the year;
- less any amounts paid by the employee towards the equipment / costs

and the employee will incur an Income Tax cost (through an adjustment to their tax code) based on this value. The school will also incur an employer's National Insurance cost.

Any amounts paid by the employee towards the equipment or associated costs will be subject to the standard rate of VAT (20%).