

Essex County Council VAT Manual: Appendix A

Supplementary guide for ECC Maintained Schools

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1. Purpose of the guidance

The Essex County Council VAT Manual covers all the main VAT topics. This guide covers VAT principles that are specific to ECC maintained schools.

2. VAT Indicators Used by Essex County Council

Schools VAT Indicators

The VAT indicators in the VAT manual are the ones used to identify the different VAT liabilities of transactions. **These indicators may well be different from the VAT indicators currently set up on schools local accounting systems.**

Care should be taken that recoverable VAT indicators are created for public funds i.e. delegated budgets, and non-recoverable VAT indicators are set up for any private funds (which are not registered for VAT) when these are kept on the same accounting system.

It is recommended that, if at all possible, private funds are kept on completely separate accounting systems to avoid any confusion.

3. Foundation Schools and their VAT Position

The governing body of a foundation school is seen as acting as an agent of the LEA when spending funds channelled to it via the LEA. This means that VAT will normally be recoverable on purchases funded via their delegated budgets. VAT is also recoverable on purchases funded from donations and grants from other sources PROVIDED the conditions as specified in section 15 are fully complied with.

Normally funding for capital work is via the LEA and VAT is therefore recoverable.

The governing body of a foundation school is not regarded as an agent of the LEA in respect of:

- i) Income generated by the school itself which forms part of the school's private funds
- ii) Loans (with approval from the Secretary of State), which a governing body has taken out and repays using funds obtained from the LEA.

Any VAT incurred on purchases funded from these sources is not recoverable via the County Council.

VAT should be charged by foundation schools on all taxable sales made through County funds.

It is feasible that income generated from the school's private fund activities such as tuck shops, vending machines, and letting of buildings outside school hours could put the school above the VAT registration threshold, in which case the governing body, or headteacher (acting as an agent of the governors) may have to register for VAT. Further details regarding registration limits are given in section 14.

4. ECC Maintained Schools Monthly VAT Returns

In order that maintained schools can reclaim the VAT that they are entitled to on purchases made, and account for VAT on any income, they should send 'local' VAT returns, each month, to ECC Schools VAT Returns.

The amounts will be included in the Council's VAT return, which is then submitted to HMRC.

Special 'local' VAT returns have been created and have been sent out to schools. At the end of each monthly accounting period, VAT reports should be produced from the local accounting systems in accordance with the County Council's VAT timetable (last day of the month with returns due 5 working days after the closing date), see Appendix D.

The total VAT on purchases and income should be identified from the reports and the 'local' VAT returns, and together with full and summary VAT reports sent to ECC Schools VAT Returns.

The return should reach ECC Schools VAT Returns within one week of the end of the VAT accounting period. ECC Schools VAT Returns will then credit the schools account with the net amount. Where on occasion the output tax exceeds the input tax, resulting in a net payment, the amount will be netted off against the following month's reimbursement to the school.

Schools using other accounting systems may need to refer to their computer manuals in order to ascertain how to produce VAT reports from their systems at the end of the accounting period.

It is important that schools follow the accounting periods as laid out in the VAT timetable. If accounts are closed at an earlier or later date, they will omit VAT on sales, or claim VAT on purchases too early, which could result in interest and penalties being charged by HMRC.